ANNUAL REPORT 2008

CREATING VALUE

ARQUES
INDUSTRIES AG

KEY FIGURES

EURO MILLIONS	2004	2005	2006	2007	2008	%
Consolidated revenues	128.6	417.5	768.2	2,102.3	5,505.0	162
Earnings before interest, taxes, depreciation and amortization (EBITDA)	34.7	58.9	126.2	202.7	115.6	-43
Earnings before interest and taxes (EBIT)	31.0	46.1	100.2	140.5	-111.4	-
Consolidated net profit	34.4	47.8	112.6	114.6	-130.1	-
Free cash flow	n/a	15.5	36.4	-24.8	180.9	-
Earnings per share (diluted in EUR)	1.86	2.19	4.60	4.43	-4.93	-
Total assets	154.0	367.9	665.3	1,834.1	1,719.0	-6
Shareholders‘ equity	51.9	142.2	274.8	401.0	263.0	-34
Equity ratio (in %)	33.7	38.7	41.3	21.9	15.3	-
Workforce	1,000	2,568	4,645	12,319	13,455	9

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- The candies offered by van Netten include chocolate dragees, hard caramels, fruit gummis, chocolate-covered jelly fruits and confections.
- van Netten benefited from the strong demand for chocolate dragees in 2008, which boosted its revenues considerably.
- The confectionery manufacturer lowered its energy consumption and its CO_2 emissions by installing a new refrigeration plant and modernizing its measurement and control systems.

TO THE SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Fiscal 2008 was the year of the economic caesura. After years of strong global growth, the financial crisis triggered massive upheavals in the financial sector in the second half of the year, which finally led to the collapse of global credit markets and significant price losses on stock exchanges. This development has fully impacted the real economy since the fourth quarter - if not sooner. Since then, the global economy has slid into the deepest recession in over 60 years.

ARQUES Industries AG and its subsidiaries were and are severely impacted by these developments. This applies more for a company operating in the area of corporate restructuring than for companies in other industries, which is clearly reflected in this annual report. In particular in the second half of 2008, the economic weakness increasingly impacted the value of the portfolio companies.

As a reaction to the economic crisis, ARQUES Industries AG has been sustainably optimizing its structures since summer 2008. On the one hand, we have concentrated the investment portfolio, focusing on our strongest and most promising subsidiaries. As a consequence, however, impairments on the subsidiaries had to be recognized in the amount of EUR 133.7 million, which resulted in an after-tax loss of EUR -141.6 million; we deliberately accepted losses from the sale of subsidiaries not belonging to the core portfolio, because such sales also reduced critical risk positions in the Group. In addition to these measures, we have also initiated important measures to reduce costs, some of which have already been implemented. For example, by 2010 holding costs should be reduced by more than 50% compared to 2007. Furthermore, we also adjusted the work processes structurally to the new general conditions and, for instance, combined the Acquisition and Exit departments.

The market environment will continue to place special demands on ARQUES in 2009 and probably also into 2010. The top priority during this time will be the issue of liquidity and cash flow management. We are currently positioning our company and its balance sheet on a solid, financially viable foundation so that we are capable of meeting the foreseeable challenges. We continue to stand by our business model - the acquisition of companies at symbolic purchase prices without the assumption of liabilities and guarantees at the holding level while carefully considering the associated risks: We are confident that we will successfully expand our investment portfolio in fiscal 2009 and acquire promising companies. We will pay close attention not to repeat the mistakes of the recent past and execute acquisitions that are associated with a high degree of risk at the holding level. In the years since its formation in 2003 until fiscal 2007, ARQUES proved that the Group has a viable, sustainably profitable business model at its disposal. We intend to get back to those roots.

The past fiscal year was not easy for any of us. We are anything but satisfied with the development of our share price and the operational business in 2008. We will do everything necessary to get ARQUES back on track in 2009, return the company to sustainable profitability, and increase the value of the business.

We would be pleased for you to accompany us on this journey and continue to place your trust as shareholders and business partners in us in 2009 and beyond. We would like to take this opportunity to express our special thanks to our employees for the work they accomplished in fiscal 2008 as well as their high level of dedication.

Sincerely

The Executive Board of ARQUES Industries AG

Hans Gisbert Ulmke | Felix Frohn-Bernau | Bernd Schell

Hans Gisbert Ulmke

Executive Board, Finance

Hans Gisbert Ulmke studied Economics and Linguistics at the University of Manchester. He completed training as a banker and on loans at Dresdner Bank AG and worked for a number of years in the International Division in the People's Republic of China and Hong Kong, among other places. From 1981 to 1997, Mr. Ulmke worked in various industrial enterprises, including in the areas of financial controlling, capital market, treasury, taxes, and investor relations.

From 1997 to 2000, he was the fully authorized representative of Finance/Investor Relations at VIAG AG, Munich, and the fully authorized representative of Finances at E.ON AG, Düsseldorf from 2000 to 2005. From 2005 to 2008, he was responsible as the Managing Director of E.ON Sales & Trading GmbH, Munich.

Hans Gisbert Ulmke has been the Managing Director of Finance of ARQUES Industries AG since February 2009, responsible for the areas of Finance, Accounting, Personnel, Investor Relations, and Press.

Felix Frohn-Bernau

Executive Board, Mergers & Acquisitions

After studying law in Cologne, Munich, and Madrid, Felix Frohn-Bernau initially worked as a lawyer in large German and Spanish law firms in the areas of M&A and Business Law. Afterwards, he was co-founder, CEO, and later a member of the Supervisory Board of dooyoo AG, a start-up with 180 employees in five countries that was finally sold in 2008. He then worked for Bayerische Landesbank as an advisor in London on a project in the area of sports and media.

He has worked for ARQUES since 2003 – initially as the general manager of an equity investment. Additionally, he was in charge of the acquisition of more than ten companies. Since March 2007, he has been responsible for the Exit Division and for the sale of restructured subsidiaries.

Bernd Schell

Executive Board, Operations

Bernd Schell studied Business Administration at the European Business School, Oestrich-Winkel, and subsequently completed an MBA degree at the American Graduate School of International Management in Glendale, Arizona. Afterwards, he worked in various companies in the areas of marketing & sales and business development in managing positions. Finally, he was a business consultant at Boston Consulting Group, focusing on the areas of consumer products and media.

Bernd Schell has worked for ARQUES Industries AG since the beginning of 2004 and restructured the baby stroller manufacturer teutonia and the camping and outdoor specialist Fritz Berger as the manager in charge. He has been responsible for Operations as a member of ARQUES Industries AG's Executive Board since January, 2008.

REPORT OF THE SUPERVISORY BOARD

In many ways, 2008 was a turbulent and difficult year for the company, which was intensively supported by the Supervisory Board; this can be seen in numerous lengthy meetings and resolutions.

In 2008, the Supervisory Board performed all duties required of it in accordance with applicable laws and the Articles of Incorporation while monitoring and advising the Executive Board in its work. In particular, it monitored the further strategic development of the company, as well as individual measures of importance. The Executive Board provided regular comprehensive reports to the Supervisory Board in due course regarding all issues related to the development of the company, the course of business and the performance of the Group, planned sales of subsidiaries or their separate business units, the company's risk position and risk management, as well as the development of the budget.

Activities of the Supervisory Board

At its meetings, the Supervisory Board received regular and comprehensive briefings on the situation of the company, especially its business development and cash flows, acquisition projects, planned sales of subsidiaries or parts thereof, personnel development and fundamental questions of business policy and strategy.

It discussed and thoroughly examined the quarterly reports of the Executive Board on fundamental questions regarding corporate planning (especially finance, investment, and personnel planning) as well as transactions of potentially significant importance for the profitability or liquidity of the company.

At its meetings, the Supervisory Board questioned the management about the reports submitted to it, in particular on current developments, current acquisition and sales projects and pending decisions, and discussed them in detail. It granted all necessary approvals following an in-depth examination of the documents submitted by the Executive Board.

In addition, the Chairman of the Supervisory Board also met regularly with the Executive Board to question the management on current developments, thoroughly discuss pending decisions, and prepare the resolutions of the Supervisory Board.

Meetings and resolutions of the Supervisory Board in 2008

The Supervisory Board held a total of 15 meetings in fiscal year 2008, which included the members of the Executive Board, unless the agenda included matters regarding the Executive Board. In addition, the Supervisory Board adopted written resolutions in a total of five circular ballots. The Supervisory Board's Audit Committee met five times and received reports from the independent auditor.

The independent auditor also attended the balance sheet meeting on the annual financial statements for fiscal year 2008 on April 29, 2009.

At its meetings, the Supervisory Board discussed the reports of the Executive Board in detail, including the business development of the subsidiaries.

It observed the ongoing development of business and the implementation of the company's strategy in 2008 as intensely as the company's further strategic development, above all in light of the financial market crisis. Special attention was given to the company's liquidity situation, as well as the type and scope of contingent liabilities.

Corporate Governance

The Supervisory Board regularly addresses the application and further development of the binding standards of good and responsible corporate governance. In March 2008, the Executive Board and Supervisory Board issued an updated Statement of Compliance in accordance with Section 161 AktG (German Stock Corporations Act) and made it permanently available to the shareholders at the company's website.

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board obtained a statement by the auditor, in which the auditor outlined any professional, financial, or other relationships between the auditor and the company that could possibly cast doubt on the auditor's independence (Independence Statement). The statement also covered the extent of other consulting services that were provided to the company in the past fiscal year.

Personnel matters of the Executive Board

The personnel matters of the Executive Board were the subject of particular deliberations. During the Supervisory Board meeting held on February 2, 2009, Dr. Schumann's appointment to the Executive Board of ARQUES Industries AG (Chairman of the Executive Board) was unanimously ended effective on February 28, 2009. Hans Gisbert Ulmke was appointed Financial Director until January 31, 2012, in this meeting.

Personnel matters of the Supervisory Board

The following individuals were members of the Supervisory Board in the reporting period:

- Dr. jur. Rudolf Falter
- Dr. jur. Gerhard Fischer,
- Prof. Dr. jur. Michael Judis,
- Franz Graf von Meran.
- Dr. rer. pol. Georg Obermeier, Chairman
- Bernhard Riedel, Vice Chairman

And as an alternate member in the event that one of the aforementioned Supervisory Board members steps down:

- Othmar Freiherr von Diemar

In every case, the appointment was for a period lasting until the end of the annual shareholders' meeting which passes the resolution approving their actions for the first fiscal year following the beginning of their term. The fiscal year in which their term of office begins (2007) is not counted for this purpose.

Members of the Supervisory Board's Audit Committee include Dr. Georg Obermeier, Dr. Rudolf Falter, and Franz Graf von Meran.

Review of the annual financial statements

The parent company's separate financial statements and the consolidated financial statements of the Group at December 31, 2008, as well as the combined management report and the accounting records, were audited by the elected independent auditor PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, and provided with an unqualified audit opinion. All financial statement documents and audit reports were submitted to all members of the Supervisory Board in due course ahead of the Supervisory Board's balance sheet meeting. These documents were carefully reviewed by the Supervisory Board. At the meetings held on November 27, 2008, and December 22, 2008, the Audit Committee questioned the independent auditor about the principal aspects of the audit activities and about specific findings of the audit; at the meetings held on April 29, 2009, the Audit Committee discussed the annual financial statements in detail and questioned the auditor, who also attended this meeting.

The Audit Committee submitted a detailed report to the Supervisory Board during the meeting held on April 29, 2009. The Supervisory Board took this opportunity to ask further questions of the auditor, who was also present at the meeting. It concurred with the auditor's findings and raised no objections based on the findings of its own review. The Supervisory Board approved the parent company's separate financial statements and the consolidated financial statements of the Group by way of a resolution, and raised no objections to the combined management report. The parent company's separate financial statements were thereby adopted.

Furthermore, the Executive Board's recommendation on the utilization of the unappropriated net profit was reviewed during the meeting held on April 29, 2009. The Supervisory Board concurs with the Executive Board's recommendation.

Explanatory notes to the Management Report

Regarding the explanatory notes to the management report in accordance with Section 171 AktG, the Supervisory Board makes reference to the disclosures in the Management Report in accordance with Sections 289 (4) and 315 (4) HGB. Information regarding the company's subscribed capital, the provisions relevant to the appointment and dismissal of Executive Board members, amendments to the Articles of Incorporation, and the authority of the Executive Board to issue or buy back company shares can be found in the combined management report.

Starnberg, April 2009

On behalf of the Supervisory Board

Dr. Georg Obermeier

Chairman

THE SUPERVISORY BOARD

The following individuals were members of the Supervisory Board in 2008:

Dipl.-Kfm. Dr. rer. pol. Georg Obermeier,

managing shareholder of Obermeier Consult GmbH, Munich, Chairman of the Supervisory Board

Member of other supervisory boards:

- Member of the Board of Directors of Kühne & Nagel International AG, Schindellegi, Switzerland
- Member of the Supervisory Board of Billfinger Berger Industrial Services AG, Munich
- Member of the Supervisory Board of Energie-Control GmbH Österreichische Regulierungsbehörde für Strom & Gas, Vienna, Austria
- Member of the Regional Advisory Committee South of Deutsche Bank, Munich

Bernhard Riedel,

Lawyer, Munich
Vice Chairman of the Supervisory Board

Member of other supervisory boards:

none

Prof. Dr. jur. Michael Judis,

Executive Board member of Open Pictures AG and lawyer, Munich

Member of other supervisory boards:

none

Dipl.-Kfm. Dr. jur. Rudolf Falter,

Lawyer, tax consultant, Munich

Member of other supervisory boards:

- Member of the Supervisory Board of WTS Management Services AG, Grünwald

Dr. jur. Gerhard Fischer,

Lawyer, Munich

Member of other supervisory boards:

- Chairman of the Supervisory Board of Demos Wohnbau Beteiligungsgesellschaft AG, Seeshaupt
- Chairman of the Supervisory Board of CREDITREFORM Nürnberg Aumüller KG, Nuremberg

Franz Graf von Meran,

business man and banker, retired, Munich

Member of other supervisory boards:

- Member of the Supervisory Board of Continentale Krankenversicherung a.G., Dortmund
- Member of the Supervisory Board of Continentale Lebensversicherung a.G., Munich
- Member of the Supervisory Board of Continentale Sach-Versicherung AG, Dortmund
- Member of the Supervisory Board of Deutsche Malteser gGmbH, Cologne
- Chairman of the Advisory Board of Langenscheidt KG, Munich
- Member of the Advisory Board of Graf v. Schaesberg BeteiligungsKG, Wegberg
- Member of the Advisory Board of Graf v. Schaesberg Vermögensverwaltungs-KG, Wegberg
- Member of the Advisory Board of Graf v. Schaesberg Forstwirtschaft KG, Wegberg

Alternate member in the event that one of the aforementioned Supervisory Board members steps down:

Dipl.-Kfm. Othmar Freiherr von Diemar,

managing owner of Othmar von Diemar Vermögensverwaltung & Beratung, Cologne

Member of other supervisory boards:

- Chairman of the Supervisory Board of Informium AG, Leverkusen
- Member of the Supervisory Board of Borussia Dortmund GmbH & Co KGaA, Dortmund

ACTEBIS®

- The Actebis Group is the third-largest ITC (information and telecommunications technology) distributor in Europe. Actebis offers more than 150,000 products from roughly 400 manufacturers.

- Founded in 1986, Actebis has about 1,800 employees and more than 70,000 business customers located throughout Europe. Actebis operates through its own national subsidiaries in the countries of Germany, France, the Netherlands, Austria, Denmark, Norway and Sweden.

- The integration of NT plus with the Actebis Group created one of the first distributors in Germany to combine telecommunications and information technology under one roof. Consequently, Actebis is presented with a valuable opportunity to help shape the European market for convergence solutions.

THE SHARE

THE ARQUES SHARE

2008: A very weak market year

Most investors will remember 2008 as a very bad market year. Fears of a global recession and increasingly dramatic negative headlines as a consequence of the financial market crisis resulted in massive price markdowns around the world, especially in the second half of the year. The majority of the most important leading indices had to accept sharp setbacks in share prices of between 35% and more than 45%. The US Dow Jones, for instance, lost around 35% of its value, while the Japanese Nikkei lost 42% – the largest annual decline in its nearly 60 year history. Not even European shares escaped unscathed. The EuroStoxx50 slid nearly 45%, and the German DAX30, which fell 40%, hardly performed better. The market year was even worse for medium-sized and small stocks that suffered even more under the sell-out in the capital markets owing to their comparatively low liquidity. Securities from the MDAX forfeited 43%, while those of the SDAX even lost 46% of their index values in 2008. The SDAX, which includes 50 smaller listed securities, also includes shares of ARQUES Industries AG.

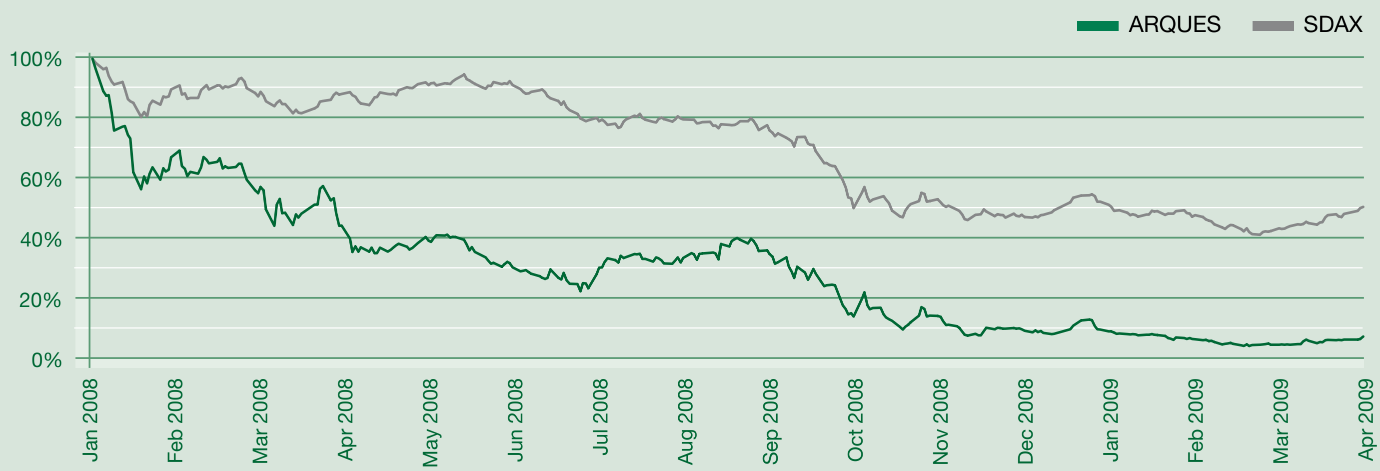
Equity investment companies hit especially hard by the bear market

As a result of their specific business model, equity investment companies were disproportionately impacted by the bear market in 2008. This also applies to shares in ARQUES Industries AG. This reflects the general economic downturn on the one hand, as well as investor worries that the subsidiaries acquired in transitional situations in accordance with ARQUES' business model would have to accept particularly strong losses during a recession. Accordingly, the ARQUES share continued to decline throughout the fiscal year. The annual high of EUR 24.17 was already reached on the first trading day. The change in the company's Executive Board in February sparked further uncertainty among investors. Accordingly, the share fell below the threshold of EUR 10 at the beginning of April 2008 and ended the very disappointing market year on December 30 with a Xetra closing price of EUR 2.52, thus performing once again considerably worse than the reference indices. Market capitalization at the end of the year was around EUR 67 million, based on a constant 26.45 million shares. In the ranking of Deutsche Börse, according to which the criteria for index membership are defined, ARQUES was ranked 99th at the end of December 2008 in terms of market capitalization of MDAX and SDAX securites, and 45th in terms of trading volume. The average trading volume per day in 2008 was 477,005 shares after more than 370,000 in the previous year (XETRA and floor trading).

Around 100% of ARQUES shares are widely held

All shares in ARQUES Industries AG are free-floating on the market as defined by Deutsche Börse. They are mostly held by institutional investors in the United States, the United Kingdom, France, Switzerland, and Germany as well as by private investors mostly in Germany.

Information regarding shares and options held by executives in corporate bodies and securities transactions conducted by members of the Executive Board and Supervisory Board subject to mandatory disclosure is included in the Corporate Governance section starting on page 14 of this report.



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 price indices	SDAX, CDAX, Classic All Share, Prime All Share

	2008	2007
Shares in issue as of December 31	26,450,000	26,450,000
Capital stock in EUR	26,450,000	26,450,000
Closing price as of December 31 in EUR	2.52	23.50
Market capitalization as of December 31, in EUR million	66.7	621.6
Average trading volume per day in shares	477,005	371,931
52-week high* in EUR	10.05	40.75
52-week low* in EUR	0.91	14.90
Earnings per share (diluted) as of December 31, in EUR	-4.93	4.43

*at the time of the report

Investor relations activities

ARQUES' management is focused on transparent communication with all shareholders. ARQUES has presented itself at road shows and analyst and investor events over the course of the last year. A so-called Capital Markets Day conference was held for the first time in January 2008. Members of the Executive Board and of the operational management from the subsidiaries, as well as the Acquisitions, Operations, and Exit divisions presented the development of the business and the strategies of the Group and its companies and also took questions from analysts and investors. The goal is to intensify investor discussions and maintain contact with the press.

ARQUES' website, www.arques.de, is an important platform for information for all those interested in the company. All financial reports, ad hoc and press releases, the financial calendar, as well as documents from the annual shareholders' meeting and a range of regularly updated information about the subsidiaries are made publicly available there.

Contacts

In addition, the Investor Relations Department of ARQUES Industries AG is also at your disposal at the following address:

ARQUES Industries AG
Christian Schneider
Münchner Str. 15a
82319 Starnberg

Tel.: +49 (0) 8151 651 - 0
Fax: +49 (0) 8151 651 - 500
E-mail: info@arques.de

CORPORATE GOVERNANCE REPORT

ARQUES Industries AG is in compliance with the recommendations of the German Corporate Governance Code ("DCGK"), issued in 2002 and last expanded in June, 2008, in all but a few points. ARQUES Industries AG understands corporate governance as a process that is constantly being developed and improved.

In March 2009, the Executive and Supervisory Boards of ARQUES Industries Aktiengesellschaft issued the Declaration of Conformity with the German Corporate Governance Code as amended on June 6, 2008, in accordance with Section 161 AktG (German Stock Corporations Act). Furthermore, this declaration has been made permanently available to the shareholders at the company's website www.arques.de. The deviations from the German Corporate Governance Code have been duly noted.

Management and supervisory structure

Supervisory Board

ARQUES Industries AG, as a German stock corporation, is subject to the law governing stock corporations in Germany. For this reason, it has a dual management and supervisory structure.

The Supervisory Board appoints the members of the Executive Board, defines the allocation of its duties, and advises it in the management of the company's business. Its bylaws stipulate at least two meetings in each six-month calendar period. The Supervisory Board meets regularly to deliberate on planning, business development, strategy, and strategy implementation. Key Executive Board decisions require the approval of the Supervisory Board. In addition to reviewing the quarterly reports, the Supervisory Board discusses and approves the annual financial statements of ARQUES Industries AG and the consolidated financial statements of the ARQUES Group, paying special attention to the auditors' reports and the findings of the review conducted by the Supervisory Board's "Audit Committee", which was formed for this purpose.

Executive Board

The Executive Board is the corporation's management body and is obligated to act in the company's interest. Its decisions are based on generating sustainable growth of the company's value and it is responsible for the strategic orientation of the company and for planning and establishing the budget. The Executive Board's responsibilities include preparing quarterly financial statements, annual financial statements, and consolidated financial statements. It works closely with the Supervisory Board providing regular and comprehensive reports on all relevant issues of the financial and earnings situation, strategic planning, business development, and business risks.

Stock transactions of the Executive Board and Supervisory Board subject to mandatory disclosure

The members of the Executive Board and Supervisory Board are legally obligated under Section 15a of the Securities Trading Act (WpHG) to disclose the purchase or sale of shares of ARQUES Industries AG or related financing instruments if the total value of the transactions conducted by the member and persons close to the member reaches or exceeds EUR 5,000.00 within a calendar year ("directors' dealings").

The following transactions were reported to the company in fiscal year 2008 pursuant to Section 15a WpHG:

NAME OF PERSON REPORTING	POSITION	DATE	SYMBOL OF THE FINANCIAL INSTRUMENT	TRANSACTION TYPE	SHARE PRICE IN EUR	NUMBER OF SHARES	VALUE IN EUR
Dr. Martin Vorderwülbecke	Chairman of the Executive Board (until 01/31/2008)	01/07/2008	No-par bearer shares DE0005156004	Purchase	20.32	5,000	101,600.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/10/2008	No-par bearer shares DE0005156004	Purchase	20.28	1,000	20,280.00
Felix Frohn-Bernau	Executive Board, Exit	01/11/2008	No-par bearer shares DE0005156004	Purchase	18.27	2,787	50,918.49
Felix Frohn-Bernau	Executive Board, Exit	01/11/2008	No-par bearer shares DE0005156004	Purchase	18.24	213	3,885.12
Dr. Martin Vorderwülbecke	Chairman of the Executive Board (until 01/31/2008)	01/23/2008	Call-Warrant DE000DB2S581	Purchase	0.050	120,000	6,000.00
Dr. Martin Vorderwülbecke	Chairman of the Executive Board (until 01/31/2008)	01/23/2008	Call-Warrant DE000CB8GLM6	Purchase	0.059609	140,400	8,369.10
Dr. Martin Vorderwülbecke	Chairman of the Executive Board (until 01/31/2008)	01/23/2008	Call-Warrant DE000CB7SBC5	Purchase	0.053757	74,000	3,978.02
Franz Graf von Meran	Member of the Supervisory Board	01/24/2008	No-par bearer shares DE0005156004	Purchase	14.42	1,500	21,630.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/24/2008	No-par bearer shares DE0005156004	Purchase	14.38	1,000	14,380.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/25/2008	No-par bearer shares DE0005156004	Purchase	15.50	1,000	15,500.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/28/2008	No-par bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/29/2008	No-par bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Dr. Gerhard Fischer	Member of the Supervisory Board	03/10/2008	No-par bearer shares DE0005156004	Sale	10.67	4,000	42,680.00
Dr. Michael Schumann	Chairman of the Executive Board (since 02/01/2008)	04/21/2008	No-par bearer shares DE0005156004	Purchase	8.49	5,500	46,695.00
Dr. Michael Schumann	Chairman of the Executive Board (since 02/01/2008)	04/22/2008	No-par bearer shares DE0005156004	Purchase	8.42	4,500	37,890.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	04/24/2008	No-par bearer shares DE0005156004	Purchase	8.49	1,000	8,490.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	06/16/2008	No-par bearer shares DE0005156004	Purchase	6.52	1,000	6,520.00
Bernhard Riedel	Vice Chairman of the Supervisory Board	07/09/2008	No-par bearer shares DE0005156004	Purchase	7.90	400	3,160.00

No notifications such as required by Section 15a WpHG were received by the company in fiscal year 2009 before the financial statements were prepared.

Statement of Compliance

The Statement of Compliance with the Corporate Governance Code pursuant to Section 161 of the German Stock Corporations Act (AktG) has been made permanently available to the shareholders: "The Executive Board and Supervisory Board of ARQUES Industries AG state their past and future compliance with the recommendations of the Government Commission on corporate management and supervision as amended on June 6, 2008, and published in the electronic version of the Federal Gazette (Bundesanzeiger), with the exception of the points outlined below. The deviations are explained below."

D&O insurance

Contrary to Section 3.8 of the Code, the directors and officers' liability insurance for the Executive Board and Supervisory Board does not include a deductible.

Composition of the Executive Board

Contrary to Section 4.2.1 of the Code, the Executive Board has no spokesperson.

Succession planning

Contrary to Section 5.1.2 of the Code, there is currently no long-term planning for the succession of the Supervisory Board members. The members of the Supervisory Board were elected in the annual shareholders' meeting held on June 21, 2007, for the period until the end of the annual shareholders' meeting 2009. In addition, an alternate member was also appointed at this meeting. In the annual shareholders' meeting held on July 3, 2008, the company's Articles of Incorporation were amended such that the members of the Supervisory Board are elected by the annual shareholders' meeting for the period until the end of the annual shareholders' meeting that resolves to approve the actions of the Supervisory Board in the third year following its election. Thus, the members of the Supervisory Board and the alternate member elected in the annual shareholders' meeting held on June 21, 2007, were elected until the end of the annual shareholders' meeting 2009.

Contrary to Section 5.1.2, no age limit has been established for members of the Executive Board.

Contrary to Section 5.4.1, no age limit has been established for members of the Supervisory Board.

Supervisory Board compensation

Contrary to Section 5.4.6 of the Code, the members of the Supervisory Board are paid a fixed salary. The compensation does not include a profit-based component.

Supervisory Board Nominating Committee

Contrary to Section 5.3.3 of the Code, the Supervisory Board has not yet established a nominating committee.

Compensation Report

Governing boards of the company

The compensation report (in accordance with Section 4.2.5 of the German Corporate Governance Code) explains the principles applied in setting the compensation paid to members of the Executive Board and indicates the amount and structure of Executive Board compensation. It also describes the principles of the compensation paid to members of the Supervisory Board and the amount of that compensation, and discloses the shareholdings of the Executive Board and Supervisory Board.

Compensation paid to the members of the Executive Board

The responsibilities and contributions of the respective Executive Board member are taken into account when setting the compensation. The compensation granted in fiscal 2008 consisted of a fixed annual salary and success-related components. The variable components consist of bonus agreements for the Executive Board members Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell which are tied to the capital appreciation of a virtual share portfolio (and thus dependent on the company's success) and to the fulfillment of certain goals established for each Executive Board division (and thus dependent on the success of that division).

Specifically, the Executive Board compensation is composed of the following elements:

- The fixed compensation is paid in the form of a monthly salary.
- The variable compensation consists in part of a special bonus, the amount of which is determined with reference to the capital appreciation of a "virtual share portfolio," and in part of an individual bonus agreement for the Executive Board members Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell.

The basis for calculating the variable compensation with respect to the virtual share portfolio for Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell is a specific number of shares in ARQUES Industries AG ("virtual share portfolio") valued at a specific share price ("initial value"). The amount of variable compensation is calculated in each case from the possible appreciation of the virtual share portfolio over a specific period – that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual share portfolio valued at the share price on the valuation date and its initial value ("capital appreciation") yields the amount of variable compensation. The general policy is to settle the capital appreciation in cash, converted at the share price at the valuation date.

The virtual share portfolio for Dr. Schumann comprises 125,000 shares at each grant date. The valuation dates for all shares are January 31, 2009, January 31, 2010, and January 31, 2011. The grant date was February 28, 2008. This agreement supersedes the previous agreement under which Dr. Schumann received EUR 1,306,337.00 on January 31, 2008 on the basis of 125,000 virtual shares.

The fair value of the virtual share portfolio maintained for Dr. Schumann at the balance sheet date totaled EUR 0.00 for the first tranche of 125,000 shares, payable on January 31, 2009 (with a vested portion of 90.91% under IFRS rules), EUR 55,978.26 for the second tranche of 125,000 shares, payable on January 31, 2010 (with a vested portion of 43.48% under IFRS rules), and EUR 30,714.29 for the third tranche of 125,000 shares, payable on January 31, 2011 (with a vested portion of 28.57% under IFRS rules). The fair value of the stock options granted totaled EUR 185,000.00 for the first tranche, EUR 327,500.00 for the second tranche, and EUR 291,250.00 for the third tranche at the time of granting.

Dr. Schumann agreed with the Supervisory Board to waive all claims against ARQUES Industries AG under the terms of his termination agreement.

The virtual share portfolio for Mr. Frohn-Bernau comprises 125,000 shares at each grant date. The valuation dates for all shares are March 31, 2009 and March 31, 2010. The fair value of the virtual share portfolio maintained for Mr. Frohn-Bernau at the balance sheet date totaled EUR 961.54 for the first tranche of 125,000 shares, payable on March 31, 2009 (with a vested portion of 76.92% under IFRS rules) and EUR 49,500.00 for the second tranche of 125,000 shares, payable on March 31, 2010 (with a vested portion of 40.00% under IFRS rules). The grant date was March 5, 2008. The fair value of the stock options granted totaled EUR 265,000.00 for the first tranche and EUR 348,750.00 for the second tranche at the time of granting.

The virtual share portfolio for Mr. Schell comprises 125,000 shares at each grant date. The valuation dates for all shares are December 31, 2009 and December 31, 2010. The fair value of the virtual share portfolio maintained for Mr. Schell at the balance sheet date totaled EUR 65,340.91 for the first tranche of 125,000 shares, payable on December 31, 2009 (with a vested portion of 45.45% under IFRS rules) and EUR 31,617.65 for the second tranche of 125,000 shares, payable on December 31, 2010 (with a vested portion of 29.41% under IFRS rules). The grant date was March 3, 2008. The fair value of the stock options granted totaled EUR 293,750.00 for the first tranche and EUR 251,250.00 for the second tranche. 125,000 stock options were exercised in fiscal 2008. The delivery date was December 31, 2008. The fair value of these stock options at the grant date was EUR 62,500.00.

STOCK OPTIONS	DR. MICHAEL SCHUMANN	FELIX FROHN-BERNAU	BERND SCHELL
Outstanding at 01/01/2008	**250,000**	**125,000**	**125,000**
Granted in 2008	375,000	250,000	375,000
Forfeited in 2008	0	0	0
Exercised in 2008	125,000	0	125,000
Average share price on exercise date (EUR)	20.45	-	less than strike price
Expired in 2008	125,000	125,000	125,000
Outstanding at 12/31/2008	**375,000**	**250,000**	**250,000**
Of which: exercisable options	0	0	0
Strike price range	20.29	16.00	2.19
Income (+)/expense (-) recognized in reporting period under IFRS rules (EUR)	541,345	324,321	-49,054

In addition, Dr. Schumann, Mr. Frohn-Bernau, and Mr. Schell each have an individual bonus agreement.

Following the appointment of Dr. Schumann as Chairman of the company's Executive Board with effect from February 1, 2008, his existing employment contract complete with bonus agreement was rescinded. The new employment contract contains a bonus agreement under which the bonus is based on the profit for the year included in the consolidated profit.

Mr. Frohn-Bernau and Mr. Schell each received a bonus for projects involving the sale of operating subsidiaries of the ARQUES Group or their significant assets ("asset deal"), the size of which is based on the net return on the interest sold. The net return corresponds to the cash price actually received for the interest sold by ARQUES, regardless of shares, loans, or other significant assets (asset deal) net of any cash payments made and not recovered by the ARQUES Group prior to completion of the sale (e.g. purchase price, capital contributions).

The following compensation was set for the individual members of the Executive Board in fiscal 2008:

	CASH COMPENSATION		MONETARY VALUE OF COMPANY CAR		SUCCESS-RELATED BONUS		TOTAL	
FISCAL 2008 (EUR)	2008	2007	2008	2007	2008	2007	2008	2007
Dr. Martin Vorderwülbecke (until January 31, 2008)	20,100	320,000	671	8,202	0	500,000	20,771	828,202
Dr. Michael Schumann (until February 28, 2009)	343,200	158,400	5,494	6,487	0	1,374,994	348,694	1,539,881
Felix Frohn-Bernau	233,200	118,800	10,807	5,854	159,608	315,031	403,615	439,685
Bernd Schell (since January 1, 2008)	158,400	-	7,646	-	94,868	-	260,914	-
TOTAL	**754,900**	**597,200**	**24,618**	**20,543**	**254,476**	**2,190,025**	**1,033,994**	**2,807,768**

No further compensation was paid to members of the Executive Board for their activities on the governing boards of subsidiaries or affiliates.

Compensation paid to members of the Supervisory Board

The compensation paid to members of the Supervisory Board was established for the first time by the annual shareholders' meeting on May 30, 2006, at the proposal of the Executive Board and Supervisory Board. Every member of the Supervisory Board receives maximum annual compensation of EUR 16,000.00. They are entitled to fixed compensation of EUR 1,000.00 per month and variable compensation in the form of meeting fees. The total compensation paid to the Chairman of the Supervisory Board is 50% higher, making for a maximum annual compensation of EUR 24,000.00.

The following table shows the compensation paid to members of the Supervisory Board of ARQUES Industries Aktiengesellschaft in fiscal 2008:

EUR	SETTLED	PROVISION ESTABLISHED	TOTAL EXPENSE
Dr. Georg Obermeier	12,000.00	12,000.00	24,000.00
Bernhard Riedel	16,000.00	--	16,000.00
Dr. Rudolf Falter	8,000.00	8,000.00	16,000.00
Dr. Gerd Fischer	8,000.00	8,000.00	16,000.00
Prof. Dr. Michael Judis	16,000.00	--	16,000.00
Franz Graf von Meran	8,000.00	8,000.00	16,000.00
TOTAL	**68,000.00**	**36,000.00**	**104,000.00**

In addition, travel and other out-of-pocket expenses in the amount of EUR 5,773.36 were reimbursed. Consequently, the total compensation paid to members of the Supervisory Board amounted to EUR 109,773.36.

Furthermore, no commitments have been made in the event of termination of Supervisory Board mandates. No advances or loans have been extended to members of the Executive Board or Supervisory Board of ARQUES. No contingent liabilities exist in relation to these persons. No payments have been made to former members of the Executive Board or Supervisory Board.

Shareholdings of the Executive Board and Supervisory Board

The members of the ARQUES Industries AG Executive Board held 13,550 shares as of December 31, 2008. This represents 0.05% of issued shares.

The members of the ARQUES Industries Supervisory Board held 9,400 shares as of December 31, 2008. This represents 0.04% of issued shares.

The members of the Executive Board and Supervisory Board hold the following shares and options of ARQUES Industries AG:

	NUMBER OF SHARES 12/31/2008	NUMBER OF SHARES WHEN THE BALANCE SHEET WAS PREPARED	NUMBER OF OPTIONS 12/31/2008	NUMBER OF OPTIONS WHEN THE BALANCE SHEET WAS PREPARED
Executive Board				
Dr. Michael Schumann (until February 28, 2009)	10,000	n/a	-	n/a
Felix Frohn-Bernau	3,000	3,000	-	-
Bernd Schell	550	550	-	-
Supervisory Board				
Dr. Georg Obermeier (Chairman)	-	-	-	-
Bernhard Riedel (Vice Chairman)	400	400	-	-
Prof. Dr. Michael Judis	7,000	7,000	-	-
Dr. Gerhard Fischer	-	-	-	-
Dr. Rudolf Falter	500	500	-	-
Franz Graf von Meran	1,500	1,500	-	-

Information on stock option rights and similar incentives

No members of the executive bodies currently have any options on ARQUES stock. Please refer to the information in the compensation report for more details on the virtual stock portfolios of Executive Board members.

Publication

The consolidated financial statements have not currently been made publicly accessible within 90 days after the end of the fiscal year. The company will implement the recommendation beginning with the consolidated financial statements for fiscal 2009.

Additional information on corporate governance at ARQUES

Detailed information on the activity of the Supervisory Board and on the cooperation between the Supervisory Board and Executive Board can be found in the Report of the Supervisory Board on page 6 of this annual report.

Current developments and important information such as ad-hoc press releases, annual reports, interim reports, a financial calendar with key dates for ARQUES, securities transactions subject to mandatory disclosure ("directors' dealings") and information on the annual shareholders' meeting are always available up to the minute on our website at www.arques.de. You can also find the latest information on the ARQUES Group updated regularly at the ARQUES website under "Corporate news."

Auto Windscreens

- As the second-biggest automotive glass specialist in Great Britain, Auto Windscreens Ltd. repairs glass damage in its roughly 90 service centers and in the field, with its more than 700 mobile service units.
- The company repairs and replaces automotive glass for a broad base of customers, including insurance companies, leasing companies, car rental companies, corporations, government agencies and institutions.
- Auto Windscreens maintains its own production facility in Chesterfield, where it manufactures about 250,000 windshields per year from blank work pieces.

MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT OF ARQUES INDUSTRIES AG

The business model of ARQUES Industries AG

The ARQUES Group focuses on a specific segment of the equity investment market, acquiring companies in situations of transition. Examples of such situations include classic turnaround candidates, subsidiaries that large corporations are looking to sell, which are often in need of restructuring, as well as companies with unresolved succession issues. In most cases, these companies had been generating losses for some time before being acquired by ARQUES. In some cases, unsuccessful attempts had already been made to restructure the companies or restore them to economic health. In accordance with the ARQUES business model, such companies are generally purchased for less than their book value, and in some cases even for symbolic or negative purchase prices.

Over the last three years, the size of the acquired companies has grown considerably. In some cases, ARQUES purchased investments in companies with annual revenues of significantly more than EUR 500 million. In such cases, ARQUES also paid purchase prices that were higher, sometimes much higher, than merely symbolic purchase prices, in contrast to the original business strategy, while also assuming additional financial risks. In view of the currently difficult economic conditions, ARQUES will again focus in the foreseeable future exclusively on acquisitions for which such financial risks can be largely excluded and for which the purchase prices are not as relevant.

In its acquisitions, ARQUES concentrates increasingly on spin-offs from corporations, which now make up well over 80% of the companies acquired by ARQUES. The remaining 20% of the companies acquired were family-owned before being purchased by ARQUES.

As soon as the fundamental restructuring steps have been completed in the acquired company, a process that usually takes about three to five years after the acquisition, and the company has entered into a growth phase, ARQUES initiates the process of selling the company again. For this purpose, ARQUES maintains contacts with a wide range of potential buyers, who are in a position to exploit additional earnings and growth potential on the basis of the restructuring measures performed by ARQUES.

The ARQUES business model versus private equity

One major distinction from the targets of private equity companies is that ARQUES primarily takes over companies in situations of transition, which often have weak earnings and are in need of restructuring. ARQUES restructures these newly acquired subsidiaries with its own restructuring department, known as the Task Force. The specialized experts of the ARQUES Task Force seek to solve the specific operating and/or structural problems of the respective subsidiaries in order to restore them to profitability and place them back on the market as operationally strengthened, competitive businesses.

In contrast, the private equity industry focuses less on reorganization or 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 market for corporate acquisitions

The market for company acquisitions under the ARQUES model will remain relatively stable also in the future because corporations will spin off their subsidiaries and family-owned enterprises will be sold regardless of the prevailing economic conditions at any given time. And these companies are the acquisition candidates under the ARQUES business model.
The factors supporting these trends include the following:

- 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);
- The growing number of unresolved corporate succession issues as a result of demographic trends in Germany;
- The currently difficult economic environment as a result of the financial crisis (see the comments on the repercussions of the financial crisis on page 76 of this report).

Furthermore, competition in this market has intensified to the extent that new competitors in Europe may have an interest in the types of companies which ARQUES also seeks to acquire. The companies in question, however, are primarily interested in bringing about an (orderly) closure of the companies they purchase.

The market for company sales

The market for company sales, which is driven by the demand for successfully restructured companies with boosted earnings, fluctuates and generally depends on the economic environment and especially the prosperity of the industry in question. As a rule, ARQUES will always be able to find parties interested in restructured companies from the respective industry in the form of strategic investors. On the one hand, this is because ARQUES does not need to sell its subsidiaries at the theoretically highest price, due to the fact that it will have paid a fairly low purchase price for those companies in most cases. Consequently, ARQUES is in a position to sell its subsidiaries at a price that will enable the buyer to achieve further value enhancement potential. As a general practice, ARQUES begins the selling process as soon as the subsidiary enters into a profitable growth phase. Thus, the company in question is appealing to a wide range of buyers who can realize further earnings and growth potential by building on the successes achieved by ARQUES through its restructuring activities. ARQUES also has recourse to the possibility of so-called "secondary transactions." In such cases, it may be advisable to sell individual subsidiaries to another financial investor already before the restructuring phase is completed, either for strategic reasons or for reasons having to do with the reallocation of assets.

In this regard, it has been observed that financial investors willing to purchase such companies can still be found, although their own financing possibilities have been severely restricted of late due to the current situation in the credit markets.

The ARQUES model under varying economic conditions

In principle, 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 and more large corporations seeking to divest peripheral activities as they refocus on their core business. Consequently, there tend to be more companies in the market for turnaround candidates than there would be in more prosperous times. In a weak economic environment, however, the buying process is fraught with particular dangers because the acquisition candidates are generally exposed to greater operational risks, which are not always predictable and are usually negative, already during the sale process. Therefore, particular care needs to be taken in this regard. Furthermore, the restructuring process is generally much more difficult and time-consuming amid a poor economic environment. Also, it is more difficult to locate or maintain external financing sources. In addition to the existing risks that the real economy poses to the revenues and operational performance of the target companies, it is possible that existing sources of financing (bank lines of credit, factoring lines, credit insurance policies) may be lost or that new sources of financing cannot be found. In such situations, the in-depth restructuring expertise of the specialists serving on the ARQUES Task Force is especially useful because they can take all relevant steps to bring about a successful restructuring. In a weak economic environment, on the other hand, the process of selling the successfully restructured subsidiaries is much more difficult. In such an environment, the valuation multiples of companies, on which the sale prices which ARQUES can demand are based, tend to be much lower across the board, in every industry. Furthermore, the general economic environment or the company's specific situation could possibly make it necessary to resell the acquired companies at symbolic or even negative prices, if ARQUES' risks would be reduced by such a sale. These factors have prompted the optimization of the company's current portfolio, starting in the middle of 2008. In this regard, ARQUES recognized a number of impairment losses in its portfolio, some of which substantial.

In a healthy environment, on the other hand, fewer companies tend to become crisis-stricken and it is easier to paper over weaknesses. There are nevertheless enough companies in transitional situations on the market on account of the major structural changes in the world economy, the tendency of large corporations to focus on their core businesses and the generally difficult financial situation of small to mid-sized enterprises. The restructuring process itself can be carried out more easily and quickly in a period of economic expansion, with external factors boosting the companies' revenues in particular. This makes it possible to complete a successful restructuring more quickly and boosts the demand for restructured companies, which afford additional value enhancement potential to the buyers, in accordance with the ARQUES business model. In good economic times, both strategic investors and financial investors can be considered as possible buyers. Depending on the size and industry of the company in question, moreover, even the capital market can be used as an exit channel.

The sale price depends on the current state of the economic environment, which directly influences the valuation multiples that can be achieved. Because the ARQUES business model is geared to the strategy of acquiring companies at favorable purchase prices, the company is not compelled to sell them at the highest possible price in order to realize a profitable exit. In principle, therefore, ARQUES can sell its companies at a profit even in times of lower company valuations.

With regard to the effects on ARQUES of the worldwide financial and economic crisis, please refer to the report on opportunities and risks within the combined management report.

Acquisition process

In selecting its acquisition targets, ARQUES does not concentrate on specific industries, but rather on small to mid-sized companies with annual revenues of EUR 30 million to EUR 1 billion. ARQUES is actively approached by large corporations as a potential partner in spinning off subsidiaries which are no longer part of their core business. The average size of the acquired companies has increased significantly in the last few years. In the future, ARQUES will focus on acquisitions for which the financial and other risks are as low as possible.

Restructuring

After completing the acquisition, ARQUES generally installs managers with restructuring experience in the new subsidiary (ARQUES Subsidiary Manager) in order to carry out the reorganization together with the staff of the acquired company in the shortest possible time.

In the first few months, our Subsidiary Managers are given intensive support from the ARQUES Task Force, a group of highly specialized restructuring experts from all important areas of business. Depending on the specific situation of the company in question, the following restructuring steps, among others, are implemented, in some cases right after the acquisition:

- Establishment of new management structures
- Review of controlling systems and if necessary the introduction of more efficient controlling systems
- Debt remission and rescheduling with banks
- Setting up new, beneficial supplier relationships while settling left-over debt and arranging partial concessions, where appropriate
- Employee concessions
- Redundancy plans, agreements with works councils and trade unions
- Targeted partial disinvestments
- Improvement of working capital positions
- Reorganization of production processes
- Replacement of intercompany relationships with the former groups
- Analysis of existing IT systems and frequently the introduction of newer, more modern IT systems
- Product portfolio streamlining
- Development of new sales and marketing strategies

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. In the currently difficult economic situation, which has been particularly hard on the manufacturing industries, it will be necessary to conduct additional restructuring steps. Because the operating activities of the ARQUES subsidiaries are the responsibility of the management of the respective companies, the managing directors of those companies are responsible for initiating and implementing such measures. However, the ARQUES Executive Board is always informed of such decisions and conducts very close monitoring of the Group's subsidiaries.

The managing director appointed by ARQUES generally takes a 5% to 10% stake in the subsidiary, usually by assuming a corresponding proportion of the actual purchase price. This arrangement causes the managing director to identify strongly with "his" company, which helps to secure a high level of motivation. This arrangement also ensures that the managing director will pursue the same interests as those of ARQUES, as the principal shareholder.

Exits

The Acquisitions and Exits departments were merged with the ARQUES M&A department in January of 2009. This step will ensure that the experiences and requirements associated with a successful sale at the end of the holding period are taken into consideration already for purposes of the purchase decision. Furthermore, the company-specific knowledge of the individual companies that was acquired during the acquisition phase can be applied also for purposes of the selling process. As soon as the basic reorganization steps have been completed and the subsidiary enters into a profitable growth phase, the ARQUES

M&A Department begins the process of selling the company, in coordination with the subsidiary's managing director. The ARQUES Subsidiary Manager increasingly withdraws from the operational business and transfers management to a successor, who is supposed to remain in the business after the sale. To the extent that such steps have not yet been taken as part of the restructuring process, the legal and organizational structures are simplified in order to make the exit process as transparent and "uncomplicated" as possible. Normally, the buyers of ARQUES subsidiaries are strategic investors from the industry in which the company operates. In 2008, for example, the subsidiaries Missel, Jahnel-Kestermann and Oxiris were sold to strategic investors. In early 2009, on the other hand, some companies were sold also to financial investors.

In contrast to the acquisition and restructuring phases, in which ARQUES is guided by the maxim of executing all key process steps with its own employees, ARQUES frequently makes use of external specialists during the exit process. Such an arrangement optimizes the external perception of the sale, while also making it possible to tap into 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 one 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 reaching agreements with the creditors, employees, suppliers, and customers of the newly acquired companies. The profitability of the acquired companies is improved in phase two. Management uses EBIT (Earnings Before Interest and Taxes) to monitor the progress of the measures implemented to achieve this objective. 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 also holds a direct stake in the subsequent sale proceeds and will therefore be motivated to bring about such a sale.

General economic climate and industry environment

World economy plunges into deep recession at the end of 2008

In the fourth quarter of 2008, at the latest, the world economy plunged into a deep recession. In the period from October to December 2008, the U.S. economy contracted at a rate of 3.8% from the corresponding prior-year period. The other industrialized nations also saw their gross domestic products shrink during this period. Ironically, the 2008 calendar year had begun on a very positive note. Until the middle of the year, most economists were predicting substantial positive growth rates. The first impediment to the prevailing growth trend occurred in the middle of the year in the form of rising oil prices, which hit a record high of nearly 150 U.S. dollars per barrel in July. The entire second half of the year was dominated by the increasingly adverse repercussions of the financial crisis, which culminated in the collapse of U.S. investment bank Lehman Brothers in September. The bleak economic environment of the fourth quarter was exacerbated by fears of a massive tightening of credit and a global cut-back in capital expenditures and orders. The dramatic cuts in key interest rates and financial market interventions on the part of central banks did not produce the hoped-for relief in 2008. The U.S. Federal Reserve reduced its key lending rate from 4.25% to zero over the course of 2008, while the European Central Bank reduced its key lending rate from 4.25% to 2.0% in the fourth quarter alone.

Nonetheless, the International Monetary Fund (IMF) reported global economic growth of 3.2% for 2008 as a whole, due to the positive development in the early part of the year. The U.S. economy expanded at a rate of 1.1%, while the euro zone economies logged growth of only 0.9% in 2008. According to the German Federal Statistical Office, Germany's gross domestic product expanded a rate of 1.3% and those of France and Britain at much slower rates of 0.8% and 0.7%, respectively. With negative growth of 0.6%, Italy was mired in recession already in 2008. Again last year, global economic growth was driven in particular by the emerging economies of Asia, South America and Eastern Europe, although here too the momentum began to flag appreciably towards the end of the year. China's economy expanded at a rate of 9.0% in 2008 and even the economies of India (plus 7.3%), Russia (plus 6.2%) and Brazil (plus 5.8%) experienced above-average growth in 2008.

Economic Growth in 2008

REGION	GROWTH IN %
World	3.2
Industrialized countries (total)	0.8
USA	1.1
Euro zone	0.9
Germany	1.3
Japan	-0.7
Emerging economies (total)	6.3
Central and Eastern Europe	3.2
Russia	6.2
China	9.0
India	7.3
Brazil	5.8

Source: International Monetary Fund (IMF), World Economic Outlook Update 28. January 2009 and IMF Survey March 19, 2009.

Equity investment market and operating conditions

The worldwide business of Mergers & Acquisitions (M&A) was likewise caught in the vise of the financial crisis. Coming on the heels of record results in 2007, when the global transaction volume climbed to US$3,784 billion, according to the accounting firm KPMG, the M&A business fell by more than 12% to US$3,318 billion in 2008. And the number of such transactions, at slightly more than 39,000, was likewise lower than in 2007. The restricted liquidity of the financial markets was responsible for a substantial decrease in debt-financed transactions. Accordingly, the number of strategic investors participating in the M&A market increased in 2008. M&A activity in Germany was influenced by two different trends in 2008. Whereas the transaction volume fell dramatically by 45% to only US$50 billion in the first half of the year, this figure nearly tripled in the months from July to December, to reach US$130 billion. This increase was driven mainly by several very large transactions such as the acquisition of an equity stake in Continental by Schaeffler and by Porsche's acquisition of additional stock in Volkswagen. The absolute number of transactions, however, was significantly lower than the previous year, both in the first half and the second half of 2008. In terms of the number of M&A deals, Germany came in second place, behind Great Britain.

In Germany, private equity firms were especially hard hit by the adverse developments in the capital markets. The German association of private equity firms known as Bundesverband Deutscher Kapitalbeteiligungsgesellschaften e.V. (BVK) reported that the funds raised by German private equity firms in the first three quarters of 2008 fell dramatically from EUR 3.15 billion in the corresponding prior-year period to only EUR 1.29 billion. Missing in 2008, as compared to 2007, were mainly new buy-out funds, as nearly three quarters of all new funds derived from venture capital funds.

Assets, financial position and earnings of the parent company and the Group

ARQUES Industries Aktiengesellschaft - Separate financial statements of the parent company

Business developments and portfolio optimization

Fiscal year 2008 was a year of radical change for ARQUES Industries AG.

The year began on a very promising note with the sale of the Jahnel-Kestermann Group, on which ARQUES realized an accounting profit of EUR 13.0 million. Also, ARQUES found a buyer for the Missel Group, under the terms of an asset deal. The profit realized on this sale will not be recognized until fiscal year 2009, when the company collects a profit distribution. Finally, ARQUES managed to successfully sell off Oxiris in several individual transactions.

During the further course of the year, however, ARQUES found it necessary to subject its entire portfolio to an extensive review, due to the dramatically worsening global economic crisis. In this process, ARQUES identified those companies for which the restructuring process would be unjustifiably complex and cost-intensive under the prevailing conditions of the global crisis. Starting in mid-2008, ARQUES has systematically divested itself of these companies. As expected, ARQUES was not able to realize any significant positive profit contributions or liquidity inflows on these sales; instead, the portfolio optimization process gave rise to considerable charges against the profit performance, both in the separate financial statements of the parent company and in the consolidated financial statements of the Group. In a few cases, moreover, ARQUES had to issue guarantees or assurances, which will lead to still more liquidity outflows in the future. Provisions were established for this purpose in the financial statements for 2008.

The first three corporate groups to be sold in 2008 as part of the portfolio optimization process were Schöps, Hottinger and Eurostyle. Three additional sales followed in 2009, those being Rohe, Sommer and Weberbenteli. All charges against profit from all these transactions were anticipated and thus accounted for in the ARQUES financial statements at December 31, 2008. Furthermore, the financial statements for 2008 already contain all the value adjustments permitted under IFRS for the transactions completed in 2009.

In spite of, or rather precisely because of the worldwide economic crisis, ARQUES acquired additional companies in 2008, but on a more selective basis than in 2007, when 15 corporate groups were acquired. In 2008, ARQUES acquired four significant companies, those being ASM, Carl Froh, the Gigaset Group and Auto Windscreens.

Key indicators of assets, financial position and earnings

		2008	2007
Cash and cash equivalents		EUR 21.8 mn	EUR 5.6 mn
Current financial liabilities		EUR 43.1 mn	EUR 41.3 mn
Equity ratio	Equity / Total assets	43.3%	71.5%
Debt ratio (static)	Debt / Equity	131.0%	39.9%
Return on equity	Net profit / Equity	negative	30.3%
Return on capital employed	Net profit / Total assets	negative	21.6%

For the most part, the portfolio optimization measures exerted a negative impact on the company's equity ratio and debt ratio. Furthermore, the return on equity and the return on capital employed both fell into negative territory. On a positive note, the cash and cash equivalents increased from EUR 5.6 million in 2007 to EUR 21.8 million in 2008.

Assets

At December 31, 2008, the company's total assets amounted to EUR 163.5 million (PY: EUR 242.1 million). The substantial decrease from the previous year resulted mainly from the extensive portfolio optimization measures conducted in 2008 and 2009, and specifically from the associated writedowns on investments in subsidiaries, value adjustments on receivables due from affiliated companies and losses on receivables.

Even after the portfolio optimization, non-current financial assets still accounted for EUR 92.2 million or 56.4% (PY: 63.8%) of the company's total assets at year-end 2008. All together, ARQUES divested non-current financial assets in the amount of EUR 56.5 million and acquired non-current financial assets in the amount of EUR 25.1 million. In connection with the portfolio optimization process, ARQUES recognized impairment losses of EUR 30.7 million. Most of the acquisitions and disposals were related to intragroup transactions such as appropriations to and reversals of the capital reserves of the various subsidiaries.

The receivables due from affiliated companies amounted to EUR 46.3 million, as compared with EUR 75.9 million in the previous year. They consisted mainly of loan receivables due from affiliated companies. Value adjustments and losses on receivables totaling EUR 63.0 million were recognized in 2008.

The principal losses incurred in connection with the portfolio optimization process are summarized in the following.

In the lead-up to the sale of the Sommer Group, a loss of EUR 34.7 million was incurred as a result of writedowns, while the sale of Richard Schöps & Co. AG gave rise to a loss of EUR 30.8 million. The sales of the Hottinger Group, Weberbenteli and Eurostyle entailed losses of EUR 8.6 million, EUR 6.3 million and EUR 4.1 million, respectively.

Writedowns totaling EUR 5.9 million were charged on the company's Spanish operations. In addition, writedowns of a lesser extent were charged on other equity investments and receivables.

Due to the losses incurred, the company's capital amounted to only EUR 70.8 million at year-end 2008 (PY: EUR 173.0 million), corresponding to an equity ratio of 43.3% (PY: 71.5%).

In the previous year, the "other provisions" had consisted mainly of personnel-related provisions in the amount of EUR 5.4 million. In 2008, the "other provisions" included, first of all, a provision for the anticipated execution of a guarantee that ARQUES had issued in connection with the sale of a subsidiary (EUR 8.0 million). The "other provisions" for 2008 also included provisions for pending proceedings, litigation and claims for compensation in the total amount of EUR 6.2 million.

The liabilities due to banks remained nearly unchanged at EUR 43.2 million. As in the previous year, this item in 2008 still contained a loan liability of EUR 30.0 million owed to a bank in connection with the acquisition of the Actebis Group.

Financial position and financing

At the balance sheet date, the company had borrowed loans, some of which secured by collateral, from a total of three banks (two current account overdraft facilities and one capital expenditure loan). At the balance sheet date, both current account overdraft facilities were due in less than one year. One of the credit facilities in the amount of EUR 7.0 million has already been extended until March 31, 2010. The second credit facility in the amount of EUR 10.0 million was extended until June 30, 2009. Because collateral was furnished in connection with this extension, ARQUES anticipates that the credit facility will be extended beyond June 30, 2009. Early negotiations regarding an extension have been positive. The capital expenditure loan in the amount of EUR 30.0 million was earmarked for a specific purpose and must be repaid upon the complete or partial sale of the Actebis Group. The term of the loan has been extended until April 30, 2010. ARQUES has already initiated concrete steps to ensure the early or timely repayment of the capital expenditure loan.

Beyond these loans, the company did not have any further current or non-current financial liabilities at the balance sheet date.

For some months now, ARQUES has focused its attention on assuring strict cost management. Based on the current plans, and subject to the assumption that the existing credit facilities can be maintained, ARQUES anticipates that it will not need to borrow any further debt in fiscal 2009.

As in the previous years, the cash inflows in 2008 resulted mainly from dividend payments, the sale of subsidiaries and Group cost allocations. Some of these funds were used for acquisitions and for financing the subsidiaries.

The company succeeded in increasing its cash and cash equivalents by EUR 16.2 million to EUR 21.8 million.

With regard to the fundamental risks associated with liquidity and financing, please refer to the discussion of financial risks in the Risk and Opportunities Report, which is contained within this combined management report.

Earnings

ARQUES generated revenues of EUR 2.4 million in fiscal year 2008 (PY: EUR 2.0 million). These revenues derived from the consulting services provided to portfolio companies.

The "other operating income" amounted to EUR 20.0 million in fiscal year 2008. This income was generated mostly on the profits realized on the sale of portfolio companies, which were considerably lower than they were in 2007.

The cost of purchased services, consisting of the services purchased from external consultants, amounted to EUR 3.9 million in fiscal year 2008 (PY: EUR 3.3 million).

At EUR 8.4 million, the personnel expenses were EUR 6.2 million less than the corresponding previous-year figure. This decrease resulted mainly from the considerably lower bonus payments in 2008, as compared to 2007.

The writedowns on current assets and the losses on the sale of receivables in the total amount of EUR 63.0 million consisted primarily of individual value adjustments on loan receivables due from affiliated companies and losses on receivables incurred on the sale of receivables.

The other operating expenses increased from EUR 29.2 million in the previous year to EUR 36.1 million at December 31, 2008, mainly as a result of heightened provisions for guarantees. Besides the guarantee provisions (EUR 10.2 million), the other operating expenses mainly comprised losses on receivables (EUR 7.1 million), legal and advisory costs (EUR 6.0 million) and expenses related to proceedings, litigation and claims for compensation (EUR 6.2 million).

Impairment losses totaling EUR 31.6 million were recognized in the company's non-current financial assets and marketable securities presented as current assets. These impairment losses related primarily to the Sommer Group in the amount of EUR 24.3 million and the ddp Group in the amount of EUR 4.3 million.

ARQUES collected dividends from portfolio companies in the total amount of EUR 10.0 million in 2008 (PY: EUR 9.4 million).

The company's interest expenses were substantially higher in 2008 because most of the liabilities due to banks appearing in the balance sheet for 2007 had been borrowed during the year, while these same liabilities accrued interest for the full year in 2008.

The net loss of EUR 102.2 million can be attributed primarily to the portfolio adjustments effected in 2008.

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Assessment of the economic environment in fiscal year 2008

Also for the ARQUES Group, fiscal year 2008 was the most difficult year in the Group's history. Although the Group's revenues were significantly higher as a result of the acquisitions effected since 2007, the Group was not able to achieve the originally set targets for any one of the earnings indicators used by the Group. The increasingly calamitous global economic crisis had an adverse effect on most of the Group's portfolio companies, especially in the second half of the year. It should be noted, however, that the EUR 87.1 million decrease in the EBITDA, from EUR 202.7 million in 2007 to EUR 115.6 million in 2008, was not caused by the economic crisis, but mainly by the EUR 102.2 million decrease in the income from the reversal of negative goodwill.

The EBIT was burdened by writedowns in the amount of EUR 133.7 million, which were charged in connection with the necessary portfolio optimization measures.

For more detailed information about the economic situation of the principal subsidiaries, please refer to the comments in the section of the combined management report entitled "ARQUES Group and subsidiaries" and to the notes to the financial statements, in the sections entitled "Notes on company acquisitions" and "Notes on company sales."

Assets

Both the balance sheet at December 31, 2008 and the income statement for fiscal year 2008 were heavily influenced by the trading business of the Actebis Group, which generated an outstanding EBITDA in 2008.

Asset structure analysis

In the course of its ordinary business activities, ARQUES purchases and sells companies in a wide range of economic sectors and industries. Consequently, the Group's asset structure is highly volatile, being composed of the very heterogeneous balance sheet structures of the companies comprised within the Group's current portfolio. The changes to the Group's assets from the previous year can be attributed in large part to the changes in the consolidation group over the course of the year. The company acquisitions and sales are explained in detail in the corresponding notes to the financial statements.

In accordance with the principle of fair value measurement, the assets and liabilities of the acquired companies are remeasured at the acquisition date as part of the purchase price allocation process. In accordance with the applicable accounting standards, any differences between the fair values and the carrying amounts are recognized in the balance sheet and income statement. In subsequent periods, the hidden reserves comprised within the carrying amounts of non-current assets which were uncovered as part of the purchase price allocation process are amortized over the remaining useful lives of the non-current assets in question. This practice accounted for no small proportion of the heightened depreciation and amortization charges of EUR 93.3 million in 2008.

The total assets of the ARQUES Group at December 31, 2008 amounted to EUR 1,719.0 million, nearly unchanged from the previous year. The non-current assets decreased from EUR 560.5 million to EUR 476.0 million. The systematic depreciation and amortization, as well as the asset disposals resulting from the sale of portfolio companies and the writedowns charged against various assets, were countered mainly by the asset acquisitions resulting from the purchase of the Gigaset Group in 2008.

The current assets likewise experienced only a small decrease from 2007. Thus, there were no structural shifts, despite the fact that various different companies were sold and purchased in 2008. The disposals of current assets were largely offset by the acquisition of current assets related to the purchase of the Gigaset Group. This fact is illustrated by the following breakdown of assets by operating segment:

SEGMENT ASSETS IN EUR MN	2008	2007	CHANGE
Steel	50.5	86.6	-42%
Print	72.9	83.4	-13%
Industrial Production	82.3	118.5	-31%
IT	591.5	672.9	-12%
Automotive	183.5	429.5	-57%
Retail	49.5	102.4	-52%
Specialty Chemistry	46.2	113.0	-59%
Communications	395.3	0.0	-
Holding	35.9	69.0	-48%
Service	180.3	109.5	65%
Group adjustment	-4.4	-3.7	19%
Total	**1,683.5**	**1,781.1**	**-5.5%**

The inventories declined from EUR 439.0 million in 2007 to EUR 378.9 million in 2008. At the balance sheet date, a portion of the trade receivables had been assigned to various financing companies (factoring companies). Specifically, an amount of EUR 322.6 million was assigned at December 31, 2008 (PY: EUR 267.9 million). As could be expected, the two biggest groups Actebis und Gigaset accounted for 66.9% or EUR 272.6 million of the total trade receivables. As in the previous year, receivables from factoring arrangements accounted for most of the "other assets."

The assets and liabilities held for sale were composed of the assets and liabilities of the corporate groups BEA, ddp, Evotape und Rohner, which were sold as part of a portfolio transaction in January 2009.

At the balance sheet date, the ARQUES Group held cash and cash equivalents in the amount of EUR 142.4 million, that being EUR 57.9 million more than at the end of 2007, due in part to the acquisitions effected in the meantime. Furthermore, the Group's current financial liabilities were reduced by EUR 120.8 million, from EUR 257.6 million to EUR 136.8 million. Both these developments are reflective of the strict cost management and liquidity management that ARQUES practiced as a matter of high priority in the second half of 2008, even though it entailed some negative consequences for the Group's net profit.

Of the Group's total assets, 28% (PY: 31%) were non-current and 72% (PY: 69%) were current.

At December 31, 2008, the consolidated equity of the ARQUES Group amounted to EUR 263.0 million (PY: EUR 401.0 million), corresponding to an equity ratio of 15% (PY: 22%). The decrease in the consolidated equity from the previous year resulted from the net loss for 2008, which mainly resulted, in turn, from the reduced level of income from the reversal of negative goodwill, as well as impairment losses, writedowns and interest charges.

The Group's current and non-current financial liabilities declined appreciably, by EUR 127.5 million, from EUR 339.5 million to EUR 212.0 million.

At EUR 601.4 million (PY: EUR 581.5 million), the trade payables represented the largest item of liabilities. Seventy eight percent (PY: 79%) of the Group's liabilities are current liabilities.

ARQUES maintains an active capital and asset management program with the goal of securing the continued operation of all Group companies and optimizing the ratio of equity to debt in the interest of all stakeholders. The capital structure is managed primarily on a decentralized basis, in the operating subsidiaries and business units. The capital management programs of the individual companies are monitored on the Group level as part of a regular reporting process; where necessary, these programs are supported and optimized. The capital managed under such programs includes all current and non-current debts and liabilities and equity components. Decisions on dividend payments or capital measures are made individually for every company on the basis of the internal reporting system and in consultation with the companies in question.

Financial position

The restructuring success achieved in a given subsidiary is reflected particularly in the ability of the restructured company to generate positive cash flows or at least not to use all available funds for restructuring purposes alone. When free cash flows are generated or disposable funds are otherwise available, the company in question will be in a position to repay the shareholder loans extended to it. In some cases, such repayment could occur well before the company is able to pay dividends, as when the company still has loss carry-forwards to work off, for example.

In times of global economic crisis, strict cost and liquidity management commands the highest priority. In view of this necessity, ARQUES began in 2008 and continued in 2009 to subject the entire portfolio to an extensive review, especially also with regard to the companies' future liquidity needs. As a result of this process, we identified several subsidiaries, the restructuring of which would be too complex or cost-intensive in a time of crisis. ARQUES divested these companies in 2008 und 2009 in order to conserve liquidity.

In January 2009, moreover, ARQUES generated additional liquidity of EUR 20 million from the portfolio transaction completed at that time. These funds can be used for financing the core portfolio, among other uses.

Cash flow

The Group's cash flow experienced the following, significantly positive development:

EUR MN	2008	2007
Cash flow from operating activities	119.0	42.2
Cashflow from investing activities	61.8	-67.0
Free cash flow	180.9	-24.8
Cash flow from financing activities	-106.2	16.5

The increase in the cash flow generated from operating activities can be credited mainly to the non-recurring inflow of cash from the conclusion of three factoring agreements (EUR 79.5 million), as well as active working capital management. After all, no positive profit contribution was generated in 2008. The factoring agreements have been implemented to finance purchase price liabilities.

The cash inflow from investing activities in fiscal 2008 amounted to EUR 61.8 million (PY: cash outflow of EUR 67.0 million). The cash inflow resulted mainly from non-current asset sales, proceeds on the sale of companies and cash and cash equivalents acquired along with the purchased companies.

The ARQUES Group generated a cash outflow of EUR 106.2 million from financing activities in 2008 (PY: cash inflow of EUR 16.5 million). The free cash flow was mostly used to pay down current financial liabilities.

For more information on the risks associated with the financing structures, please refer to the section on financial risks in the Risk and Opportunities Report comprised within the combined management report.

Key indicators of assets, financial position and earnings

		2008	2007
Equity ratio	$\frac{\text{Equity}}{\text{Total assets}}$	15.3%	21.9%
Asset intensity	$\frac{\text{PP\&E and intangible assets}}{\text{Total assets}}$	26.2%	28.2%
Structure of liabilities	$\frac{\text{Current liabilities}}{\text{Total liabilities}}$	78.2%	79.5%
Return on sales	$\frac{\text{EBIT}}{\text{Revenues}}$	negative	6.7%
Return on equity	$\frac{\text{Net profit}}{\text{Equity}}$	negative	28.6%
Return on capital employed	$\frac{\text{Net profit}}{\text{Total assets}}$	negative	6.3%

Earnings

Revenues

As a turnaround specialist, ARQUES acquires companies in a wide range of industries. These industries form the basis for the primary segment reporting. Based on the principal activities and sector affiliations of the newly acquired corporate groups, ARQUES established a new segment in 2008. For a detailed discussion of the segment report, please refer to the corresponding section of the notes to the financial statements.

In fiscal year 2008, the ARQUES Group generated revenues of EUR 5,505.0 million, that being 162% higher than the corresponding previous-year figure of EUR 2,102.3 million. This increase resulted mainly from the fact that the Actebis Group was consolidated for the full year in 2008. The acquisitions and divestitures had a substantial impact on some segments, in particular:

REVENUES EUR MN	2008	2007	CHANGE
Steel	86.2	83.5	3%
Print	81.3	69.1	18%
Industrial Production	129.9	165.2	-21%
IT	3,974.3	1,059.4	275%
Automotive	537.3	139.3	286%
Retail	122.6	92.7	32%
Specialty Chemistry	172.7	219.2	-21%
Communications	156.1	0.0	-
Holding	0.0	0.0	-
Service	244.6	151.0	62%
Continuing operations	5,505.0	1,979.3	178%
Discontinued operations	0.0	123.0	-100%
Total	**5,505.0**	**2,102.3**	**162%**

As could be expected, the IT segment was the biggest revenue contributor, with revenues of EUR 3,974.3 million, representing 72% (PY: 50%) of the Group's total revenues. The increase in revenues generated in the Automotive segment was mainly due to the fact that the Anvis Group was consolidated for twelve months in 2008 (PY: three months). Moreover, the Eurostyle Group, which had been acquired on December 31, 2007, was consolidated for 11 months in 2008.

Key items of the income statement

The "other operating income" amounted to EUR 249.0 million in 2008, that being EUR 59.7 million or 19% less than the previous-year figure. The principal reason for this decrease was the fact that this item contained only EUR 112.5 million (PY: EUR 214.7 million) in income from the reversal of negative goodwill. Of this amount, EUR 81.7 million derived from the reversal of negative goodwill in connection with the Gigaset Group. This income resulted from the first-time consolidation of the acquired companies. Income from the reversal of negative goodwill is recognized when the cost of an acquisition is less than the sum total of the fair values of the assets minus the liabilities and contingent liabilities of the acquired company. After repeated review, such differences are recognized as income in the period during which the acquisition occurred. According to IFRS, expenses from future restructuring measures may be taken into account at the acquisition date only if such restructuring measures had been resolved by the seller prior to the sale. In most cases, such expenses will be incurred after the acquisition either in the year during which the acquisition occurred or in subsequent years. The income from the reversal of negative goodwill recognized in fiscal year 2008 was offset by the expenses of conducting the restructuring measures in the acquired companies. The change in the "other operating income" from the previous year resulted primarily from the changes to the consolidation group and from foreign exchange gains, the remission of receivables on the part of third parties and income from cost reimbursements granted by third parties.

Due to the changes in the consolidation group, the cost of purchased goods and services of the ARQUES Group amounted to

EUR 4,717.5 million in fiscal year 2008, that being EUR 3,019.6 million higher than the previous-year figure of EUR 1,697.9 million. This increase resulted mainly from the fact that the Actebis Group was consolidated for the full year in 2008. In addition, the Anvis Group, the Eurostyle Group and the Gigaset Group all contributed to the increased cost of purchased goods and services.

The same factors were behind the jump in personnel expenses (wages, salaries, social security and pension benefits), which increased from EUR 259.1 million in 2007 to EUR 481.9 million in 2008 as a result of the acquisitions effected in the meantime.

The "other operating expenses" rose from EUR 265.0 million in 2007 to EUR 445.4 million in 2008. The biggest constituents of this item included administrative expenses, shipping and freight expenses, expenses related to land and buildings, marketing expenses, consulting expenses, maintenance expenses, foreign exchange losses, value adjustments on receivables and losses on deconsolidation.

The EBIT was substantially burdened by the writedowns charged in connection with the portfolio optimization. It was necessary to recognized impairment losses totaling EUR 133.7 million. In particular, impairment losses of EUR 52.9 million had to be recognized in connection with the sale of the Eurostyle Group. The EBIT was also burdened by impairment losses at Richard Schöps AG & Co. (EUR 17.6 million), the weberbenteli Group (EUR 15.0 million), Rohner AG (EUR 12.3 million), the Sommer Group (EUR 6.3 million) and the Capresa Group (EUR 6.0 million).

The net financial expenses for 2008 were significantly higher than the corresponding figure for 2007. The increase was due to the interest payments on borrowed loans and to the substantially higher costs of finance leases and factoring.

Earnings performance

The EBITDA (earnings before interest, depreciation and amortization) for fiscal year 2008 amounted to EUR 115.6 million, that being EUR 87.1 million less than the previous-year figure of EUR 202.7 million. As mentioned above, the principal reason for this decrease was the reduced amount of income from the reversal of negative goodwill. At minus EUR 111.4 million, the EBIT (earnings before interest and taxes) was substantially less than the previous-year figure.

The segment EBITDAs contain the income or expenses from the reversal of negative goodwill, while the segment EBITs also contain the impairment losses and writedowns from the portfolio optimization process, which had a negative impact on nearly all the segments. The segment results showed the following development:

EBITDA IN EUR MN	2008	2007
Steel	17.4	3.8
Print	8.9	0.7
Industrial Production	-9.9	9.2
IT	44.6	31.9
Automotive	7.0	85.8
Retail	-13.6	30.0
Specialty Chemistry	-7.4	4.9
Communications	69.1	0.0
Holding	-27.2	-11.9
Service	26.6	-6.7
Continuing operations	115.6	147.7
Discontinued operations	0.0	55.0
Total	**115.6**	**202.7**

EBIT IN EUR MN	2008	2007
Steel	6.4	0.2
Print	-16.5	-6.0
Industrial Production	-14.6	3.0
IT	25.6	25.6
Automotive	-88.3	80.0
Retail	-34.4	27.7
Specialty Chemistry	-23.0	-10.0
Communications	52.6	0.0
Holding	-27.4	-22.2
Service	8.1	-11.3
Continuing operations	-111.4	87.0
Discontinued operations	0.0	53.5
Total	**-111.4**	**140.5**

The consolidated net loss for fiscal year 2008 was minus EUR 141.6 million, that being substantially lower than the previous-year figure of positive EUR 114.7 million. Of the consolidated net loss, an amount of minus EUR 130.1 million is attributable to the shareholders of ARQUES Industries AG (PY: EUR 114.6 million).

Summary assessment of earnings

ARQUES' earnings performance in the past fiscal year was affected primarily by events that exerted a negative impact on the consolidated net profit below the level of EBITDA. In addition to the high level of ongoing depreciation, amortization and financial expenses, ARQUES was compelled to charge writedowns of EUR 133.7 million in order to secure the future of the core portfolio. In this regard, it had become necessary to divest the Group of weaker subsidiaries, which ARQUES managed to accomplish in a manner that conserved as much liquidity as possible.

Employees

The performance, dedication and identification of the Group's employees with the company and its goals are the most important factors for the company's business success. In fiscal year 2008, the ARQUES Group had an average of 12,300 employees (PY: 6,093). Of this number, 5,746 were hourly wage earners (PY: 2,616), 6,286 were salaried employees (PY: 3,284) and 268 were vocational apprentices (PY: 193). The employees of the companies that were added to or removed from the consolidation group in 2008 were included pro rata temporis. At December 31, 2008, the ARQUES Group had 13,455 employees (PY: 12,319), including 5,827 hourly wage earners, 7,334 salaried employees and 294 vocational apprentices.

Important events in fiscal year 2008

Changes in the Executive Board of ARQUES Industries AG

Certain changes were made to the Executive Board of ARQUES Industries AG at the beginning of fiscal year 2008. Effective February 1, 2008, the Supervisory Board of the company appointed Dr. Michael Schumann as the Chairman of ARQUES Industries AG. In that position, he replaced Dr. Martin Vorderwülbecke, who had asked the Supervisory Board to terminate his Executive Board employment contract by mutual agreement with effect from January 31, 2008. Bernd Schell took over as Head of Operations already on January 1, 2008. As of February 1, 2008, therefore, the Executive Board of ARQUES Industries was composed of Dr. Michael Schumann (Head of Acquisitions until February 2, 2009, Head of Finance from February 1, 2008 to February 2, 2009, Executive Board Chairman from February 1, 2008 to February 28, 2009), Bernd Schell (Head of Operations) and Felix Frohn-Bernau (Head of M&A).

At its meeting of February 2, 2009, the Supervisory Board of ARQUES Industries AG and Dr. Michael Schumann agreed to set aside the appointment of Dr. Michael Schumann as the Chairman of the Executive Board of ARQUES Industries AG by mutual agreement with effect from February 28, 2009. At the same meeting, the Supervisory Board appointed Hans Gisbert

Ulmke as the Chief Financial Officer for a term of three years, effective February 3, 2009. As of March 1, 2009, therefore, the ARQUES Executive Board is composed of Hans Gisbert Ulmke (Chief Financial Officer), Bernd Schell (Head of Operations) and Felix Frohn-Bernau (Head of M&A).

Litigation

In connection with their ordinary business activities, companies of the ARQUES Group are involved or may be involved in the future in various judicial and administrative proceedings; or such proceedings may be introduced or pursued in the future. Although the outcome of individual proceedings cannot be predicted with any certainty, given the imponderability generally associated with legal disputes, it is believed, based on current assessments, that these proceedings will not have a seriously adverse effect on the Group's earnings performance, beyond the risks accounted for as liabilities or provisions in the present financial statements. The ongoing litigation in which ARQUES Industries AG is currently involved relates mainly to purchase and sale transactions and to administrative proceedings.

Reorganization of the ARQUES national subsidiaries

To optimize processes and lower costs, all the international activities of ARQUES were consolidated and will be managed in the future from the company's headquarters in Starnberg.

ARQUES continues to serve as a partner to large corporations seeking to spin off their subsidiaries

ARQUES conducted a total of seven acquisitions in fiscal 2008. The most prominent of these was the acquisition of Siemens Home and Office Communication Devices (today known as Gigaset Communications GmbH) from Siemens AG, which was announced in August. In this transaction, ARQUES again proved itself as a reliable partner to large corporations. The transaction was completed on October 1, 2008 (contract closing date).

In April 2008, ARQUES acquired ASM, the Spanish freight services provider, and Carl Froh, the manufacturer of welded precision steel tubes. Effective June 1, 2008, ARQUES acquired the business activities of Benteli Hallwag and contributed them to the Swiss printing company Farbendruck Weber.

With effect from August 31, 2008, the Rohé Group, which belongs to the ARQUES Group, acquired 100% of the equity in the company Tank- und Anlagentechnik H&R. Also in August, Rohé acquired the gas station service provider Hünert Tanktechnik. The transaction was closed on October 2, 2008.

In October, ARQUES acquired the distribution network Bpack for its newly acquired subsidiary ASM and integrated the former into the latter. In November, finally, ARQUES acquired the British car glass specialist Auto Windscreens. This transaction was closed in December 2008.

For more information on the acquisitions effected in 2008, please refer to Section 41 of the notes to the financial statements, "Disclosures regarding company acquisitions."

Real estate sales

On July 9, 2008, ARQUES sold two real estate properties which had been purchased in connection with the acquisition of Actebis Peacock GmbH, Soest, in 2008. The proceeds on the sale amounted to EUR 32 million.

Company sales

In the first half of 2008, ARQUES successfully sold three restructured subsidiaries. After the sale of the operating business of the building materials supplier Missel by way of an asset deal in the first quarter of 2008 to the globally active KOLEKTOR Group from Slovenia, ARQUES sold the Spanish chemicals company Oxiris Chemicals S.A. to the German Raschig Group, Ludwigshafen, and the gears manufacturer Jahnel-Kestermann to the exchange-listed South Korean company PSM, Inc., Busan, which operates in the metalworking industry.

Effective June 30, 2008, ARQUES Industries AG sold all the equity in Xerius AG.

ARQUES sold the Austrian clothing retail chain Schöps and the plant engineering firm Hottinger in August 2008, both of which for a symbolic price. In November, finally, ARQUES sold 85% of the equity in the automotive supplier Eurostyle as part of a management buy-out. Due to the ongoing crisis in the French automotive industry, the French subsidiaries of the group had filed for protection from creditors prior to the sale.

For more information on the sales effected in 2008, please refer to Section 42 of the notes to the financial statements, "Disclosures regarding company sales."

ARQUES Group and subsidiaries

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

The subsidiaries of ARQUES Industries AG as of December 31, 2008:

SUBSIDIARY	ACQUISITION DATE (SIGNING)	INDUSTRY
ddp Deutscher Depeschendienst*	November 2004	Media/ news agency
GolfHouse	June 2005	Retail and mail-order sales
Evotape*	June 2005	Adhesive tape / industry
Sommer Road Cargo Solutions*	October 2005	Automotive production/ automotive industry
tiscon AG (incl. COS Distribution, Avitos, Topedo, Chikara, among others)	October 2005 December 2006 February 2007	Equity investment company focusing on IT distribution
Rohner*	March 2006	Specialty chemicals
Fritz Berger	May 2006	Retail and mail-order sales
weberbenteli* (Benteli Hallwag)	August 2006 June 2008	Printing industry
Oxxynova	September 2006	Specialty chemicals
BEA TDL*	November 2006	Technical equipment for conveyance and energy applications
Wanfried Druck Kalden	March 2007	Package and label printing
van Netten	April 2007	Confectionery maker/ industry
Capresa	April 2007	Primary steel processor / automotive supplier
Rohé* (Tank- und Anlagentechnik H&R, Hünert Tanktechnik)	June 2007 August 2008	Gas station service provider/ industry
BEA Electrics*	July 2007	Technical equipment for conveyance and energy applications
Actebis Group (incl. NTplus and Actebis Nordics)	July 2007 October 2007 December 2007	IT and telecommunications distribution
Anvis	September 2007	Automotive supplier
SM Electronic	November 2007	Consumer electronics dealer
ASM (incl. Bpack)	April 2008 (October 2008)	Freight services provider
Carl Froh	April 2008	Steel processor/ automotive supplier
Gigaset Communications (formerly Siemens Home and Office Communication Devices)	August 2008	Manufacturer and dealer of wireless telephones and ITC technology
Auto Windscreens	November 2008	Automotive glass supplier

* Sold in the first quarter of 2009

There follows a description of the situation and development of those ARQUES subsidiaries that are considered material in terms of their size. The materiality criterion applied for this purpose was annualized revenues greater than EUR 50 million per subsidiary.

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 manufactures of packaging and masking tape in Europe, with two stand-alone plants in the Italian towns of San Pietro Mosezzo and SS. Cosma e Damiano.

Industry analysis

The market for the production of packaging and adhesive tape is characterized by high production capacities and constant downward pressure on prices, which is being accelerated primarily by competitors from Asia, but also from Europe. European market players were further burdened by unfavorable exchange rate relationships (U.S. dollar, British pound sterling). Production costs have remained on a steady, high level owing to high oil prices and the global demand for natural rubber.

Company situation, business developments, restructuring and development measures

At the start of 2008, the two operating sites were restructured in such a way as to be independent companies connected by way of an umbrella company. Thanks in part to the introduction of an employee bonus model geared to productivity, the Italian adhesives manufacturer managed to improve its production processes. The use of self-developed, lower-cost materials, which nonetheless exhibit improved characteristics, had a positive impact on the company's cost structure, as did the measures undertaken to reduce energy consumption. Rising commodity costs could be passed on to customers only in part, and after a certain delay. Due to the financial crisis and the desolate outlook for the global economy, Evotape's order situation was negative in the fourth quarter of 2008.

Events after the balance sheet date

Effective January 22, 2009, Evotape was sold as part of a portfolio transaction.

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 locations in Germany, France, Poland, and Russia.

Industry analysis

After several years of growth, the international commercial vehicle markets have entered a cyclical downturn, which is being exacerbated by the financial crisis and the recession, according to the German automotive association VDA. The demand for commercial vehicles and accordingly also the new orders received in Western Europe declined sharply in 2008. Numerous manufacturers of commercial vehicles have already made capacity adjustments and laid off employees. According to VDA, the outlook for the automotive industry is further clouded by the restrictive lending policies of banks and merchandise credit insurance providers. For 2009, VDA expects that the commercial vehicle segment will suffer its worst contraction in decades.

Company situation, business developments, restructuring and development measures

As an international supplier of motor vehicles built primarily to customers' specifications, Sommer Road Cargo Solutions is in a somewhat better position to weather the crisis affecting the automotive industry than manufacturers of standard semi-trailers. Nonetheless, the company was not completely immune to the negative developments affecting the industry. Sommer benefited in particular from a high-volume order for parcel distribution vehicles, which had been placed by a key account. The Bielefeld-based company has already implemented the necessary capacity adjustments by consolidating its German production at the site in Laucha and at the Polish plant in Brzeznio.

Events after the balance sheet date

On March 12, 2009, the Sommer Road Cargo Solutions Group was sold to a consortium of strategic partners in the form of German mid-sized automotive companies and a financial investor, BSF Consulting AG.

tiscon

TISCON AG

tiscon AG is an equity investment firm that holds investments in the IT distribution sector. The Group comprises the following significant companies: COS Distribution, Avitos, TOPEDO IT-Handels GmbH, E-Logistics, Chikara and tiscon Handels GmbH.

Industry analysis

The growth momentum of the IT market in Germany slowed in the second half of 2008. According to an IDC study, however, there has been no fundamental change in the generally positive medium-term trend, according to which IT expenditures are expected to increase by about 3.3% by the year 2012. In the midst of the current recession, however, experts predict that the German IT market will likely grow by only about 1%, and the European IT market by 1.5%, in 2009. The slowing growth trend will be reflected primarily in the hardware market, which is likely to grow by only 0.2% in 2009. The only segments that are expected to experience stable growth are those for smart handheld devices and IP telephony. In the medium-term future, the IT market will benefit from rising public-sector investments under the announced government expenditure programs. Furthermore, experts anticipate growing demand for so-called "green IT" products, which is to say, energy-saving IT products.

Company situation, business developments, restructuring and development measures

Amid an industry environment that had been worsening since the second quarter of 2008, the subsidiaries of tiscon AG managed to grow their business at the rate of the overall market and so defend their market position in the IT wholesale business. Compared with the positive performance of the "consumers" segment, in which the budgeted profitability targets were largely met, those companies operating in the "re-sellers" segment failed to meet expectations. Consequently, tiscon did not achieve the planned profit zone. Furthermore, the weak U.S. dollar and the price pressures arising from intensified competition put significant additional pressure on the company's profitability.

tiscon AG made good progress in the restructuring of its subsidiaries in fiscal year 2008. Besides implementing further cost reduction measures, the company improved its internal processes and structures. COS Distribution added new product lines to its assortment, including high profit-margin items. At the same time, the company stepped up its activities in Austria and expanded its mass-market business. Additional functions were added to the new shop system to make it more customer-friendly.

The tiscon subsidiary COS Distribution generated a very positive response at the world's biggest computer trade fair, the CeBIT, and at the in-house trade fair COS DAYS 2008, which logged a new attendance record of more than 2,200 specialty retailers. In addition, the company presented its portfolio of products and services at numerous so-called road shows in Germany and was able to expand its customer base as a result of these actions. The customer loyalty reinforcement measures implemented by COS were recognized in the form of the "Excellent Distributor" title bestowed upon COS Distribution in connection with a survey of dealers, among other distinctions.

With regard to the subsidiary Avitos GmbH, additional measures were undertaken to optimize the cost structure and improve the shop system. As a result, this company improved its unit sales and stabilized its positive earnings performance.

Outlook

tiscon AG will continue to optimize the processes and structures of its subsidiaries and improve the cooperation of these companies among themselves. The subsidiaries will tap into new sales channels within their existing business lines and continually expand their merchandise lines. COS Distribution intends to win new customers by engaging in targeted sales and marketing activities, organizing an in-house trade fair and conducting road shows. Due to its size, however, the company will require further restructuring successes in order to be positioned as a viable business. Based on the budgeted revenues and profit margins at the present time, tiscon should be able to accomplish the necessary restructuring. In consideration of the current economic crisis and the lack of market demand in the foreseeable future, there are risks associated with the company's ability to reach this goal. tiscon AG is currently dependent on financial support from ARQUES.

weberbenteli

weberbenteli is a new printing and media services provider that issued from the merger of Farbendruck Weber with the printing business of Benteli Hallwag as of June 1, 2008. Backed by highly modern plant and machinery, including peripheral equipment, the Biel-based Swiss company offers a full range of printing-related services, including high-quality image brochures, magazines and prospectuses, annual reports, envelopes and luxury printed goods, as well as customized editorial and publication solutions.

Industry analysis

The printing industry in Switzerland is increasingly subject to price pressure as a result of surplus capacities. The rising energy and paper costs are placing an additional burden on the printing industry. In 2008, industry revenues contracted by more than 5% on declining orders. In view of the worsened economic conditions, experts anticipate that the structural transformation of this industry will accelerate. Declining revenues and profits are predicted for the printing and graphics industry in 2009.

Company situation, business developments, restructuring and development measures

In the first half of 2008, weberbenteli focused primarily on optimizing its internal processes; in the second half of the year, the company focused on the acquisition and subsequent integration of the printing activities of Benteli Hallwag.

As part of this business combination, a comprehensive sales and marketing strategy was developed and implemented for the newly created printing and media services provider. In 2008, weberbenteli completed the modernization of its sheet offset plant and equipment. The new equipment is entirely compatible with the existing plant and machinery. Thus, the company has some of the most modern sheet offset and web offset plant and equipment in Europe. In addition to pre-press and post-press services, therefore, the company can also offer its customers layout, cross-media and magazine services.

Events after the balance sheet date

Effective March 19, 2009, weberbenteli was sold to the financial investor ValueNet Capital Partners, Munich.

Oxxynova

Oxxynova is the leading European producer of liquid dimethyl terephthalate (DMT), an input for polyester production. DMT is used in the production of textile and technical fibers, films, input materials for paint and adhesive products, as well as technical 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.

Industry analysis

The rising costs of raw materials and energy continued to weigh on the polyester industry in 2008. Due to the market situation, it was not possible to pass on the higher production costs to customers, or only after a certain delay. This circumstance had a significant impact on the profitability of the companies operating in this market. Following the closure of a competitor plant in the Netherlands and the discontinuation of DMT production at Oxxynova's Lülsdorf site, the formerly existing surplus capacities in this industry were eliminated. Nonetheless, Asian suppliers of products used in polyester production and the ability of customers to employ substitutes for DMT continued to exert pressure on the European market.

Company situation, business developments, restructuring and development measures

At the beginning of 2008, Oxxynova discontinued DMT production at its Lülsdorf site and completed the necessary dismantling and cleaning work. A reconciliation of interests and a redundancy plan were negotiated with the Works Council, subject to the condition of closing the site. At the same time, however, Oxxynova is studying ways of utilizing the available production capacities of the Lülsdorf plant for new product developments, process conversions or the entry into a new market. As the elimination of surplus capacities effectively put an end to the market consolidation process, Oxxynova was able to conclude the concentration of DMT production at its production site in Steyerberg.

Oxxynova's performance in the fourth quarter fell short of the solid results in the first three quarters of 2008. As a result of the worldwide financial and economic crisis, Oxxynova's customers either scaled back or completely stopped their production operations, beginning in October 2008. Consequently, they drastically reduced or cancelled their DMT orders.

Outlook

At the present time, it is difficult to predict the demand for DMT in 2009. In the first quarter of 2009, Oxxynova's customers were primarily interested in reducing their inventories and therefore kept their production output at very low levels. The unit sales quantities planned for the second quarter are about 30% higher than those for the first quarter of 2009. In consideration of the low capacity utilization that can apparently be expected in the first half of 2009, Oxxynova anticipates that its production quantities in 2009 will be significantly lower than those for 2008.

BEA TDL and BEA Electrics

The technical services provider BEA TDL, based in Lausitz, installs electrical and automation systems in the following business segments: conveyance technology, water technology, automation technology and environmental technology. Vienna-based BEA Electrics is also a technical services provider specializing in oil and gas, energy grids, infrastructure and industry.

Industry analysis

As a technical services provider, the BEA companies that belong to the ARQUES Group benefited from the capital expenditures of the European energy industry. The planned strategic changes to Germany's energy mix can be expected to favor lignite extraction in eastern Germany and the Rhineland region. In view of these developments, German energy companies are planning substantial capital expenditures in opencast mining operations, for which BEA TDL develops, installs and maintains electrical components, among other things. Again in 2008, BEA Electrics generated a large proportion of its revenues in the sectors of oil and gas, infrastructure and energy grids.

Company situation, business developments, restructuring and development measures

The BEA group of companies continued to benefit from the extensive capital expenditures of the European energy industry in 2008. Accordingly, the new orders and order backlogs of both companies were higher than the corresponding prior-year values. In 2008, the two BEA companies that are subsidiaries of the ARQUES Group implemented additional measures to realize synergies and adopted a joint strategic orientation in this regard.

The joint customer conference held by the BEA Group in Vienna in September 2008 was met with great interest on the part of customers and the trade press and was very well received by these groups. BEA TDL opened a branch office in Karlsruhe to bolster its presence in southern Germany and to further develop its control systems division.

Events after the balance sheet date

Effective January 22, 2009, the two BEA companies were sold as part of a portfolio transaction.

VAN NETTEN

Dortmund-based van Netten is a manufacturer of innovative, high-quality candies. Its customers mainly consist of various retail companies in Germany and abroad. In fiscal year 2008, discount stores represented the company's most important group of customers, accounting for more than 50% of its revenues. The company supplies these customers primarily with private-label brands. All products are manufactured at the production site in Dortmund.

INDUSTRY ANALYSIS

Compared to the previous year, the confectionery industry experienced a slight increase in the quantity of goods sold in 2008, especially in the product segments of chocolates, filled chocolates and pastries. Unit sales of lozenges were slightly lower than those of the previous year, while sales of fruit gummi and licorice were higher. Total confectionery sales were about 5% higher in 2008.

COMPANY SITUATION, BUSINESS DEVELOPMENTS, RESTRUCTURING AND DEVELOPMENT MEASURES

van Netten brought about a significant increase in its revenues in 2008, benefiting in particular from the strong demand for chocolate lozenges. To this end, the company took various measures to increase its production capacities in this segment. In those product segments with idle capacities, the company intensified its product development activities and developed new products. In addition, the confectionery manufacturer made various recipe adjustments to optimize managerial control and the consumption of raw materials.

Moreover, van Netten stepped up its sales activities and export business in order to participate in the growing international demand for its products. Among other steps, van Netten took part in the most important international confectionery trade fairs in 2008, where it presented itself under a completely revised strategic concept. As a result of these activities, van Netten acquired new orders from international customers.

Furthermore, the company implemented various measures to optimize its production processes and batch sizes in order to enhance its profitability. van Netten realized considerable energy cost savings through capital investments in a new refrigeration system and by modernizing its measurement and control systems.

OUTLOOK

van Netten anticipates strong growth in 2009 as well, benefiting from the introduction of new products, in particular. van Netten presented its new product development to a wide industry audience at the international confectionery trade fair ISM in Cologne in February 2009. In addition, the company will intensify its efforts to expand its export business and adapt its sales structures accordingly. By investing in new products and innovative end-use packaging, van Netten intends to further extend its market position in the product segment of chocolate lozenges. By stepping up its product development activities, the company intends to increase the proportion of new products substantially in the coming years. In particular, van Netten will seek to increase the proportion of lozenges and gelatin products, as well as seasonal items, by means of targeted customer communication. The company will continue to systematically optimize its production processes and make targeted capital investments in efficiency enhancement processes. The company expects to benefit from falling prices of raw materials in the coming year.

Anvis

The Anvis Group is a primary developer and manufacturer of innovative functional solutions for motion stability, comfort and safety. The corporate group's operational range includes the entire process chain with respect to anti-vibration systems from the idea to the production stage. The Anvis Group maintains its own operating facilities and branch offices all over the world to serve the automotive industry.

Industry analysis

After a good start in 2008, the automotive industry suffered a major collapse in the second half of the year, due to globally weak demand. In Germany, automotive production declined by 3% in 2008, the first such decline since 2002. In North America, 18% fewer automobiles were sold in 2008 than in the previous year, while in Western Europe, passenger vehicle sales plummeted 8%. In December 2008, the order backlogs of the German automotive industry fell 20% from the corresponding year-ago figure to reach the lowest level since the late 1980s. For 2009, the German automotive industry association VDA predicts that the demand for new cars will continue to fall, leading to further decreases in automotive production.

Company situation, business developments, restructuring and development measures

In the first half of 2008, the Anvis Group completed the process of separation from the corporate structure of its former owner. In addition to beefing up personnel in administrative functions such as logistics and finance, the Anvis Group also completely overhauled its IT systems.

The Purchasing and Sales departments were partially centralized in order to realize synergies. In the second half of 2008, the newly hired Chief Operating Officer (COO) advanced measures to optimize the cooperation among the Group's operating facilities, as well as measures aimed at enhancing internal processes.

The Anvis Group also stepped its efforts to expand into growth markets and began to build a new plant in the Russian city of Togliatti, about 1,000 km southeast of Moscow. This plant is slated to begin production of anti-vibration systems for the Russian automobile market. Anvis will also build a modern development center in Togliatti. In addition, Anvis expanded its sales activities in the growth markets of Eastern Europe, Brazil and India.

Due to the deteriorating outlook for the automotive industry, the Anvis Group adjusted its production capacity and took appropriate steps to reduce its workforce in response to the shrinking unit sales of that industry in the fourth quarter of 2008. In addition, Anvis refined its restructuring plan, especially with respect to the reduction of fixed overhead costs, and aggressively pursued the implementation of that plan. Furthermore, particular emphasis was placed on securing the company's long-term liquidity.

Outlook

The crisis affecting the automotive industry has directly impacted the Anvis Group. Due to the precipitous drop in revenues, Anvis is currently dependent on financial support from ARQUES. Anvis is responding to the crisis also by lowering its fixed overhead costs substantially and by further intensifying its cash management. Furthermore, the Group intends to optimize its internal processes and enhance the cooperation among the various operating sites. These steps are expected to further improve the company's productivity. Also, Anvis will seek to reduce its dependency on the Western European market by tapping new growth markets in the future. To this end, Anvis will enter the Indian market through a joint venture with a local partner. Nonetheless, further restructuring steps will be required to place the company in a viable position for the future. Continued negative developments in the automotive sector could entail additional risks for the company.

ACTEBIS®

Actebis

The Actebis Group is the third-largest distributor of ITC products in Europe. It distributes information technology and telecommunications products, mobile communication and consumer electronics products. Founded in 1986, it has about 1,800 employees serving more than 70,000 business customers throughout Europe. Actebis is represented through its own national subsidiaries in Germany, France, the Netherlands, Austria, Denmark, Norway and Sweden. In addition, the telecommunications distributor NT plus, which operates in the German market, also belongs to the Actebis Group. In addition to its extensive product assortment, the Actebis Group also offers a wide range of services, including sales and marketing services and e-services (including electronic connections), as well as financing and logistical services for specialty retailers.

Industry analysis

The growth momentum of the IT market in Germany slowed in the second half of 2008. According to an IDC study, however, there has been no fundamental change in the generally positive medium-term trend, according to which IT expenditures are expected to increase by about 3.3% by the year 2012. In the midst of the current recession, however, experts predict that the German IT market will likely grow by only about 1%, and the European IT market by a moderate 1.5% in 2009; and some experts anticipate a contraction. The slowing growth trend will be reflected primarily in the hardware market. Based on the most recent developments in the IT sector, IDC anticipates that worldwide PC sales will contract in 2009, for the first time in eight years. This pessimistic forecast is supported by disappointing unit sales figures in the emerging economies, which computer manufacturers regard as their primary growth engine. The numbers prove that companies around the world are cutting back on costs and postponing new investments in IT equipment. The only segments that are expected to experience stable growth are those for smart handheld devices and IP telephony. According to an analysis by Forester Research (Global IT Market Outlook: 2009), the German IT market will muster sales of US$81 billion in 2009, making it the world's fifth-largest IT market, after the United States, China, Japan and Great Britain, but ahead of France and Brazil. The German IT market is forecast to expand at a rate of 1%. In the medium-term future, the IT market will benefit from rising public-sector investments under the announced government spending programs. Furthermore, experts anticipate growing demand for so-called "green IT" products, which is to say, energy-saving IT products.

Company situation, business developments, restructuring and development measures

Despite the deteriorating market conditions in the second half of 2008, the Actebis Group succeeded in continuing on a course of growth. The Actebis Group boosted its revenues and expanded its business at a faster rate than the market average, thereby capturing new market shares in the IT wholesale business.

After the successful integration of the national subsidiaries in Denmark, Norway and Sweden, which had been acquired at the end of December 2007, as well as the telecommunications distributor NT plus, Actebis successfully implemented a group-wide SAP release change, thereby enhancing its web services and returns processing and shortening its processing times. Actebis is pursuing a dual-brand strategy for the companies NT plus und Actebis Peacock under the roof of a common holding company. A management change was effected at NT plus in 2008, with Volker Schwellenberg, a long-serving Actebis executive, taking over the management of that company. He will further enhance the cooperation between the two companies.

In March 2008, Actebis participated in the CeBIT in Hanover for the first time in five years and was very well received by customers and manufacturers alike. Furthermore, Actebis Peacock organized "Channel Trends 2008," a large trade fair in Bochum, which was attended by about 2,500 visitors. At this event, Actebis appeared jointly with NT plus for the first time. The Channel Trends trade fair was praised by participants and by the trade press as an important IT industry event.

In 2008, Actebis Peacock, the national subsidiary for Germany, become the first ITC distribution company to have its credit management program certified by the German Engineering Control Association TÜV-Rhineland. The distributor provides numerous financial services to specialty retailers, including merchandise credits to implement large-scale projects. Under this program, prospective borrowers are subjected to detailed analysis based on an extensive system of key performance indicators and expert field agents. Actebis invests continually in upgrading the receivables management systems and expertise of its employees. Consequently, the receivables losses of Actebis Peacock are much lower than the industry average.

Besides continually upgrading its product assortments through the addition of new high-quality items, the Actebis Group managed to further expand its customer base in 2008. According to a GfK study, Actebis moved up to second place in the criterion of market coverage, relegating Tech Data, which had long been the No. 2 in Germany, to third place. At the end of 2008, Actebis was awarded first place as a wholesaler ("broadliner") in all three important industry awards.

Outlook

Because it is a cost leader in nearly all core distribution processes, Actebis has the ability to increase its market share in a consolidating market by crowding out its competitors, as well as by developing new business segments, such as logistical fulfillment (e.g., shipping and C.O.D. service in the customer's name, custom finishing of existing hardware systems, provision of product warehouses, special deliveries, returns processing and contract handling for third parties). The strategic expansion of the manufacturer base and the associated development of buying customers offer the Group further opportunities for growth. The Actebis Group intends to extend its cost leadership position by expanding its logistical systems and online sales platform. With the integration of the telecommunications wholesaler NT plus, the Actebis Group is one of the few distributors in Germany to combine telecommunications and information technology within a single company. Therefore, Actebis will have good chances of shaping the European market for convergence solutions, meaning the combination of IT and telecommunications technologies.

In March 2009, Actebis acquired the broadline distribution business of Ingram Micro in Denmark under the terms of an asset deal. In the future, the distribution business of the Danish Ingram Micro will be integrated with Actebis Computer in Denmark. The transaction is pending, subject to the approval of the regulatory authorities. This approval is expected to be issued at the beginning of the third quarter of 2009 (contact closing). Actebis will be assuming the employees and the entire customer base of the Danish Ingram Micro subsidiary.

Rohé

Rohé is a European Group based in Vienna, which specializes in a wide range of services for gas station operators, including the maintenance of gas stations, the construction and installation of tanks, calibration, maintenance of car wash facilities and ground decontamination. As an independent service provider, Rohé operates through its own subsidiaries in 19 countries.

Industry analysis

As a service provider for gas stations and car wash facilities, Rohé's business is dependent primarily on the performance of petroleum companies and specifically their activities to expand their gas station networks. Although the number of gas stations has declined slightly in Western Europe, and especially in Germany, the number of gas stations in the growth markets of Eastern Europe is steadily increasing.

Company situation, business developments, restructuring and development measures

In 2008, the Rohé Group continued the restructuring of its national subsidiaries in Germany and Austria and the general reorganization of the company. With effect from August 31, 2008, Rohé acquired 100% of the equity in the company Tank- und Anlagentechnik H&R. Also in August, Rohé acquired the gas station service provider Hünert Tanktechnik. This transaction was closed on October 2, 2008. As part of its continuing efforts to harmonize its IT infrastructure, Rohé introduced SAP in the national subsidiaries in Germany, the Czech Republic and Poland and developed its own software services solution, which was completed at the beginning of 2009. By stepping up its sales activities, especially in the Eastern European growth markets, the Group succeeded in generating new projects in that region. In the process of focusing on these markets, Rohé established subsidiaries in Ukraine and Turkey, which have since commenced their operations and are poised to accept their first customer orders.

Events after the balance sheet date

Rohé was sold to the private equity firm ValueNet Capital Partners, Munich, in March 2009.

SM Electronic

Based in Stapelfeld, close to Hamburg, SM Electronic offers satellite and antenna receivers (digital TV) and electronic accessories for a range of applications, including audio, video, home entertainment and multimedia, under the brand name "Skymaster."

Industry analysis

The German consumer electronics market (CE) is characterized by a large number of competitors and strong price pressure. It has also been found that technical upgrades of innovative CE products tend to generate strong interest among consumers and boost the propensity for replacement purchases. According to the industry association Bitkom, the German market for consumer electronics expanded at a rate of about 2.3% in 2008. The demand for flat-screen TVs was especially strong. For 2009, Bitkom anticipates continued growth in demand for high-resolution TV sets and growing demand for digital set-top boxes and satellite systems. According to estimates, this product segment is expected to experience growth of about 15%.

Company situation, business developments, restructuring and development measures

Right after being acquired by ARQUES, a restructuring plan was developed for SM Electronic on the basis of extensive data analysis. That plan is currently being refined and systematically implemented. In a first step, SM Electronic focused on its core business, streamlined the product assortment considerably and discontinued the distribution of unprofitable product groups. These steps led to a planned decrease in revenues and a considerable improvement in profitability. Overall, however, SM Electronic is still not generating a positive cash flow. At the same time, the company began to overhaul the layout of certain product groups to be introduced to market in 2009. SM Electronic established a development program for optically appealing set-top boxes for satellite reception. The company also initiated targeted marketing, PR and sales measures in order to reach new sales markets in Germany and abroad with its streamlined and partially redesigned product assortment.

By establishing a subsidiary in Hong Kong and hiring new workers, SM Electronic focused its purchasing, quality assurance and product management activities on the Asian procurement market. Furthermore, the company initiated a process of in-sourcing the quality-assured corrective maintenance and refurbishment of products. In mid-October 2008, SM Electronic opened a new returns center, a 1,600 m^2 facility where all returns will be processed under the company's direction. Prior to this step, the processing of returns had been outsourced to an outside service provider, which exhibited quality problems, which were to be rectified by this measure. In August 2008, the company opened a factory outlet and in the fourth quarter of 2008, it initiated the process of re-entering the market of discount stores.

In the first half of 2008, workforce adjustment measures were carried out in a socially responsible manner, in close coordination with the Works Council. As part of this process, a management level was eliminated, thereby shortening decision paths considerably. In addition, the company entered into a restructuring agreement that featured a waiver of certain compensation components and increased working hours. Finally, additional employees were hired in connection with the in-sourcing of certain functions.

Outlook

After completing the first restructuring phase, SM Electronic embarked on a growth course, essentially by way of expanding its sales activities and upgrading the quality of its product portfolio. The company will seek to underscore its new positioning as a supplier of high-quality products at good prices by participating in trade fairs to a greater degree and by means of targeted marketing and PR activities. This goal will also be supported by regular training courses for the company's employees. Through its subsidiary in Hong Kong and its own merchandising team, SM Electronic will seek to offer procurement and merchandising services to partners in Germany. The in-sourcing measures that have been implemented to date will show their full effects over the course of the year and further improve the company's cost structure. In addition to these measures, SM Electronic will further optimize its internal processes by implementing Phase 2 of the restructuring plan.

Agencia Servicios Mensajeria (ASM)

ASM is a Spanish freight services provider that primarily serves large-scale customers in the sectors of telecommunications, banks and insurance, automobiles, optics, dentistry and pharmaceuticals. Based in Madrid, ASM provides courier service, freight forwarding and specialized logistical services. More than 1,100 employees work for the ASM Red network, which comprises more than 70 branch offices and field offices in Spain, Portugal and Andorra.

Industry analysis

The freight services industry is dependent on the general economic environment. In 2008, the Spanish economy suffered its first contraction in 15 years, with the downward trend accelerating sharply in the second half of the year. In the fourth quarter, freight volumes declined in tandem with the general economic slowdown. The profits of freight forwarders were squeezed by rising fuel prices in 2008, which did not relent until the fourth quarter.

Company situation, business developments, restructuring and development measures

Immediately after the acquisition was completed in April 2008, the ARQUES Task Force began to formulate and implement a restructuring plan, which is being continually refined. Under this plan, the central corporate structures and internal processes have been optimized. Particular emphasis was placed on improving cooperation within the ASM network. The measures that have been implemented have already produced some quick improvements in the quality of ASM's services, which has served to reinforce key customer relationships. Also, ASM successfully integrated its former competitor, Bpack, which it acquired in early October 2008, into its own network within a very short period of time. As a result of this transaction, ASM expanded its customer base and enhanced its market position. The company is also in a position to realize significant synergies.

In the further course of the year, ASM revised its corporate identity and market image. ASM will seek to tap into new customer groups by repositioning itself as a reliable and modern niche provider.

The workforce adjustment measures taken in connection with the company's reorganization plan were carried out in a socially responsible manner. Unprofitable contracts with customers were either renegotiated or cancelled.

Outlook

ASM will refine its restructuring plan further and optimize the company's internal processes. ASM will seek to win new contracts from large-scale customers on the strength of its overhauled market image, intensified customer contacts, improved service quality and expanded distribution network. The company's operating performance is still very much dependent on the general economic conditions in Spain. Because of reduced demand, freight volumes have fallen by more than 10%.

Carl Froh

Based in Sundern, in the Sauerland region of Germany, Carl Froh is a leading manufacturer of precision tubes and components built to the customers' specifications. The company manufactures low-tolerance welded precision steel tubes designed to meet special demands. It also develops comprehensive solutions for premium-quality components and modules for a wide range of applications. Carl Froh was acquired from the Finnish Ruukki Group.

Industry analysis

The steel tube industry is heavily dependent on the automotive industry. The collapse in unit sales in the automotive industry and the resulting production cuts in the second half of 2008 led to a sharp decrease in orders to the steel tube manufacturers that supply the automotive industry. At the same time, these companies were burdened by rising commodity and energy prices in 2008. Towards the end of the year, however, steel prices declined sharply again. The global economic slowdown is also having an adverse impact on manufacturers of precision steel tubes like Carl Froh, which manufacture their products for industrial applications. In this business, exports to global growth markets are crucial.

Company situation, business developments, restructuring and development measures

After the acquisition by ARQUES, an action plan was prepared on the basis of careful data analysis. At the present time, this plan is being systematically implemented and refined. The first order of business was to take the necessary steps associated with separating the company from the corporate organization of its former owner, including the institution of independent organizational structures. At the same time, the company is working to optimize production processes, internal processes and material flows. In this regard, preparations are being made to install a new resource management system. Measures have also been initiated to optimize plant logistics.

Carl Froh also took steps to operate in the market as an independent company. To this end, a company website was created and a clearly defined, uniform corporate indentity was established. Based on the results of a strategic analysis, Carl Froh identified certain target markets, primarily in Central, Northern and Eastern Europe, for its premium-quality components.

In order to win orders from new customers in the segment of premium-quality, specialized products, Carl Froh invested in new production equipment, such as an extrusion machine and various processing machines. For 2009, the company has planned additional capital expenditures, including the acquisition of a specialized cutting tool and investments to expand the capacity of its manufacturing cells.

Carl Froh was able to pass on the rising costs of raw materials and energy to its customers only after a certain delay. The company also reviewed and renegotiated, when necessary, its purchasing and sales contracts.

Carl Froh improved its liquidity situation by selling off assets not required for its operations and by entering into sale-and-lease-back arrangements for its plant and equipment.

Outlook

Carl Froh will continue to make innovation investments in connection with new orders. The company will seek to win new orders, primarily for premium-quality, specialized products for component applications, by intensifying its sales activities, especially in the industrial sector. By this means, Carl Froh will stabilize its market position, despite the weak outlook for the automotive industry, in which most of the company's customers are found. Carl Froh will seek to capture a larger share of the value chain by tapping into new product segments. Because some of its customers operate in the automotive industry, Carl Froh will still be affected by the future state of that industry.

Gigaset

Gigaset Communications GmbH

The business of Gigaset Communications GmbH is focused on the design, development, production and distribution of quality home communication products under the brand name of Siemens Gigaset. In addition, Gigaset Communications offers software solutions for end users and network operators.

Industry analysis

According to a study, the Western European market for cordless telephones will stagnate in the next five years, while sales in the North American market will decline over that same period. The projected growth in demand for cordless telephones in Eastern Europe, the Near East and Latin America will not be enough to completely offset the negative trend. Sales of home media products are expected to increase in North America, due to the pronounced trend of digitization. Sales volumes in the relevant market for Gigaset Communications increased in 2008, compared to the previous year. The overall market is being driven by the trend towards convergence of different content types (voice, data, entertainment), which is currently manifesting in the trend to Voice over IP, among other things.

Company situation, business developments, restructuring and development measures

Immediately after the acquisition of Gigaset Communications by ARQUES, a restructuring plan and action plan were formulated and implemented on the basis of extensive data analysis. The first order of business is to complete the separation of the company from the complex intercompany relationships of the former owner and establish an independent organizational structure suitable for a medium-sized company. The steps taken to this end included the creation of a corporate management system, along with suitable controlling functions, the installation of instruments to provide and manage liquidity and the establishment of independent administrative functions and an IT infrastructure.

Concurrently with these activities, ARQUES analyzed the product portfolio, the market and the competition with the goal of identifying profitable products and regional growth markets. Gigaset has decided to focus generally on its core telephony business and will therefore seek to sell its broadband activities. An agreement in principle has already been reached with a prospective buyer. The divestiture of peripheral activities is a crucial success factor under the ARQUES restructuring strategy.

Therefore, Gigaset Communications will be taking measures to strengthen its market presence and position in the segment of cordless telephones. To that end, the company will be stepping up its sales activities in the United States, which represents the world's biggest market for the products in question, and in the growth markets of Asia. Gigaset Communications also intends to continue its extensive research and development activities, focusing on Voice over IP and DECT (Digital Enhanced Cordless Telecommunications, a standard for cordless telephones). In the past few years, Gigaset Communications has set new innovation standards in the area of DECT.

In the most prestigious and competitive industry benchmark award "Factory of the Year/ Global Excellence of Operations," which is given out by the business magazine 'Produktion' and the management consulting firm A.T. Kearney, Gigaset Communications won first place in the category of "Outstanding Change Management." The Gigaset factory received yet another prize in 2008, the silver medal for "Operational Excellence" awarded by the senior technical college Fachhochschule Ansbach.

Outlook

With the support of the ARQUES Task Force, all the processes and structures required for an independent, medium-sized enterprise are being established for Gigaset Communications. By focusing on the highly profitable core business of voice products (cordless telephones, telephones for Voice over IP and for the fixed-line network), Gigaset Communications intends to extend its position as the European market leader in the premium price segment. To this end, new technologies in the area of Voice over IP, for example, will be added to the product portfolio. The company will pursue targeted growth through product innovations and by expanding the international business, primarily in the United States, but also in the regional growth markets of Asia. In this connection, the company will make R&D investments at its research locations in Germany and Poland. Gigaset Communications will also engage in targeted PR and marketing measures to introduce the Gigaset brand name to a broader audience and thereby bolster the company's market position. From today's perspective, the restructuring of Gigaset can be accomplished with the existing equity funds and with the loans that have already been committed.

Auto Windscreens

Auto Windscreens Ltd. is the second-biggest automotive glass specialist in Great Britain. It repairs glas damage in its approximately 90 service centers and in the field, where it maintains more than 700 mobile service units. The company replaces and repairs automotive glass for a wide range of customers, including insurance companies, leasing companies, car rental companies, corporations, government agencies and institutions. Moreover, Auto Windscreens operates its own production facility in Chesterfield, where it produces about 250,000 windshields per year from workpiece blanks.

Industry analysis

The British market for windshield repairs and replacements is characterized by a low number of participants and a customer landscape composed mainly of insurance companies, corporate fleets and leasing companies. Starting from the year 2003, the British government predicts that passenger vehicle traffic will grow at a rate of 3% by 2010, 15% by 2015 and 30% by 2025. Due to the high fuel prices around the middle of the year, however, total vehicular traffic in Great Britain declined by around 2% in the third quarter of 2008.

Company situation, business developments, restructuring and development measures

Prior to being acquired by ARQUES at the end of 2008, Auto Windscreens had already conducted a comprehensive strategic analysis of the company, its customers and competitors. On this basis, an action plan was devised and is currently being implemented. These steps will boost the company's productivity and optimize its cost structure.

At the same time, the ARQUES Task Force initiated the process of separating Auto Windscreens from the corporate structure of its former owner. The steps taken to this end included the establishment of a new management structure equipped with suitable controlling functions, as well as the installation of a stand-alone IT structure and the reorganization of corporate staff departments.

Outlook

Auto Windscreens is currently still in a loss-making situation. The restructuring plan is being systematically implemented and refined. The new ownership structure will enable the company to broaden its customer base, also in the insurance sector, and so generate considerable growth. Regular employee training programs are being offered to further improve service quality.

Other investments

At the balance sheet date of December 31, 2008, ARQUES held a 15% equity stake in the French automotive supplier Eurostyle. This company specializes in the development and production of systems, modules and individual components made of plastic, for use in automobile interiors. The Eurostyle Group operates production facilities in France, Spain and Brazil. The company also maintains several technology centers with extensive research and development programs.

Report pursuant to Sections 120 (3) (2) and 175 (2) (1) AktG and Sections 289 (4), 315 (4) HGB

Number 1: The subscribed capital of ARQUES Industries AG amounts to EUR 26,450,000.00 and is divided into 26,450,000 no-par bearer shares, each representing an imputed proportion of the company's share capital equal to EUR 1.00 per share. Every share conveys the same rights and one vote.

Number 2: Generally speaking, the company's shares are freely transferrable within the limits of the relevant laws and regulations. Certain restrictions on voting rights arise from the provisions of the German Stock Corporations Act (AktG) and other laws. For example, shareholders may be subject to a voting prohibition under certain conditions (Section 136 AktG). Furthermore, the company derives no rights and therefore no voting rights from its holdings of treasury shares (Section 71b AktG). The Executive Board is not aware of any restrictions on the voting rights or transferrability of the company's shares. However, reference is made to the fact that the members of the Executive Board, other employees and other persons who have access to insider information are subject to the restrictions set forth in the company's insider trading guidelines.

Number 3: At the reporting date, the company had received no notification regarding a holding in the company's capital in excess of the 10% threshold.

Number 4: At the reporting date, there were no shares endowed with special features that would confer rights of control.

Number 5: There are no arrangements pertaining to a coordinated exercise of the voting rights held by employees by virtue of holding shares in the company.

Number 6: The rules governing the appointment and dismissal of Executive Board members are conformant with Sections 84 et seq. AktG. By virtue of Article 5 (1) of the company's Articles of Incorporation, the Supervisory Board only determines the exact number of Executive Board members. The rules governing the responsibility and requirements for amending the Articles of Incorporation are conformant with Sections 179-181 AktG. At the present time, more extensive or specific rules within the company's Articles of Incorporation are not deemed necessary. The other applicable laws and regulations are set forth in the German Stock Corporations Act (AktG). The applicable provisions of the Articles of Incorporation are set forth in Section II (Executive Board), Section III (Supervisory Board) and Article 16 of the Articles of Incorporation.

Number7: Conditional Capital

For the purpose of fulfilling an "ARQUES Industries AG Stock Option Plan 2008," the possibility was created, by resolution of the annual shareholders' meeting of ARQUES Industries AG of July 3, 2008, of granting subscription rights ("options") for new bearer shares in the company to members of the Executive Board, selected employees of the company and members of the management of affiliated companies. The shares to be issued when the options are exercised can be provided from the Conditional Capital. In addition, the Executive Board is authorized to serve the exercised options from the company's treasury shares. The company was further authorized to grant a cash settlement for the purpose of fulfilling its obligations under the options.

Specifically, the annual shareholders' meeting of July 3, 2008 adopted the following resolution:

(a) The share capital of the company shall be increased conditionally by a nominal amount of up to EUR 1,300,000.00 through the issuance of up to 1,300,000 new bearer shares ("Conditional Capital 2008/I"). The conditional capital increase is authorized exclusively for the purpose of granting subscription rights ("options") to members of the Executive Board, selected employees of the company and members of the management of affiliated companies ("beneficiaries") in connection with the "ARQUES Industries AG Stock Option Plan 2008" ("Stock Option Plan"). The conditional capital increase shall be carried out only to the extent that options are granted in connection with the Stock Option Plan, the beneficiaries make use of such options and the company does not issue treasury shares or grant a cash settlement for the purpose of fulfilling the options. The new shares shall qualify for dividends from the beginning of the fiscal year in which they are created by way of issuance. If they are issued before the annual shareholders' meeting, such shares shall also qualify for dividends from the profit of the last completed fiscal year.

The Executive Board shall be authorized, with the consent of the Supervisory Board, to grant options to the beneficiaries in the time until June 30, 2012. The responsibility for granting options to members of the Executive Board of the company shall lie exclusively with the Supervisory Board of the company.

(b) The Stock Option Plan entails the following key points:

1. Content of the options
   Every option entitles the holder to purchase one share of ARQUES Industries AG ("ARQUES share").

2. Group of beneficiaries
   Under the Stock Option Plan, options for new bearer shares in the company shall be granted to members of the Executive Board, selected employees of the company and members of the management of affiliated companies. The total number of options that can be granted to all groups in the time until June 30, 2012 is up to 1,300,000 options ("total volume"). The options shall be divided among the individual groups of beneficiaries as follows:
   (a) For members of the Executive Board, no more than 600,000 options (representing up to approx. 46%),
   (b) For selected employees of the company or members of the management of an affiliated company, no more than 500,000 options (representing up to approx. 38.5%),
   (c) For members of the management of affiliated companies, no more than 200,000 options (representing up to approx. 15.5%).

3. Purchase periods

The options may be granted on one occasion or in several tranches within 45 (forty five) days of the date of announcement of the results of the past fiscal year, or within 45 (forty five) days of the date of announcement of the results of the first, second or third quarter of a current fiscal year, but not later than two weeks before the end of the respective quarter in every case.

The date of allotment of the options ("allotment date") shall be uniform for the tranches. Insofar as members of the Executive Board are concerned, the allotment dates shall be set by the Supervisory Board, otherwise by the Executive Board.

4. Life of the options, restricted periods

The options shall have a total life of ten years from the allotment date and can be exercised for the first time after the expiration of a vesting period. The vesting period shall be at least two years. Any options that are not exercised before the end of their lives shall expire without replacement or compensation.

No options may be exercised in the period beginning on the 15th calendar day prior to the publication of the quarterly results or the annual results and ending on the first trading day inclusive after the publication of the quarterly results or annual results ("restricted periods").

Otherwise, the beneficiaries shall be bound to observe the restrictions arising from general laws and regulations, such as the German Securities Trading Act, for example (insider trading).

5. Success targets and exercise price

(a) Success targets

The determining factor for setting the success targets shall be the unweighted opening price of the ARQUES share in the XETRA trading system (or comparable successor system) of the Frankfurt Stock Exchange on the option exercise date or, in the case of the relative success target, additionally the status of the MDAX (or comparable successor index) on the allotment date and on the option exercise date.

The options can only be exercised

- If the opening price of the ARQUES share in the XETRA trading system (or comparable successor system) of the Frankfurt Stock Exchange on the option exercise date is at least 15% higher than the exercise price ("absolute success target"), and
- If the price of the ARQUES share in the XETRA trading system (or comparable successor system) of the Frankfurt Stock Exchange performs better than the MDAX (or comparable successor index) during the period from the allotment date to the option exercise date ("relative success target").

If both the absolute and the relative success targets are met, any option can be exercised within its lifetime (with due consideration given to Section 3).

(b) Exercise price

The exercise price for an ARQUES share when an option is exercised shall be equal to the unweighted average of the opening price of the ARQUES share on the Frankfurt Stock Exchange in the XETRA trading system (or comparable successor system) on the ten (10) trading days of the Frankfurt Stock Exchange prior to the respective allotment date for the option. At a minimum, the lowest issue amount according to the definition of Section 9 (1) AktG shall be paid as the exercise price.

6. Capital and structural measures, protection against dilution

If the company would increase its share capital during the life of the option while granting an direct or indirect subscription right to the shareholders, the exercise price shall be reduced in accordance with the option terms and conditions. The exercise price shall not be reduced if the beneficiary would have been given a direct or indirect subscription right to the new shares, that puts him in the same position as though he had already exercised the options under the Stock Option Plan. The option terms and conditions may stipulate adjustment rules for such cases of capital, structural or comparable measures. Section 9 AktG remains unaffected.

In the event of extraordinary, unforeseen developments of the kind mentioned in the German Corporate Governance Code in its latest applicable version, the company shall be entitled to set an appropriate maximum limit on option gains. The company shall be similarly entitled in the event that option gains would lead to an inappropriate overall remuneration of the individual beneficiary.

7. Non-transferrability

The options are not transferrable and can be exercised only by the beneficiaries. In case of death, the options may be bequeathed to the spouse or life partner, the children or other heirs of the beneficiary. The exercise terms and conditions may stipulate that the heir or heirs of the beneficiary must exercise the options within three months of the inheritance, but not before expiration of the vesting period.

8. Fulfillment of the options

The beneficiaries may be offered the chance to purchase treasury shares or receive a cash settlement in lieu of having ARQUES shares issued to them from the Conditional Capital 2008/I created for this purpose.

The decision as to which alternative will be offered to the beneficiaries in every particular case shall be made by the Supervisory Board, insofar as the beneficiaries are members of the Executive Board of the company, and otherwise by the Executive Board. In making this decision, the Executive Board and Supervisory Board shall be guided by no other considerations than the interests of the shareholders and the company. The option terms and conditions shall be formulated in such a way as to create this option for the company.

The cash settlement shall be equal to the difference between the exercise price and the opening price of the ARQUES share in the XETRA trading system (or comparable successor system) on the option exercise date.

9. Other rules and regulations

The other detailed rules applicable to the granting and fulfillment of options and the other exercise terms and conditions shall be adopted by the Supervisory Board, to the extent that members of the Executive Board of the company are concerned, and otherwise by the Executive Board.

The other rules and regulations shall include the following, in particular:

(a) The determination of the number of options granted to individual beneficiaries or groups of beneficiaries;

(b) The adoption of provisions applicable to the execution of the Stock Option Plan;

(c) The procedures for granting and exercising the options;

(d) The adoption of vesting periods beyond the minimum vesting period of two years, including the adoption of staggered vesting periods for specific sub-sets of options, and the modification of vesting periods in connection with the statutory requirements to be fulfilled in special cases, such as a change of control over the company;

(e) The rules applicable to the treatment and exercise of options in special cases, such as, for example, the departure of the beneficiary from the company, change of control over the company or conduct of a "squeeze-out" process.

10. Taxation

All taxes payable in connection with the exercise of the options or the sale of ARQUES shares by the beneficiaries shall be borne by the beneficiaries.

11. Reporting duty

The Executive Board and Supervisory Board shall report on the utilization of the Stock Option Plan and the options granted to the beneficiaries in every year in the annual report for that year.

Authorized Capital

With regard to the issuance of new shares, the Executive Board shall be authorized, by virtue of Article 4 (3) of the company's Articles of Incorporation, to increase the share capital, with the consent of the Supervisory Board, by a total of up to EUR 9,816,670.00 by issuing new bearer shares in exchange for cash and/or in-kind contributions, on one or more occasions until May 30, 2011 (Authorized Capital 2006/I). In such cases, the existing shareholders shall be offered a subscription right.

The Executive Board shall be authorized, with the consent of the Supervisory Board, to stipulate the share rights and terms of issuance and to adopt the details governing the execution of the capital increase. The Executive Board shall be authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of existing shareholders in the following cases:

a) When the capital increase is effected in exchange for cash contributions, the proportion of the share capital represented by the new shares does not exceed 10% of the share capital at the time of issuing the new shares, and the issue price of the new shares is not significantly less than the listed price of the exchange-traded shares of the same class and features at the time of final adoption of the issue price by the Executive Board, according to the provisions of Section 203 (1) and (2), Section 186 (4) AktG;

b) Insofar as the exclusion of the subscription right is necessary to grant a subscription right to the holders of convertible bonds or warrants issued by the company, in the necessary amount that will allow them to exercise their warrant or conversion rights or fulfill the conversion obligation;

c) Insofar as the capital increase in exchange for in-kind contributions or mergers serves the purpose of either acquiring companies, parts of companies or investments in companies or of issuing shares to employees;

d) for fractional amounts.

Share buyback authorization

The authorization granted to the company by the annual shareholders' meeting of June 21, 2007 to purchase and utilize treasury shares was superseded by a new authorization to purchase the company's shares which was granted by the annual shareholders' meeting of July 3, 2008.
The number of treasury shares held by the company declined from 92,881 in 2007 to 48,118 shares in 2008. The company purchased 26,000 treasury shares for EUR 511,562.80 on January 14, 2008. A total of 32,438 shares purchased at a cost of EUR 762,293.00 were issued to employees under the Stock Option Plan, and 4,250 shares that had been issued in the previous year were returned by employees. A total of 42,575 shares were used to replenish a third-party custody account managed by the company in a fiduciary capacity. Writedowns of EUR 918,258.50 were charged on 48,118 treasury shares at December 31, 2008, marking their book

value to the total market value of EUR 113,077.30 or EUR 2.35 per share. These shares represented EUR 48,118.00 or 0.18% of the share capital at December 31, 2008.

The annual shareholders' meeting of July 3, 2008 resolved the following authorization:

a) The existing authorization to purchase and utilize treasury shares that had been resolved by the annual shareholders' meeting of June 21, 2007 under Agenda Item 10 shall be annulled for the period of effect of the following authorization.

b) In accordance with Section 71 (1) (8) AktG, the company shall be authorized, in the time from July 4, 2008 to January 3, 2010, to purchase treasury shares representing up to 10% of the share capital in effect at the time of the resolution for other purposes than for trading. The shares are to be purchased on the stock exchange. The amount by which the purchase price (excluding incidental transaction costs) is higher or lower than the average standard quoted price of the shares in the XETRA closing auction (or comparable successor system) of the Frankfurt Stock Exchange on the three preceding trading days may not exceed 10%.

c) The Executive Board shall be authorized, with the consent of the Supervisory Board, to sell the purchased treasury shares for cash also by some other means than on the stock exchange under exclusion of the shareholders' subscription rights if the purchased treasury shares would be sold at a price that is not significantly less than the exchange-listed price of the treasury shares of the same class and having the same features on the date of the sale. In such a case, the number of shares to be sold, together with the new shares issued by virtue of the authorization to issue new shares under exclusion of the shareholders' subscription rights in accordance with Section 186 (3) (4) AktG, may not in total exceed 10% of the share capital.

d) The Executive Board shall be authorized further, with the consent of the Supervisory Board, to sell the purchased treasury shares by some other means than on the stock exchange under exclusion of the shareholders' subscription rights if such a sale would serve the purpose of (i) transferring them to third parties, in full or in part, as consideration for business combinations or for the (even indirect) acquisition of companies, investments in companies, operating assets, industrial property rights or license rights; (ii) avoiding fractional subscription rights; or (iii) satisfying the obligations under the subscription rights for shares (options) that will have been granted to members of the Executive Board and selected employees of the company by virtue of the authorization to grant subscription rights resolved by the annual shareholders' meeting of July 3, 2008. Insofar as shares are granted to members of the Executive Board, the responsibility shall lie exclusively with the Supervisory Board.

e) The Executive Board shall be authorized further, with the consent of the Supervisory Board, to retire the purchased treasury shares without need of further resolution by the annual shareholders' meeting.

f) The foregoing authorizations can be exercised on one or more occasions, in full or in parts, individually or jointly. However, the purchase of treasury shares may not exceed the restrictions set forth in paragraph b). The subscription right of existing shareholders for the company's treasury shares shall be excluded to the extent that the shares in question are to be used in accordance with the authorizations set forth in paragraphs c) and d) above.

Number 8: Two of ARQUES' loan agreements contain so-called "change of control" clauses. Under both loan agreements, ARQUES is obligated to notify such changes to the lending banks.

Under the first loan agreement, ARQUES is obligated to report any and every change of control. In the event of such changes, the bank will be entitled to cancel the loan agreement with immediate effect if the change in the ownership structure would, in the opinion of the lending bank, bring about significant disadvantages for ARQUES' business performance, outlook or financial position.

Under the second loan agreement, ARQUES is obligated to notify the bank when a person or group of persons acting together within the meaning of the German Securities Acquisition and Corporate Takeover Act acquire more than 50.01% of ARQUES stock or when ARQUES would sell more than 50.01% of the voting rights in tiscon AG or the Actebis Group. In such cases, the lending bank will be entitled to demand the immediate repayment of the loan.

Number 9: There exist no agreements between the company and the members of its Executive Board or its employees that would call for compensation in the event of a takeover offer.

Report per §§ 289 (2) no. 5 and 315 (2) no. 4 HGB on the basic characteristics of the Executive Board compensation system

Compensation Report

Governing boards of the company

The Compensation Report (in accordance with Section 4.2.5 of the German Corporate Governance Code) explains the principles applied in setting the compensation paid to members of the Executive Board and indicates the amount and structure of Executive Board compensation. It also describes the principles of the compensation paid to members of the Supervisory Board and the amount of that compensation, and discloses the shareholdings of the Executive Board and Supervisory Board.

Compensation paid to the members of the Executive Board

The responsibilities and contributions of the respective Executive Board member are taken into account when setting the compensation. The compensation granted in fiscal 2008 consisted of a fixed annual salary and success-related components. The variable components consist of bonus agreements for the Executive Board members Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell which are tied to the capital appreciation of a virtual share portfolio (and thus dependent on the company's success) and to the fulfillment of certain goals established for each Executive Board division (and thus dependent on the success of that division).

Specifically, the Executive Board compensation is composed of the following elements:

- The fixed compensation is paid in the form of a monthly salary.

- The variable compensation consists in part of a special bonus, the amount of which is determined with reference to the capital appreciation of a "virtual share portfolio," and in part of an individual bonus agreement for the Executive Board members Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell.

The basis for calculating the variable compensation with respect to the virtual share portfolio for Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell is a specific number of shares in ARQUES Industries AG ("virtual share portfolio") valued at a specific share price ("initial value"). The amount of variable compensation is calculated in each case from the possible appreciation of the virtual share portfolio over a specific period – that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual share portfolio valued at the share price on the valuation date and its initial value ("capital appreciation") yields the amount of variable compensation. The general policy is to settle the capital appreciation in cash, converted at the share price at the valuation date.

The virtual share portfolio for Dr. Schumann comprises 125,000 shares at each grant date. The valuation dates for all shares are January 31, 2009, January 31, 2010, and January 31, 2011. The grant date was February 28, 2008. This agreement supersedes the previous agreement under which Dr. Schumann received EUR 1,306,337.00 on January 31, 2008 on the basis of 125,000 virtual shares.

The fair value of the virtual share portfolio maintained for Dr. Schumann at the balance sheet date totaled EUR 0.00 for the first tranche of 125,000 shares, payable on January 31, 2009 (with a vested portion of 90.91% under IFRS rules), EUR 55,978.26 for the second tranche of 125,000 shares, payable on January 31, 2010 (with a vested portion of 43.48% under IFRS rules), and EUR 30,714.29 for the third tranche of 125,000 shares, payable on January 31, 2011 (with a vested portion of 28.57% under IFRS rules). The fair value of the stock options granted totaled EUR 185,000.00 for the first tranche, EUR 327,500.00 for the second tranche, and EUR 291,250.00 for the third tranche at the time of granting.

Dr. Schumann agreed with the Supervisory Board to waive all claims against ARQUES Industries AG under the terms of his termination agreement.

The virtual share portfolio for Mr. Frohn-Bernau comprises 125,000 shares at each grant date. The valuation dates for all shares are March 31, 2009 and March 31, 2010. The fair value of the virtual share portfolio maintained for Mr. Frohn-Bernau at the balance sheet date totaled EUR 961.54 for the first tranche of 125,000 shares, payable on March 31, 2009 (with a vested portion of 76.92% under IFRS rules) and EUR 49,500.00 for the second tranche of 125,000 shares, payable on March 31, 2010 (with a vested portion of 40.00% under IFRS rules). The grant date was March 5, 2008. The fair value of the stock options granted totaled EUR 265,000.00 for the first tranche and EUR 348,750.00 for the second tranche at the time of granting.

The virtual share portfolio for Mr. Schell comprises 125,000 shares at each grant date. The valuation dates for all shares are December 31, 2009 and December 31, 2010. The fair value of the virtual share portfolio maintained for Mr. Schell at the balance sheet date totaled EUR 65,340.91 for the first tranche of 125,000 shares, payable on December 31, 2009 (with a vested portion of 45.45% under IFRS rules) and EUR 31,617.65 for the second tranche of 125,000 shares, payable on December 31, 2010 (with a vested portion of 29.41% under IFRS rules). The grant date was March 3, 2008. The fair value of the stock options granted totaled EUR 293,750.00 for the first tranche and EUR 251,250.00 for the second tranche. 125,000 stock options were exercised in fiscal 2008. The delivery date was December 31, 2008. The fair value of these stock options at the grant date was EUR 62,500.00.

STOCK OPTIONS	DR. MICHAEL SCHUMANN	FELIX FROHN-BERNAU	BERND SCHELL
Outstanding at 01/01/2008	**250,000**	**125,000**	**125,000**
Granted in 2008	375,000	250,000	375,000
Forfeited in 2008	0	0	0
Exercised in 2008	125,000	0	125,000
Average share price on exercise date (EUR)	20.45	-	less than strike price
Expired in 2008	125,000	125,000	125,000
Outstanding at 12/31/2008	**375,000**	**250,000**	**250,000**
Of which: exercisable options	0	0	0
Strike price range	20.29	16.00	2.19
Income (+)/expense (-) recognized in reporting period under IFRS rules (EUR)	541,345	324,321	-49,054

In addition, Dr. Schumann, Mr. Frohn-Bernau, and Mr. Schell each have an individual bonus agreement.

Following the appointment of Dr. Schumann as Chairman of the company's Executive Board with effect from February 1, 2008, his existing employment contract complete with bonus agreement was rescinded. The new employment contract contains a bonus agreement under which the bonus is based on the profit for the year included in the consolidated profit.

Mr. Frohn-Bernau and Mr. Schell each received a bonus for projects involving the sale of operating subsidiaries of the ARQUES Group or their significant assets ("asset deal"), the size of which is based on the net return on the interest sold. The net return corresponds to the cash price actually received for the interest sold by ARQUES, regardless of shares, loans, or other significant assets (asset deal) net of any cash payments made and not recovered by the ARQUES Group prior to completion of the sale (e.g. purchase price, capital contributions).

The following compensation was set for the individual members of the Executive Board in fiscal 2008:

	CASH COMPENSATION		MONETARY VALUE OF COMPANY CAR		SUCCESS-RELATED BONUS		TOTAL	
FISCAL 2008 (EUR)	2008	2007	2008	2007	2008	2007	2008	2007
Dr. Martin Vorderwülbecke (until January 31, 2008)	20,100	320,000	671	8,202	0	500,000	20,771	828,202
Dr. Michael Schumann (until February 28, 2009)	343,200	158,400	5,494	6,487	0	1,374,994	348,694	1,539,881
Felix Frohn-Bernau	233,200	118,800	10,807	5,854	159,608	315,031	403,615	439,685
Bernd Schell (since January 1, 2008)	158,400	-	7,646	-	94,868	-	260,914	-
TOTAL	**754,900**	**597,200**	**24,618**	**20,543**	**254,476**	**2,190,025**	**1,033,994**	**2,807,768**

No further compensation was paid to members of the Executive Board for their activities on the governing boards of subsidiaries or affiliates.

Compensation paid to members of the Supervisory Board

The compensation paid to members of the Supervisory Board was established for the first time by the annual shareholders' meeting on May 30, 2006, at the proposal of the Executive Board and Supervisory Board. Every member of the Supervisory Board receives maximum annual compensation of EUR 16,000.00. They are entitled to fixed compensation of EUR 1,000.00 per month and variable compensation in the form of meeting fees. The total compensation paid to the Chairman of the Supervisory Board is 50% higher, making for maximum annual compensation of EUR 24,000.00.

The following table shows the compensation paid to members of the Supervisory Board of ARQUES Industries Aktiengesellschaft in fiscal 2008:

EUR	SETTLED	PROVISION ESTABLISHED	TOTAL EXPENSE
Dr. Georg Obermeier	12,000.00	12,000.00	24,000.00
Bernhard Riedel	16,000.00	--	16,000.00
Dr. Rudolf Falter	8,000.00	8,000.00	16,000.00
Dr. Gerd Fischer	8,000.00	8,000.00	16,000.00
Prof. Dr. Michael Judis	16,000.00	--	16,000.00
Franz Graf von Meran	8,000.00	8,000.00	16,000.00
TOTAL	**68,000.00**	**36,000.00**	**104,000.00**

In addition, travel and other out-of-pocket expenses in the amount of EUR 5,773.36 were reimbursed. Consequently, the total compensation paid to members of the Supervisory Board amounted to EUR 109,773.36.

Furthermore, no commitments have been made in the event of termination of Supervisory Board mandates. No advances or loans have been extended to members of the Executive Board or Supervisory Board of ARQUES. No contingent liabilities exist in relation to these persons. No payments have been made to former members of the Executive Board or Supervisory Board.

Shareholdings of the Executive Board and Supervisory Board

The members of the ARQUES Industries AG Executive Board held 13,550 shares as of December 31, 2008. This represents 0.05% of issued shares.

The members of the ARQUES Industries Supervisory Board held 9,400 shares as of December 31, 2008. This represents 0.04% of issued shares.

The members of the Executive Board and Supervisory Board hold the following shares and options of ARQUES Industries AG:

	NUMBER OF SHARES 12/31/2008	NUMBER OF SHARES WHEN THE BALANCE SHEET WAS PREPARED	NUMBER OF OPTIONS 12/31/2008	NUMBER OF OPTIONS WHEN THE BALANCE SHEET WAS PREPARED
Executive Board				
Dr. Michael Schumann (until February 28, 2009)	10,000	n/a	-	n/a
Felix Frohn-Bernau	3,000	3,000	-	-
Bernd Schell	550	550	-	-
Supervisory Board				
Dr. Georg Obermeier (Chairman)	-	-	-	-
Bernhard Riedel (Vice Chairman)	400	400	-	-
Prof. Dr. Michael Judis	7,000	7,000	-	-
Dr. Gerhard Fischer	-	-	-	-
Dr. Rudolf Falter	500	500	-	-
Franz Graf von Meran	1,500	1,500	-	-

Information on stock option rights and similar incentives

No members of the executive bodies currently have any options on ARQUES stock. Please refer to the information in the compensation report for more details on the virtual stock portfolios of Executive Board members.

Report on opportunities and risks

The business model of ARQUES Industries AG involves acquiring companies in situations of transition and actively restructuring them. Once they have been made financially sound, they are either sold (trade sale, IPO) or kept over the long term. ARQUES strives for medium-term investment periods (3 to 5 years). Short-term involvement is generally not in the interest of the company. In all three phases (acquisition, restructuring, exit), ARQUES is presented with excellent business opportunities. The future business development of the ARQUES Group entails opportunities and risks. The company's risk strategy involves taking full advantage of the available opportunities and limiting the associated risks by implementing appropriate tools (see the comments on the risk management system of the ARQUES Group in this report).

Opportunities of the ARQUES business model

The business model of ARQUES Industries AG involves acquiring companies in situations of transition and actively restructuring them. Once they have been made financially sound, they are either sold (trade sale, IPO) or held over the long term. ARQUES strives for medium-term investment periods (three to five years). Short-term involvement is generally not in the interest of the company. In all three phases (acquisition, restructuring, exit), ARQUES is presented with tremendous business opportunities, which manifest primarily in the form of capital appreciation from the purchase price to the sale price of the corresponding subsidiaries. Furthermore, the operating results of the restructured companies also contribute to the success of the ARQUES Group. The so-called bargain purchase revenues collected in connection with the acquisition of companies can also serve to boost the Group's net profit.

Acquisitions

ARQUES boasts a highly specialized acquisition team with vast experience in taking over companies in difficult transitional situations. Thanks to the solid network of contacts built up by the M&A team, ARQUES always has information on a large number of attractive acquisition candidates. ARQUES is actively sought out as a partner by large corporations looking to spin off subsidiaries that no longer fit in with their core business. Therefore, further transactions of this kind can be expected in the future. As mentioned above, ARQUES intends to focus now on acquiring companies that have the lowest possible level of balance sheet risks and other risks.

Restructuring

In restructuring its subsidiaries, ARQUES employs its own team of reorganization experts with expertise in all key business areas. These highly specialized teams of the ARQUES Task Force are deployed under the direction of an ARQUES Subsidiary Manager. Broad-based restructuring success can be achieved within the shortest possible time, as multiple project-specific teams are usually involved with one company simultaneously.

The ARQUES Subsidiary Manager is the operational leader of the on-site restructuring process. The Subsidiary Manager holds an equity stake in the subsidiary of usually 5%-10% and acts as an executive body, like a general manager or board of directors, in implementing measures under his own responsibility. The high degree of decentralized autonomy activates an additional dimension of personal potential and assures the alignment of interests between the Subsidiary Manager and ARQUES. This arrangement affords a great amount of leeway to the Subsidiary Manager and maximum flexibility to the subsidiary.

This restructuring model featuring a Subsidiary Manager and Task Force makes it possible for ARQUES to restructure its subsidiaries efficiently and put them on a solid footing. ARQUES will continue to apply this concept in the future to successfully restructure its subsidiaries.

Exits

In accordance with its business model, ARQUES seeks to sell the revitalized subsidiary ("exit") after completion of the fundamental restructuring steps.

Since January of 2009, the Acquisitions and Exits functions have been consolidated within the ARQUES M&A Department. This step will make it possible to realize cost savings because smaller teams are now available to work on acquisitions or sales, depending on the project needs, so that capacities can be allocated more efficiently. Above all, however, this move was meant to ensure that the experience and knowledge required to make a successful exit at the end of the holding period are taken into consideration already in making the purchase decision. Furthermore, the specific knowledge gathered on individual companies during the acquisition process can be put to good use in the eventual sale process.

Risk management

ARQUES disposes of a computerized, systematic risk management system known as Arq-Risk, which is used to implement, assure compliance with and monitor the risk strategy adopted by the ARQUES Group. The Arq-Risk program covers all departments and subsidiaries of the Group and meets the Group's corporate governance criteria. In previous years, the system has proven to be an effective means of analyzing specific risks in a transparent manner and pointing to suitable control possibilities. In view of the current financial crisis, which is having a serious impact on the Group's earnings performance, these mechanisms have been concretized and adapted to the prevailing conditions. Given the company's expansion into other countries of Europe, particular emphasis is being placed on ensuring compliance with the risk structures to be observed in those countries.

The ARQUES business model is geared to exploiting above-average business opportunities, which usually also entail particular risks. Therefore, risk management plays an integrally important role in the implementation of the business strategy. The purpose of the Arq-Risk system is to support the goals adopted as part of the business strategy by identifying existing risks in a timely and systematic manner so that they can be optimally managed. By this means, ARQUES seeks to make the best possible use of all business opportunities. As an integral component of the business strategy, the risk policy of ARQUES Industries AG is geared to increasing the company's value.

Uniform standards of identifying, documenting and monitoring risk are applied throughout the Group. Corporate Internal Audit is responsible for verifying compliance with these standards. Risks are measured with respect to the possible impact of an adverse event on the company's liquidity. Risks are identified and presented individually, as a rule, along with the possible extent of loss and the probability of occurrence. Such risks, which can also be characterized as potentially negative variances, are recorded in the Arq-Risk risk management system, unless the risks in question were already accounted for in the business planning process by means of provisions, insurance coverage, etc. The risk management system is not separate from the Group's controlling and reporting structure, but complements the Groupwide controlling system, utilizes the results of that system as a basis of financial information and supports the quality of those results.

For risk measurement purposes, the risks of the ARQUES Group are classified as one of the following types:

- Corporate risks (organizational structure, shareholders, performance risks and financial risks, management and personnel-related risks, product portfolio, environmental risks and image risks)

- Industry and market risks (opportunities and risks of each individual portfolio company, changed circumstances such as new customers and/or suppliers)

- Financial risks (default risks, interest rate risks, currency risks, bank risks)

- Tax risks (contract formulation, tax legislation)

For purposes of qualitative and quantitative weighting, every risk is assigned to one of seven risk categories, based primarily on the anticipated liquidity impact. In addition, the probability of loss or damage as a result of such risks is also assessed. The results of this classification process are presented in a so-called risk map, which is reviewed and updated at least every quarter. Furthermore, any emergence of new potential risks or the materialization of existing risks are reported immediately to the Executive Board, regardless of the normal reporting schedule. The Executive Board, in turn, informs the Supervisory Board of the company's risk situation and risk management system at regular intervals.

The business responsibility, however, lies with the operating units on the level of the portfolio companies. Therefore, the operational risk management system is based in these entities. Moreover, every employee is responsible for identifying and managing risks within his or her direct area of responsibility. The management of every subsidiary is responsible for coordinating and tracking risks. All risks and information deemed to be significant on the basis of risk management criteria must be reported immediately to the management, as well as the Corporate Executive Board and Corporate Internal Audit, where applicable.

Reports on the current status of the subsidiaries are presented to the Executive Board on a regular basis. In connection with the monthly financial statements, a budget-actual comparison is conducted and when necessary, the budget and end-of-year forecast are promptly adjusted. The prompt communication of such information to the Executive Board and the management of the subsidiaries makes it possible to quickly devise and implement appropriate actions.

Among other risk management activities, the Executive Board members personally visit all the portfolio companies on a regular basis, to obtain a first-hand impression of their current situation. Subsidiaries with international operations conduct several senior management-level meetings every year. Furthermore, the ARQUES Task Force is available to provide massive and prompt intervention in case of undesirable developments. Finally, the ARQUES business model, under which every Subsidiary Manager holds an equity stake in the company to be restructured under his leadership, ensures that the subsidiary's interests are aligned with those of ARQUES.

In the following description, the various risks are described in the order of the risk categories defined as part of the Arq-Risk risk management system, which are described above. The opportunities and risks pertaining to each portfolio company of the ARQUES Group are discussed in the report on the opportunities and risks of the subsidiaries, starting on page 70.

CORPORATE RISKS

Management and personnel risks

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

In selecting its investment targets, ARQUES generally concentrates on companies that can be acquired at the lowest possible purchase price due to their poor operating performance and that exhibit significant potential for capital appreciation after being successfully restructured. As such, the companies in question are often in a state of acute distress at the time of acquisition and there is great need for restructuring. Furthermore, ARQUES is an established partner to large corporate groups that are looking to spin off the peripheral activities and subsidiaries that no longer fit in with their core business. At the time when such companies are acquired by ARQUES, moreover, their operating performance is generally well below the industry average and harbors restructuring potential because they have not been optimally managed due to the fact that they did not belong to the core business of their former owners. In selecting acquisitions, ARQUES does not focus on any specific industry, but searches out suitable acquisition candidates in nearly every industry.

The success of ARQUES' business model depends to a large extent on the people who are responsible for the transaction, the departure of whom could have a negative impact on the business performance of the corresponding companies. They must first select companies that can be restructured fairly quickly and at reasonable cost. Thereafter, the responsible managers in Operations must continue to manage the company profitably after the restructuring, so that it can be ultimately sold at an attractive price.

ARQUES can only be financially successful when all these conditions are met. ARQUES generally deploys its own people to acquire, restructure and manage its subsidiaries. "Its own people" means either permanent employees of the ARQUES Group or those working with the company on a permanent basis. In this regard, the ARQUES Group is fundamentally exposed to the risk that the management would make bad decisions. It could turn out, for example, that a purchased company cannot be successfully restructured or only at an inordinately high cost (see the section entitled "Acquisition risks"). Or the restructuring could fail because of mistaken actions (see the section entitled "Failure of restructuring"). Under either scenario, it may not be possible to sell the subsidiary or only at terms that are not favorable for ARQUES.

Consequently, the business success of ARQUES is dependent also on the management skill and especially the business management expertise of these people. An expansion of the equity investment portfolio alone, be it planned or due to a lack of exit options, could give rise to a situation in which the company would have to hire additional trained personnel. This could present difficulties, as ARQUES is reliant on highly trained personnel with practical experience for the business model to succeed. The reorganization of distressed companies in particular places high demands on the responsible managers.

Dependence on persons in key positions

Another crucial element of the company's future success is the wealth of experience, gathered over many years, of the Executive Board members Felix Frohn-Bernau (in charge of Exits since March 2007, in charge of M&A since February 2009, all together more than five years' experience in different positions of the ARQUES Group) and Bernd Schell (in charge of Operations since January 2008, all together more than five years' experience in the Operations Division of the ARQUES Group). Thanks to their extensive experience with and knowledge of the ARQUES business model, they are eminently suited to oversee the acquisition, restructuring and sale of portfolio companies. Mr. Gisbert Ulmke (Chief Financial Officer since February 2009) has many years of experience in senior finance positions of different corporations. In particular, Mr. Ulmke possesses a great deal of experience and extensive contacts in the area of bank financing, which is especially important for the ARQUES Group at the present time. If one of these key persons would leave the company, it could prove impossible to quickly find a suitable executive to continue successfully managing the company's business, which could potentially have serious negative consequences for the further development of the ARQUES Group.

Information systems and reporting structure

The risk management system of the ARQUES Group complements the company-wide controlling and reporting system. It utilizes the results of those systems as a basis of financial information and supports the quality of the controlling results.

In this regard, it should be remembered that many of the companies purchased by ARQUES are in situations of acute distress that need to be mastered quickly and effectively. This depends greatly on the skill of the ARQUES employees assigned to the task and on the oversight of the Executive Board. Only the use of a comprehensive, reliable information system makes it possible to inform the Executive Board promptly about unfavorable developments in the subsidiaries. The ARQUES Group has such an information system in place and refines it continually. Nevertheless, there is always the possibility that, in individual instances, the information system could fail or be misapplied by the employees involved, leading to a failure to promptly identify negative economic developments within a subsidiary.

Risks of the individual phases of the ARQUES business model

Acquisition risks

The ARQUES Group specializes in the acquisition of companies in difficult transitional situations (e.g., traditional turnaround candidates, corporate spin-offs, unresolved succession arrangements). In most cases, these companies will have been generating losses already for some time when they are acquired by ARQUES. Every year, about 200 companies from a total group of about 1,000 acquisition candidates make it to the short list. In total, about 650 companies were offered to ARQUES in 2008; of this number, about 125 passed through to the stage of closer examination. The ensuing due diligence process is generally conducted with the company's own employees from the departments of Analysis, Legal and Finance. External consultants are hired to assist in certain specific disciplines such as taxation, for example, or when necessary to make up for any lack of capacity on the part of ARQUES' own staff.

Despite careful analysis, ARQUES is still subject to the risk of purchasing a company that cannot be restructured successfully, or only at an inappropriately high cost in terms of effort and resources (risk of unsuccessful acquisition). In such a case, ARQUES would seek to sell the company ahead of plan, with the result that those financial resources invested by ARQUES for the acquisition and financing of the subsidiary which were not recovered by the sale proceeds would have to be written off. Because ARQUES usually pays only a symbolic purchase price for a financially stressed company, or at least a purchase price that is less than the book value of the company's net assets, the economic loss would be manageable in such cases. In the case of acquisitions involving larger purchase prices, ARQUES is exposed to the risk of losing the entire amount of the purchase price, plus any further obligations that ARQUES may have assumed in connection with the acquisition.

If ARQUES would not be able to quickly sell a distressed subsidiary, it could become insolvent, in the worst case (see "Failure of restructuring" below).

Failure of restructuring

The company's goal is always to achieve the fastest possible restructuring of the subsidiary in order to keep its liquidity needs, above all, and its operating losses as low as possible after the acquisition. This can fail if, for example, it becomes evident that the restructuring cost is too high, the market position of the industry is deteriorating or the management makes mistakes in the restructuring process. In the worst case, the subsidiary could become insolvent and ARQUES could, under certain circumstances, lose all the financial resources it had used to acquire and finance the subsidiary. If the company had secured bank loans to fund the acquisition and restructuring of the subsidiary or if it had guaranteed such loans, it would be obligated to continue repaying these loans even after the subsidiary became insolvent. The costs accruing to ARQUES in connection with a subsidiary are generally allocated to that subsidiary. They include the company's costs for the Subsidiary Manager and other members of the Task Force provided by ARQUES. If the restructuring would fail, therefore, ARQUES would in the worst case lose all the financial resources and work time invested in the subsidiary and would not receive any reimbursement of these costs from the subsidiary. In such cases, moreover, ARQUES may not even be able to sell the subsidiary successfully or not for a substantive purchase price.

Risks of company sales

With regard to selling the restructured subsidiaries, the risk is that no buyer would be found for a given subsidiary. As a result of the current financial and economic crisis, the number of M&A transactions has fallen substantially, limiting ARQUES' exit options. If ARQUES would not be able to sell a restructured subsidiary, it would have to continue operating and developing that company, which would tie up management capacities. If the economy would worsen further, some of the previously achieved restructuring successes might be negated, the company might generate less operating income and could, in the worst case, require additional financial resources from ARQUES as the parent company. Furthermore, it could become necessary, within the framework of strategic decisions, to venture into new markets, expand the offering of products and services or invest in new production units, which would require that the parent company invest additional financial resources in the subsidiary.

Another risk of company sales is the possibility that the buyer would, after the sale is completed, seek to invoke any warranties issued by ARQUES as part of the purchase contract in order to lower the agreed purchase price.

Economic and market-related risks

Economic risks

The general economic climate in Germany, the European Union and worldwide influences the Group's business performance in a variety of ways. With respect to the following comments, ARQUES is unlike most other companies. A weak overall economy can lead to an improved acquisition market for ARQUES Industries AG. More companies become distressed and are put up for sale in their entirety, and/or large corporations seek to sell "underperforming assets" in order to boost the overall performance of the rest of the company. The disposal market is more difficult under these conditions, however, as fewer companies are potentially interested in purchasing other companies, it is more difficult to restructure the subsidiary and the valuations are lower. A poor economic environment can also adversely affect the reorganization and development of the subsidiaries. By contrast, a stronger economy normally improves the disposal market and general economic situation of the subsidiaries while making acquisitions more expensive. Therefore, success depends in part on the ability of ARQUES' employees to leverage the current economic situation and future trend to the best effect for the company.

Current developments in light of the financial crisis

The world economy has slipped into a recession, the extent and duration of which cannot yet be gauged. The International Monetary Fund anticipates only marginal growth of 0.5% for the global economy in 2009, after 3.4% in 2008. The industrialized nations as a whole can expect a contraction of 2.0%. The future outlook for markets and companies is obscured in nearly every industry and region of the world. As a result, this particular downturn is different from every other since the Second World War, as those downturns were limited to certain industries or regions. The recent economic crisis, which can be described as a meltdown in some quarters, already began to affect the business activity and earnings performance of the ARQUES Group in 2008 and will continue to have a substantial impact in 2009. Due to the imponderabilities described above, however, the associated risks cannot be definitively assessed at the present time. If the economic stimulus and financial rescue measures that have already been adopted or announced do not yield the desired effect of reviving the global economy, the risk of a deeper and longer-lasting recession will grow. Because banks are holding back on their lending, many capital expenditure projects worldwide have been postponed. Other risks could arise from the increasing unemployment that can be expected to result from the global economic slowdown, and even civil unrest in some parts of the world.

Because business responsibility lies with the operating units on the level of the portfolio companies, the company-specific and industry-specific risks are managed there on a decentralized basis. In a reflection of the broad range of industries represented within the ARQUES investment portfolio, the degree to which the various subsidiaries are affected by the recession varies. While those companies that depend on the automobile industry have experienced a relatively sharp drop in demand, those companies that operate in the consumer goods or wholesale sectors are performing comparatively well. Based on the results of its risk survey, ARQUES began taking steps to optimize its investment portfolio already in mid-2008. As part of this process, ARQUES identified those subsidiaries that are especially risk-intensive and has already sold some of these companies in the meantime. Additional steps in this direction had been taken at the time of drafting this report. These steps have significantly improved the Group's risk profile, although numerous companies are still expected to run into difficult business conditions in 2009, which could lead to significant operating losses. If the overall economy would be dragged down further by the continuing financial crisis, some subsidiaries of the ARQUES Group might experience additional order losses and revenue declines, along with the possible loss of important customers, which would have a correspondingly negative impact on the earnings performance of the given subsidiary. ARQUES will counter any further pressure on profit margins by implementing additional cost saving measures and capacity adjustments, including shortened working hours for employees and the elimination of jobs. Furthermore, the capital expenditure programs announced by the subsidiaries will be scaled back or postponed in order to conserve liquidity.

In response to the economic crisis, ARQUES Industries AG has initiated important cost-saving steps, some of which have already been completely implemented. For example, the costs of the holding company will be reduced by more than 50% by the year 2010. Some of these savings will result from the workforce adjustments that that have already occurred. In addition, the Group's internal processes and structures have been adapted to suit the changed conditions. As an example, the Acquisitions and Exit departments were combined within a single new department.

On a positive note, energy and commodity prices have fallen as a result of the global recession and that development is having a positive effect on the companies' production costs. In this respect, ARQUES is working to achieve an optimal position by implementing structured procurement strategies and entering into medium-term and long-term master agreements. It is not possible at this time to foresee what risks might develop in the foreign exchange markets, as the world's leading currencies are currently subject to considerable volatility. In the euro zone, this assessment applies in particular to the exchange rate of the euro to the U.S. dollar and to the British pound.

Other company-related risks of ARQUES Industries AG

As a holding company engaged in the restructuring of companies, ARQUES Industries AG is also exposed to certain industry-specific risks, which are described below.

It is fundamentally possible that new competitors would enter the market, increasing the demand for and therefore also the prices of the companies sold in this market. It should be noted, however, that the current structural crisis affecting so many industries actually tends to broaden the purchase market for ARQUES.

With regard to the debt subordination undertakings and remission of receivables on the part of some ARQUES companies in relation to other Group companies, the Group would be exposed to default risks if the company owing such obligations would be unable to meet them. Insofar as guarantees such as purchase price guarantees, for example, were issued in connection with the acquisition of individual companies, and if the underlying obligations cannot be serviced from the cash flow of the given subsidiary, ARQUES Industries AG would have to make good on those obligations by putting up its own liquidity. With the exception of the contingent liabilities presented in Note 45, there are no legal grounds on which ARQUES could be compelled to stand for the liabilities of its portfolio companies. The contingent liabilities consist mainly of payment guarantees to secure the fulfillment of purchase price payment obligations in connection with the acquisition of companies.

Various measures have been taken to decentralize the personnel structures within the Group by making sure that the persons holding senior managerial positions in the lead companies of the Group do not also hold such positions in the fully consolidated subsidiaries. The purpose of this organizational measure is to reduce the risk of mistaken decisions and liability risks.

Industry and Market Risks

Industry risks

Industry risks are risks that affect a particular market, such as reduced demand for a certain chemical product which can be substituted with a cheaper product or the entry of new, aggressive competitors. Such risks generally affect the ARQUES subsidiaries in a given market segment.

In general, it can be noted that planning security has diminished in all the subsidiaries, in that customers are providing less concrete information on future unit sales quantities, placing their orders more on a short-term basis, delaying purchase decisions and fundamentally re-examining their projects.

Report on the opportunities and risks of the subsidiaries

The subsidiaries of the ARQUES Group operate in various markets with different products. Within the ARQUES Group, therefore, industry-specific risks are diversified, although the current portfolio exhibits a concentration in the two sectors of Consumer Electronics (Actebis, Gigaset, tiscon) and Automotive (Anvis, Auto Windscreens and BSM). The economic development of every subsidiary can be negatively impacted by a variety of factors besides the customary vagaries of the business cycle. In theory, for instance, the market situation of a given industry could deteriorate very quickly, leading in the worst case to the insolvency of a subsidiary operating in that industry, without there being anything the management of that subsidiary could do to prevent it. As a general rule, the specific risks applicable to each subsidiary are managed on a decentralized basis by the companies themselves.

In the following section, we discuss the industry-specific opportunities and risks facing the subsidiaries currently held by ARQUES Industries AG.

As a retail sales company, **Golf House Direktversand GmbH** is generally exposed to the fluctuations in consumer purchasing behavior. Because the products sold in this market are highly comparable and ample information can be obtained about them from the media, consumers tend to be very price-sensitive. 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. As is typical for this industry, the company's success is highly dependent on the quality of its employees. Periods of extreme weather, such as a very hot summer or an early, snowy winter can have a negative impact on consumers' purchasing behavior.

Having successfully completed the restructuring phase, the company closed the old Golf House stores in Berlin and Hamburg and the last remaining Golf Discount store in Berlin in 2008. In line with the company's expansion plan, large, modern stores were opened at the same locations. The company also opened a new store in Bremen.

The installation of a new customer database has made it possible to conduct direct marketing activities in a more efficient and targeted manner. In the autumn of 2008, the company entered into a business relationship with a new, highly professional logistical services provider that is capable of meeting the demands of multi-channel retailers (mail-order and in-store sales). The value-added generated as a result of this partnership will come to bear in the current year. Having boosted its revenues 10%, Golf House extended its market leadership position significantly in 2008. Despite the difficult market environment that can be expected in 2009, Golf House will continue to pursue its expansion strategy and gain new market shares as a result.

As an equity investment company operating in the IT retail and wholesale markets through its subsidiaries, the **tiscon Group** is subject to the typical industry risks. The IT distribution and consumer markets are characterized by stiff competition and a large number of market participants. In both market segments, there is also considerable price sensitivity, which has a negative impact on margins. The tiscon Group is exposed to the risk of declining sales as a result of the uncertainty gripping consumers amid the current crisis; such a scenario would put pressure on the company's profit margins. The tiscon Group is responding to these conditions by tapping into new sales channels, market segments and entire new markets, while also optimizing its internal processes and structures. Having already boosted its exports, the company also intends to increase substantially its share of the German ITC market, including volume sales, software development companies and specialty retailers. There is a certain dependency on management and skilled employees with special IT and sales know-how. As a result of the rapid further technological development which, however, has not been accompanied by the introduction of new technology products, progressive price deterioration can be observed in various product groups. This trend could have a negative impact on the company's earnings performance, particularly in connection with the clearance sales of merchandise that has been carried as inventory for a longer period of time and is therefore not as current. Furthermore, some of the merchandise is purchased in the dollar zone, giving rise to foreign exchange risks. Because banks, credit insurance companies and factoring companies have adopted a more restrictive stance, the company is exposed to significant refinancing risk. Existing credit lines could be cancelled ahead of maturity or not renewed upon maturity, as a result of which the subsidiaries of tiscon AG would be in need of considerable liquidity assistance.

The companies of the tiscon Group have a broad customer and supplier structure at their disposal and are therefore subject to only minor dependencies in this regard. Due to the continuous improvement of internal processes, among other things, the subsidiaries have been able to permanently lower their costs as a percentage of revenue. The continuing measures to improve logistics and returns processing, the addition of personnel to the sales organization and the continual expansion of the product portfolio have made it possible to win new customers.

As a retail sales company, the **Fritz Berger Group** is subject primarily to the risks associated with the general fluctuations in consumer purchasing behavior. The camping and outdoor industry is also heavily dependent on weather conditions. The position of Fritz Berger as a leading specialty mail-order business in this segment can be limited by the market penetration of new competitors such as the manufacturers of camping trailers. Furthermore, the expansion of activity on the part of other distribution channels, such as discount retailers and price-aggressive online dealers, for example, could also lead to sales reductions. A variety of circumstances, including tax increases for camping trailers and recreational vehicles, the uncertain outlook for fuel prices, specifically diesel fuel, an unfavorable pollution rating, the uncertainty regarding the future additional costs to result from CO2 policies or the general reluctance of consumers to spend money amid the current economic crisis could lead to a further drop in the sales of these vehicles and thus also have an indirect negative effect on sales of accessories. Typical for the industry in the area of human resources, business success is particularly dependent on the quality of the purchasing staff and the store managers.

The Fritz Berger Group was able to attract new customers through its new main catalog layout and redesigned website. The newly introduced Fritz Berger customer card helped achieve greater brand loyalty. The "return to the brand" campaign yielded positive results in the textile business, which has been continually further expanded. With regard to sales, Fritz Berger also intends to boost its POA by opening new stores, while optimizing its earnings mix by closing outlets that are too small or unprofitable.

Oxxynova GmbH produces dimethyl terephthalate (DMT), a raw material used in the production of polyester. 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 industry-specific risks consist primarily in the possibility that customers could substitute an innovative, more modern product for DMT. Another significant risk of Oxxynova's business emanates from the fact that it generates a large proportion of its unit sales with only a few large-scale customers and with customers in the automotive industry. As a result of the crisis affecting the automotive industry, which has manifested in the form of declining orders and sales, Oxxynova is currently not generating enough revenue to cover its costs. Due to low unit sales quantities, the company's liquidity was strained through the early part of the current year. Based on the company's financial planning and its ability to procure financing resources from within the ARQUES Group, it is believed that Oxxynova will be able to meet all its payment obligations in the future. There are no risks that would endanger the company's continued existence.

The production of DMT at Lülsdorf has been discontinued since February 2008. These restructuring measures can be expected to lower the risk of excess capacities in the area of DMT production and secure the long-term profitability of the remaining site. Moreover, Oxxynova is conducting a strategic analysis to determine the extent to which existing production capacities can be utilized for the purpose of new product developments, process conversions or the entry into a new market. By entering into a new market with a new product, Oxxynova would be able to permanently increase its revenues and earnings and render itself less dependent on DMT production as a result of having opened up a new business segment. This analysis involves a planning risk regarding the technical feasibility, legality, financing, and acceptance of these new developments. If the introduction of new products would not be possible, additional costs would be incurred for the Lülsdorf location.

Another fundamental risk of Oxxynova's business lies in the possibility that the revenues of customers that run into economic difficulties may not be fully eligible for trade credit insurance. As is customary in the chemicals industry, the company's chemical plants are subject to periodic inspections by the German Engineering Control Association (TÜV), which necessitate temporary production shutdowns. The process of restarting these plants is fraught with particular risks that would in the worst case entail substantial financial losses for the company, although the probability that such risks would materialize is deemed to be low. Furthermore, a failure of the company's IT systems would have far-reaching consequences for production schedules and customer deliveries. Numerous measures have been taken to secure the company's IT infrastructure, so that the probability of occurrence of such risks is considered to be low. Yet another industry-specific risk is represented by the possibility of rising energy costs.

No particular environmental risks are known to exist at the production facilities. There is a dependency on the senior executives in charge of marketing and production due to their specific expertise in these areas. Furthermore, Oxxynova is bound by a three-year contractual obligation associated with a sale-and-leaseback agreement for the Steyerberg site. A residual financial risk would come into effect if the plant would be disposed of prior to the expiration of the three-year term.

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.

Wanfried-Druck Kalden produces folding boxes and labels. Its customers include large corporate groups in the food, consumer goods and beverage industries. To this extent, the company is subject to the general fluctuations in consumer purchasing behavior. The market segments of labels and folding boxes are dominated by medium-sized enterprises. There is strong competition among market participants, with the attendant risk of declining market prices. There is also strong pressure to invest in new, more efficient machines. Wanfried-Druck Kalden has a relatively small customer base of about 200 customers, so that the loss of one major customer would immediately have a lasting impact on its revenues and earnings. The continuing concentration process among its customers increases the pressure on its profit margins. Owing to the limited number of paper and box suppliers, there is a certain dependency in the procurement market. Price increases in this area can generally be passed on to customers only after a certain delay.

As a result of its capital expenditures on infrastructure, machines, and computers, Wanfried-Druck Kalden was able to optimize all its principal production processes and significantly increase its production capacity, thereby laying the foundation for increasing revenues and profit margins. As another advantage, economies of scale can be exploited in the future. The installed and certified management system (ISO9001/2000 Quality Management/ISO 14000 Environmental Management) was expanded in 2008 by the addition of a certified hygiene management system, by means of which the risk of packaging contamination can be reduced and new customer potential can be developed in the food industry. Another unique selling proposition of Wanfried-Druck Kalden is the international alliance (Joint Specialists in Offset Labels, JSO) in the label printing segment. This cooperation was met with enthusiasm from numerous customers and has increased the company's revenues since 2007.

The company's new orders and order backlog in 2008 were both substantially higher than in 2007.

The risks of the company's future development are situated mainly in the market and the competition. In 2008, Wanfried-Druck Kalden countered these risks by reorganizing its sales force and especially by expanding its existing business relationships by taking on new projects and further developing innovative products. It cannot be ruled out that the packaging industry will be adversely affected by the recessionary market environment of 2009. Nonetheless, Wanfried-Druck Kalden believes that it will not be as heavily affected by the economic situation as other companies, due to the fact that it supplies the consumer goods industry. Based on the sales measures that have been planned and initiated to date, the company expects to meet its revenue targets.

van Netten is a confectionery manufacturer based in Dortmund that supplies large business chains and discounters mainly with private label and trade brand products. The company has a few major customers, giving rise to the associated dependencies. The loss of a major customer would have a sustained negative impact on van Netten's business development. The downward pressure on prices is high owing to strong competition.

Other factors such as the rising costs of energy, logistics and raw materials continue to put pressure on the company's cost structure. As a result of the economic and financial crisis, van Netten is finding that suppliers and customers are increasingly restrictive with regard to their respective receivables. If the trade credit insurers were to substantially curtail the limits allotted to van Netten, the subsidiary would be in need of additional liquidity assistance. There is a certain dependency on employees with specialized expertise 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 is in possession of modern production and development equipment and is therefore capable of completely satisfying individual customer requests. Accordingly, van Netten seeks to expand its existing customer relationships with newly developed confectionery, among other things, and to advance the internationalization of its operations. van Netten sees considerable opportunities for expansion, above all in the export markets.

The **Anvis Group** (formerly Woco Michelin AVS), acquired in September 2007, is a primary developer and manufacturer of innovative functional solutions for motion stability, comfort, and safety, and primarily supplies the automotive industry. The company has its own locations and branches close to the automobile industry in Europe, the United States, 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%, including secondary suppliers), as well as on the French automobile manufacturers Renault/Nissan and PSA (10% each), so that the loss of a major customer would have an extremely negative impact on the development of revenues and earnings. In general, Anvis is responding to the sales drop occasioned by the current crisis in the automotive industry by pursuing a stringent cost reduction program in all areas of the company. The supplier structure is generally stable; in the area of aluminum die casting, however, there is increasing price pressure owing to the scarcity of suppliers. Because the company had formerly participated in the bundled purchasing volumes of its former parent company Michelin, it was able to exploit synergies, especially with regard to the procurement of natural rubber. But now the company needs to establish this purchasing expertise itself. The costs of raw materials and supplies used in the production of anti-vibration systems are increasing throughout the industry. Any further increase in the prices of raw materials and supplies could be passed on to customers only in part and would therefore have a negative impact on Anvis' earnings performance. In order to offset these increasing costs, the Anvis Group has introduced and partially implemented measures to increase productivity, optimize processes and reduce labor costs. The location in Mexico, the productivity of which needs to be improved further through the intervention of the ARQUES Task Force, is additionally subject to the risk of fluctuations in the exchange rate of the euro to the U.S. dollar.

As is typical in this industry, there is a certain dependency on employees holding key positions in the areas of development, purchasing, and sales, as well as the CEO of the Anvis Group. Because the company is currently undergoing a transitional phase, this dependency is even more pronounced. The spin-off of the former joint venture from the corporate structure of the former owner and the implementation of stand-alone corporate structures have since been successfully completed.

Since the beginning of the financial crisis, and even more so since the advent of the crisis affecting the automobile industry, banks have adopted a more restrictive stance with regard to their lending policies. In general, this trend has made borrowing more difficult and also more expensive. The Anvis Group is exposed to the risk that its credit facilities, which are currently available in sufficient amounts, may not be renewed, which could lead to liquidity problems. The company's refinancing costs would also be negatively impacted by an increase in the level of interest rates, although this latter risk is considered minor at the present time.

Anvis sees business opportunities in its international position and its participation in rapidly growing markets like India. In addition, Anvis intends to step up its sales efforts in the U.S. market. By virtue of its international position, finally, the automotive supplier stands to benefit from the prevailing trend towards a "world car" that would be produced at different locations around the world. However, this trend could also pose a risk to Anvis if the automobile manufacturers would decide against using Anvis as a supplier for their "world cars," so that Anvis would lose important global customers. Because automobile manufacturers select new suppliers only when 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 can usually be achieved not in the short term, but only in the medium term, by way of acquiring new contracts. Additionally, there is a dependency on the sales performance of the specific models for which components are supplied.

The **Actebis Group** is the third-largest European IT distributor, with national subsidiaries in Germany, Austria, France, Denmark, Norway, Sweden, and the Netherlands, as well as the telecommunications wholesaler NT plus. The Actebis national subsidiaries in Germany, France, Austria, and the Netherlands have belonged to the ARQUES Group since the end of the third quarter of 2007, whereas NT plus and the Actebis national subsidiaries in Denmark, Norway and Sweden were acquired at the end of the fourth quarter of 2007. As a wholesaler in the ITC segment (information and telecommunications technology), the Actebis Group is dependent on the general economic conditions and consumer sentiment.

Actebis offers more than 150,000 products of about 400 manufacturers and is equally well-positioned in breadth and depth to handle all ITC business. The Actebis Group receives a significant portion of its products from a relatively small number of principal suppliers, the loss of which could significantly impact its operations. However, there are long-term contractual relationships with these suppliers, so that the risk that one of these important business relationships would be terminated can be regarded as low. The working capital is partially financed through supplier payment terms. The company is subject to the risk that suppliers would shorten their payment terms, which would worsen Actebis' liquidity position. If Actebis would not be able to comply with precisely defined delivery schedules, this could lead to contract penalties in specific 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 could result in declining sales revenues and adversely affect the Actebis Group's assets, financial position and results of operations. Furthermore, globally active competitors (Ingram Micro/Tec Data) could attempt to engage in predatory competition with the aim of driving Actebis out of the market, although the probability of such a move is considered to be low. Actebis is well liked by its customers and is widely appreciated as a reliable business partner. Furthermore, the Group has successfully adapted to the changed demand structures by selling its products via distribution channels geared to consumers. Also, the Actebis Group has broadened its customer base by adding consumer electronics retailers, specialty electronics stores and online shops.

In the wake of the global financial crisis, some of the company's customers could see their credit ratings worsen and have their credit limits reduced. Moreover, the companies of the Actebis Group could experience heightened losses on their receivables, which would have a negative impact on revenues and earnings. However, all customers are subjected to constant monitoring by the credit controlling department.

A failure of the data center or of various other databases, data lines, other IT systems, the online shops and technical plant and equipment, especially in the area of merchandise management, could lead to data losses and business disruptions, including delayed deliveries and billing errors, which could ultimately result in serious liquidity problems. Suitable back-up systems have been installed and Actebis plans to improve them further.

The Actebis Group reacted early to the prevailing lack of skilled workers, especially in the IT segment, by investing in the training and continuing education of its employees. The number of vocational apprentices and trainees has grown continually in recent years. Furthermore, a high degree of individual responsibility and the promotion of entrepreneurial decision-making leads to a high degree of continuity in the company's senior management positions. Many employees live in the communities immediately adjacent to the 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 finance, purchasing, sales, logistics, and IT can be mentioned here. If one or more managers from these areas would leave the Actebis Group, their departure could entail disadvantages for the company. Employee retention programs have been installed.

Various buildings of the Actebis Group, as well as telephone and computer equipment, could be destroyed by fire. Above all, Actebis is exposed to the risk that it would not be able to restore its ability to make deliveries quickly enough if its logistical centers would be destroyed. In general, however, the probability of loss or damage due to fire is considered to be low. This risk is covered by a suitable insurance policy.

Thanks to the acquisition of the telecommunications wholesaler NT Plus, the Actebis Group is one of the first distributors in Germany to offer both telecommunications and information technology products. As a result, Actebis is presented with an opportunity to shape the European market for IT-TC convergence solutions. As part of this trend, data processing systems and applications can be expected to merge with networks that carry voice, video and data.

Based in Sundern, in the Sauerland region of Germany, **Carl Froh** is a manufacturer of precision tubes and components built to the customers' specifications. The company manufactures low-tolerance welded precision steel tubes designed to meet special demands. It also develops comprehensive solutions for premium-quality components and modules for a wide range of applications. By virtue of its locally rooted expertise, Carl Froh is capable of manufacturing welded and custom-rolled tubes that meet the highest quality demands. The steel processor has a broad customer base. It generates almost half its revenue with customers in the automotive industry and almost one third with industrial customers. As a result of phased-out product series and the significant production cuts in the automotive industry, Carl Froh is subject to the risk of orders being cancelled or reduced on short notice. Carl Froh intends to counter these developments by pursuing an expanded product strategy and by acquiring new orders in the industrial sector, especially for high-quality specialized components.

On the purchasing side, Carl Froh exhibits the typical dependency on strip steel. In general, the cost of raw materials and supplies has increased, due in particular to the trend of steel prices, which rose further in 2008. Since the end of 2008, however, steel prices have decreased substantially. Carl Froh is frequently not able to pass on higher steel prices to customers until after a certain delay.

Carl Froh disposes of modern production equipment that meets the state of the art. The company plans to continually renew its production periphery to ensure that pre-production and post-production areas are also state-of-the-art. In addition, Carl Froh has planned innovation investments in connection with new orders. These measures are meant to further improve product quality and tap new areas of production, so as to capture a larger share of the value chain, in the short-term and medium-term future. Specific investments are needed to further reduce the risk of production down times. In support of these goals, the company provides regular training and continuing education activities for new and existing employees. Employee turnover has been very low at Carl Froh for years and the company can rely completely on its top performers in key positions. Finally, the company plans to improve the age structure of its employees by sponsoring more vocational training programs for younger employees.

Due to the fact that Carl Froh works with flammable materials and explosive solvent fumes, some areas of the business are subject to a heightened risk of fire and explosion, which the company intends to counter by means of stricter fire avoidance measures. Despite extensive safety measures, the risk of explosion in the natural gas-fired furnaces cannot be completely ruled out, although this risk is considered to be low.

Agencia Servicios Mensajeria (ASM) is a Spanish freight services provider that primarily serves large-scale customers in the sectors of telecommunications, banks and insurance, automobiles, optics, dentistry and pharmaceuticals. Based in Madrid, ASM provides courier service, freight forwarding and specialized logistical services. ASM has positioned itself successfully in the fragmented Spanish market as a niche supplier of delivery services for large-scale customers. ASM has a comparatively broad customer base. The company boasts an extensive network of more than 70 branch offices and field offices in Spain, Portugal and Andorra. As a medium-sized enterprise, ASM is looking to capitalize on the growth in the freight services market and the emerging consolidation of that market to win market shares.

As a freight services provider, ASM is exposed to the general fluctuations of the business cycle. As a result of the weak economic conditions in the Iberian peninsula, shipping volumes have already declined by more than 10%. Within its branch network, ASM works with strategic partners, the loss of which would compromise the geographical scope of its delivery operations. The trend of fuel prices has a direct impact on the earnings performance of the entire industry. As a result of the financial crisis, which is increasingly having an effect in Spain as well, ASM could lose the credit facilities that are currently available in sufficient amounts, which would lead to liquidity problems.

Gigaset Communications operates in the market for consumer terminal devices (telecommunications terminal devices), and specifically in the markets for cordless telephones, set-top boxes and analog telephones. Gigaset Communications holds a very strong position in the retail segment by virtue of its strong brand name and its well-balanced product assortment. The company ranks fifth in the world in the market for DECT (Digital Enhanced Cordless Telecommunications, a cordless telephone standard) and is the clear market leader in Western Europe.

The products of Gigaset Communications are widely used and appreciated by customers in the retail distribution sector by virtue of the company's strong brand name and innovative product portfolio. Because the company normally cooperates with such customers on the basis of steady, long-term relationships, the dependency on individual retailers and distributors is usually minor. When venturing into new markets, however, the company may be subject to greater dependencies on individual buyers, especially at first. For its purchasing of raw materials and supplies, the company generally works with at least two suppliers. Gigaset Communications has established a Supplier Management Center in Shanghai to manage and control its cooperation with suppliers in Asia. Gigaset seeks to avoid becoming dependent on individual suppliers with respect to prices, unit quantities and innovations by cultivating a broad supplier base. Nonetheless, the company is partially dependent on individual suppliers. Furthermore, a large number of components required for the company's production operations are purchased in the U.S. dollar zone, giving rise to currency risks. Such risks are hedged primarily by means of forward exchange deals. Finally, there is a risk associated with the fact that Gigaset's production activities are concentrated at a single manufacturing site in Bocholt.

Gigaset Communications will be allowed to use the renowned Siemens brand name for its products until 2010. Thereafter, there is a risk that the loss of licensing rights to the Siemens brand name could have a negative impact on the company's brand familiarity and market position, especially in regions outside of Europe, due to the strong international competition that prevails in those regions. The company intends to engage in targeted PR and marketing activities to familiarize a broad swath of the public with the Gigaset brand name and thereby protect its market position.

The company counters the risk of receivables losses by carrying trade credit insurance. Based on historical experience data, the risk of receivables losses is considered to be low. Gigaset Communications is subject to relatively strong seasonal liquidity fluctuations. The company has adequate cash, current receivables and assets to meet its current payment obligations. As a general rule, the company is subject to the risk of general price erosion for its product assortment and the risk that its market will shrink in the medium-term future.

If the budgeted cost savings and restructuring measures, including in particular the sale or closure of the Broadband Division, cannot be achieved to the planned extent within the planned period of time, Gigaset would be subject to the risk of uncovered overhead costs, which would have a negative impact on its earnings as well. If the company's production capacity is not fully utilized due to weaker sales amid the current economic situation, additional earnings risks could arise, especially in the highly automated plant in Bocholt.

Technological progress, especially in the area of Voice over IP telephony, could necessitate substantial investments in Research & Development (R&D). Gigaset Communications is countering such risks in a proactive manner by setting suitable priorities for its R&D program.

Gigaset Communications sees business opportunities in the tapping of regional growth markets (North America and Asia), using the established Gigaset brand and the existing worldwide distribution network for this purpose. The company possesses ample specialized expertise in Research & Development to meet the rising technological demands of the market and even to come out with innovative new products itself. Nonetheless, the company is generally subject to risks associated with project delays in Research & Development, which are to be considered low in Gigaset's case, however. Moreover, Gigaset Communications sees great potential in the growing market for set-top boxes. In its production operations, the company benefits from his well-established value chain and logistical operations, which are understood, especially in Europe, to be something that differentiates the company from its competitors that produce their products outside of Europe, due to delivery time and flexibility considerations.

Gigaset Communications sees additional business opportunities in pursuing partnerships with contract manufacturers. Under such partnerships, the products of other manufacturers would be sold under the Siemens label or different products would be combined under the Gigaset brand name over the next two years. At the end of the two-year period, Gigaset will no longer be able to use the Siemens brand name. Until that time, however, the company can capture or increase market shares in countries where Siemens is perceived as a prestigious brand.

Finally, the Bocholt production facility has been honored on numerous occasions for its highly efficient production processes.

Auto Windscreens is engaged in the business of repairing and replacing automotive glass. This sector is influenced by a number of different factors, including weather conditions, changes in automobile fleets and speed limits. Extreme weather conditions such as a bitterly cold winter can provoke tremendous demand for windshield repairs and replacements. On the other hand, technological innovations and speed limits could decrease the frequency of windshield damage. The frequency of damage is also linked to the number of kilometers driven, which is influenced, in turn, by fuel prices.

The customers of Auto Windscreens are primarily composed of insurance companies, corporate fleet operators and leasing companies. Changes in automotive insurance glass policies could induce the insured parties to exercise restraint in purchasing needed windshield repairs. Now that it can operate as an independent company, Auto Windscreens is in a position to acquire additional insurance companies as customers and thereby grow its business substantially. The company was not able to pursue this strategy before the acquisition by ARQUES because it belonged to an insurance group.

On the purchasing side, Auto Windscreens works with a broad base of suppliers. Furthermore, the company itself produces about a third of the automotive glass it uses in its own production facility in Chesterfield, UK. The automotive glass specialist regularly provides training courses to its employees to ensure that they are always able to provide professional-quality windshield repair services.

As a consequence of the spin-off from the corporate structures of its former owner, the company is subject to the typical carve-out risks related to the installation and configuration of new IT systems, new management functions like controlling departments and administrative structures.

Auto Windscreens finds itself still in a loss-making situation. The principal risk is that the restructuring measures taken with the goal of making the company profitable will not yield the desired results in time.

FINANCIAL RISKS

INTEREST RATE, CURRENCY AND LIQUIDITY RISKS

ARQUES Industries AG continually optimizes its corporate financing system and limits its financing risks in order to preserve the Group's financial independence. The need for financing fundamentally exposes the Group to the risk that the agreed terms of financing would be changed by the financing partner to the detriment of ARQUES Industries AG and these changes would have to be accepted as a result of liquidity constraints or would themselves give rise to such constraints. This risk has been heightened considerably by the financial crisis that has been in effect since mid-2008. The financing risks are covered by the risk management system.

The companies of the ARQUES Group generate income in foreign currencies. The associated foreign currency risks are generally hedged by means of currency-matched financing of the international activities in question. Changes in capital market interest rates could lead to changes in the market value of fixed-income securities and uncertificated receivables and in the plan assets used to fund pension obligations. The Group conducts customary banking transactions to hedge its interest rate risks on a case-by-case basis.

To hedge its cash flow risks and protect the Group's liquidity, ARQUES employs various instruments to fund and protect its receivables, including factoring and credit default insurance, for example.

The interest rate, currency and liquidity risks are generally managed by the individual subsidiaries on location, in consultation with the Corporate Finance Department. ARQUES employs derivative financial instruments to hedge its operational risks as needed.

Strong fluctuations in exchange rates, especially in that of the U.S. dollar to the euro, which could not be hedged in time and completely by means of forward exchange deals, led to losses on currency translation and merchandise sales for some subsidiaries, especially at the end of the third and fourth quarters of 2009, thereby adversely impacting the earnings of those subsidiaries.

For more information on this subject, please refer to the detailed comments regarding IFRS 7 in the notes to the consolidated financial statements. ARQUES Industries AG itself did not employ any financial instruments in fiscal 2008 or fiscal 2007.

ARQUES in the global economic crisis

In these times of global economic crisis, the ARQUES Group is exposed to considerable burdens, which were not foreseeable only a few months ago.

Operational development of the Group companies

Due to the operating activities of its subsidiaries, ARQUES is directly impacted by the economic downturn, the financial crisis and the reduced availability of credit. The current situation has made the company's restructuring and turnaround work much more difficult than in the past. Unforeseeable events could have an extremely negative impact on the performance of even those companies that have already made good progress in their restructuring efforts. They are vulnerable both in terms of their operating performance and the availability of credit in the form of bank lines of credit, factoring and credit insurance. And those companies that have already optimized their costs will have less room to make further cost cuts in the face of sharply reduced demand for their products and services.

The banks have been considerably more restrictive in the granting of loans since the beginning of the financial crisis. This phenomenon has made debt financing much more difficult and also more expensive. ARQUES is seeking to counteract the considerably tougher financing situation through the intensive efforts of the specialists of the ARQUES Task Force to implement individual measures for each subsidiary, including further improvements in working capital management, the restructuring of financing providers, renegotiations with banks, customers and suppliers and the introduction of alternative financing vehicles such as sale-and-lease-back transactions.

In some subsidiaries, moreover, the financial crisis and the resulting deterioration in general economic conditions led to unforeseeable order decreases and cancellations, as the customers of those subsidiaries were themselves unable to run their production facilities at full capacity and are postponing new capital expenditures. The unit sales volumes of the automotive industry in particular suffered a massive collapse in the second half of 2008. The affected ARQUES subsidiaries responded to these developments by means of capacity adjustments, cost reduction programs, including workforce measures, for example, and through the intensive efforts of the ARQUES Task Force. Some subsidiaries have already cut weekly working hours or are contemplating this option for implementation in the near future.

For the time being, moreover, the financial crisis has also made it more difficult to sell companies. Secondly, the valuation multiples that can be realized in the recent past have fallen considerably.

ARQUES has responded to the difficult economic conditions triggered by the financial crisis and the tremendous uncertainty in the market for corporate transactions also by selling off individual portfolio companies at unfavorable terms, if the ability to restructure those companies successfully has been rendered considerably more difficult or more expensive and if ARQUES was able to reduce the level of risk in its portfolio by this means.

Considering the imponderability of the future economic outlook and the continued volatility of company valuations in the capital markets, ARQUES has opted not to publish the Net Asset Value (NAV) of its investment portfolio because in the current, exceptional situation, it would not provide a reliable indication of the portfolio's value.

Liquidity of the Group companies

Most of the subsidiaries of the ARQUES Group find themselves in a situation of strained liquidity and have additional liquidity needs, especially at the time of acquisition and in the initial restructuring phase. The liquidity requirements are satisfied first of all from the restructuring contribution of the seller, and then by selling any assets that are not required for the subsidiary's operations, and then by the subsidiary's own operating cash flow and through recourse to borrowing; or they are satisfied directly by ARQUES. Thus, one of the first restructuring tasks of the ARQUES Task Force is to free up cash for use by the subsidiary.

ARQUES manages the liquidity requirements of the subsidiaries by means of careful liquidity controlling. Like any other company, however, ARQUES is subject to the risk of unforeseen financing requirements during the course of the subsidiary's affiliation with the Group, whether because the general economic environment or industry situation suffers an extreme deterioration or because the subsidiary loses important customers, its suppliers run into critical bottlenecks, negotiations with trade unions and works councils are not successful, or for other reasons. As a result of such developments, it may not be possible to achieve the earnings improvements that had originally been planned. Furthermore, it could happen that the former financing partners of the subsidiary use the acquisition by ARQUES as an excuse to discontinue the business relationship or impose unreasonable terms and conditions on a further cooperation. Such developments could entail the consequence that ARQUES would have to use its own resources to cover any liquidity shortfalls due to the lack of other financing sources.

Considerably more restrictive policies on the part of trade credit insurers would pose a liquidity risk for most of ARQUES' subsidiaries because the reduction or cancellation of trade credit insurance usually prompts the suppliers to shorten their payment terms considerably. Such a development would increase the subsidiary's need for liquidity. If the cumulative amount of liquidity needs would increase, the holding company may find it necessary to quickly sell other Group companies in order to concentrate available liquidity on the company's core portfolio.

Such liquidity risks are managed and the liquidity planning and financing structures are reviewed generally by the subsidiaries on location, in consultation with the Corporate Finance Department.

Risk management at ARQUES Industries AG

The debts of the holding company or the guarantees or assurances it has issued, either in connection with corporate acquisitions or at a later time, could have a direct negative impact on the business performance or even the continued existence of the holding company as a going concern.

Debts of the parent company

At the balance sheet date, ARQUES Industries AG had access to three credit facilities, two of which have already been extended until March 31 and April 30, 2010, respectively. The third credit facility for EUR 10 million has been extended until June 30, 2009 and is expected to be extended beyond that date as well. At the present time, ARQUES is in the process of furnishing collateral for this credit facility, which had initially been unsecured. Therefore, ARQUES considers it probable that the credit facility will be extended. Early discussions on this subject have been positive to date.

Guarantees of the parent company

ARQUES Industries AG has issued guarantees for purchase price payments in the past. Furthermore, the parent company has issued guarantees or payment assurances in favor of its subsidiaries. If these guarantees and payment assurances, which are deemed to be contingent liabilities from today's perspective, would be executed or claimed in close succession and in larger amounts, such a scenario would pose a threat to the continued existence of the parent company and ultimately that of the entire Group.

The individual guarantees have been disclosed in the notes to the separate financial statements of the parent company.

Risk management measures

In addition to implementing a large number of concrete cost reduction measures in the portfolio companies, including shortened working hours and even lay-offs, ARQUES has reviewed its entire portfolio with the aim of identifying those subsidiaries, the restructuring of which would be too cost-intensive in times of a global economic crisis. In the meantime, ARQUES has divested itself of these subsidiaries in a way that entailed large book losses but conserved liquidity. ARQUES continues to monitor constantly the risks and opportunities of the remaining portfolio. By means of these sales, ARQUES was able to avoid having to provide additional financial assistance to these subsidiaries, which would have been otherwise unavoidable from an economic perspective.

In response to the general economic conditions, ARQUES has initiated and largely implemented various steps to reduce costs in the holding company as well. The plan is to reduce the holding company's costs by more than 50% from 2008 level. ARQUES will achieve this reduction by eliminating an appreciable number of jobs and by opting not to purchase services from outside contractors.

In addition, ARQUES has already successfully renegotiated outstanding purchase price installments or payment terms and will continue to do so, if and to the extent that justified warranty claims can be asserted or if such negotiations would be necessary in light of the business performance of the portfolio companies.

Even in these economically difficult times, some parties have a concrete interest in purchasing individual portfolio companies of ARQUES and intensive negotiations are being conducted to this end.

Furthermore, ARQUES still has the option of reinforcing its equity base by issuing new stock through the use of the authorized capital.

Based on the fact that ARQUES is currently in the process of furnishing collateral for the EUR 10 million credit facility, the company anticipates that this credit facility will be extended. If, however, the credit facility would not be extended, contrary to expectations, ARQUES would have adequate financial maneuvering room within the Group to arrange interim financing to repay this credit facility. From today's perspective, the Group's continued existence as a going concern will be assured if the cost reduction measures initiated in the holding company and in the subsidiaries can be implemented as planned, and if the parent company would not be forced to make good on its contingent liabilities to a significant degree and if the planned steps to sell the already identified portfolio companies can be implemented successfully.

ARQUES is currently conducting intensive talks with possible equity and debt providers on the subject of increasing the Group's existing equity and debt in order to bring about the long-term stabilization of the Group.

As a result of the global economic crisis, the negative business developments, the current liquidity situation and the possible execution of guarantees, the ARQUES Group is exposed to risks that could pose a threat to its continued existence as a going concern. In view of the measures that have already been implemented and those that have been planned, however, the Executive Board is currently of the opinion that the assumptions underlying the current business plan will come to fruition, so that the Group will have adequate financial resources to secure the continued existence of the Arques Group, despite the risks described above. Therefore, the separate financial statements of the parent company and the consolidated financial statements of the Group have been prepared on the assumption of a going concern.

TAX RISKS

Like all other operating risks, tax risks are isolated on the level of the individual subsidiaries and are not aggregated on the holding company level by way of intercompany tax relationships or Group-level taxation, for example. By exploiting the frequently available tax loss carry-forwards, ARQUES succeeds in obtaining below-average rates of taxation. Income from the sale of subsidiaries is still largely tax-exempt. ARQUES minimizes any legal risks by obtaining expert opinions from recognized law firms, accounting firms and other external experts on a regular basis.

Events after the balance sheet date

As a result of the strained economic situation in Spain, the crisis affecting the automotive industry and the restrictive lending of Spanish banks, ARQUES decided not to provide any further cash to its subsidiary Capresa. As a result of this decision, the automotive supplier was forced to file for bankruptcy on January 19, 2009. The unit sales of Capresa's principal customers had suffered a massive contraction in the last few months, leading to an extreme drop in Capresa's orders and revenues.

On January 22, 2009, ARQUES sold four subsidiaries, those being the BEA Group, the news agency ddp, the Italian adhesive tape manufacturer Evotape and the Swiss chemicals company Rohner, as well as the loan receivables due from these companies, to the private equity firm BluO under the terms of a portfolio deal. ARQUES collected cash proceeds of EUR 20 million on the sale.

In its meeting of February 2, 2009, the Supervisory Board of ARQUES Industries AG reached an agreement with Dr. Michael Schumann under which the appointment of Dr. Michael Schumann as the Chairman of the Executive Board of ARQUES Industries AG will be terminated by mutual agreement with effect from February 28, 2009. Dr. Michael Schumann was the Head of Acquisitions until February 2, 2009, the Head of Finance from February 1, 2008 to February 2, 2009 and the Chairman of the Executive Board from February 1, 2008 to February 28, 2009. At the same meeting, the Supervisory Board appointed Hans Gisbert Ulmke as the Chief Financial Officer on the Executive Board, for a three-year term beginning February 3, 2009. As of March 1, 2009, the ARQUES Executive Board is composed of Hans Gisbert Ulmke (Head of Finance), Bernd Schell (Head of Operations) and Felix Frohn-Bernau (Head of M&A).

On February 11, 2009, ARQUES acquired the leading British driving school, British School of Motoring (BSM), Bristol, for a symbolic purchase price. The seller was the British RAC plc, a subsidiary of the insurance group AVIVA plc, the same company that sold Auto Windscreens to ARQUES in November 2008. With about 2,700 driving instructors (franchisees) and about 100 service centers, BSM is the biggest driving school in Great Britain. Founded in 1910, this long-established firm is the market leader, with a market share of about 10%. In 2008, BSM generated revenues of about GBP 34 million. In addition to the traditional business of providing driving instruction to private individuals, BSM also trains driving instructors and provides driver training services to corporations and public-sector institutions. BSM is one of the best-known brand names in Britain.

In early March 2009, ARQUES sold its investment in the gas station equipment supplier Rohé, Vienna, to the private equity firm ValueNet Capital Partners, Munich.

On March 12, 2009, the Sommer Road Cargo Solutions Group was sold to a consortium composed of strategic partners in the form of medium-sized German automotive companies and a financial investor, BSF Consulting AG. The buyers wish to pursue the further strategic development of Sommer.

With effect from March 19, 2009, the Swiss printing company weberbenteli was sold to the financial investor ValueNet Capital Partners, Munich.

In March 2009, the Actebis Group signed a purchase agreement to acquire the broadline distribution business of Ingram Micro in Denmark. As part of this transaction, Actebis will take over the employees and the entire customer base of the Danish Ingram Micro branch. The transaction is pending, subject to the approval of the regulatory authorities. Due to the fact that the closing date is planned for the early part of the third quarter of 2009, no additional information can be disclosed because the purchase price will be determined on the basis of the prevailing circumstances on the closing date.

ARQUES has initiated the sale of another subsidiary. The closing date for this transaction, which is subject to various conditions, is expected in the third quarter.

Forecast Report / Outlook

Global economy

General conditions: Global economy to undergo a deep recession in 2009

In view of the fact that the financial crisis was already having an increasingly negative impact on the emerging economies, which had formerly experienced robust growth, at the end of 2008, all experts now believe that the global economy will undergo a deep recession in 2009. In mid-March, the International Monetary Fund (IMF) predicted that the world economy would contract for the first time in 60 years, with negative growth of 0.5% to 1.0%. The pessimistic outlook affects nearly every sector of industry equally, because the scarcity of credit dampens the propensity of businesses to invest and can also cause consumer spending to contract as well. Stabilizing effects in the form of sharply lower prices for raw materials, as well as the capital expenditure projects, monetary policies and fiscal policies of many governments, will likely provide relief only after a certain delay, until the second half of 2009 at the earliest. According to IMF estimates, every one of the leading industrialized nations can expect to see their Gross Domestic Product shrink by 3.0% to 3.5% in the current year. A contraction of 2.6% is forecast for the United States, 3.2% for the euro zone and even 5.8% for Japan. The IMF anticipates that Germany's economy will experience a massive 5.6% contraction in 2009. And the German economy will continue to shrink in 2010, by 1.0%. For Great Britain, the IMF is predicting a 4.1% decrease in the country's economic output in 2009 and a 0.4% decrease in 2010.

According to the IMF, even the emerging economies will see their growth rates slow to only 1.5% to 2.5%. China has reason to hope for positive growth of 6.7%, India for positive growth of 5.1%. Russia will likely be hit especially hard by the dramatic plunge in oil prices, so that economists are predicting GDP growth of only 0.7%. In view of the considerable uncertainty surrounding the success of government rescue programs and the ultimate effects of the drastic reductions in key interest rates (with further rate reductions expected at least in Europe), the forecasts for 2010 are still widely divergent. For the world economy, the IMF is predicting moderate growth of 1.5% to 2.5%, although the leading industrialized nations can expect growth of only 0.5% at best.

Economic Growth 2009

REGION	GROWTH IN %
World	-0.5-1.0
Industrialized nations (total)	-3.2
United States	-2.6
Euro zone	-3.2
Germany	-5.6
Japan	-5.8
Emerging economies (total)	1.5-2.5
Central and Eastern Europe	-0.4
Russia	-0.7
China	6.7
India	5.1
Brazil	1.8

Source: International Monetary Fund (IMF), World Economic Outlook Update January 28, 2009, and IMF Survey March 19, 2009

Outlook for the M&A market and operating environment

Number of transactions expected to fall considerably again in 2009

Industry and banking experts are predicting a much lower number of transactions in the M&A market in 2009. The accounting firm KPMG believes that the market will bottom out no earlier than the middle of the year. The investment bank JP Morgan estimates that M&A activity in Germany, for instance, will decrease by at least 20% in 2009. The market is not expected to recover until the end of 2009. Market players with ample liquidity, such as public-sector funds, for example, could take advantage of the lower valuations to make purchases. On the other hand, financial investors can be expected to play a much smaller role, just as in 2008. According to the investment bank Credit Suisse, many potential buyers that have engaged in larger debt-financed acquisitions in the recent past would first need to raise more capital, which would be very difficult in the current environment. No reliable forecasts can yet be made for the year 2010. If the general economic conditions would improve somewhat, the number of M&A transactions could be expected to increase substantially again.

Outlook for ARQUES Industries AG

Efficiency enhancement and cost reductions

As the holding company for the subsidiaries, we are especially obligated to dispose of the shareholders' financial resources with particular care. As a result of the strong growth experienced in the last few years, the holding company's internal structures are urgently in need of being optimized. Therefore, we have placed the highest priority on enhancing the efficiency of our processes, upholding transparency in our communications and reducing costs in all areas of the company. Key milestones in this effort will be to improve the company's IT systems while also continuing to reduce its personnel expenses.

Focus on long-term success

The profit performance of the management holding company is critically dependent on the income from consulting services (intragroup cost allocations) and company sales. The holding company's cost situation is dependent on the level of personnel expenses and on variable transaction and consulting expenses. Due to the low number of transactions effected in 2008, the difficult economic environment and the heightened need to provide financial support to the portfolio companies, the net result for 2008 was substantially negative. The Executive Board has implemented far-reaching measures to reduce both costs and risks, including the sale of subsidiaries, the continued operation of which would have become too risky for ARQUES. These measures have effectively boosted the chances of success for the remaining companies in the portfolio.

Outlook

In 2009, we expect to conduct transactions that will lead to significant positive cash inflows and ensure the Group's financial stability. We anticipate that the global economic crisis will continue through the rest of 2009 and into the early part of 2010. Although the management of our portfolio companies are also taking concrete measures to offset the anticipated revenue losses, the possibility of further writedowns in 2009 cannot be ruled out. Based on these measures, we anticipate that the net result for 2009 will be better than that for 2008, but still negative. We are convinced that our restructuring efforts will lead to significantly better results in 2010. In view of the currently uncertain economic environment, however, we are not able to make a more precise prediction of the Group's future development.

Outlook for the ARQUES Group

The goal is long-term capital appreciation of our portfolio companies

The economic development of the ARQUES Group is critically dependent on the terms of the respective acquisitions, the profit contributions of the portfolio companies (dividends), the success of restructuring measures (turnaround) and the ultimate sale of the portfolio companies (exit). ARQUES gives preference to acquisitions that require little or no financial cost in the way of purchase prices. In some cases, the seller will provide financial resources to the target company to assist in its restructuring. In the future, it will be increasingly important for ARQUES to hold even successfully restructured subsidiaries in its portfolio for a longer period of time, so as to benefit from dividend payments in the event of continued positive performance. Subsidiaries that pose too high a risk to ARQUES, or those for which the restructuring measures are not producing positive results, must be sold quickly, even at the price of manageable losses.

Crucial role of risk management

In its future acquisitions, ARQUES will reduce the potential risk assumed by conducting more in-depth due-diligence investigations. In this regard, particular attention will be given to the otherwise customary guarantees on the books of the target companies, as well as their bank debts and the purchase price. Such companies must be integrated into the ARQUES Group immediately after the acquisition.

Restructuring expertise as a critical quality proposition

ARQUES perceives itself as a skilled, reliable partner in matters of corporate restructuring and is perceived as such by the market as well. The Operations Division plays a key role in this regard. We are always on the look-out for highly qualified executives with industry experience to serve on our Task Force. Although we achieved solid restructuring results in our portfolio companies last year, they were not enough (or only barely enough) to offset the consequences of the economic crisis, particularly in the automotive industry, for example. Thus, the successful results that would have otherwise been produced will take longer. Nonetheless, we are confident of being able to sell portfolio companies in 2009 and 2010 in such a way as to make a significantly positive contribution to the company's earnings performance.

General outlook

Given the many imponderabilities associated with the current conditions, it is not possible to provide a more detailed forecast of the future business developments. We are activating every lever to navigate the Group out of the crisis and into calmer waters. The management of the portfolio companies are pursuing their earnings targets with focused determination. We expect a moderate stabilization of our portfolio in 2009, followed by a substantial stabilization and an appreciable earnings improvement in 2010. Nonetheless, it is not possible to provide a reliable forecast under the conditions described herein.

Sincerely.

The Executive Board of ARQUES Industries AG

Hans Gisbert Ulmke | Felix Frohn-Bernau | Bernd Schell

Gigaset

- The business of Gigaset Communications is focused on the design, development, production and distribution of high-quality products for home communication under the Siemens Gigaset brand name.

- Munich-based Gigaset is the undisputed market leader for DECT telephones, not only in Germany, where every second household already has a Siemens Gigaset telephone, but in Europe as well.

- The Gigaset production facility in Bocholt was honored as the “Factory of the Year” in the category of “Outstanding Change Management” by the business magazine ‘Produktion’ and the management consulting firm A.T. Kearney.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS OF ARQUES INDUSTRIES AG

Consolidated Income Statement for January 1 - December 31, 2008

EUR'000	NOTE
Revenues	1
Change in inventories of finished and unfinished goods	
Other internal production capitalized	2
Other operating income	3
Purchased goods and services	4
Personnel expenses	5
Other operating expenses	6
EBITDA	
Depreciation and amortization	
Impairment losses	7
EBIT	
Income/expenses of non-current financial assets accounted for by the equity method	8
Other interest and similar income	9
Interest and similar expenses	9
Financial result	
Income from ordinary activities	
Income taxes	10
Consolidated loss for the year (prior year: profit)	
Minority interests	11
Shareholders of ARQUES Industries AG	11
Earnings per share	**12**
- Basic earnings per share in EUR	
- Diluted earnings per share in EUR	

1) In accordance with IFRS 5, the comparison figures for 2007 are shown separately for "continuing operations" and "discontinued operations" as a result of the sale of the shares in the SKW Group.

2008 TOTAL	CONTINUING OPERATIONS	2007 [1] DISCONTINUED OPERATIONS	TOTAL
5,505,026	1,979,333	122,964	2,102,297
-12,200	6,486	3,603	10,089
18,502	3,576	0	3,576
248,979	261,148	47,512	308,660
-4,717,482	-1,600,804	-97,109	-1,697,913
-481,852	-250,426	-8,661	-259,087
-445,410	-251,694	-13,278	-264,972
115,563	**147,619**	**55,031**	**202,650**
-93,298	-44,179	-1,499	-45,678
-133,673	-16,433	0	-16,433
-111,408	**87,007**	**53,532**	**140,539**
474	-10,904	233	-10,671
8,607	3,707	548	4,255
-45,959	-15,571	-471	-16,042
-36,878	**-22,768**	**310**	**-22,458**
-148,286	**64,239**	**53,842**	**118,081**
6,664	-4,241	885	-3,356
-141,622	**59,998**	**54,727**	**114,725**
-11,542	-2,263	2,438	175
-130,080	62,261	52,289	114,550
-4.93	2.43	2.03	4.46
-4.93	2.41	2.02	4.43

Consolidated Balance Sheet at December 31, 2008

ASSETS

EUR'000	NOTE	12/31/2008	12/31/2007 [1]
Non-current assets			
Intangible assets	14	133,629	154,764
Property, plant and equipment	15	317,028	362,379
Investment property	16	238	250
Non-current financial assets accounted for by the equity method	17	5,000	4,564
Financial assets	18	3,190	3,784
Other non-current assets	19	85	219
Deferred tax assets	34	16,864	34,496
Total non-current assets		**476,034**	**560,456**
Current assets			
Inventories	20	378,862	439,029
Receivables from percentage of completion	21	3,030	15,040
Trade receivables	22	407,632	430,396
Available-for-sale financial assets	23	821	1,418
Other assets	24	192,109	228,923
Tax refund claims	25	10,507	13,932
Cash and cash equivalents	26	142,409	84,540
		1,135,370	**1,213,278**
Assets held for sale	27	107,636	60,359
Total current assets		**1,243,006**	**1,273,637**
Total assets		**1,719,040**	**1,834,093**

1) See also the section "Adjustment of the comparison information in the consolidated financial statements at December 31, 2007" in the notes to the consolidated financial statements.

EQUITY AND LIABILITIES

EUR'000	NOTE	12/31/2008	12/31/2007 [1]
Equity	**28**		
Subscribed capital		26,402	26,357
Additional paid-in capital		73,580	72,473
Retained earnings		20,290	20,290
Accumulated other comprehensive income		141,582	275,169
		261,854	394,289
Minority interests		1,138	6,712
Total equity		**262,992**	**401,001**
Non-current liabilities			
Pension obligations	29	66,000	32,201
Provisions	30	31,317	31,466
Financial liabilities	31	75,217	81,906
Liabilities under finance leases	32	24,246	35,873
Other liabilities	33	65,269	53,192
Deferred taxes	34	54,909	59,582
Total non-current liabilities		**316,958**	**294,220**
Current liabilities			
Provisions	30	67,849	36,046
Financial liabilities	35	136,754	257,597
Liabilities under finance leases	32	7,137	5,553
Trade payables	36	601,356	581,472
Tax liabilities	37	15,047	28,564
Other liabilities	38	220,802	221,097
		1,048,945	**1,130,329**
Liabilities related to assets held for sale	27	90,145	8,543
Total current liabilities		**1,139,090**	**1,138,872**
Total equity and liabilities		**1,719,040**	**1,834,093**

Statement of Changes in Consolidated Equity at December 31, 2008

	EUR`000	NOTE	SUBSCRIBED CAPITAL
	December 31, 2006		**24,267**
1	**Appropriation to retained earnings**		**0**
2	Dividend payment 2007		0
3	Capital increase		2,183
4	Change in minority interests		0
5	Other changes		0
6	**Total transactions with shareholders**		**2,183**
7	Consolidated net profit 2007		0
8	Minority interests		0
9	Consolidated net profit after minority interests		0
10	Stock option program		0
11	Currency translation differences		0
12	Available-for-sale securities		0
13	Other changes		0
14	Total changes not recognized in the income statement		0
15	**Total net profit (9+14)**		**0**
16	**Treasury shares**		**-93**
	December 31, 2007	28	**26,357**
	IFRS 3.61ff		**0**
	December 31, 2007		**26,357**
1	**Appropriation to retained earnings**		**0**
2	Dividend payment 2008		0
3	Capital increase		0
4	Change in minority interests		0
5	Other changes		0
6	**Total transactions with shareholders**		**0**
7	Consolidated net loss 2008		0
8	Minority interests		0
9	Consolidated net loss after minority interests		0
10	Stock option program		0
11	Currency translation differences		0
12	Available-for-sale securities		0
13	Other changes		0
14	Total changes not recognized in the income statement		0
15	**Total net profit (9+14)**		**0**
16	**Treasury shares**		**45**
	December 31, 2008	28	**26,402**

ADDITIONAL PAID-IN CAPITAL	PROFIT RESERVES	OTHER CUMULATIVE SHAREHOLDERS' EQUITY	MINORITY INTERESTS	CONSOLIDATED EQUITY
31,444	**5,302**	**186,413**	**27,378**	**274,804**
0	**14,988**	**-14,988**	**0**	**0**
0	0	-12,376	0	-12,376
44,091	0	0	0	46,274
0	0	0	-20,912	-20,912
0	0	0	0	0
44,091	**0**	**-12,376**	**-20,912**	**12,986**
0	0	114,551	0	114,551
0	0	0	175	175
0	0	114,551	175	114,726
0	0	353	0	353
0	0	-1,373	0	-1,373
0	0	2	0	2
0	0	-249	0	-249
0	0	-1,267	0	-1,267
0	**0**	**113,284**	**175**	**113,459**
-3,062	**0**	**0**	**0**	**-3,155**
72,473	**20,290**	**272,333**	**6,641**	**398,094**
0	**0**	**2,836**	**71**	**2,907**
72,473	**20,290**	**275,169**	**6,712**	**401,001**
0	**0**	**0**	**0**	**0**
0	0	0	0	0
0	0	0	0	0
0	0	-2,968	6,285	3,317
0	0	-412	-317	-729
0	**0**	**-3,380**	**5,968**	**2,588**
0	0	-130,080	0	-130,080
0	0	0	-11,542	-11,542
0	0	-130,080	-11,542	-141,622
0	0	1,366	0	1,366
0	0	-2,183	0	-2,183
0	0	0	0	0
0	0	690	0	690
0	0	-128	0	-128
0	**0**	**-130,207**	**-11,542**	**-141,749**
1,107	**0**	**0**	**0**	**1,152**
73,580	**20,290**	**141,582**	**1,138**	**262,992**

Consolidated Cash Flow Statement for January 1 - December 31, 2008

EUR`000
Earnings before taxes (EBT)
Reversal of negative goodwill
Depreciation and amortization of property, plant and equipment and intangible assets
Impairment losses
Increase (+)/ decrease (-) in pension provisions
Profit (-)/ loss (+) on the sale of non-current assets
Profit (-)/ loss (+) on deconsolidation
Profit (-)/ loss (+) on currency translation
Issuance of stock options
At-equity valuation result
Other non-cash income and expenses
Dividends received
Net interest income/expenses
Interest received
Interest paid
Income taxes paid
Non-recurring proceeds from the factoring of receivables in connection with the financing of acquisitions
Increase (-)/ decrease (+) in inventories
Increase (-)/ decrease (+) in trade receivables and other receivables
Increase (+)/ decrease (-) in trade payables, other liabilities, and other provisions
Increase (+)/ decrease (-) in other balance sheet items
Cash inflow (+)/ outflow (-) from/for operating activities (net cash flow)
Purchase price paid for shares in companies
Cash acquired with the acquisition of shares in companies
Proceeds from the sale of shares in companies
Cash transferred on the sale of shares in companies
Cash inflows from the sale of non-current assets
Cash outflows for investments in non-current assets
Cash inflow (+)/ outflow (-) from/for investing activities
Free cash flow
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities
Cash inflows from the borrowing of non-current financial liabilities
Repayment of non-current financial liabilities
Cash outflows for liabilities under finance leases
Capital increase of ARQUES Industries AG
Acquisition of treasury shares
Payments to minority interests
Dividend payment
Cash inflow (+)/ outflow (-) from/for financing activities
Net funds at the start of the period (measured at 2008 exchange rate)
Exchange rate differences
Net funds at the start of the period (measured at 2007 exchange rate)
Increase (-)/ decrease (+) in restricted cash
Change in net funds
Net funds at the end of the period
Restricted cash
Cash and cash equivalents
Net funds carried as assets held for sale
Cash and cash equivalents shown in the balance sheet

NOTE	01/01/2008 – 12/31/2008	01/01/2007 – 12/31/2007
	-148,286	**118,081**
	-112,526	-214,738
	93,298	45,678
	133,673	16,433
	1,820	-3,238
	-4,179	7,176
	3,351	-39,130
	3,546	-2,126
	1,366	353
	-474	10,671
	-31,136	26,539
	0	233
	37,352	11,787
	5,274	2,740
	-34,554	-9,798
	-16,753	-6,213
	79,466	0
	62,863	-10,371
	8,885	12,159
	24,854	65,109
	11,208	10,833
40	**119,048**	**42,178**
	-50,562	-145,560
	95,092	31,379
	27,552	108,233
	-10,032	-35,920
	68,943	5,549
	-69,178	-30,695
40	**61,815**	**-67,014**
40	**180,863**	**-24,836**
	-78,584	-17,146
	17,420	24,281
	-28,851	-6,433
	-14,895	-14,968
	0	46,274
	-512	-3,155
	-729	0
	0	-12,376
40	**-106,151**	**16,477**
	70,042	88,016
	-177	138
	69,865	88,154
	-18,836	-9,930
	74,712	-8,359
40	**125,741**	**69,865**
	33,511	14,675
40	**159,252**	**84,540**
	16,843	0
26	**142,409**	**84,540**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2008

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Business activities

ARQUES Industries AG (hereinafter “ARQUES” or the “company”) is a joint stock corporation under German law, has its head office and principal place of business at Münchner Str. 15a, Starnberg, Germany, and is filed in the Commercial Register with Munich District Court under entry no. HRB 146.911.

ARQUES acts as a partner to major corporations for their corporate divestments and is a turnaround specialist concentrating on the acquisition and active restructuring of companies in transitional situations. ARQUES deploys its own team to turn these firms into competitive, profitable enterprises. ARQUES revitalizes the value-creation potential of its subsidiaries for the benefit of all stakeholders while also respecting the related social responsibility. ARQUES now has a worldwide presence through its subsidiaries.

The company’s shares have been traded on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange since June 28, 2005 and are currently listed in the SDAX index.

Presentation of the consolidated financial statements

The consolidated financial statements are denominated in euros, the functional currency of the parent company, ARQUES Industries AG. To enhance clarity, figures are shown in thousands of euros (EUR’000), unless stated otherwise.

The presentation of the consolidated financial statements complies with the regulations of IAS 1 (Presentation of Financial Statements). The consolidated income statement is prepared in accordance with the cost summary method.

The consolidated balance sheet is organized in accordance with the maturity structure of the constituent items. Assets and liabilities are considered current if they are payable within one year. Accordingly, assets and liabilities are considered non-current if they remain within the Group for more than one year. Trade payables, trade receivables, and inventories are presented as current items as they are all payable within one year. Deferred tax assets and liabilities are presented as non-current items. Minority interests held by shareholders outside the Group are presented as a separate item within shareholders’ equity.

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), a distinction is made between continuing and discontinued operations, and non-current assets held for sale in the income statement and cash flow statement. Continuing and discontinued operations are shown separately in the income statement and cash flow statement for the year under review and the prior year. In addition, a combined total of both continuing and discontinued operations is presented in the income statement and cash flow statement.

The consolidated financial statements of ARQUES are prepared on the assumption of a going concern.

Accounting principles

The consolidated financial statements of ARQUES for fiscal 2008 and the prior-year figures presented have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the Standard Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union.

Furthermore, the German commercial regulations to be applied additionally in accordance with Section 315a (1) of the German Commercial Code were observed. All the standards in effect and applicable to fiscal 2008 have been observed. They help to provide a true and fair view of the assets, financial position, and results of operations of the ARQUES Group.

Application of the following new and revised standards was obligatory for the first time, to the extent that they have been incorporated into European law by the European Union:

- In October 2008, the IASB published amendments to IAS 39 "Reclassification of Financial Assets: Effective Date and Transition (Amendments to IAS 39 and IFRS 7)." The amended standard reflects the current developments on the financial markets and is intended to remove the differences between US GAAP and IFRS with regard to the reclassification of certain financial instruments to the extent that these can no longer cause any distortions to competition. The amendments are applicable retroactively from July 1, 2008. The amendment was incorporated into European law by the European Union in a regulation dated October 15, 2008.

- IFRIC Interpretation 12 (Service Concession Arrangements), also published in November 2006, provides guidance on the recognition of rights and obligations arising from service concession arrangements in the view of existing IFRSs. Its application is mandatory for reporting periods beginning on or after January 1, 2008. The European Union has not yet incorporated the Interpretation into European law, which means that, under Section 315a of the German Commercial code (HGB), it may not be applied. Application will have no effect on the disclosure or measurement of equity items.

The following published but not yet mandatory standards and interpretations have not been applied:

- The IASB published changes to IFRS 2 (Share-based Payment) in January 2008. The revised version of this Standard was incorporated into European law by the European Union in a regulation dated December 16, 2008. The changes relate primarily to the definition of vesting conditions and the rules governing the cancellation of a plan by another party besides the company.

  The amendments make clear that only service conditions and performance conditions constitute vesting conditions. Service conditions relate to a specific period. The performance conditions, which also incorporate certain success targets alongside the service conditions, may also include market conditions.

  As a result of the modified definition of the exercise conditions, it is now necessary to take account of other features of share-based payments that are not vesting conditions when measuring the fair value of the equity instrument granted. If there is an option for the company or other contractual party regarding whether such a condition is fulfilled, non-fulfillment is treated in the same way as cancellation.

Application of the amendments is mandatory with retroactive effect for reporting periods beginning on or after January 1, 2009. Earlier application is permitted.

- Similarly in January 2008, the IASB published the revised Standard IFRS 3 (Business Combinations). This revised Standard amends the application of the acquisition method for business combinations. The principal changes affect the valuation of minority interests, the recognition of business combinations achieved in stages, and the accounting treatment of conditional consideration and incidental acquisition costs. Under the revised rules, minority interests can be measured either at fair value (full goodwill method) or at the value of the parent company's proportional share of the identifiable net assets. In the case of business combinations achieved in stages, the fair values of the acquired entity's assets and liabilities are measured on the date that control is obtained and any resulting adjustments are recognized in profit or loss. Any adjustment of conditional consideration which is recognized as a liability at the time of acquisition is to be recognized in profit or loss in the future. Incidental acquisition costs are recognized as expense in the period in which they occur.

  Application of the revised standard is mandatory for reporting periods beginning on or after July 1, 2009. Earlier application is permitted.

- IFRS 8 (Operating Segments) was published by the IASB in November 2006 and adopted by the European Union on November 21, 2007. Its application is mandatory for reporting periods beginning on or after January 1, 2009. In particular, IFRS 8 requires the application of the management approach for reporting on the economic development of the segments. Under IFRS 8, operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and assess its performance. The segment information should be determined on the same basis as internal reports.

  Application of the revised standard is mandatory for reporting periods beginning on or after July 1, 2009. The future application of IFRS 8 will lead to a modified presentation of the segments.

- In September 2007, the IASB published a revised version of IAS 1 (Presentation of Financial Statements). The revision is intended to improve the options for analyzing and comparing financial statements for their users. IAS 1 defines the principles governing the presentation and structure of the financial statements. It also specifies minimum requirements regarding the content of the financial statements. The revision is expected to have a material impact on the presentation of the financial statements, among other things due to the mandatory disclosure in the statement of comprehensive income of the income and expenses not affecting the income statement previously shown in the statement of changes in equity.

  The new standard, which was incorporated into European law by the European Union in a regulation dated December 17, 2008, is mandatory for reporting periods beginning on or after January 1, 2009. Earlier application is permitted.

- The amendment to IAS 23 (Borrowing Costs), which was published in March 2007 but not yet adopted by the EU at the time the consolidated financial statements were prepared, eliminates the option to immediately recognize as expense such borrowing costs directly attributable to qualifying assets which necessarily take a substantial period of time to get them ready for their intended use or sale. The amendments to IAS 23 were incorporated into European law in a regulation dated December 10, 2008 and are mandatory for reporting periods beginning on or after January 1, 2009. Initial application is not expected to have any material effect.

- In January 2008, the IASB published the revised Standard IAS 27 (Consolidated and Separate Financial Statements). The principal changes incorporated into the revised Standard relate to the recognition of transactions under which an entity retains control and transactions under which control is lost. Transactions that do not lead to a loss of control are recognized as equity transactions and not in profit or loss. Any remaining interests are measured at fair value at the time of loss of control. In the case of minority interests, it is permitted to disclose negative balances, meaning that losses are allocated in proportion to the interest held without restriction in the future.

Application of the revised standard is mandatory for reporting periods beginning on or after July 1, 2009.

- In February 2008, the IASB published changes to IAS 32 (Financial Instruments: Disclosures and Presentation) and IAS 1 (Presentation of Financial Statements). The revised version of both Standards has been incorporated into European law by the European Union in a regulation dated January 21, 2009. The changes relate mainly to the distinction between equity and debt. In particular, the revised rules now include the option to classify callable instruments as equity under certain conditions. From the German perspective, the changes are relevant primarily to commercial partnerships, which had formerly been required to present their corporate law capital as liabilities due to the partners' call rights. The changes will have no material effect on the consolidated financial statements.

  Application is mandatory for reporting periods beginning on or after January 1, 2009.

- In May 2008, the IASB published amendments to IFRS 1 "First Time Adoption of IFRS" resulting from the revised IAS 27, application of which is obligatory for the first time in fiscal 2009. The amendment grants companies the option when adopting IFRS for the first time to disclose the carrying amount of the interests in subsidiaries, jointly managed enterprises or associated companies in the IFRS opening balance sheet of separate financial statements either at the fair value of the interest or the carrying amount of the interest determined using the accounting principles applied up until the first-time adoption of IFRS. No material effects on the consolidated financial statements are expected.

  The amendment was incorporated into European law by the European Union in a regulation dated January 23, 2009.

- On May 22, 2008, the IASB issued the first Improvements to IFRSs, an annual collective standard containing minor amendments to the IFRSs. The collection of amendments was incorporated into European law by the European Commission in a regulation dated January 23, 2009. Application of the majority of the amendments is obligatory for reporting periods beginning on or after January 1, 2009. Amendments that have an impact on accounting, disclosure or measurement have been made in the following standards: IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40, and IAS 41. The Group had not finished analyzing the effects of these amendments by the time the consolidated financial statements were prepared.

  Furthermore, there were changes in the wording of the following standards, which have no or only a minimal effect on accounting: IFRS 7, IAS 8, IAS 10, IAS 18, IAS 20, IAS 40, and IAS 41. The IASB also made editorial changes to the following standards in order to bring them into line with the terminology used in other IFRS: IAS 20, IAS 29, IAS 33, IAS 40, and IAS 41.

  The amendments are not expected to have any material effect on the consolidated financial statements.

  At the end of July 2008, the IASB published amendments to IAS 39 (Financial Instruments: Recognition and Measurement). The amendments are summarized in a document entitled "Eligible Hedged Items - Amendment to IAS 39 Financial Instruments: Recognition and Measurement." The starting point is the existing rules under which an enterprise can include part or certain risks of a hedged item in a hedge.

  Application of the amendments is mandatory for reporting periods beginning on or after July 1, 2009. Earlier application is permitted.

- IFRIC Interpretation 11 (IFRS 2: Group and Treasury Share Transactions) published in November 2006 provides guidance on the accounting treatment of Group-wide, share-based payments and transactions involving treasury shares. Contrary to the information provided by the IASB, its application is mandatory for reporting periods beginning on or after March 1, 2008. No effects on the disclosure or measurement of equity items are expected.

- IFRIC Interpretation 13 (Customer Loyalty Programmes) published in June 2007 provides guidance on the recognition of loyalty award credits that customers receive when buying different goods and services. It clarifies that the sale transactions involve separate components. This interpretation was incorporated into European law by the European Union in December 2008. Contrary to the information provided by the IASB, application of IFRIC 13 is mandatory for reporting periods beginning after December 31, 2008.

- IFRIC Interpretation 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) published in July 2007 provide general guidance on determining the upper limit of a pension fund surplus which IAS 19 permits to be recognized as an asset. It also explains the effects of minimum funding regulations regarding the assets and liabilities related to pensions. This interpretation was incorporated into European law by the European Union in December 2008. Contrary to the information provided by the IASB, application of IFRIC 14 is mandatory for reporting periods beginning after December 31, 2008.

- The purpose of IFRIC Interpretation 16 (Hedges of a Net Investment in a Foreign Operation) published in July 2008 is to provide guidance on two issues that arise under IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IAS 39 (Financial Instruments: Recognition and Measurement) with regard to the accounting treatment of hedges of foreign currency risk within an entity and its foreign operations. IFRIC 16 provides guidance on identifying what qualifies as a risk in the hedge of a net investment in a foreign operation and where, within a group, hedging instruments can be held to qualify for hedge accounting.

  Application of the interpretation is mandatory for reporting periods beginning on or after October 1, 2008. Earlier application is permitted.

- IFRIC Interpretation 17 published in November 2008 provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners. A dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. This dividend payable should be measured at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets to be distributed should be recognized in profit or loss. Additional disclosures should also be provided if the net assets being held for distribution to owners meet the definition of a discontinued operation.

  Application of IFRIC 17 is mandatory for reporting periods beginning on or after July 1, 2009. Earlier application is permitted.

- IFRIC Interpretation 18 (Transfers of Assets from Customers) was published in January 2009. The interpretation is intended for use in cases where a company receives an item of property, plant or equipment (or the funds to manufacture or acquire an item of property, plant or equipment) from its customer with a view to providing access for the customer to a network or permanent access to services or the delivery of goods (such as electricity, gas or water supply). IFRIC 18 is applicable for the first time prospectively for transfers of assets that the company receives on or after July 1, 2009. Earlier application is permitted. The initial application of the interpretation is not expected to have any effect on the consolidated financial statements.

- On March 12, 2009, the IASB published amendments to IFRIC 9 (Reassessment of Embedded Derivatives) and IAS 39 (Financial Instruments: Recognition and Measurement, with regard to the treatment of embedded derivatives). Under the new rules, a company reclassifying a structured (compound) financial instrument at fair value through profit or loss is required to assess whether a derivative embedded in an underlying contract should be separated from that contract, as no assessment of the obligation to separate was previously made in such an instance. The amendments are applicable for the first time for reporting periods beginning on or after June 30, 2009. The amendments are not expected to have any effect on the consolidated financial statements.

  Those standards for which the date of mandatory application falls after the balance sheet date have not been applied in advance. Early application is not planned either.

Scope and method of consolidation

The present consolidated financial statements at December 31, 2008 include the separate financial statements of the parent company, ARQUES, and its subsidiaries, where appropriate together with special purpose entities.

Subsidiaries are all companies whose financial and business policies are controlled by the Group, usually accompanied by a share of voting rights in excess of 50%. The existence and effect of potential voting rights which can be exercised in the present or converted are also taken into account when determining whether such control exists. Subsidiaries are included in the consolidated financial statements from the date on which control passes to the Group (full consolidation). They are deconsolidated from the date on which such control ends. Special purpose entities for which the Group does not hold a majority of the voting rights are nevertheless included in the group of subsidiaries, provided the Group obtains a majority of the benefits from the activities of the special purpose entity or bears a majority of the risk.

Capital consolidation of the subsidiaries is carried out in accordance with IAS 27 (Consolidated and Separate Financial Statements) in conjunction with IFRS 3 (Business Combinations). Accordingly, the carrying amount of the investment is eliminated against the parent's share of equity in the subsidiary, which is remeasured at the date of acquisition (re-measurement method).

The acquisition cost is measured as the fair value of the assets transferred, the equity instruments issued, and the liabilities created or assumed on the date of exchange, plus the directly allocable transaction costs. For initial consolidation, the assets, liabilities, and contingent liabilities that can be identified as part of a business combination are measured at fair value at the date of acquisition, without regard to any minority interests. The excess of the acquisition costs over the Group's share of the net assets measured at fair value is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement after conducting an additional review.

The effects of all significant intra-group transactions are eliminated. This involves offsetting income, expenses, receivables, and liabilities between Group companies. Intercompany profits and losses arising from intra-group sales of assets that are not sold on to third parties are eliminated. The deferred taxes required by IAS 12 are recognized for temporary differences arising from consolidation.

The profits or losses of the subsidiaries acquired or sold during the year are included in the consolidated income statement from the time when the Group's control over the subsidiary began to the time when it ended. Intragroup transactions, balances, and unrealized profits and losses on transactions between Group companies are eliminated. In the event of unrealized losses, the transferred assets are tested for impairment.

Minority interests in the consolidated equity and profits are presented separately from the parent's share of equity and profit. Changes in minority interests resulting from disposals give rise to profits and losses that are recognized in the consolidated income statement. In the case of acquisitions, any premium paid over the value of net assets at the time of acquisition would give rise to goodwill.

Besides the parent company, 216 subsidiaries – consisting of 83 domestic and 133 foreign companies – were included in the consolidated financial statements of ARQUES at December 31, 2008.

Compared with the previous year, 40 companies were added to the consolidation group or acquired, and 24 companies were deconsolidated or sold in fiscal 2008.

Three companies have been accounted for by the equity method.

Six companies whose effect on the net assets, financial position, and results of operations is not significant either individually or on aggregate have not been consolidated. These subsidiaries are carried at amortized cost.

Details of the subsidiaries that belong to the consolidation group are included in the list of shareholdings (Section 313 (4) German Commercial Code (HGB)), which is presented as an annex to the consolidated financial statements at the end of the notes.

The financial statements of the subsidiaries are prepared at December 31, which is the reporting date for consolidated financial statements of the parent company, ARQUES Industries AG.

Currency translation

The annual financial statements of foreign Group companies are translated into the reporting currency of the ARQUES Group. For the most part, their functional currency is the respective local currency, although the functional currency differs from the local currency in a few cases. The euro is both the functional currency and the reporting currency of the parent company and hence of the consolidated financial statements.

ARQUES translates the assets and liabilities of foreign Group companies whose functional currency is not the euro at the exchange rate applicable on the balance sheet date. Income, expenses, profits, and losses are translated at the average exchange rate. All currency translation differences are recognized as a separate item within equity.

Should a foreign Group company be sold, any resulting currency translation differences, plus the changes in equity that had previously been recognized in the reserve for currency translation differences, are recognized in the income statement as part of the gain or loss on the sale.

Foreign currency transactions are translated to the functional currency at the exchange rates in effect on the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency to the functional currency at the exchange rate on the balance sheet date are recognized in the income statement. Currency translation differences in non-monetary items for which changes in fair value are recognized in income are included as part of the profit or loss from measurement at fair value. On the other hand, currency translation differences in non-monetary items for which changes in fair value are recognized in equity are included in equity.

The following table shows the exchange rates used to translate the key currencies listed. Currencies for which no prior year exchange rates are given became relevant for the consolidated financial statements for the first time in fiscal 2008.

		EXCHANGE RATE AT[1]		AVERAGE EXCHANGE RATE[1]	
		12/31/2008	12/31/2007	2008	2007
United Arab Emirates	AED	5.1820	n/a	5.4054	n/a
Argentina	ARS	4.8740	n/a	4.6563	n/a
Azerbaijan	AZN	1.1292	1.2450	1.2082	1.2320
Bosnia	BAM	1.9529	1.9560	1.9526	1.9546
Bulgaria	BGN	1.9558	1.9558	1.9558	1.9558
Brazil	BRL	3.2436	2.6130	2.6745	2.6694
Belarus	BYR	3,033.0600	3,168.8400	3,165.3528	2,948.4135
Canada	CAD	1.6998	1.4450	1.5593	1.4689
Switzerland	CHF	1.4850	1.6550	1.5871	1.6427
China	CNY	9.4956	10.7520	10.2252	10.4186
Czech Republic	CZK	26.8750	26.6280	24.9590	27.7583
Denmark	DKK	7.4506	7.4580	7.4560	7.4508
Estonia	EEK	15.6466	15.6466	15.6466	15.6466
UK	GBP	0.9525	0.7334	0.7965	0.6846
Hong Kong	HKD	10.7858	n/a	11.4527	n/a
Croatia	HRK	7.3555	7.3470	7.2242	7.3484
Hungary	HUF	266.7000	253.7300	251.7375	251.3233
Japan	JPY	126.1400	164.9300	152.3300	161.2392
Korea	KRW	1,839.1300	1,377.9600	1,605.9000	1,273.3333
Lithuania	LTL	3.4528	3.4528	3.4528	3.4528
Latvia	LVL	0.7083	0.6964	0.7026	0.7001
Mexico	MXN	19.2333	n/a	16.2967	n/a
Norway	NOK	9.7500	7.9580	8.2248	8.0183
Poland	PLN	4.1535	3.5935	3.5151	3.7831
Romania	RON	4.0225	3.6077	3.6840	3.3379
Serbia	RSD	90.1972	81.3900	82.0434	81.8569
Russia	RUB	41.2830	35.9860	36.3731	35.0204
Sweden	SEK	10.8700	9.4415	9.6169	9.2521
Slovakia	SKK	30.1260	33.5830	31.2723	33.7751
Turkey	TRL	2.1488	n/a	1.9072	n/a
Ukraine	UAH	11.1776	7.5720	7.8283	7.0726
USA	USD	1.3917	1.4721	1.4706	1.3706
South Africa	ZAR	13.0667	10.0300	12.0659	9.6613

*) Equivalent for EUR 1

Adjustment of the comparison information in the consolidated financial statements at December 31, 2007

The amounts disclosed for current and non-current lease liabilities have been adjusted compared with 2007.

The following table shows the effects of the adjustments on the individual items in the balance sheet:

EQUITY AND LIABILITIES EUR'000	12/31/2007	ADJUSTMENT	12/31/2007 ADJUSTED
Liabilities under finance leases (non-current)	41,426	-5,553	35,873
Liabilities under finance leases (current)	0	5,553	5,553

Furthermore, balance sheet items were adjusted at January 1, 2008 in accordance with IFRS 3.61 and following. The purchase price allocation for the SM Electronic GmbH subsidiary acquired in the fourth quarter of 2007 at December 31, 2007 was provisional as defined by IFRS 3.61 and following.

Provisional purchase price allocations as defined in IFRS 3.61 and following are in the nature of the ARQUES business model. This results from the time-consuming and complex requirements for purchase price allocation together with the time it takes for the external auditors to audit the books. Depending on the complexity of the transaction, this process may take several months. However, IFRS 3.61 and following calls for the transaction to be accounted for when valid, provisional figures are available without waiting until the definitive purchase price allocation has been determined. Based on the qualitative requirements of the IFRS Framework regarding information in financial statements, providing prompt information to users of the financial statements is to be preferred over exact yet delayed information.

The adjustments at SM Electronic GmbH concern the measurement of inventories, the measurement of receivables, and the adjustment of provisions for warranties. As a result of the acquisition at December 31, 2007, assumptions had to be used in some places which, from today's viewpoint, were too negative. In other words, already making the measurements at December 31, 2007 from today's viewpoint would have resulted in an increase of EUR 2,836 thousand in negative goodwill. In accordance with IFRS 3.61 and following, such adjustments are to be recognized as an increase in equity at January 1, 2008 without affecting reported income or expenses.

The following table shows the effects of the adjustments on the individual items in the balance sheet:

ASSETS EUR'000	12/31/2007	ADJUSTMENT COMPLIANT WITH IFRS 3.61	12/31/2007 ADJUSTED
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 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 from percentage of completion	15,040		15,040
Trade receivables	428,390	2,006	430,396
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	0	84,540
	1,210,023	**3,255**	**1,213,278**
Assets held for sale	60,359		60,359
Total current assets	**1,270,382**	**3,255**	**1,273,637**
Total assets	**1,830,838**	**3,255**	**1,834,093**

EQUITY AND LIABILITIES			
Equity			
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	2,836	275,169
	391,453	**2,836**	**394,289**
Minority interests	6,641	71	6,712
Total equity	**398,094**	**2,907**	**401,001**
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	96	59,582
Total non-current liabilities	**299,425**	**348**	**299,773**
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**	**3,255**	**1,834,093**

B. SUMMARY OF PRINCIPAL ACCOUNTING AND VALUATION METHODS

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation principles, which were also applied when determining the prior-year comparison values. The consolidated financial statements are prepared in accordance with the principle of historical acquisition or production cost, except for available-for-sale financial assets, derivative financial instruments, and purchased shareholder loans, which are measured at fair value through profit and loss.

The principal accounting and valuation methods applied when preparing the present consolidated financial statements are described below.

Recognition of income and expenses

Revenue is recognized as the fair value of the consideration received or to be received in the future. It represents the amounts that are receivable for goods and services in the ordinary course of business. Discounts, sales taxes, and other sales-related taxes are deducted from revenue. Sales taxes and other taxes are only deducted from revenue when ARQUES is not the economic tax debtor, in which case the taxes are merely a transitory item. ARQUES recognizes revenue on the sale of goods when substantially all the risks and rewards of ownership of the goods have been transferred to the customer and the company no longer holds a right of disposal of the kind that is customarily associated with ownership, nor any other effective right of disposal over the goods, and when the revenues and the related expenses incurred or still to be incurred can be measured reliably and it is considered sufficiently probable that economic benefits will flow to the company as a result of the transaction. Revenue from services is recognized when the service is rendered, provided it is considered sufficiently probable that economic benefits will flow to the company as a result of the transaction and the amount of the revenue can be reliably measured. Operating expenses are recognized as costs when the service is rendered or when they occur. Expenditures for research activities are recognized as costs. An internally generated intangible asset produced as a result of the Group's development activities is only recognized as an asset if the criteria of IAS 38 are met. If an internally generated intangible asset cannot be recognized according to the criteria set out in IAS 38, the development costs are recognized as expenses in the period in which they occur.

The income from the reversal of negative goodwill is presented as other operating income and is therefore included in the earnings before interest, taxes, depreciation and amortization (EBITDA).

Research and development expenditures

Expenditures for research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in full as an expense. On the other hand, expenditures for development, which is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products and processes, are capitalized. Recognition is permitted if the entity can demonstrate its ability to measure reliably the development expenditures and that the product or process is technically and economically feasible and will generate probable future economic benefits. In addition, ARQUES must have the intention and the resources available to complete the development and to use or sell the asset. The capitalized expenses cover the cost of materials, direct labor costs, and the directly allocable general overheads, provided these serve to make the asset available for use or sale. The capitalized costs are recognized under internally generated intangible assets. Other development expenditures are recognized immediately in profit or loss when they arise. Capitalized development expenditures are disclosed at production cost, less accumulated amortization and impairments.

Income and expenses arising from construction contracts

In accordance with IAS 11 (Construction Contracts), income and expenses arising from construction contracts are recognized in accordance with the percentage-of-completion method, when the outcome of a construction contract can be reliably estimated. The revenues and costs are recognized as income and expenses by reference to the percentage of completion at the balance sheet date. The percentage of completion is generally determined as the ratio of order costs incurred for the work performed at the balance sheet date to the estimated total contract costs, unless that method does not accurately reflect the percentage of completion. Payments for changes in the contract scope, subsequent requests, and bonuses are included in the contract revenues. A receivable is recognized for all ongoing construction contracts under which the sum of costs incurred plus recognized profits is greater than the sum of interim invoices. A liability is recognized for all ongoing construction contracts under which the sum of the interim invoices exceeds the costs incurred plus recognized profits. If the outcome of a construction contract cannot be reliably estimated, revenue is only recognized in the amount of the incurred contract costs (zero profit method). Contract costs are recognized as expenses in the period in which they occur. If it is probable that the total contract costs will exceed the total contract revenues, the anticipated loss is recognized immediately as an expense.

Government grants

Government grants are recognized when it can be assumed with a fair degree of certainty that the conditions attached to the grant will be fulfilled. Income subsidies are allocated to the periods in which the related costs occur and deducted from the corresponding expenses. In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), subsidies for capital investments are deducted from the acquisition cost of the corresponding assets, thereby reducing the basis for depreciation.

Net financial income/expenses

Interest income and expenses are recognized as they accrue by applying the effective interest method, based on the loan amount and the applicable interest rate. The applicable interest rate is exactly the rate by which the estimated future cash inflows over the term of the financial asset can be discounted to the net carrying amount of the asset.

Dividend income from financial assets is recognized when the shareholder acquires a legally grounded claim for payment of the dividend.

Actuarial methods are used to divide the payments received under finance leases into interest and principal portions.

Borrowing costs are recognized as expenses in the period in which they occur.

Income taxes

The 2008 Corporate Tax Reform Act calls among other things for a reduction in the corporate income tax rate to 15% and the abolition of the ability to deduct local trade tax from the assessment base for corporate income tax for fiscal years beginning after December 31, 2007. Consequently, the corporate tax rate totals 27.0% in the year under review (prior year 37.0%).

A uniform rate of 15.0% for corporate income tax plus a solidarity surcharge of 5.5% is applied to distributed and retained profits when calculating current taxes in Germany. Local trade tax is levied on profits generated in Germany as well as corporate income tax. The local trade tax charge ranges from 9.6% to 14.5%.

The profit generated by international Group companies is determined on the basis of local tax law and is taxed at the rate relevant for the country of domicile. The applicable country-specific income tax rates vary between 4.2% and 41.0%.

Profits on the sale of shares in subsidiaries or other associated companies under the Group's management control are treated as tax-exempt because, in such cases, ARQUES has not realized a short-term trading profit, but a restructuring profit resulting from its entrepreneurial activities.

Deferred tax assets and liabilities are recognized for all temporary differences between the values stated in the tax balance sheet and in the IFRS financial statements and for consolidation effects. The balance sheet-oriented liability method is applied. Deferred tax assets are recognized provided it is considered probable that they will be utilized. When deferred tax assets and liabilities are calculated, the tax rates applied are those which are expected to apply when the asset is realized or the liability settled. Domestic Group companies apply a uniform corporate income tax rate (composite rate) of 27%.

In consideration of the specific aspects of the ARQUES business model, the recognition of deferred tax assets on tax loss carry-forwards is subject to the following rules:

- In cases when the acquired company is in need of restructuring, deferred tax assets are not recognized, as a rule, on tax loss carry-forwards at the acquisition date, except in amounts up to the amount of deferred tax liabilities that have been recognized, provided that netting is permissible.
- In the case of companies that have a history of generating losses instead of profits, deferred tax assets are recognized even after the acquisition date only up to the amount required to offset deferred tax liabilities.
- Only in the case of companies that have a history of generating profits instead of losses, with an expectation of positive results in the future as well, are deferred tax assets recognized on existing tax loss carry-forwards.

Impairment losses are recognized for deferred tax assets that are no longer expected to be realized within a plannable period. Unrecognized deferred tax assets are reviewed and capitalized to the extent to which it has become probable for them to be utilized on account of taxable income generated in the future.

Deferred tax assets and liabilities relating to items recognized directly in equity are disclosed in equity. Deferred tax assets and liabilities are offset if there is an enforceable claim to offset the current tax refund claims against current tax liabilities. In addition, the deferred tax asset and liabilities must relate to income taxes regarding the same taxable entity that are payable to the same tax authority.

Earnings per share

Earnings per share are calculated in accordance with IAS 33 (Earnings per Share) by dividing the consolidated net profit by the average weighted number of shares outstanding during the fiscal year. Diluted earnings per share exist when equity instruments were also issued from capital stock besides ordinary and preferred shares, which could lead to an increase in the number of shares in the future. This diluting effect is determined and disclosed accordingly.

Goodwill

The goodwill arising on consolidation represents the excess of the acquisition cost over the Group's share of the fair value of the identifiable assets, liabilities, and contingent liabilities of a subsidiary or jointly managed company at the date of acquisition. According to IFRS 3 (Business Combinations), goodwill may not be subject to scheduled amortization. Instead, IAS 36 (Impairment of Assets) states that an impairment test should be carried out once a year, and also when there is any indication of impairment. If necessary, the goodwill is written down to its recoverable amount. Every impairment loss is recognized immediately in income and original values may not be reinstated at a later time. When a subsidiary or jointly managed company is sold, the attributable amount of goodwill is included in the calculation of the profit or loss on the sale.

For purposes of the impairment test, the goodwill is allocated to the cash-generating units or groups of such cash-generating units that are expected to derive a benefit from the underlying business combination.

Other intangible assets

Purchased intangible assets are capitalized at their acquisition cost and, where they have defined useful lives, amortized over their expected useful lives.

The following estimated useful lives are assumed as standard in this context:

- Patents, utility designs, trademarks, publication rights/copyrights/performance rights: 3-5 years
- Brands, company logos, ERP software, and Internet domain names: 5-10 years
- Copyright-protected software: 3 years

If an impairment is identified in addition to the amount of regular amortization, the intangible asset is written down to the recoverable amount.

Intangible assets with indefinite useful lives are not subject to scheduled amortization but are tested for impairment once a year in accordance with IAS 36. If the fair value or the value in use is less than the carrying amount, the impairment is recognized as an expense in the income statement.

If customer lists, customer relationships, and favorable contracts are capitalized in connection with the purchase price allocation process pursuant to IFRS 3, they are amortized over their estimated useful lives. When there are indications of impairment, these assets are tested for impairment and written down to the lower recoverable amount in accordance with IAS 36.

Internally generated intangible assets

Internally generated intangible assets produced as a result of the Group's development activities are only recognized as an asset if the criteria of IAS 38 are met. If internally generated intangible assets cannot be recognized according to the criteria set out in IAS 38, the development costs are recognized as expenses in the period in which they occur. Expenditures for research activities are always recognized as costs.

Internally generated intangible assets are amortized over the period in which they are expected to generate economic benefits for the company. If the development work has not yet been completed at the balance sheet date, the capitalized assets are tested for impairment compliant with IAS 36; upon completion of the development phase, an impairment test is only conducted when there is any indication of impairment.

Property, plant and equipment

All items of property, plant and equipment are measured at their historical acquisition or production cost, less accumulated depreciation. Acquisition cost includes the transaction cost directly allocable to the purchase; production cost includes all directly allocable costs plus appropriate portions of the production-related overheads. Significant components of an item of property, plant or equipment are recognized and depreciated separately. Subsequent acquisition or production costs are only added to the cost of the asset if it is probable that future economic benefits will flow to the Group and the costs can be reliably measured. All other repair and maintenance expenses are recognized as expenses in the income statement for the fiscal year in which they occur.

Land is not subject to scheduled depreciation. All other assets are depreciated to their residual carrying amounts on a straight-line basis over the expected useful lives of the assets, which are as follows:

- Buildings, including investment property: 10-50 years
- Technical plant and machinery: 5-15 years
- Operational and business equipment: 2-10 years

The residual carrying amounts and economic lives are reviewed every year on the balance sheet date and adjusted as necessary. If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to the latter value. Profits or losses on the disposal of assets are calculated as the difference between proceeds on disposal and the carrying amount and are recognized in the income statement.

Investment property

Investment property is real estate held for the purpose of generating rental income or capital appreciation, and is not used as part of normal business activities. Investment property is measured at acquisition or production cost minus accumulated depreciation and impairment losses (acquisition cost model). The fair value at the balance sheet date is disclosed in the notes to the consolidated balance sheet.

Financial assets accounted for by the equity method

Interests in associated companies and joint ventures are accounted for by the equity method.

Associated companies are companies over which the Group exercises significant influence but which it does not control. Such a relationship is usually accompanied by 20% to 50% of the voting rights.

A joint venture is a jointly controlled company that exists when the Group concludes legal agreements with one or more contractual parties regarding economic activities generally performed by companies controlled jointly by the parties to the agreement.

The equity method defined under IAS 28 requires that differences arising on initial consolidation be treated in accordance with the same principles as full consolidation, which in turn causes investments accounted for using the equity method to be measured initially at cost. The Group's interest in associated companies and joint ventures includes the goodwill constituted upon acquisition, less accumulated impairments.

The Group's share of the profits or losses of associated companies is recognized in the net financial income or expenses shown in the consolidated income statement from the date of acquisition. Accumulated changes after acquisition resulting from dividend payouts or other changes in the investment's equity not recognized in profit or loss are set off against the carrying amount of the investment.

Unrealized profits and losses on transactions between Group companies and associated companies are eliminated in proportion to the Group's share of equity in the subsidiary. In the event of unrealized losses, the transferred assets are tested for impairment.

Special purpose entities

Special purpose entities are created to fulfill a single, well-defined purpose. They are consolidated if the Group can exercise a controlling influence over the special purpose entity. This is determined by assessing the following criteria:

- Are the activities of the special purpose entity being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the special purpose entity's operations?
- Does the Group have the decision-making powers to obtain the majority of the benefits of the activities of the special purpose entity?
- Does the Group have right to obtain the majority of the benefits of the special purpose entity and therefore may be exposed to risks incident to the activities of the special purpose entity?
- Does the Group retain the majority of the residual or ownership risks or assets related to the special purpose entity or its assets in order to obtain benefits from its business activities?

The special purpose entity is included in the consolidated financial statements if a controlling influence is identified in this way.

Non-current assets held for sale

Non-current assets (and groups of assets) classified as held for sale are measured at the lower of amortized cost or fair value, less the costs to sell. Non-current assets and groups of assets, including the liabilities directly allocable to these groups, are classified as held for sale if they are earmarked for disposal. This condition is only considered to be met if the sale is highly likely and the asset (or group of assets held for sale) is available for immediate sale in its current condition.

Impairment of non-financial assets

Assets with indefinite useful lives are not subject to scheduled depreciation but are tested for impairment annually and when there are indications of possible impairment. Assets qualifying for scheduled depreciation are tested for impairment when certain events or changed circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher amount of the asset's value in use and its fair value, minus its costs to sell. For the impairment test, assets are aggregated at the lowest level at which cash flows can be identified separately (cash-generating units).

If an impairment loss is later reversed, the carrying amount of the asset (or cash-generating unit) is increased to the newly estimated recoverable amount. The increase in the carrying amount is limited to the value that would have resulted if no impairment loss had been recognized in prior years for the asset (or cash-generating unit). Reversals of impairment losses are recognized immediately in profit or loss for the period. Impairment losses in goodwill are not reversed.

There were intangible assets with indefinite useful lives in the year under review. These assets were tested for impairment compliant with IAS 36.

Leases

Leases are classified as finance leases when, by virtue of the leasing conditions, all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

An asset that was rented or leased and is the economic property of the respective Group company (finance lease) is capitalized at the present value of the lease payments or at the lower fair value in accordance with IAS 17 and depreciated over its useful life. If it is not sufficiently certain at the inception of the lease that ownership will transfer to the lessee, the asset is depreciated in full over the shorter of the lease term or the useful life.

The corresponding liability to the lessor is recognized in the balance sheet as an obligation under finance leases within liabilities due to other creditors. The lease payments are divided into an interest portion and a lease obligation repayment portion in such a way as to ensure a constant rate of interest on the outstanding liability.

Lease payments under an operating lease are recognized as expenses in the income statement on a straight-line basis over the lease term, unless another systematic approach better reflects the period of use for the lessee.

When ARQUES is the lessor under a finance lease, it recognizes a lease receivable due from the lessee in the balance sheet, instead of an asset. The amount of the lease receivable corresponds to the lessor's net investment in the leased item at the time of recognition as an asset. The finance income received under finance leases is recognized over time in a pattern that reflects a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. Rental income received under operating leases is recognized in the income statement on a straight-line basis over the term of the respective lease.

Inventories

Inventories are measured at the lower of acquisition/production cost or the net realizable value. Production costs include direct material costs and, where applicable, direct production costs, as well as overhead costs allocable to production, based on normal levels of production capacity utilization. Acquisition or production cost is measured in accordance with the weighted average cost method. The net realizable value represents the estimated selling price less the estimated costs of completion and the cost of marketing, sale, and distribution. When necessary, valuation allowances are charged to account for overstocking, obsolescence, and reduced salability.

Trade receivables

Trade receivables are measured at amortized cost less impairment losses. An impairment loss is recognized in trade receivables when there are objective indications that the amounts due cannot be collected in full. The amount of the impairment loss is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable, discounted by the effective interest rate. The impairment loss is recognized in profit or loss. If the reasons for the impairment losses recognized in prior periods no longer exist, the impairment losses are reversed accordingly.

Factoring

Some companies of the ARQUES Group assign a portion of their trade receivables to financing companies (known as factors). In accordance with IAS 39, sold receivables are eliminated from the balance sheet only when significant portions of the risks associated with the receivables have been transferred to the buyer of the receivables. Under the existing contractual agreements, significant portions of the risk of customer insolvency (del credere risk) are transferred to the factor. ARQUES still bears a portion of the interest and del credere risk of these receivables and therefore recognizes the receivables in the amount of the remaining commitments ("continuing involvement"). These receivables are offset by a liability measured in such a way that the net balance of assets and liabilities reflects the remaining claims or obligations. In accordance with the requirements of IAS 39, the sold receivables have been partially eliminated from the balance sheet on the balance sheet date although the portion that remains as the continuing involvement is low compared with the total amount of sold receivables. The purchase price retentions withheld initially by the factor as security are recognized separately under the category of other assets. They are due as soon as the customer's payment is received.

Interest and del credere risk due to purchase price retentions are recognized as trade receivables, classified as "continuing involvement." This continuing involvement is offset by a provision covering the risk of a potential loss of the receivables.

Additional purchase price retentions are agreed with the factor to account for legal validity and revenue deduction risk, which have been recognized as other assets. Barring problems in the payment flows, these retentions will be due and payable after a period of limitation.

The purchase price is paid by the factor either when the factor receives payment of the receivables or at the request of the assigning company, against payment of interest; the unpaid portion of the purchase price is recognized as an other asset.

The interest expenses resulting from the sale of receivables are recognized in the net financial income/expenses. Administrative fees are recognized as other operating expenses.

Receivables measured at fair value through profit of loss

Purchased receivables under shareholder loans are classified as financial instruments measured at fair value through profit or loss. In accordance with IAS 39, these receivables are classified on the basis of the fair values according to the documented risk and portfolio management strategy of these receivables and their future performance capacity.

In the consolidated financial statements of ARQUES, a considerable quantity of receivables under shareholder loans is eliminated in the consolidation process. If the receivables in question were not classified in this way, but were instead measured at amortized cost, only the purchase price paid for those receivables at the acquisition date would be recognized when the company owing the receivables would be transitionally accounted for by some other consolidation method than full consolidation or would be deconsolidated. Because the purchase price paid for such receivables is usually only a symbolic amount, any appreciation in the receivables resulting from restructuring of that company would not be adequately presented. This treatment serves to enhance the relevance of the information contained in the consolidated financial statements of ARQUES.

Purchased receivables are measured on the basis of contractually agreed repayment plans which are based on market rates of interest, plus an appropriate risk premium. Changes in the fair value of such assets are recognized in profit or loss. The carrying amounts of such assets are reviewed at the balance sheet date or whenever circumstances indicate a change in the value of such assets.

Non-consolidated receivables measured at fair value through profit or loss are recognized under other assets.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and other short-term, highly fungible financial assets with an original term of no more than three months, which are not subject to the risk of a change in value. Utilized overdraft facilities are recognized as liabilities due to banks under current liabilities.

Financial assets

Financial assets are divided into the following categories: financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, and financial assets available for sale. The classification depends on the purpose for which the respective financial assets were acquired. Management determines the classification of the financial assets at the time of initial recognition and reviews the classification at every balance sheet date.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets classified as held for trading from the outset and financial assets classified at fair value through profit or loss from the outset. A financial asset is assigned to this category if it was purchased with the intention of selling it immediately or in the near term or if it was so designated by management. Derivatives also belong to this category. Assets in this category are presented as current assets if they are either held for trading or are expected to be recovered within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise if the Group provides money, goods, or services directly to the borrower without the intention of trading this receivable. They are presented as current assets as long as their due date is not more than 12 months after the balance sheet date and as non-current assets if their due date is more than 12 months after the balance sheet date. Loans and receivables are presented in the balance sheet under trade receivables and other receivables. Loans and receivables are measured at amortized cost calculated in accordance with the effective interest method.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed terms, which the Group's management has the intention and ability to hold to maturity.

Lendings are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently at amortized cost calculated in accordance with the effective interest method, less any impairments. If lendings are due in more than 12 months, they are presented as non-current assets. They are presented as current assets when they are due in not more than 12 months of the balance sheet date or, if they should be due in more than 12 months, when they are normally recovered in the ordinary course of business. Financial assets held to maturity are measured at amortized cost calculated in accordance with the effective interest method.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that have either been assigned to this category or have not been assigned to any other category. They are presented as non-current assets if management does not intend to sell them within 12 months of the balance sheet date.

All purchases and sales of financial assets are recognized at the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets that are not carried at fair value through profit or loss are measured initially at their fair value plus transaction costs. They are derecognized when the rights to payment have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial assets held for sale and assets at fair value through profit and loss are measured at fair value.

Realized and unrealized profits and losses resulting from changes in the fair value of assets carried at fair value through profit or loss are recognized in the income statement for the period in which they occur. Unrealized profits and losses from changes in the fair value of non-monetary securities classified as financial assets available for sale are recognized in equity. If securities classified as financial assets available for sale are sold or impaired, the accumulated fair value adjustments previously recognized in equity are recognized in the income statement as profits or losses from financial assets.

The fair values of exchange-listed shares are based on the current offering prices of those shares. If there is no active market for financial assets or the assets are not listed on an organized exchange, the fair value is determined by means of appropriate methods, including reference to recent transactions between parties in an arm's length transaction, the current market prices of other assets that are essentially similar to the asset in question, discounted cash flow methods, or option price models that take the specific circumstances of the issuer into account.

If a contract contains one or more embedded derivatives that IAS 39.11 requires to be recognized separately, such derivatives are measured at fair value both at initial recognition and in subsequent periods. Profits or losses from changes in fair value are normally recognized immediately in the income statement.

An impairment test is conducted at every balance sheet date to determine whether objective indications point to an impairment of a financial asset or group of financial assets. In the case of equity instruments classified as financial assets available for sale, a significant or lasting decrease in the fair value below the historical acquisition cost of such equity instruments is taken into account for the purpose of determining whether equity instruments are impaired. If such an indication exists in the case of assets available for sale, the total, accumulated loss – measured as the difference between the historical acquisition cost and the current fair value, less previous impairment losses recognized in earlier periods – is eliminated from equity and recognized in the income statement. After impairment losses in equity instruments have been recognized in the income statement, they can no longer be reversed.

Derivative financial instruments

In accordance with IAS 39, derivative financial instruments are measured at fair value at balance sheet date, if the fair value can be reliably measured. Changes in the fair value of such financial instruments are recognized in profit or loss.

Shareholders' equity

Shares are classified as equity. Costs directly allocable to the issuance of new shares or options are recognized in equity on an after-tax basis as a deduction from the issue proceeds.

If a Group company purchases company shares (treasury shares), the value of the consideration paid, including the directly allocable transaction costs (on an after-tax basis) are deducted from the company's equity until such time as the shares are withdrawn, re-issued, or resold. When such shares are subsequently re-issued or sold, the consideration received – after deduction of directly allocable additional costs and the corresponding income taxes – is recognized in shareholders' equity.

Provisions

Provisions are established to account for a present legal or constructive obligation resulting from a past event, if it is more likely than not that the settlement of the obligation will lead to an outflow of economic benefits and it is possible to reliably determine the amount of the provisions. In the event of several similar obligations, the likelihood of an outflow of economic benefits is assessed with reference to the overall group of obligations.

Provisions for warranties are recognized when the goods concerned are sold or the service is performed. The required amount of the provision is determined on the basis of historical values and an appraisal of the probability of occurrence in the future. In accordance with IAS 37, in conjunction with IFRS 3 in the case of newly acquired companies, restructuring provisions are only established if a detailed restructuring plan exists.

The ARQUES Group recognizes provisions for onerous contracts identified as part of purchase price allocations, especially in the case of company acquisitions.

Non-current provisions are discounted to present value if the effect is significant. The discount rate applied for this purpose is the interest rate before taxes that best reflects the current market environment and the risks of the obligation.

Employee benefits

Pension obligations

There are various pension plans in effect within the ARQUES Group – albeit exclusively in the subsidiaries and not at the parent company – including both defined benefit and defined contribution plans. Defined contribution plans are plans for post-employment benefits under which the company pays defined contributions to an independent entity (pension fund or insurance carrier) and has neither a legal nor a constructive obligation to pay further contributions if the pension fund does not have sufficient assets to cover all the benefits relating to the employees' services in the past fiscal year or earlier periods. A defined benefit plan is any plan that is not a defined contribution plan.

The agreements underlying the defined benefit plans provide for different benefits in the ARQUES Group, depending on the subsidiary concerned. Essentially, these benefits comprise:

- retirement pensions when the respective pension age is reached,
- disability pensions in the event of disability or reduced working capacity,
- surviving dependant's pensions, and
- non-recurring payments upon termination of the employment contract

The provision for defined benefit plans recognized in the consolidated balance sheet is based on the present value of the pension obligation less the fair value of the pension plan assets at the balance sheet date, with due consideration given to actuarial gains and losses and service time cost to be recognized in subsequent periods.

The pension provisions for the company's pension plan are measured in accordance with the projected unit credit method prescribed in IAS 19 (Employee Benefits). They are measured anew by independent actuaries at each balance sheet date. Under this method, the pension provisions are calculated on the basis of the known pensions and the vested pension rights at the balance sheet date and the anticipated future increases in salaries and pensions. The pension plan assets of the ARQUES Group consist of the employer's pension liability insurance, which has been pledged to the pension beneficiaries, and other assets which meet the definition of plan assets according to IAS 19. The cumulative actuarial gains or losses resulting from the difference between the expected and the actual pension obligations and plan assets at year-end over the years are only recognized if they differ from the maximum pension obligation or plan assets by 10 percent. In such a case, the excess amount is divided by the average remaining employment period of the qualifying employees and recognized as additional income or expense. Past service costs for not yet vested pension rights are recognized over the period of time remaining until the pension rights are vested. The expense for already vested pension rights is recognized immediately. The interest portion of the additions to provisions recognized as pension expenses (interest costs for pension obligations and expected income from pension plan assets) is recognized as interest expenses within net financial income or expenses.

Payments under a defined contribution pension plan are recognized as personnel expenses in the income statement.

Share-based payment

In fiscal 2005, ARQUES established a share-based payment plan for its executive officers. Under this plan, compensation is rendered through the issuance of company shares. This plan was continued in 2008. In accordance with IFRS 2, the fair value of the services rendered by the employees in exchange for the granting of options is recognized as an expense. The total cost, which is recognized as an expense over the vesting period, is measured as the fair value of the options granted. The fair value of the options is measured once by means of a Monte Carlo simulation at the respective grant dates. Non-market-based barriers to exercising options are reflected in the assumptions concerning the anticipated number of options to be exercised. The estimated number of options that can be exercised is reassessed at each balance sheet date, based on the Group's estimate of the number of shares that will become vested. The effects of any changes made to the original estimates are recognized in the income statement and by means of a corresponding adjustment in equity over the time remaining until the shares become vested.

Share purchases by subsidiary managers

In accordance with the "subsidiary manager" model practiced at ARQUES, the company offers selected employees the chance to purchase shares in companies to be restructured. In most cases, the subsidiary manager will purchase such shares concurrently with ARQUES' acquisition of the company in question, but may also purchase shares at a later time. The fair value is determined at the grant date and compared with the purchase price paid by the subsidiary manager. If this gives rise to an expense, the difference is recognized directly in equity in the reporting period in accordance with IFRS 2. The fair value of the shares is determined with reference to the fair value of the subsidiary concerned at the transfer date. If the transfer occurs concurrently with the share purchase, the purchase price is applied as the fair value. With regard to company disposals, the subsidiary managers are generally obliged to sell their interests as well when certain contractually agreed ratios are met. Similarly, there are generally no contractually agreed preemptive rights regarding the minority interests held by the subsidiary managers. As part of the selling process, the subsidiary managers generally also contribute to the costs to sell on a proportional basis. The individual contractual arrangements are based on the local, country-specific conditions in each case.

Termination benefits

Termination benefits are provided when the Group terminates an employee's employment before the normal retirement date or when the employee leaves voluntarily in exchange for those benefits. The Group recognizes termination benefits when it has a demonstrable obligation to terminate the employment of current employees on the basis of a detailed formal plan that cannot be retracted or if it has a demonstrable obligation to pay such benefits when the employee has voluntarily accepted the termination of his employment. Termination benefits that fall due more than 12 months after the balance sheet date are discounted to present value. Termination benefits payable are presented with the personnel provisions. Also, the employee benefits payable under the German model of partial early retirement known as Altersteilzeit are stated within this item.

Profit-sharing and bonus plans

For bonus and profit-sharing payments, the Group recognizes a liability in the balance sheet and an expense in the income statement on the basis of a measurement procedure that takes into account the profit to which the Group shareholders are entitled, after certain adjustments. The Group recognizes a provision when it has a contractual obligation or a constructive obligation based on past business practices.

Liabilities

Financial liabilities are composed of liabilities and derivative financial instruments with negative fair values. Liabilities are measured at amortized cost. This means that current liabilities are measured at the amounts required to repay or settle the underlying obligations, while non-current liabilities and long-term debts are measured at amortized cost in accordance with the effective interest method. Liabilities under finance leases are measured at the present value of the future minimum lease payments.

In accordance with the definition given in IAS 32, assets can be designated as equity from the company's perspective only when there is no requirement to repay those assets or provide other financial assets instead. The company's assets may be subject to repayment obligations if (minority) shareholders hold a right of redemption and when the exercise of this right establishes a claim for compensation from the company. Such capital made available to minority shareholders is recognized as a liability under IAS 32 even when it is classified as shareholders' equity under the laws and regulations of a given country.

Segment reporting

A business segment is a group of assets and operating activities that provides products or services that differ from those of other segments with respect to their risks and rewards. A geographic segment provides products or services within a specific economic area that differs from other economic areas with respect to their risks and rewards.

In segment reporting, the Group's operating divisions are structured according to their principal activities (primary segmentation) and geographical characteristics (secondary segmentation).

The primary segments of the ARQUES Group are:

- Steel
- Print
- Industrial Production
- Communications
- Specialty Chemistry
- Holding
- Automotive
- IT
- Retail
- Service

Intra-segment consolidations have been carried out. The segment depreciation and amortization refers to the intangible assets and the property, plant and equipment attributed to that segment.

Legal disputes and claims for damages

Companies of the ARQUES Group are involved in various litigation and administrative proceedings in connection with their ordinary business, or it is possible that such litigation or administrative proceedings could be commenced or asserted in the future. Even if the outcome of the individual proceedings cannot be predicted with certainty, considering the imponderability of legal disputes, it is the current estimation of management that the matters in question will not have a significant adverse effect on the earnings of the Group beyond the risks that have been recognized in the financial statements in the form of liabilities or provisions.

Assumptions and estimates made for accounting and valuation purposes

When preparing the consolidated financial statements, it was necessary to make certain assumptions and estimates that have a bearing on whether, and to what extent, assets and liabilities, income and expenses, and contingent liabilities accruing in the reporting period are recognized in the balance sheet. Such assumptions and estimates relate mainly to the recognition and measurement of intangible assets, the adoption of uniform group-wide economic lives for property, plant and equipment and intangible assets, and the recognition and measurement of provisions. Furthermore, the tax planning of future profits and losses, which serves as the basis for the recognition of deferred tax assets, also relies on estimates, insofar as the deferred tax assets exceed the deferred tax liabilities that have been recognized. The assumptions and estimates made in these respects are based on the current status of available information. In particular, the expected course of business developments in the future was assessed on the basis of the circumstances known at the time when the consolidated financial statements were prepared and realistic assumptions regarding the future development of the operating environment. If the basic operating conditions that are not subject to management's control would differ from the assumptions made, the actual performance figures may differ from the original estimates.

Our estimates are based on experience and other assumptions that are considered realistic under the given circumstances. The actual values may differ from the estimated values. The estimates and assumptions are continually reviewed. The true-and-fair-view principle is maintained without restriction, even when estimates are used. Management has not made any significant discretionary judgments in addition to estimates and assumptions when applying accounting and valuation policies.

Estimates made for the purposes of purchase price allocation

Estimates are usually made to determine the fair value of assets and liabilities acquired in the context of business combinations. Land, buildings, technical plant, and machinery are typically appraised by an independent expert, whereas marketable securities are measured at their market value. Expert appraisals of the market values of property, plant and equipment are subject to a certain degree of uncertainty as a result of the assumptions applied for this purpose. Depending on the type of asset and difficulty of the valuation, we determine the fair values of any intangible assets either by consulting an independent expert or by measuring the fair value internally, using an appropriate evaluation method. Depending on the type of asset and availability of pertinent information, we apply different valuation techniques based on cost, market price, or income approaches. The capitalized income approach is preferred to measure the value of intangible assets. For example, the relief-from-royalty method is used to measure the value of brands and licenses. Under this method, we estimate the cost savings resulting from the fact that the company owns the brands and licenses itself and does not have to pay any fees to a licensor. The cost savings are then discounted to present value and applied as the value of the intangible asset. When determining the values of intangible assets, it is necessary to make estimates concerning the economic lives of those assets, in particular, which are subject to a certain degree of uncertainty as a result of the assumptions applied for this purpose. Similarly, when determining the fair values of contingent liabilities, assumptions need to be made with regard to the probability of the corresponding liabilities having to be settled in the future. By their nature, such assumptions are subject to a certain degree of uncertainty as well. ARQUES considers the estimates made with respect to the useful lives of certain assets, the assumptions regarding general economic conditions and developments in the industries in which the ARQUES Group operates, and the estimated present values of future cash flows to be reasonable. Nonetheless, changes in the relevant assumptions or circumstances may necessitate correction in the future, which could, in turn, result in additional impairment losses in the future if the developments anticipated by ARQUES do not materialize. Additional effects may result from provisional purchase price allocations that are based on the best information available at the balance sheet date which may change due to new information coming to light in subsequent periods.

Estimates made when goodwill is tested for impairment

In accordance with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), goodwill is tested for possible impairment once a year or more often if events or changed circumstances indicate the possibility of impairment. The systematic amortization of goodwill is prohibited. For purposes of the impairment tests, the net carrying amount of each individual cash-generating unit within the ARQUES Group is compared with the recoverable amount, defined as the higher of the fair value less costs to sell or the value in use. In accordance with the relevant definitions, the smallest identifiable business units, which are the lowest level at ARQUES at which goodwill is monitored for internal management purposes and for which there are independent cash flows, are normally considered to be cash-generating units.

If the carrying amount of the cash-generating unit is higher than the recoverable amount, an impairment loss is recognized in the amount of the difference. The impairment loss calculated in this way is first deducted from the goodwill of the strategic business unit concerned. Any remaining amount is then deducted from the other assets of the strategic business unit concerned in proportion to their carrying amounts, provided this falls within the scope of IAS 36.

The recoverable amount is calculated as the present value of the future cash flows expected to result from the continued use by the strategic business unit, plus the value upon disposal at the end of the asset's useful life. The future cash flows are estimated on the basis of current business plans of ARQUES. The cost of capital at ARQUES is calculated as the weighted average cost of capital (WACC), based on each business unit's share of total capital. The cost of equity capital is determined as the expected return on capital for each business unit, based on an appropriate peer group. ARQUES uses the average cost of debt capital of each business unit, based on bonds with an average residual maturity of 20 years, to calculate the cost of debt capital.

Estimates made with regard to receivables measured at fair value

The fair value of receivables is measured on the basis of contractually agreed repayment plans. The assumptions made with regard to expected future payments are generally based on the free cash flows available to the company that owes the receivable, which are based, in turn, on that company's budget. These free cash flows are based on assumptions and estimates. The budgets are subject to planning risks and uncertainties, which are reflected in the credit risk of the companies in question. The credit risk is accounted for by means of adequate discount rates and risk margins in relation to the company's progress in the restructuring process. The discount rate is determined as the current EURIBOR plus a safety margin suited to the creditor in question. The fair values calculated on this basis are subject to a certain degree of uncertainty as a result of the necessary assumptions and estimates made for this purpose. If these assumptions and estimates applied for the purpose of fair value measurement undergo changes in subsequent periods, the values are adjusted accordingly.

Income taxes

The Group is required to pay income taxes in various countries based on different tax base measurement rules. The worldwide provision for accrued taxes is determined on the basis of profits calculated in accordance with local tax regulations and the applicable local tax rates. Nonetheless, there are many business transactions for which the final taxation cannot be determined conclusively in the regular course of business.

The amount of tax provisions and tax liabilities is based on estimates of whether and in what amount income taxes will be payable. Provisions of an adequate amount have been established to account for the risk of tax treatment that is different from that expected. ARQUES has not established a provision for profits on the sale of shares in subsidiaries or other associated companies because such profits should be regarded as the restructuring profits resulting from the Group's entrepreneurial activities and not as short-term trading gains. If the final taxation of these business transactions differs from the previously assumed tax exemption for gains on disposal, this difference will have an impact on the current and accrued taxes for the period in which the final taxation is determined.

In addition, estimates are required in order to assess whether it is necessary to recognize impairment losses in deferred tax assets. Such an assessment depends on an estimate of the probability of taxable profits (taxable income) being generated in the future.

Furthermore, uncertainties are inherent in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to the wide-ranging international activities of the Group, any differences between the actual profits or losses generated and management's assumptions in this regard or future changes to these assumptions may lead to different tax results in future periods.

Provisions

When determining the amount of provisions to be recognized, assumptions need to be made concerning the probability of a future outflow of economic resources. These assumptions represent the best possible estimate of the underlying situation, but are nonetheless subject to a certain degree of uncertainty as a result of the assumptions applied for this purpose. Assumptions also need to be made when determining the amount of provisions to be recognized regarding the amount of the possible outflow of economic resources. A change in these assumptions could lead to a change in the necessary amount of provisions to be recognized. Here as well, the assumptions made for this purpose give rise to uncertainties.

The determination of the present value of pension obligations very much depends on the choice of discount rate to be applied and the underlying actuarial assumptions, which are determined anew at the end of each fiscal year. The underlying discount rate used is the interest rate paid by the highest grade corporate bonds denominated in the currency in which the benefits are paid and the maturity of which matches the due date of the pension obligations. Changes in these interest rates can thus lead to significant changes in the amount of the pension obligations.

All identifiable risks were taken into account in the underlying assumptions and estimates when the consolidated financial statements were prepared.

C. NOTES TO FINANCIAL INSTRUMENTS

Significance

The purpose of the disclosures compliant with IFRS 7 is to provide decision-relevant information about the amount, timing, and probability of occurrence of future cash flows from financial instruments and to assess the associated risks.

The ARQUES Group is composed of companies from a wide range of industries, the ordinary business of which is based on a large number of contractual agreements that give rise to financial assets or liabilities.

A financial instrument is a contract that gives rise to both a financial asset for one company and a financial liability or equity instrument for another company. Besides cash and cash equivalents, financial assets are primarily composed of non-certificated receivables such as trade receivables, loans and loan receivables, as well as certificated receivables such as checks, bills of exchange, and promissory notes. By definition, financial assets also encompass financial investments held to maturity and derivatives held for trading. Financial liabilities, on the other hand, regularly constitute a contractual obligation to make payment in cash or in other financial assets. In particular, this category includes trade payables, liabilities due to banks, bonds, liabilities under bills of exchange accepted and issued by the Group, as well as options written and derivative financial instruments with negative fair values.

Financial risk factors

The use of financial instruments exposes the Group to specific financial risks, the nature and extent of which are to be made transparent in the notes to the financial statements. These risks typically include credit risk, liquidity risk, and market price risk. In particular, this latter category encompasses exchange rate risk, interest rate risk, and other price risk.

The Group's overarching risk management program is focused on the unpredictability of developments in the financial markets, with the goal of minimizing the potentially negative effects on the Group's financial position. The Group employs derivative financial instruments to protect itself against certain risks. The risk management activities are conducted by the Corporate Finance Department on the basis of the guidelines adopted by the Executive Board. The Corporate Finance Department identifies, evaluates, and hedges financial risks in close collaboration with the operating units of the Group. The Executive Board adopts written policies for Group-wide risk management and guidelines for certain types of activity, such as how to deal with currency risk, interest rate and credit risk, the use of derivative and non-derivative financial instruments, and the investment of surplus liquidity. The accounting rules applicable to hedge accounting are not employed for these hedging activities.

Credit/default risk

The subsidiaries of the ARQUES Group operate in a wide range of industries, supplying customers in all parts of the world with a diverse range of products. Default risks can arise in trade receivables, loans, and other receivables when customers do not fulfill their payment obligations.

In order to counter the default risk and credit quality and liquidity risks that are possibly associated with the default risk, most of the subsidiaries carry trade credit insurance, which covers a portion of the losses on receivables in case of default. Under this insurance, customers are subject to credit checks and limit decisions. As an alternative to the credit checks conducted by the trade credit insurance providers, customers that cannot be covered by trade credit insurance can post security deposits (payments, trade credit retentions) which can be applied to cover any losses on receivables. Also, those that cannot be insured, or which are not insured for other reasons, are given the option of paying advance or by cash on delivery.

As part of the credit check process, some ARQUES subsidiaries seek to limit the default risk by means of appropriate credit management systems (using credit scoring methods to categorize the risks inherent in customer receivables, among other methods). An internal credit rating is determined for each customer and an internal credit limit set on the basis of in-depth, ongoing credit checks.

An amount of EUR 105,129 thousand, representing 19.3% (prior year EUR 197,103 thousand or 32.5%) of the Group's total loans and receivables in the amount of EUR 545,566 thousand (prior year EUR 606,336 thousand) was insured at year-end 2008. Trade credit insurance is used as a hedging instrument for most of the Group's receivables. Furthermore, security has been furnished in the form of letters of credit, customer deposits, and bank guarantees.

The default risk equal to the carrying amount of the total loans and receivables (EUR 545,566 thousand, prior year EUR 606,336 thousand) was reduced to a maximum default risk of EUR 440,437 thousand (prior year EUR 409,233 thousand) by means of trade credit insurance, letters of credit, and other credit improvements.

2008 EUR'000	CARRYING AMOUNT	MAXIMUM DEFAULT RISK	SECURED PORTION	%
Total	**545,566**	**440,437**	**105,129**	**19.3**
Trade receivables	407,632	338,294	69,338	12.7
Loans	3,190	3,190	0	0.0
Receivables under construction contracts	3,030	3,030	0	0.0
Other receivables	131,714	95,923	35,791	6.6

2007 EUR'000	CARRYING AMOUNT	MAXIMUM DEFAULT RISK	SECURED PORTION	%
Total	**606,336**	**409,233**	**197,103**	**32.5**
Trade receivables	**430,396**	**262,762**	**167,634**	**27.6**
Loans	**3,784**	**3,784**	**0**	**0.0**
Receivables under construction contracts	**15,040**	**15,040**	**0**	**0.0**
Other receivables	**157,116**	**127,647**	**29,469**	**4.9**

The other receivables contain receivables from factoring in the amount of EUR 70,578 thousand (prior year EUR 115,892 thousand), short-term loan receivables in the amount of EUR 5,896 thousand (prior year EUR 21,057 thousand), receivables from negative purchase prices in the amount of EUR 7 thousand (prior year EUR 11,500 thousand), credit balances in customer accounts in the amount of EUR 5,145 thousand, receivables from asset disposals in the amount of EUR 3,507 thousand, and derivative financial assets in the amount of EUR 1,530 thousand. Receivables from former owners in the amount of EUR 39,417 thousand, reimbursements payable to suppliers in the amount of EUR 3,855 thousand, and security deposits in the amount of EUR 1,778 thousand were classified as financial instruments for the first time in 2008. The receivables measured at fair value in the amount of EUR 4,047 thousand and receivables from sales of shares in the amount of EUR 4,620 thousand disclosed in the prior year related to the SKW and SKS Group which had been deconsolidated in 2007.

The ARQUES Group did not receive any security deposits in 2008.

The following table shows the breakdown of loans and receivables by region to reveal risk concentrations:

	2008		2007	
	EUR'000	%	EUR'000	%
Total	**545,566**	**100.0**	**606,336**	**100.0**
Germany	218,094	40.0	226,577	37.4
Europe – EU	269,915	49.5	332,706	54.9
Europe – Other	24,666	4.5	22,409	3.7
Rest of world	32,891	6.0	24,644	4.1

As a rule, valuation allowances are charged in adequate amounts to account for discernible default risks in the Group's receivables. The changes in the valuation allowances charged against trade receivables are presented in the table under Note 22 to the financial statements ("Trade receivables").

Liquidity risk

Within the ARQUES Group, liquidity risk is defined as the risk that the Group will not be able to meet on time its payment obligations resulting from the categories of trade payables, financial liabilities, and other liabilities.

Therefore, an appropriately cautious liquidity management entails the need to hold an adequate reserve of cash and marketable securities, the ability to borrow sufficient funds under committed lines of credit, and the ability to issue securities in the market.
Considering the dynamic nature of the business environment in which the Group operates, the goal of the Corporate Finance Department is to preserve the necessary financing flexibility by maintaining unused credit lines to an adequate degree. The credit lines have been extended by various banks either for an indefinite term or for 12 months at a time.

The following table shows the breakdown of financial liabilities by term to maturity. The figures shown represent undiscounted cash flows:

EUR'000	2008 TOTAL	2008 MATURITIES < 1 YEAR	2008 MATURITIES > 1 YEAR	2007 TOTAL	2007 MATURITIES < 1 YEAR	2007 MATURITIES > 1 YEAR
Non-derivative financial liabilities	**929,527**	**793,089**	**136,438**	**1,003,838**	**879,449**	**124,389**
Trade payables	601,356	601,356	0	581,472	581,472	0
Liabilities due to banks	176,803	130,819	45,984	224,448	169,641	54,807
Other financial liabilities	35,168	5,935	29,233	115,055	87,956	27,099
Other liabilities	116,200	54,979	61,221	82,863	40,380	42,483
Derivative financial liabilities	**2,259**	**2,159**	**100**	**0**	**0**	**0**
Total	**931,786**	**795,248**	**136,538**	**1,003,838**	**879,449**	**124,389**

The other liabilities contain purchase price liabilities in the amount of EUR 98,829 thousand (prior year EUR 73,085 thousand), overpaid liabilities in the amount of EUR 3,761 thousand, and interest payable in the amount of EUR 1,083 thousand which were classified as financial instruments for the first time in 2008, liabilities from earn-out clauses in the amount of EUR 403 thousand, liabilities from bills of exchange in the amount of EUR 4,339 thousand (prior year EUR 4,795 thousand), and amounts payable to customers in the amount of EUR 7,785 thousand resulting from discount schemes and other customer loyalty activities.

The notes to the financial statements include a more detailed description of the maturity range of less than one year in Note 35 (Current financial liabilities) for current liabilities due to banks and financial liabilities, in Note 36 (Trade payables) for trade payables, and Note 38 (Current other liabilities) for derivative financial liabilities.

Security had been provided for EUR 176,429 thousand or 19.0% (prior year EUR 165,189 thousand or 16.5%) of the total Group-wide financial liabilities at year-end 2008 in the amount of EUR 931,786 thousand (prior year EUR 1,003,838 thousand). The following table shows the breakdown of the assets pledged as security:

2008 EUR'000	INTANGIBLE ASSETS	LAND AND BUILDINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	INVENTORIES	TRADE RECEIV-ABLES	OTHER SECURITY	%
Trade payables	154	0	5,064	11,274	15,857	60,579	10.0
Liabilities due to banks	306	27,548	8,349	1,249	10,395	19,736	7.3
Other financial liabilities	8,959	1,979	3,414	90	0	1,243	1.7
Other liabilities	0	0	0	0	0	233	0.0
Total	**9,419**	**29,527**	**16,827**	**12,613**	**26,252**	**81,791**	**19.0**

2007 EUR'000	INTANGIBLE ASSETS	LAND AND BUILDINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	INVENTORIES	TRADE RECEIV-ABLES	OTHER SECURITY	%
Trade payables	0	0	0	0	5,416	21,617	2.7
Liabilities due to banks	0	26,658	8,381	3,442	12,444	43,536	9.4
Other financial liabilities	0	1,100	5,506	0	0	3,089	1.0
Other liabilities	0	34,000	0	0	0	0	3.4
Total	**0**	**61,758**	**13,887**	**3,442**	**17,860**	**68,242**	**16.5**

The other security consists primarily of bank guarantees, sureties, and patents. Furthermore, the goods and services supplied to most of the subsidiaries are subject to country-specific ownership retention.

The following table shows the breakdown of financial liabilities by region to reveal risk concentrations:

	2008		2007	
	EUR'000	%	EUR'000	%
Total	**931,786**	**100.0**	**1,003,838**	**100.0**
Germany	471,497	50.6	335,964	33.5
Europe – EU	294,424	31.6	555,570	55.3
Europe – Other	79,197	8.5	97,416	9.7
Rest of world	86,668	9.3	14,888	1.5

Some of the companies' lending agreements are subject to covenants obliging the company in question to comply with certain conditions. The company failed to comply with the conditions for one credit line at the balance sheet date. The total amount of the credit line concerned amounted to EUR 10 million at December 31, 2008.

Breaking the covenants entitles the creditors to demand repayment of the outstanding loan amount of EUR 10 million. The company started to renegotiate the credit terms when the non-compliance with the covenants became evident. The creditor had not demanded repayment of the outstanding loans by the time the financial statements were approved by the Supervisory Board. The Executive Board is working on the assumption that it will prove possible to negotiate amended lending agreements with the creditor concerned before the end of the second quarter of 2009.

Market price risk

By virtue of the business activities of the individual subsidiaries and the international orientation of the Group, various assets and liabilities are subject to market price risk in the form of changing exchange rates, interest rates, and commodity prices.

Exchange rate risk is associated with the receivables, liabilities, and debts denominated in foreign currencies as well as future cash flows denominated in foreign currencies that result from anticipated transactions.

A theoretical interest rate risk is inherent in the loans presented as financial liabilities and in the liabilities under finance leases. Primarily, those subsidiaries that purchase raw materials for their manufacturing operations are exposed to price risk.

Foreign currency risk

By virtue of its international activities, the ARQUES Group is exposed to foreign currency risk resulting from changes in the exchange rates of various foreign currencies. Foreign currency risk is associated with expected future transactions, recognized assets and liabilities, and net investments in foreign business establishments. To cover the risks inherent in expected future transactions and in the recognized assets and liabilities, the Group companies enter into forward exchange deals in consultation with the Group's Corporate Finance Department, as needed. At the balance sheet date, however, no such forward exchange deals or other exchange rate hedging derivatives existed within the ARQUES Group.

Of the total Group-wide financial instruments, EUR 189,107 thousand (prior year EUR 130,100 thousand) relates to financial assets denominated in foreign currency and EUR 191,520 thousand (prior year EUR 180,524 thousand) to financial liabilities denominated in foreign currency. The following table shows the risk concentration broken down by foreign currency:

FINANCIAL ASSETS DENOMINATED IN	2008 EUR'000	2008 %	2007 EUR'000	2007 %
USD (U.S. dollars)	52,675	28.0	12,785	9.8
GBP (British pounds)	35,154	18.6	3,596	2.8
DKK (Danish krone)	31,624	16.7	70,354	54.1
CHF (Swiss francs)	13,602	7.2	12,875	9.9
CNY (Chinese yuan)	9,513	5.0	4,190	3.2
NOK (Norwegian krone)	6,402	3.4	5,976	4.6
SEK (Swedish krona)	5,907	3.1	3,525	2.7
BRL (Brazilian reals)	5,665	3.0	0	0.0
RON (Romanian lei)	5,664	3.0	4,708	3.6
PLN (Polish zlotys)	4,026	2.1	2,757	2.1
RSD (Serbian dinars)	2,871	1.5	0	0.0
ARS (Argentine pesos)	2,685	1.4	0	0.0
TRL (Turkish lira)	2,636	1.4	0	0.0
HUF (Hungarian forints)	2,098	1.1	1,294	1.0
CZK (Czech koruna)	1,921	1.0	886	0.7
BGN (Bulgarian levs)	1,524	0.8	1,245	1.0
Other	5,140	2.7	5,909	4.5
Total	**189,107**	**100.0**	**130,100**	**100.0**

FINANCIAL LIABILITIES DENOMINATED IN	2008 EUR'000	2008 %	2007 EUR'000	2007 %
USD (U.S. dollars)	98,348	51.5	54,298	30.1
DKK (Danish krone)	26,137	13.6	86,908	48.1
CHF (Swiss francs)	16,546	8.6	18,613	10.3
GBP (British pounds)	21,482	11.2	1,305	0.7
RUB (Russian rubles)	4,046	2.1	2,649	1.5
CNY (Chinese yuan)	3,491	1.8	2,921	1.6
RON (Romanian lei)	3,235	1.7	3,564	2.0
PLN (Polish zlotys)	2,103	1.1	1,978	1.1
ARS (Argentine pesos)	2,527	1.3	0	0.0
RSD (Serbian dinars)	2,056	1.1	0	0.0
BRL (Brazilian reals)	1,792	0.9	0	0.0
JPY (Japanese yen)	1,772	0.9	0	0.0
NOK (Norwegian krone)	1,656	0.9	1,068	0.6
TRL (Turkish lira)	1,552	0.8	0	0.0
MXN (Mexican pesos)	1,076	0.6	0	0.0
Other	3,701	1.9	7,220	4.0
Total	**191,520**	**100.0**	**180,524**	**100.0**

The other currencies included 20 further currencies not exceeding EUR 1,000 thousand in fiscal 2008 and hence immaterial from the Group viewpoint.

In connection with the presentation of market risk, IFRS 7 requires sensitivity analyses to be conducted to determine the effects of hypothetical changes in relevant risk variables on the company's earnings and equity. Besides currency risk, the ARQUES Group is also exposed to interest rate risk and price risk in the subsidiaries. The accounting period effects are determined by relating the hypothetical changes in the risk variables to the financial instruments held at the balance sheet date. In this regard, it is assumed that the portfolio of financial instruments at the balance sheet date is representative of the entire year.

At the balance sheet date, ARQUES Industries AG and its subsidiaries were exposed to currency risk reflected in the balance sheet items of trade receivables, loan receivables, other receivables, trade payables, bank liabilities, and loan liabilities.

Results of the currency sensitivity analysis:

If the euro had been 10% higher or lower against the foreign currencies in which the ARQUES Group operates at December 31, 2008, the equity stated in the functional currency would have been EUR 239 thousand higher or EUR 293 thousand lower (December 31, 2007 EUR 4,775 thousand higher or EUR 5,835 thousand lower).

The hypothetical earnings effect (after taxes) of EUR +259 thousand (EUR -317 thousand) (prior year EUR +4,775 thousand (EUR -5,835 thousand)) resulted from the following currency sensitivities:

	2008		2007	
EUR'000	+ 10%	- 10%	+ 10%	- 10%
EUR/USD:	4,152	-5,075	3,774	-4,612
EUR/RUB:	305	-373	223	-273
EUR/JPY:	126	-154	-	-
EUR/DKK:	-499	610	1,504	-1,839
EUR/CHF:	268	-327	522	-638
EUR/BGN:	-93	113	-66	81
EUR/TRL:	-99	120	-	-
EUR/PLN:	-175	214	-71	87
EUR/CZK:	-173	211	162	-198
EUR/RON:	-221	270	-104	127
EUR/HUF:	-154	189	-81	99
EUR/BRL:	-352	430	-	-
EUR/NOK:	-432	527	-446	545
EUR/SEK:	-471	576	-319	390
EUR/CNY:	-547	669	-115	141
EUR/GBP:	-1,243	1,519	-208	255

Interest rate risk

For the purposes of presenting interest rate risk, sensitivity analyses are conducted to determine the effect of changes in market interest rates on interest income and expenses, on trading profits and losses, and on the company's equity. Interest rate risk entails a fair value risk in the case of fixed-interest financial instruments and a cash flow risk in the case of variable-yield financial instruments.

The interest rate sensitivity analyses were conducted on the basis of the following assumptions.

For the most part, the interest-bearing receivables and liabilities are subject to fixed rates of interest. Changes in the market interest rates of fixed-interest, non-derivative financial instruments only have an impact on the Group's net profit when they are measured at fair value. Consequently, all fixed-interest financial instruments measured at amortized cost are not subject to interest rate risk within the meaning of IFRS 7.

A sensitivity analysis was conducted in accordance with IFRS 7 for variable-yield financial liabilities and loan receivables, financial assets held for sale, purchase price liabilities, and derivative financial instruments, with the following result. If the market interest rates at December 31, 2008 had been 100 basis points higher or lower, the Group's net profit would have been EUR 1,352 thousand higher or EUR 1,351 thousand lower (prior year EUR 504 thousand and EUR 506 thousand, respectively).

Other price risk

In connection with the presentation of market risk, IFRS 7 also requires disclosures to be made regarding the effects of hypothetical changes in risk variables on the prices of financial instruments. Stock market prices in particular are to be considered as risk variables. At the balance sheet date, the ARQUES Group did not hold significant quantities of shares in other exchange-listed companies that were not fully consolidated.

Classification

The following table shows the reconciliation of balance sheet items with the classes and categories defined in IAS 39 and the corresponding carrying amounts and fair values of financial instruments:

Carrying amounts, stated values, and fair values broken down by

EUR'000	NOTE	MEASUREMENT CATEGORY COMPLIANT WITH IAS 39	CARRYING AMOUNT 2008
Assets			
Non-current assets			
Financial assets	18	LaR	3,190
Other non-current assets	19	AfS[1]	85
Current assets			
Receivables under construction contracts	21	LaR	3,030
Trade receivables	22	LaR	407,632
Available-for-sale financial assets	23	AfS[1]	821
Other assets	24	LaR, HfT	133,244
Cash and cash equivalents	26	LaR	142,409
Equity and liabilities			
Non-current liabilities			
Financial liabilities	31	FL-AC	75,217
Liabilities under finance leases	32		24,246
Other liabilities	33	FL-AC	61,321
Current liabilities			
Current financial liabilities	35	FL-AC	136,754
Liabilities under finance leases	32		7,137
Trade payables	36	FL-AC	601,356
Other liabilities	38	FL-AC, HfT	57,138
Thereof aggregated by measurement category compliant with IAS 39:			
Financial assets			
Loans and receivables (LaR)			687,975
Held-to-maturity financial investments (HtM)			0
Available-for-sale financial assets (AfS)			906
Financial assets held for trading (FA-HfT)			1,530
Financial assets designated at fair value (FA-FVO)			0
Financial liabilities			
Financial liabilities measured at amortized cost (FL-AC)			929,527
Financial liabilities held for trading (FL-HfT)			2,259

1) The available-for-sale financial assets (AfS) include unquoted equity instruments whose fair values could not be reliably measured and which were therefore measured at amortized cost in the amount of EUR 906 thousand (prior year EUR 113 thousand) at the balance sheet date.

FAIR VALUE 2008	AMORTIZED COST	FAIR VALUE RECOGNIZED IN EQUITY	FAIR VALUE RECOGNIZED IN INCOME	STATED VALUE BALANCE SHEET IAS 17
3,227	3,190	0	0	0
85	85	0	0	0
3,030	3,030	0	0	0
407,632	407,632	0	0	0
821	821	0	0	0
133,244	131,714	0	1,530	0
142,409	142,409	0	0	0
83,437	75,217	0	0	0
24,246	-	-	-	24,246
63,728	61,221	0	100	0
136,754	136,754	0	0	0
7,137	-	-	-	7,137
601,356	601,356	0	0	0
57,138	54,979	0	2,159	0

688,012				
0				
906				
1,530				
0				
940,254				
2,259				

EUR'000	NOTE	MEASUREMENT CATEGORY COMPLIANT WITH IAS 39	CARRYING AMOUNT 2007
Assets			
Non-current assets			
Financial assets	18	LaR	3,784
Other non-current assets	19	HtM, AfS[1]	219
Current assets			
Receivables under construction contracts	21	LaR	15,040
Trade receivables	22	LaR	430,396
Available-for-sale financial assets	23	AfS	1,418
Other assets	24	LaR, FA-HfT, FA-FVO	157,192
Cash and cash equivalents	26	LaR	84,540
Equity and liabilities			
Non-current liabilities			
Financial liabilities	31	FL-AC	81,906
Liabilities under finance leases	32		35,873
Other liabilities	33	FL-AC	42,483
Current liabilities			
Current financial liabilities	35	FL-AC	257,597
Liabilities under finance leases	32		5,553
Trade payables	36	FL-AC	581,472
Other liabilities	38	FL-AC	40,380
Thereof aggregated by measurement category compliant with IAS 39:			
Financial assets			
Loans and receivables (LaR)			686,829
Held-to-maturity financial investments (HtM)			106
Available-for-sale financial assets (AfS)			1,531
Financial assets held for trading (FA-HfT)			76
Financial assets designated at fair value (FA-FVO)			4,047
Financial liabilities			
Financial liabilities measured at amortized cost (FL-AC)			1,003,838

1) The available-for-sale financial assets (AfS) include unquoted equity instruments whose fair values could not be reliably measured and which were therefore measured at amortized cost in the amount of EUR 906 thousand (prior year EUR 113 thousand) at the balance sheet date.

FAIR VALUE 2007	AMORTIZED COST	FAIR VALUE RECOGNIZED IN EQUITY	FAIR VALUE RECOGNIZED IN INCOME	STATED VALUE BALANCE SHEET IAS 17
3,784	3,784	0	0	0
219	219	0	0	0
15,040	15,040	0	0	0
430,396	430,396	0	0	0
1,418	0	1,418	0	0
157,192	153,069	0	4,123	0
84,540	84,540	0	0	0
81,906	81,906	0	0	0
35,873	-	-	-	35,873
42,483	42,483	0	0	0
257,597	257,597	0	0	0
5,553	-	-	-	5,553
581,472	581,472	0	0	0
40,380	40,380	0	0	0
686,829				
106				
1,531				
76				
4,047				
1,003,838				

Other assets included derivative financial assets in the amount of EUR 1,530 thousand (prior year EUR 76 thousand) in 2008. Other liabilities included non-current derivative liabilities in the amount of EUR 100 thousand and current derivative liabilities in the amount of EUR 2,159 thousand for the first time in 2008.

The fair values of the derivative financial instruments are calculated using present-value and option-price models. Wherever possible, the relevant market prices and interest rates recorded at the balance sheet date are used as the input parameters for these models, as obtained from recognized external sources.

Liabilities under finance leases are not covered by the scope of IAS 39 and are therefore shown separately.

Cash and cash equivalents, trade receivables, and current assets are due in less than one year. Consequently, the carrying amounts of these items are approximately equal to their fair values.

Trade liabilities and current financial liabilities are all fully due within one year. Consequently, the nominal values or repayment amounts of these items are approximately equal to their fair values.

The fair values of other non-current financial assets and liabilities due in more than one year are equal to the present values of the payments associated with the corresponding assets and liabilities, in consideration of the current interest rate parameters, which reflect the changes in terms as they relate to currencies, interest rates, and counterparties.

It has been assumed for shares in partnerships and non-listed incorporated companies in the amount of EUR 906 thousand that the carrying amount is the same as the market value, since it would only have been possible to reliably determine a market value as part of actual sale negotiations.

Net gains or losses from financial instruments

	FROM	FROM SUBSEQUENT MEASUREMENT			FROM DISPOSAL	NET GAINS OR LOSSES	
EUR'000	INTEREST RATES	AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIR-MENTS		2008	2007
Financial assets							
Loans and receivables	7,319	0	-799	-8,648	-6,288	-8,416	-26,240
Held to maturity	0	0	0	0	0	0	2
Available for sale	63	0	-102	-66	0	-105	-2,897
Designated at fair value	0	0	0	0	0	0	4,047
Financial liabilities							
Measured at amortized cost	-29,806	0	-2,644	0	19,887	-12,563	-14,774
Derivative financial instruments							
Held for trading	-52	2,341	0	0	0	2,289	21

The interest from financial instruments is presented within net interest income/expenses (see Note 9). This item includes interest income from loans and interest expenses from factoring receivables, liabilities to banks, and other financial liabilities. No interest income was generated from impaired financial assets in 2008 ("unwinding").

The other components of the net gains or losses are presented in other operating income/expenses (see Notes 3 and 6).

The net gains or losses on loans and receivables include changes in impairment losses, gains or losses from currency translation, gains on disposal, and payment recoveries and reversals of impairment losses on loans and receivables that had originally been written down.

The net gains or losses on financial liabilities measured at amortized cost result from interest expenses, currency translation differences, and income from the waiver of receivables on the part of suppliers.

The net gains and losses on financial assets held for trading purposes include income and expenses from changes in market values in the amount of EUR 2,341 thousand (prior year EUR 21 thousand).

Capital management

As a turnaround specialist, ARQUES focuses on the acquisition and proactive restructuring of companies in transitional situations. In consideration of this fact, the primary goal of capital management is to protect the continued operating existence of all Group companies and to optimize the ratio of equity and debt for the benefit of all shareholders. The capital structure is managed for the most part locally in the operating subsidiaries and business units. On the Group level, the capital management of the individual companies is monitored and, where necessary, supported and optimized as part of a periodic reporting process. Decisions regarding dividend payments or capital measures are taken on a case-by-case basis with reference to the internal reporting system and in consultation with the subsidiaries.

The managed capital comprises all current and non-current liabilities and equity components. The development of the capital structure over time and the associated changes in the dependence on external creditors are measured using the gearing ratio. The disclosed gearing ratio is determined at year-end on the basis of the equity shown in the balance sheet. In light of its particular business model and the extraordinary capital requirements resulting from the Group's expansion, coupled with the substantial changes in the consolidated group, the gearing ratio of ARQUES must be viewed differently from that of other companies. In most cases, it would make no sense to draw comparisons with companies operating in other industries.

Gearing ratio

EUR'000	2008	2007[1]
Non-current liabilities	316,958	294,220
Current liabilities	1,139,090	1,138,872
Liabilities	**1,456,048**	**1,433,092**
Equity	**262,992**	**401,001**
Gearing ratio in %	5.5	3.6

1) Adjusted values – see the notes on the adjustment of the comparison information shown in the consolidated financial statements at December 31, 2007

D. NOTES TO THE INCOME STATEMENT

1. Revenues

The consolidated revenues are composed of the following:

	2008		2007	
EUR'000	GROUP	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	GROUP
Revenues from sales of goods	5,313,950	1,892,862	122,964	2,015,826
Revenues from long-term construction contracts	5,935	15,037	0	15,037
Revenues from sales of services	185,141	71,434	0	71,434
Total	**5,505,026**	**1,979,333**	**122,964**	**2,102,297**

The total revenues of EUR 5,505,026 thousand comprise the following:

EUR'000	2008	2007
Trading revenues	4,097,062	1,152,035
Production revenues	1,407,964	950,262
Total	**5,505,026**	**2,102,297**

For the presentation of revenues broken down by region and segment, please refer to the notes on segment reporting.

2. Other internal production capitalized

The other internal production capitalized in the amount of EUR 18,502 thousand (prior year EUR 3,576 thousand) results primarily from capitalized development costs in the Gigaset Group (EUR 3,631 thousand) and the Anvis Group (EUR 3,888 thousand, prior year EUR 523 thousand), the recognition of intangible assets produced internally by the Eurostyle Group (EUR 5,791 thousand) and the Actebis Group (EUR 1,196 thousand), and the capitalization of archive materials of the ddp Deutscher Depeschendienst GmbH subsidiary in the amount of EUR 2,600 thousand (prior year EUR 2,600 thousand).

3. Other operating income

Other operating income comprises the following:

	2008		2007	
EUR'000	GROUP	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	GROUP
Income from the reversal of negative goodwill	112,526	211,849	2,889	214,738
Income costs charged to third parties and reimbursements	22,089	7,561	26	7,587
Income from the charge-off of payables owed to suppliers	19,887	535	0	535
Income from the reversal of provisions	18,973	9,889	0	9,889
Income from exchange rate changes	17,025	2,610	376	2,986
Income from deconsolidations and the sale of shares to minority interests	10,643	6,989	44,022	51,011
Income from the reversal of valuation allowances	2,532	849	0	849
Income from the disposal of property, plant and equipment	7,374	249	15	264
Income from derivatives	4,702	38	0	38
Compensation for loss or damage	2,593	756	0	756
Rental income	2,236	1,602	0	1,602
Income from the disposal of financial assets	26	190	0	190
Income from the valuation of receivables at fair value	0	4,047	0	4,047
Miscellaneous other operating income	28,373	13,984	184	14,168
Total	**248,979**	**261,148**	**47,512**	**308,660**

In accordance with IFRS 3.56, income from the reversal of negative goodwill was recognized in the amount of EUR 112,526 thousand (prior year EUR 214,738 thousand) when the fair values of the identifiable assets, liabilities, and contingent liabilities exceeded the cost of the business combination. After additional review, any remaining excess must be recognized directly in profit or loss compliant with IFRS 3.56 (b).

The income from the reversal of negative goodwill relates to the following acquisitions:

2008 EUR'000 NAME OF COMPANY ACQUIRED	GROUP
Gigaset Group	81,698
Auto Windscreens Group	20,015
Carl Froh Group	7,234
ASM Group	3,579
Total	**112,526**

2007 EUR'000 NAME OF COMPANY ACQUIRED	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	GROUP
Anvis Group	66,166	0	66,166
Eurostyle Group	39,476	0	39,476
SM-Electronics Group	34,674	0	34,674
van Netten Group	30,595	0	30,595
Actebis Group	25,435	0	25,435
Oxiris Group	11,186	0	11,186
BEA companies	3,495	0	3,495
SKW Group	0	2,889	2,889
Capresa Group	622	0	622
Other	200	0	200
Total	**211,849**	**2,889**	**214,738**

Significant income from costs charged to third parties relates to the Actebis Group (EUR 10,483 thousand) and the tiscon Group (EUR 5,588 thousand) as a result of advertising subsidies and incidental distribution costs charged to others.

The income from the charge-off of payables owed to suppliers essentially relates to receivables from the Schöps Group waived by third parties (EUR 13,047 thousand) and the redemption of liabilities at less than their nominal value by the van Netten Group (EUR 3,641 thousand).

The income from the reversal of provisions stems from provisions for onerous contracts (EUR 4,964 thousand), warranties (EUR 1,045 thousand), and other provisions formed in prior years and not fully used.

The income from exchange rate changes is essentially attributable to the Gigaset Group (EUR 6,854 thousand), the Anvis Group (EUR 3,324 thousand), the weberbenteli Group (EUR 2,067 thousand), the Auto Windscreen Group (EUR 1,162 thousand), and the Sommer Group (EUR 1,046 thousand).

Significant income from the disposal of property, plant and equipment results from the sale of two properties by Arques Immobilien Wert GmbH & Co KG (EUR 2,465 thousand).

The income from deconsolidations essentially results from the sale of shares in the Jahnel-Kestermann Group (EUR 5,979 thousand) and the disposal of the commercial operations of Missel GmbH & Co KG (EUR 3,186 thousand). For further information, please refer to Note 42.

The income from derivatives stems from forward exchange transactions conducted by the Gigaset Group.

Compensation payments of EUR 2,105 thousand for loss or damage relate to the Actebis Group, among other things due to payments made under trade credit insurance policies.

The miscellaneous other operating income contains a number of individually insignificant items in the subsidiaries.

4. Purchased goods and services

EUR'000	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Raw materials and supplies	671,128	423,518	64,618	488,136
Purchased goods	3,834,297	1,076,030	30,308	1,106,338
Purchased services	172,248	58,768	1,495	60,263
Other	39,809	42,488	688	43,176
Total	**4,717,482**	**1,600,804**	**97,109**	**1,697,913**

The individual items under purchased goods and services relate to the following companies:

EUR'000	2008	2007
Actebis Group	3,436,931	702,381
tiscon Group	304,786	298,764
Anvis Group	168,352	43,624
Eurostyle Group	122,534	0
Oxxynova Group	94,732	124,238
Gigaset Group	92,038	0
Rohé Group	67,308	19,566
Evotape Group	52,737	54,625
Sommer Group	46,446	46,538
van Netten Group	40,843	26,978
Other	290,775	381,199
Total	**4,717,482**	**1,697,913**

Expenses for raw materials and supplies stem from the following corporate groups:

EUR'000	2008	2007
Anvis Group	125,928	30,588
Gigaset Group	83,261	0
Oxxynova Group	77,449	94,365
Eurostyle Group	64,666	0
Sommer Group	45,124	45,343
Evotape Group	43,886	43,946
van Netten Group	38,017	20,442
Rohé Group	25,253	7,893
weberbenteli Group	24,775	21,254
Capresa Group	21,412	15,373
Other	121,357	208,932
Total	**671,128**	**488,136**

Expenses for purchased goods result for the most part from the Actebis Group and the tiscon Group. In the prior year, the Actebis Group was included in the total expenses only in the fourth quarter. This item encompasses the following corporate groups:

EUR'000	2008	2007
Actebis Group	3,362,615	701,245
tiscon Group	303,395	297,959
Other	168,287	107,134
Total	**3,834,297**	**1,106,338**

The following corporate groups have recorded purchased services:

EUR'000	2008	2007
Actebis Group	63,029	301
Rohé Group	31,543	8,823
ASM Group	17,171	0
Anvis Group	13,314	3,375
Austrian BEA companies	9,281	5,275
BEA Electrotechnik und Automation Technische Dienste Lausitz GmbH	7,286	9,573
Eurostyle Group	6,451	0
ddp Group	3,380	3,674
Jahnel-Kestermann Group	3,020	7,296
Carl Froh Group	2,640	0
Other	15,133	21,946
Total	**172,248**	**60,263**

As in the prior year, the other costs essentially reflect the cost of power supply.

5. Personnel expenses

	2008	2007		
EUR'000	GROUP	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	GROUP
Wages and salaries	393,333	207,354	7,154	214,508
Social security, pension and other benefit costs	88,519	43,072	1,507	44,579
Total	481,852	250,426	8,661	259,087

The largest individual amounts under personnel expenses stem from the following Group companies:

EUR'000	2008	2007
Actebis Group	89,013	15,915
Eurostyle Group	59,235	0
Anvis Group	56,519	14,609
Gigaset Group	38,081	0
Rohé Group	33,694	8,376
weberbenteli Group	18,824	15,888
Rohner Group	15,250	14,068
Sommer Group	14,099	16,767
BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH	13,677	13,083
tiscon Group	11,948	11,426
Other	131,512	148,955
Total	**481,852**	**259,087**

Wages and salaries include expenses of EUR 549 thousand (prior year EUR 2,310 thousand) arising from the recognition of share-based payments.

6. Other operating expenses

The other operating expenses consist of the following:

EUR'000	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Administrative expenses	103,157	40,696	2,058	42,754
Outgoing freight/transport costs	72,135	38,091	5,648	43,739
Expenses for land/buildings (including rental expenses)	54,718	39,167	1,240	40,407
Marketing and representation expenses	39,167	18,502	1,364	19,866
Consulting expenses	32,345	22,574	384	22,958
Maintenance of technical equipment, machines, operational and office equipment	23,422	17,379	0	17,379
Expenses resulting from exchange rate changes	20,571	4,603	509	5,112
Valuation allowances on receivables and losses on receivables	17,468	30,063	13	30,076
Losses from deconsolidation	13,994	11,881	0	11,881
Other tax expenses	9,616	5,477	0	5,477
Official proceedings and liabilities for additional contributions	6,000	0	0	0
Additions to provisions for warranties	5,759	1,349	0	1,349
Additions to provisions for onerous contracts	4,894	5,373	0	5,373
Patent fees and royalties	3,670	259	0	259
Losses on the disposal of non-current assets	3,195	7,403	37	7,440
Expenses for financial derivatives	2,361	0	17	17
Miscellaneous other operating expenses	32,938	8,877	2,008	10,885
Total	**445,410**	**251,694**	**13,278**	**264,972**

The administrative expenses essentially comprise information technology and communications expenses (EUR 22,445 thousand), travel expenses (EUR 11,785 thousand), insurance premiums (EUR 10,760 thousand), and vehicle expenses (EUR 10,644 thousand).

The expenses stated for land and buildings mainly comprise rental expenses (EUR 35,338 thousand), the cost of electricity, gas, and water (EUR 11,405 thousand), and maintenance costs for land and buildings (EUR 3,484 thousand).

The marketing and representation expenses relate to advertising (EUR 24,158 thousand), commissions and other agency fees (EUR 6,987 thousand), and other marketing costs (EUR 8,021 thousand).

The maintenance expenses result primarily from ongoing maintenance (EUR 11,175 thousand) and repairs (EUR 7,839 thousand) to machines, systems, and technical equipment.

The expenses resulting from exchange rate changes are attributable to the Gigaset Group in the amount of EUR 10,325 thousand and the Anvis Group in the amount of EUR 3,088 thousand.

The valuation allowances on receivables and losses on receivables sold contain valuation allowances on trade receivables in the amount of EUR 8,589 thousand and valuation allowances on loan receivables in the amount of EUR 2,591 thousand.

The losses from deconsolidation in the amount of EUR 13,994 thousand are mostly attributable to the Hottinger Group (EUR 8,942 thousand) and the Schöps Group (EUR 4,698 thousand).

The other tax expenses refer to profit-related taxes on non-capital income of French subsidiaries in the amount of EUR 5,785 thousand and property taxes in the amount of EUR 1,865 thousand.

The expenses shown for official proceedings and liabilities for additional contributions relate to provisions set up by ARQUES Industries AG for ongoing anti-trust proceedings (EUR 5,000 thousand) and contractually agreed obligations to make additional contributions arising from share purchase agreements (EUR 1,000 thousand).

Provisions for warranties were set up by the Gigaset Group (EUR 4,330 thousand), the BEA Electrics Group (EUR 409 thousand), the Rohé Group (EUR 363 thousand), and the Anvis Group (EUR 313 thousand).

The addition of EUR 3,246 thousand to provisions for onerous contracts relates to the Gigaset Group.

The expenses for patent fees and royalties essentially accrued in the Eurostyle Group (EUR 1,787 thousand), the SM Electronic Group (EUR 800 thousand), and the Gigaset Group (EUR 656 thousand).

Losses on the disposal of non-current assets essentially relate to real estate owned by Arques Immobilien GmbH & Co. KG (EUR 1,593 thousand).

Expenses for financial derivatives relate to forward exchange transactions conducted by the Gigaset Group in the amount of EUR 2,097 thousand.

As in 2007, the total for miscellaneous other operating expenses comprises a number of individually insignificant items in the subsidiaries.

7. Impairment losses

The following table shows the breakdown of impairment losses:

EUR'000	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Eurostyle Group	52,950	0	0	0
Schöps Group	17,568	0	0	0
weberbenteli Group	14,947	0	0	0
Rohner Group	12,334	0	0	0
Anvis Group	6,749	0	0	0
Sommer Group	6,286	0	0	0
Austrian BEA companies	4,827	0	0	0
Gigaset Group	4,877	0	0	0
Capresa Group	6,046	0	0	0
ddp Group	2,869	0	0	0
Rohé Group	2,005	0	0	0
SM Electronic Group	913	0	0	0
Evotape Group	450	0	0	0
Carl Froh Group	619	0	0	0
Holding	0	9,806	0	9,806
Oxxynova Group	0	5,206	0	5,206
Oxiris Group	0	1,315	0	1,315
Other	233	106	0	106
Total	**133,673**	**16,433**	**0**	**16,433**

The impairment losses in the Eurostyle Group were recognized on account of the company's economic situation resulting from the crisis in the automotive industry. The company was sold in the third quarter of 2008 for a symbolic price. The impairment losses for the Eurostyle Group were determined on the basis of the fair value less the costs to sell. EUR 16,156 thousand of the impairment losses relate to intangible assets – including EUR 11,047 thousand on capitalized development work and EUR 5,109 thousand on other intangible assets – while the remaining EUR 36,794 thousand is attributable to land (EUR 1,625 thousand), buildings (EUR 8,902 thousand), technical equipment, plant and machinery (EUR 18,160 thousand), and other non-current assets (EUR 8,107 thousand). The Eurostyle Group is assigned to the Automotive segment.

The Schöps Group was classified as a disposal group in the second quarter on account of the company's economic situation and sold in the third quarter for a symbolic price. An impairment test was performed on the assets at the time of reclassification. Impairment losses in the amount of EUR 17,568 thousand were recognized on account of the fair value less costs to sell. Of this total, EUR 15,452 thousand relates to intangible assets – including EUR 10,497 thousand on goodwill and EUR 4,955 thousand on the brand name. The impairment loss on the disposal group amounts to EUR 2,116 thousand. The Schöps Group is assigned to the Retail segment.

The economic situation of the weberbenteli Group deteriorated further at the end of fiscal 2008. The company was sold for a symbolic purchase price in the first quarter of 2009, which resulted in an impairment on the basis of the fair value less costs to sell and the recognition of an impairment loss in the amount of EUR 14,947 thousand. EUR 299 thousand of this impairment relates to goodwill, while the remaining impairment losses mainly relate to technical equipment, plant and machinery. The weberbenteli Group is assigned to the Print segment.

At the balance sheet date, the Rohner Group, the Austrian BEA companies, the ddp Group, and the Evotape Group were classified as a disposal group compliant with IFRS 5. Impairment losses in the amount of EUR 20,480 thousand were recognized as part of the measurement of the disposal groups on the basis of fair values less costs to sell. The impairment losses to be recognized prior to reclassification compliant with IFRS 5 totaled EUR 2,869 thousand at the ddp Group, with EUR 1,150 thousand relating to goodwill and EUR 1,719 thousand to other intangible assets. The impairment losses for goodwill prior to reclassification compliant with IFRS 5 totaled EUR 76 thousand at the Austrian BEA companies and EUR 100 thousand at the Evotape Group. The impairment losses to be recognized after the reclassification totaled EUR 12,334 thousand for the Rohner Group, EUR 4,751 thousand for the Austrian BEA companies, and EUR 350 thousand for the Evotape Group. The Rohner Group is assigned to the Specialty Chemistry segment, the Austrian BEA companies, and the ddp Group to the Service segment, and the Evotape Group to the Industrial Production segment.

Please refer to the notes to the disposal groups for details regarding the impairment losses within the disposal groups.

An impairment test was carried out for the Anvis Group on account of the disadvantageous economic development in the automotive industry. The entire Anvis Group were classified as a disposal group compliant with IAS 36. The fair value less costs to sell was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. Appropriate growth rates were applied to calculate the cash flows for the period beyond this. The applied discount rate after taxes was 6.70%. The growth discount in accordance with the existing detailed plan was set at 1%. This resulted in the need to recognize an impairment loss in the amount of EUR 6,749 thousand on account of the recoverable amount determined. EUR 5,056 thousand of the total relates to customer relationships and EUR 1,693 thousand to other intangible assets. The Anvis Group is assigned to the Automotive segment.

The economic situation of the Sommer Group also deteriorated rapidly at the end of fiscal 2008. The company was sold for a symbolic purchase price in the first quarter of 2009, which led to an impairment on the basis of the fair value less costs to sell and the recognition of an impairment loss in the amount of EUR 6,286 thousand. EUR 1,007 thousand of this impairment loss relates to goodwill, while the remaining impairment losses relate mainly to land, buildings, and machinery. The Sommer Group is assigned to the Automotive segment.

The impairment losses of the Gigaset Group relate to capitalized research and development work in one of its divisions which, based on a management decision taken in the first half of 2009, was designated for discontinuation and/or disposal. Since this research and development work did not have either a positive value in use or a fair value less costs to sell at the balance sheet date, they were written down in the full amount of EUR 4,877 thousand. The Gigaset Group is assigned to the Communications segment.

The economic situation of the Capresa Group deteriorated further at the end of 2008, as the company is a supplier to the automotive industry, among other things. Bankruptcy proceedings regarding the company's assets were initiated in the first quarter of 2009, which resulted in an impairment on the basis of the recoverable amount less costs to sell and the recognition of an impairment loss in the amount of EUR 6,046 thousand. EUR 278 thousand of this impairment loss relates to goodwill, while the remaining impairment losses mainly relate to customer basis, other intangible assets, and technical equipment, plant and machinery. The Capresa Group is assigned to the Steel segment.

The economic situation of the Rohé Group deteriorated further at the end of fiscal 2008. The company was sold for a symbolic purchase price in the first quarter of 2009, which resulted in an impairment on the basis of the fair value less costs to sell and the recognition of an impairment loss in the amount of EUR 2,005 thousand. EUR 1,979 thousand of this impairment loss relates to goodwill. The Rohé Group is assigned to the Service segment.

An impairment test was carried out for the SM Electronic Group on account of the disadvantageous economic development in the fourth quarter. The entire SM Electronic Group was classified as a disposal group compliant with IAS 36. The fair value less costs to sell was determined using the estimated proceeds on disposal. This resulted in the need to recognize an impairment loss in the amount of EUR 913 thousand on account of the recoverable amount determined. EUR 196 thousand of the total relates to intangible assets, EUR 427 thousand to machinery and equipment, EUR 290 thousand to other non-current assets. The SM Electronic Group is assigned to the Retail segment.

The impairment losses recognized at the Carl Froh Group reflect the impairment of machinery and equipment resulting from the loss of a major customer at year-end. Measurement was at fair value, which resulted in an impairment loss in the amount of EUR 619 thousand. The Carl Froh Group is assigned to the Steel segment.

EUR 19,551 thousand of the total impairment losses of EUR 133,673 thousand relate to impairment losses taken following the reclassification of assets as held-for-sale assets in accordance with IFRS 5.

No impairment losses from previous periods were reversed in fiscal 2008.

8. Income/expenses of non-current financial assets accounted for by the equity method

The net income from non-current financial assets accounted for by the equity method totaled EUR 474 thousand (prior year net expense of EUR 10,671 thousand):

EUR'000	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Joint ventures	474	123	0	123
Associated companies	0	-11,027	233	-10,794
Total	**474**	**-10,904**	**233**	**-10,671**

The net income from non-current financial assets accounted for by the equity method results from the joint ventures of the Anvis Group in the amount of EUR 474 thousand (prior year EUR 123 thousand).

9. Net interest income/expenses

EUR'000	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Other interest and similar income	8,607	3,707	548	4,255
Interest and similar expenses	-45,959	-15,571	-471	-16,042
Net interest income/expenses	**-37,352**	**-11,864**	**77**	**-11,787**

Other interest and similar income in the amount of EUR 8,607 thousand (prior year EUR 4,255 thousand) essentially results from the interest received on loans extended, current account balances, and time deposits classified as loans and receivables, and from interest income from financial instruments available for sale.

Interest and similar expenses in the amount of EUR 45,959 thousand (prior year EUR 16,042 thousand) mainly comprises interest paid to banks for loans received classified as financial liabilities measured at amortized cost. Added to this are interest expenses from obligations under finance leases in the amount of EUR 2,065 thousand and interest expenses from receivables under factoring arrangements which reduced the net interest income/expenses from loans and receivables by EUR 11,592 thousand.

All interest income and interest expenses resulting from financial assets and financial liabilities are calculated using the effective interest method.

10. Income taxes

The following table shows the breakdown of income tax expenses:

EUR'000	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Current tax expenses	-13,420	-7,320	-2,073	-9,393
Deferred tax income	20,084	3,079	2,958	6,037
Total income tax expense/income	**6,664**	**-4,241**	**885**	**-3,356**

The following reconciliation statement presents the differences between current income tax expenses and expected income tax expenses. The expected income tax expense is the result of earnings before taxes multiplied by the expected income tax rate. The expected income tax rate includes the statutory German corporate income tax, the solidarity surcharge, and trade tax, together totaling 27.0%.

EUR'000	2008	2007
Earnings before taxes	-148,286	118,081
Expected income tax rate	27.0%	37.0%
Expected income tax expense	-40,037	43,690
Effect on income from the recognition of negative goodwill	-30,391	-79,453
Valuation at equity	-128	3,948
Tax rate changes	57	-1,123
Income tax variations	468	753
Tax-exempt income	-3,645	-4,091
Non-deductible expenses	4,562	6,499
Changes in the value adjustment for deferred tax assets and unrecognized deferred tax assets on tax loss carry-forwards	62,979	42,266
Non-period current taxes	-75	-1,474
Tax credits	-37	-8,320
Other effects	-418	661
Income tax expense(+) / income (-) recognized in the income statement	**-6,664**	**3,356**
Effective tax rate	4.49%	2.84%

The tax-exempt income pertains mainly to proceeds from the sale of shares in deconsolidated companies.

11. Minority interests

The consolidated loss of EUR 141,622 thousand (prior year consolidated profit of EUR 114,725 thousand) includes EUR 11,542 thousand (prior year EUR 175 thousand) in minority interests.

12. Earnings per share

The earnings per share (diluted/basic) in fiscal 2008 totaled EUR -4.93, calculated on the basis of the following data:

EUR'000	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Net profit/loss				
Basis for the basic earnings per share (period net profit/loss attributable to shareholders of the parent company)	-130,080	62,261	52,289	114,550
Effect of potential diluting shares	0	0	0	0
Basis for diluted earnings per share	-130,080	62,261	52,289	114,550
Number of shares outstanding				
Weighted average number of shares outstanding for the basic earnings per share	26,401,099	25,672,825	25,672,825	25,672,825
Effect of potential diluting shares: stock options	0	163,265	163,265	163,265
Weighted average number of shares outstanding for the diluted earnings per share	26,401,099	25,836,090	25,836,090	25,836,090
Basic earnings per share (EUR)	-4.93	2.43	2.03	4.46
Diluted earnings per share (EUR)	-4.93	2.41	2.02	4.43

13. Dividend proposal

The Executive Board and Supervisory Board of ARQUES Industries AG will propose to the annual shareholders' meeting that the net loss for the year of EUR 102,179,416.15 disclosed in the annual financial statements of ARQUES Industries AG prepared in accordance with commercial law be offset from the accumulated net profit from fiscal 2007, regarding which the annual shareholders' meeting has not adopted an appropriation resolution, and the transfers from the reserve for treasury shares, and that the remaining accumulated net loss of EUR 49,938,029.38 disclosed in the annual financial statements of ARQUES Industries AG prepared in accordance with commercial law be carried forward to new account.

E. NOTES TO THE BALANCE SHEET

14. Intangible assets

EUR'000	FRANCHISES, INTELLECTUAL PROPERTY RIGHTS, AND SIMILAR RIGHTS AND LICENSES	GOODWILL	INTERNALLY GENERATED INTANGIBLE ASSETS	ADVANCE PAYMENTS	TOTAL
Acquisition cost at 01/01/2008	**100,374**	**40,993**	**31,249**	**2,334**	**174,950**
Companies added to consolidated group	34,450	0	18,096	0	52,546
Companies removed from consolidation group	-5,516	1,264	-15,750	-6	-22,536
Currency translation differences	-828	260	-170	0	-738
Additions	10,308	7,641	12,248	1,962	32,159
Disposals	-2,301	-401	-1,273	-330	-4,305
Transfers	-13,484	-11,647	-8,268	-1,621	-35,020
Balance at 12/31/2008	**123,003**	**35,582**	**36,132**	**2,339**	**197,056**
Amortization at 01/01/2008	**-16,363**	**-582**	**-3,241**	**0**	**-20,186**
Companies removed from consolidation group	4,878	305	13,807	0	18,990
Currency translation differences	76	-28	95	0	143
Impairment (IAS 36)	-19,619	-15,619	-18,694	-41	-53,973
Additions	-24,583	0	-11,794	0	-36,377
Disposals	1,289	0	63	0	1,352
Transfers	8,877	11,647	6,100	0	26,624
Balance at 12/31/2008	**-45,445**	**-4,277**	**-13,664**	**-41**	**-63,427**
Net carrying amount at 12/31/2007	**84,011**	**40,411**	**28,008**	**2,334**	**154,764**
Net carrying amount at 12/31/2008	**77,558**	**31,305**	**22,468**	**2,298**	**133,629**

EUR'000	FRANCHISES, INTELLECTUAL PROPERTY RIGHTS, AND SIMILAR RIGHTS AND LICENSES	GOODWILL	INTERNALLY GENERATED INTANGIBLE ASSETS	ADVANCE PAYMENTS	TOTAL
Acquisition cost at 01/01/2007	**17,371**	**2,692**	**4,777**	**1**	**24,841**
Companies added to consolidation group	91,090	0	24,286	1,569	116,945
Companies removed from consolidation group	-7,762	0	-951	-1	-8,714
Currency translation differences	-42	49	-5	0	2
Additions	3,884	39,940	3,520	803	48,147
Disposals	-2,040	-1,461	-429	-1	-3,931
Transfers	-2,127	-227	51	-37	-2,340
Balance at 12/31/2007	**100,374**	**40,993**	**31,249**	**2,334**	**174,950**
Amortization at 01/01/2007	**-5,354**	**-582**	**-733**	**-1**	**-6,670**
Companies removed from consolidation group	3,047	0	10	1	3,058
Currency translation differences	23	0	-9	0	14
Impairment (IAS 36)	0	0	0	0	0
Additions	-14,229	-154	-2,535	0	-16,918
Disposals	155	154	1	0	310
Transfers	-5		25	0	20
Balance at 12/31/2007	**-16,363**	**-582**	**-3,241**	**0**	**-20,186**
Net carrying amount at 12/31/2006	**12,017**	**2,110**	**4,044**	**0**	**18,171**
Net carrying amount at 12/31/2007	**84,011**	**40,411**	**28,008**	**2,334**	**154,764**

Franchises, intellectual property rights, and similar rights and licenses include customer bases capitalized as part of the purchase price allocation process, brand names acquired, other intangible assets, franchises, and patents and advantageous contracts acquired as part of company transactions.

The customer bases essentially relate to the following companies.

EUR'000 CUSTOMER BASES	12/31/2008	12/31/2007
Actebis Group	20,843	31,441
Carl Froh GmbH	4,035	0
Wanfried Group	3,139	3,520
Rohé Group	2,545	3,513
Gigaset Group	1,333	0
Anvis Group	0	6,404
BEA Electrics Group	0	2,807
Capresa Group	0	2,524
Eurostyle Group	0	2,097
	31,895	**52,306**

Impairment losses were recognized in 2008 on the customer bases of the BEA companies, the Capresa Group, the Eurostyle Group, and the Anvis Group. The entire group in each case was defined as the cash-generating unit within the meaning of IAS 36. For more information, please refer to the Note entitled "Impairment losses."

The brand names acquired as part of company transactions have been capitalized in each case by the acquiring company provided that a future benefit for the company has been attributed to the brand. The following table provides an overview of the brand names capitalized at the balance sheet date and their carrying amounts:

EUR'000 BRAND NAME	COMPANY	12/31/2008	12/31/2007
Gigaset	Gigaset	8,399	0
Rohé	Rohé	1,054	1,054
Avitos	tiscon	1,151	1,214
Auto Windscreens	Auto Windscreens	2,892	0
Schöps	Schöps Group	0	4,956
		13,496	**7,224**

The "Gigaset," "Rohé," and "Auto Windscreens" brand names have indefinite useful lives. All three brands are established names in their respective markets. When determining the useful lives, management decided on the basis of historical data and its own estimates of future developments to adopt indefinite useful lives for these brands. The factors considered when making this decision included the expected usage of the brand names, typical product lifecycles, possible commercial obsolescence, market competition, the respective market environment, the cost to maintain the names, legal or other restrictions regarding the usage of the assets, and the dependence on the useful life of the company's other assets. Impairment losses in the full amount were taken on the amount of EUR 4,956 thousand recognized for the "Schöps" brand name in the prior year under the provisions of IFRS 5 in conjunction with IAS 36 prior to reclassification as a disposal group. (For more information, please refer to the Note entitled "Impairment losses.")

ARQUES Management reaffirmed its intention to sell the company while the present consolidated financial statements were being prepared and after the balance sheet date. The company was sold for a symbolic price during the first quarter of 2009. Consequently, an impairment loss was taken based on the fair value less the costs to sell, which led to an impairment of the goodwill but not of the brand. The entire Rohé Group has been defined as the cash-generating unit within the meaning of IAS 36.

An impairment test based on the fair value less costs to sell was performed on the brand recognized upon initial consolidation of the Gigaset Group at December 31, 2008. The calculation was made using a 4-year cash flow plan. Appropriate growth rates were applied to calculate the cash flows for the period beyond this. The applied discount rate after taxes was 10.73%. The growth discount in accordance with the existing detailed plan was set at 1%. The calculation did not reveal any impairment.

An impairment test was performed on the brand recognized upon initial consolidation of Auto Windscreens at December 31, 2008. The entire Auto Windscreens Group was defined as the cash-generating unit within the meaning of IAS 36. The recoverable amount of the Group was calculated on the basis of a DCF model. The calculation was made using a 5-year cash flow plan. Appropriate growth rates were applied to calculate the cash flows for the period beyond this. The applied discount rate after taxes was 7.70%. The growth discount in accordance with the existing detailed plan was set at 1%. The calculation did not reveal any impairment. The calculations for the impairment test showed that actual changes to the underlying assumptions would not lead to any impairment losses.

Franchises with a total carrying amount of EUR 12,573 thousand were recognized at the balance sheet date (prior year EUR 10,592 thousand). The franchises mostly concern software licenses. The largest items within the Group were reported by the following companies:

EUR'000 FRANCHISES	12/31/2008	12/31/2007
Actebis Group	4,194	4,775
Gigaset Group	3,387	0
Anvis Group	1,502	594
tiscon Group	1,412	1,065
	10,495	**6,434**

The acquisition of companies frequently results in the capitalization of patents acquired as part of the company transaction. Patents in the total amount of EUR 15,259 thousand have been recognized at the balance sheet date (prior year EUR 5,593 thousand). These protect certain production processes of the Gigaset Group and the Anvis Group. Impairment losses were taken during the year under review on the patents of the Eurostyle Group totaling EUR 1,748 thousand included in the prior year. The entire group was defined as the cash-generating unit within the meaning of IAS 36. For more information, please refer to the Note entitled “Impairment losses.”

In some cases, the acquisition of companies during the year under review led to the capitalization of advantageous contracts. Advantageous contracts with a total carrying amount of EUR 4,225 thousand were recognized at the balance sheet date, resulting primarily from the acquisition of the Gigaset companies. The advantageous contracts of the Schöps Group totaling EUR 1,722 thousand and of the Capresa Group totaling EUR 1,678 thousand recognized in the prior year were subject to impairment losses during the year under review (For more information, please refer to the Note entitled “Impairment losses.”)

The following table lists the companies of the ARQUES Group which have capitalized material internal development costs together with the respective carrying amounts of the assets at the balance sheet date:

EUR'000 CAPITALIZED DEVELOPMENT COSTS	12/31/2008	12/31/2007
Gigaset Group	13,976	0
Anvis Group	5,400	6,734
Actebis Group	2,775	1,721
ASM Group	317	0
	22,468	**8,454**

The development work of the Gigaset Group and the Anvis Group concerns capitalized product developments. The Actebis Group capitalizes the ongoing refinement of its online ordering portal and the ASM Group has capitalized the cost of developing its own logistics software. The items of the ddp Group in the amount of EUR 4,239 thousand still carried under internally generated intangible assets in the prior year were reclassified as non-current assets held for sale as part of the reclassification as a disposal group. Prior to the reclassification, an impairment loss of EUR 1,719 thousand was taken on the image archive in accordance with IFRS 5 in conjunction with IAS 36. Impairment losses were taken in 2008 on the residual carrying amount of the capitalized development work of the Eurostyle Group after amortization. The entire group was defined as the cash-generating unit within the meaning of IAS 36. (For more information, please refer to the Note entitled "Impairment losses.")

The goodwill capitalized at the balance sheet date relates to the following companies:

EUR'000 GOODWILL	12/31/2008	12/31/2007
Actebis	25,581	25,125
Wanfried	4,968	4,968
Other	756	10,318
	31,305	**40,411**

In order to meet the requirements of IFRS 3 in conjunction with IAS 36 and to determine potential impairments to goodwill, ARQUES has allocated the goodwill to cash-generating units in accordance with its internal reporting system and conducted an impairment test. The recoverable amount for each cash-generating unit was calculated using the fair value less estimated costs to sell. In contrast, the recoverable amount was applied as the value in use in the prior year. Where no directly observable market prices were available for the entity in question during the year under review, the fair value was calculated by discounting the future cash flows, as in the prior year. The main assumptions applied by management when determining the fair value less costs to sell include assumptions regarding revenue development, customer acquisition and the cost of customer retention, cancellation rates, investments, market share, growth rates, and discount rate, each of which is derived from an appropriate peer group. Should there be material changes in these assumptions in the future, this could have a detrimental effect on the value of the cash-generating units. Based on the information and expectations regarding the market and competitive environment available at the balance sheet date, the values of all cash-generating units were within the range of acceptable values, with the exception of the goodwill on which impairment losses have been recognized.

The goodwill of the Actebis Group amounting to EUR 25,581 thousand (prior year EUR 25,125 thousand) at the balance sheet date originates from the acquisition of the group in fiscal 2007. The change over the prior year results from subsequent acquisition costs. An impairment test was carried out at December 31, 2008 on the goodwill arising upon the initial consolidation at December 31, 2007. The entire Actebis Group was selected as the cash-generating unit for the allocation of goodwill within the meaning of IAS 36. The recoverable amount of the Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. Appropriate growth rates were applied to calculate the cash flows for the period beyond this. The applied discount rate after taxes was 8.42%. The growth discount in accordance with the existing detailed plan was set at 1%. The calculation did not indicate any impairment of the recognized goodwill, since the fair value less costs to sell was higher than the residual carrying amount.

The goodwill of the Wanfried Group amounting to EUR 4,968 thousand at the balance sheet date (unchanged from the prior year) originates from the acquisition of the company. The Wanfried Group represents the cash-generating unit for the allocation of goodwill within the meaning of IAS 36. The recoverable amount of the Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. Appropriate growth rates were applied to calculate the cash flows for the period beyond this. The applied discount rate after taxes was 6.27%. The growth discount in accordance with the existing detailed plan was set at 1%. The calculation did not indicate any impairment of the recognized goodwill, since the fair value less costs to sell was higher than the residual carrying amount.

The goodwill of the Schöps Group recognized at an amount of EUR 5,027 thousand in the prior year amounted to EUR 0 thousand at the balance sheet date. It originates from the acquisition of the company. There was an increase of EUR 5,470 thousand in goodwill during the year under review, attributable to the acquisition of the outstanding 49% interest in the company. The Schöps Group represents the cash-generating unit for the allocation of goodwill within the meaning of IAS 36. The fair value less costs to sell of the Group was calculated on the basis of an offer received to buy the company. Since the recoverable amount calculated in this way was lower than the carrying amount of the goodwill, the goodwill of EUR 10,497 thousand was written down in full.

The goodwill of the ddp Group recognized with a carrying amount of EUR 1,578 thousand in the prior year amounted to EUR 0 thousand at the balance sheet date. There was a decrease in goodwill during the year under review resulting from the subsequent adjustment of the original purchase price for colourpress.com A/S. The change is shown as a disposal. The ddp Group represents the cash-generating unit for the allocation of goodwill within the meaning of IAS 36. The fair value less costs to sell of the Group was calculated on the basis of an offer received to buy the company. Since the recoverable amount calculated in this way was lower than the carrying amount of the goodwill, the goodwill of EUR 1,150 thousand was written down in full.

The goodwill of the Rohé Group recognized with a carrying amount of EUR 1,097 thousand in the prior year amounted to EUR 0 thousand at the balance sheet date. There was an increase in goodwill during the year under review, resulting from exchange rate differences (EUR 237 thousand), the purchase of Tank- und Anlagentechnik H&R GmbH, the purchase of Hünert Tanktechnik GmbH, and the subsequent acquisition of a 15% interest in Saxs Tank GmbH (totaling EUR 645 thousand). The Rohé Group represents the cash-generating unit for the allocation of goodwill within the meaning of IAS 36. The fair value less costs to sell of the Rohé Group was calculated on the basis of an offer to buy the company received while the consolidated financial statements were being prepared. ARQUES Management reaffirmed its intention to sell the company while the present consolidated financial statements were being prepared and after the balance sheet date. The offers to buy the company received from investors were employed when testing the goodwill for impairment. Based on the offers to buy the company, this analysis indicated that the goodwill is impaired from the perspective of the ARQUES Group. Consequently, the ARQUES Executive Board decided to write down the full amount of goodwill of EUR 1,979 thousand.

The goodwill of the Sommer Group recognized with a carrying amount of EUR 1,007 thousand in the prior year amounted to EUR 0 thousand at the balance sheet date. The goodwill originally resulted from the acquisition of the company. The Sommer Group represents the cash-generating unit for the allocation of goodwill within the meaning of IAS 36. The fair value less costs to sell of the Sommer Group was calculated on the basis of an offer to buy the company received while the consolidated financial statements were being prepared. ARQUES Management reaffirmed its intention to sell the company while the present consolidated financial statements were being prepared and after the balance sheet date. The offers to buy the company received from investors were employed when testing the goodwill for impairment. Based on the offers to buy the company, this analysis indicated that the goodwill is impaired from the perspective of the ARQUES Group. Consequently, the ARQUES Executive Board decided to take impairment losses on the goodwill in the full amount of EUR 1,007 thousand.

The other goodwill relates primarily to the Fritz Berger Group, the tiscon Group, and the Golf House Group. The recoverable amount of the respective groups was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. Appropriate growth rates were applied to calculate the cash flows for the period beyond this. The applied discount rate after taxes was between 6.66% and 8.15%, depending on the group concerned. The growth discount in accordance with the existing detailed plan was set at 1%. The calculation did not indicate any impairment of the recognized goodwill, since the fair value less costs to sell was higher than the residual carrying amount.

The item “Companies removed from consolidation group” essentially includes the acquisition and production cost and the accumulated depreciation of assets resulting from the deconsolidation of the Jahnel-Kestermann Group and Xerius AG during the year under review. Also included are a number of minor disposals which are not described in detail on account of their insignificance for the ARQUES Group.

Intangible assets in the amount of EUR 9,418 thousand (prior year EUR 0 thousand) have been pledged as security for financial liabilities. A detailed presentation of the security furnished can be found under “Liquidity risk” in the notes to financial instruments.

15. Property, plant and equipment

EUR'000	LAND, LEASEHOLD RIGHTS	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (EXCLUDING FINANCE LEASES)	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (FINANCE LEASES)
Acquisition cost at 01/01/2008	**38,748**	**108,137**	**4,602**
Companies added to consolidated group	7,008	34,033	0
Companies removed from consolidation group	-5,396	-18,320	-4,446
Currency translation differences	0	804	0
Additions	2,172	3,559	0
Disposals	-8,135	-9,034	0
Transfers	-4,063	-18,280	0
Balance at 12/31/2008	**30,334**	**100,899**	**156**
Depreciation at 01/01/2008	**-4,275**	**-13,445**	**-3**
Companies removed from consolidation group	2,755	7,553	2,419
Currency translation differences	167	-182	0
Additions	-87	-5,236	-526
Impairment (IAS 36)	-1,803	-9,641	-1,908
Transfers	2,088	1,178	0
Disposals	0	6,048	0
Balance at 12/31/2008	**-1,155**	**-13,725**	**-18**
Net carrying amount at 12/31/2007	**34,473**	**94,692**	**4,599**
Net carrying amount at 12/31/2008	**29,179**	**87,174**	**138**

EUR'000	LAND, LEASEHOLD RIGHTS	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (EXCLUDING FINANCE LEASES)	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (FINANCE LEASES)
Acquisition cost at 01/01/2007	**17,410**	**47,468**	**10,008**
Companies added toconsolidated group	27,308	49,204	4,603
Companies removed from consolidation group	-4,156	-1,354	-284
Currency translation differences	27	-550	0
Additions	402	1,620	0
Disposals	-3,306	-2,803	0
Transfers	1,063	14,552	-9,725
Balance at 12/31/2007	**38,748**	**108,137**	**4,602**
Depreciation at 01/01/2007	**-546**	**-3,310**	**-11**
Companies removed from consolidation group	589	226	19
Currency translation differences	88	10	0
Additions	-94	-4,281	-11
Impairment (IAS 36)	-4,312	-7,120	0
Transfers	0	292	0
Disposals	0	738	0
Balance at 12/31/2007	**-4,275**	**-13,445**	**-3**
Net carrying amount at 12/31/2006	**16,864**	**44,158**	**9,997**
Net carrying amount at 12/31/2007	**34,473**	**94,692**	**4,599**

TECHNICAL EQUIPMENT, PLANT AND MACHINERY (EXCLUDING FINANCE LEASES)	TECHNICAL EQUIPMENT, PLANT AND MACHINERY (FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (EXCLUDING FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (FINANCE LEASES)	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
140,390	**39,276**	**51,000**	**6,120**	**10,313**	**398,586**
27,385	220	53,200	1,033	321	123,200
-46,602	-8,875	-4,750	-77	-13,199	-101,665
-3,004	2,783	-317	-145	-83	38
16,811	12,051	12,276	2,118	23,013	72,000
-11,173	-7,165	-5,619	-213	-3,027	-44,366
31,411	-1,188	83	1	-7,673	291
155,218	**37,102**	**105,873**	**8,837**	**9,665**	**448,084**
-6,994	**-4,210**	**-6,902**	**-378**	**0**	**-36,207**
20,546	4,704	2,930	0	5,464	46,371
-2,279	-1,304	-32	26	-4	-3,608
-26,348	-4,425	-18,073	-2,151	-63	-56,909
-21,087	-16,410	-3,751	0	-5,549	-60,149
-31,309	159	-4,640	118	99	-32,307
3,091	1,374	1,217	16	7	11,753
-64,380	**-20,112**	**-29,251**	**-2,369**	**-46**	**-131,056**
133,396	**35,066**	**44,098**	**5,742**	**10,313**	**362,379**
90,838	**16,990**	**76,622**	**6,468**	**9,619**	**317,028**

TECHNICAL EQUIPMENT, PLANT AND MACHINERY (EXCLUDING FINANCE LEASES)	TECHNICAL EQUIPMENT, PLANT AND MACHINERY (FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (EXCLUDING FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (FINANCE LEASES)	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
47,292	**25,287**	**14,034**	**3,481**	**4,021**	**169,001**
107,047	16,831	37,944	2,730	11,761	257,428
-21,322	-8,756	-3,962	0	-682	-40,516
-1,377	-599	-209	4	-109	-2,813
12,354	7,109	5,055	703	11,530	38,773
-9,464	-10,654	-2,970	-303	-1,258	-30,758
5,860	10,058	1,108	-495	-14,950	7,471
140,390	**39,276**	**51,000**	**6,120**	**10,313**	**398,586**
-6,244	**-954**	**-5,352**	**-43**	**0**	**-16,460**
8,730	265	2,218	0	0	12,047
919	30	100	-1	0	1,146
-14,273	-3,950	-5,485	-585	0	-28,679
-3,106	0	0	0	0	-14,538
694	8	-517	0	0	477
6,286	391	2,134	251	0	9,800
-6,994	**-4,210**	**-6,902**	**-378**	**0**	**-36,207**
41,048	**24,333**	**8,682**	**3,438**	**4,021**	**152,541**
133,396	**35,066**	**44,098**	**5,742**	**10,313**	**362,379**

Property, plant and equipment also includes leased assets in the amount of EUR 23,596 thousand (prior year EUR 45,407 thousand) for which the Group is considered to be the beneficial owner by virtue of the underlying lease agreements. These leases relate to technical equipment, plant and machinery (EUR 16,990 thousand, prior year EUR 35,066 thousand), operational and office equipment (EUR 6,468 thousand, prior year EUR 5,742 thousand), and buildings (EUR 138 thousand, prior year EUR 4,599 thousand).

Property, plant and equipment in the amount of EUR 46,354 thousand (prior year EUR 75,949 thousand) have been pledged as security for financial liabilities. A detailed presentation of the security furnished can be found under “Liquidity risk” in the notes to financial instruments.

For further information, please refer to the comments in the note concerning impairment losses.

16. Investment property

EUR'000	2008	2007
Acquisition cost at 01/01	**2,330**	**2,330**
Additions	0	0
Change in consolidation group	0	0
Acquisitions	0	0
Disposals	0	0
Balance at 12/31	**2,330**	**2,330**
Depreciation at 01/01	**-2,080**	**-211**
Additions	-12	-1,869
Change in consolidation group	0	0
Acquisitions	0	0
Disposals	0	0
Balance at 12/31	**-2,092**	**-2,080**
Net carrying amount at 12/31	**238**	**250**

The investment property pertains to a developed parcel of land of ARQUES Industries AG in Burnhaupt le Haupt, France. The building is depreciated using the straight-line method over an economic life of 25 years. The rental revenues generated in 2008 amounted to EUR 32 thousand (prior year EUR 38 thousand). The fair value of the investment property was reassessed in 2007 by expert appraisal based on future rental income. As a result of this, an impairment loss of EUR 1,789 thousand was recognized on the property in 2007.

17. Non-current financial assets accounted for by the equity method

The following table shows the development of non-current financial assets accounted for by the equity method:

EUR'000	2008	2007
Balance at 1/1	**4,564**	**17,762**
Additions	0	81
Addition to consolidation group	0	4,200
Disposal from consolidation group	0	- 3,733
Proportional share of net profit	474	656
Foreign exchange differences	8	- 2
Income tax	0	0
Dividend payments received	0	0
Write-down	0	- 6,979
Disposals	-46	- 4,427
Transfers	0	- 2,994
Balance at 12/31	**5,000**	**4,564**

The proportional net profit for the year relates to the earnings contributions of the following companies accounted for by the equity method:

EUR'000	2008	2007
Anvis South Africa / Brazil	474	123
Jamshedpur Injection Powder Ltd., India	0	233
ARQUANA International Print & Media AG	0	300
	474	**656**

The assets of the Anvis South Africa joint venture (BEL-Anvis ANTIVIBRATIONSSYSTEMS (Pty.) Ltd.) amounted to EUR 3,113 thousand (prior year EUR 2,101 thousand) at December 31, 2008 and its liabilities EUR 1,595 thousand (prior year EUR 978 thousand). Revenues totaled EUR 6,450 thousand (prior year EUR 3,165 thousand) and net profit EUR 402 thousand (prior year EUR 331 thousand).

The assets of the Anvis Brazil joint venture (Vibracoustic do Brasil Industria e Comercio de Artefatos de Borracha Ltda.) amounted to EUR 8,627 thousand (prior year EUR 9,269 thousand) at December 31, 2008 and its liabilities EUR 1,715 thousand (prior year EUR 2,487 thousand). Revenues totaled EUR 22,463 thousand (prior year EUR 20,755 thousand) and net profit EUR 546 thousand (prior year EUR 964 thousand).

The associated companies Jamshedpur Injection Powder Ltd., India, and ARQUANA International Print & Media AG listed here in the prior year were sold in 2007.

18. Financial assets

The financial assets include loans extended with a term of more than one year. All loans were measured at amortized cost. Due to the fact that the contractual terms are longer than one year, the fair values can differ from the carrying amounts. The fair value is calculated using the discounted cash flow method, which gave rise to a fair value of EUR 3,227 thousand (prior year EUR 3,784 thousand).

The following table shows the development of the loans extended in fiscal 2008:

EUR'000	2008	2007
Acquisition cost at 01/01	**3,784**	**9,751**
Change in consolidation group	424	3,354
Additions	1	149
Disposals	-1,196	-9,866
Transfers	-85	408
Currency differences	0	-38
Reversal of impairment loss	261	26
Balance at 12/31	**3,190**	**3,784**

Changes in the consolidation group result from the addition of the ASM Group, amounting to EUR 677 thousand, and the disposal of the Eurostyle Group, amounting to EUR 253 thousand.

The disposals relate to the repayments requested by the Anvis Group, the ASM Group, the Capresa Group, and the Wanfried Group as settled by the debtors. Default risks identifiable in the portfolio of loans extended are normally covered by setting up appropriate valuation allowances. No impairment losses were taken in the portfolio of loans extended in 2008.

The reversals of impairment losses in the amount of EUR 261 thousand relate to impairment losses taken on loans in fiscal 2007, since the debtors met their payment obligations.

The individual financial assets have been recognized by the following companies of the ARQUES Group.

EUR'000	2008	2007
Anvis Group	2,272	2,625
ASM Group	605	0
Wanfried Group	256	441
Capresa Group	29	409
Golf House Group	19	18
Schierholz Translift Global Manufacturing AG	4	0
Rohé Group	3	0
Sommer Group	2	0
Eurostyle Group	0	291
Total	**3,190**	**3,784**

The Eurostyle Group was deconsolidated at the end of November 2008 and hence no longer belonged to the consolidation group at the balance sheet date.

EUR 3,181 thousand (prior year EUR 3,784 thousand) of the loans extended are to be repaid in euros (EUR), EUR 4 thousand in Swiss francs, EUR 3 thousand in Latvian lats (LVL), and EUR 2 thousand in Russian rubles (RUR).

Based on the contractually agreed interest and principal payments, there were no indications at the balance sheet date that these payments will not be received when due.

In fiscal 2008, the ARQUES Group received no collateral or other credit improvements as security for the loans extended.

19. Other non-current assets

Shares in non-consolidated companies are disclosed under other non-current assets.

20. Inventories

The following table shows the breakdown of inventories:

EUR'000	2008	2007
Finished goods and services, and merchandise for resale	310,229	313,454
Semi-finished goods and services	13,498	59,834
Raw materials and supplies	52,372	57,828
Advance payments	2,763	7,913
Total	**378,862**	**439,029**

Inventories are measured at the lower of cost or net realizable value less costs to sell at the balance sheet date. The valuation allowances contained within purchased goods and services amounted to EUR 14,360 thousand (prior year EUR 11,678 thousand) at the balance sheet date. These valuation allowances mainly reflect slow-moving inventories and insufficient salability.

The following tables show the breakdown of finished goods and services, and merchandise for resale, by subsidiary of ARQUES Industries AG:

EUR'000 MERCHANDISE FOR RESALE	2008	2007
Actebis Group	213,911	234,149
tiscon Group	13,709	16,150
Fritz Berger Group	7,468	6,117
Golf House Group	4,974	4,284
SM Electronic Group	4,373	9,367
Schöps Group	0	8,738
Total	**244,435**	**278,805**

The Schöps Group has been deconsolidated and therefore did not disclose any items as of the balance sheet date.

EUR'000 FINISHED GOODS AND SERVICES	2008	2007
Gigaset Group	35,112	0
Anvis Group	8,112	8,736
Auto Windscreens Group	5,275	0
Sommer Group	3,879	1,465
Carl Froh Group	3,130	0
van Netten Group	2,772	2,111
Rohé Group	2,421	1,085
Wanfried Group	2,103	1,539
Oxxynova Group	1,574	5,867
Capresa Group	1,256	1,311
ASM Group	160	0
Eurostyle Group	0	5,628
Rohner Group	0	3,320
Evotape Group	0	1,836
Other	0	1,751
Total	**65,794**	**34,649**

The companies of the Eurostyle Group disclosed in the prior year were deconsolidated at the balance sheet date.

In accordance with IFRS 5, the finished goods of the Rohner Group and the Evotape Group are shown under assets held for sale within the disposal group at the balance sheet date.

The following table shows the breakdown of semi-finished goods and services by corporate group:

EUR'000 SEMI-FINISHED GOODS AND SERVICES	2008	2007
Anvis Group	5,150	7,900
Carl Froh Group	2,123	0
Sommer Group	1,965	3,479
Gigaset Group	1,748	0
weberbenteli Group	1,113	520
Jahnel-Kestermann Group	0	21,098
Eurostyle Group	0	17,732
Austrian BEA companies	0	2,574
Rohner Group	0	1,229
Evotape Group	0	1,095
Other	1,399	4,206
Total	**13,498**	**59,834**

The companies of the Jahnel-Kestermann Group and the Eurostyle Group shown in the prior year were deconsolidated at the balance sheet date.

In accordance with IFRS 5, the semi-finished goods of the Rohner Group, the Evotape Group, and the Austrian BEA companies are shown under assets held for sale within the disposal group at the balance sheet date.

The following table shows the breakdown of the significant items within raw materials and supplies by subsidiary of the ARQUES Group:

EUR'000 RAW MATERIALS AND SUPPLIES	2008	2007
Gigaset Group	13,655	0
Rohé Group	9,840	9,280
Sommer Group	8,180	9,518
Anvis Group	7,652	9,175
Oxxynova Group	4,135	9,797
Carl Froh Group	2,515	0
weberbenteli Group	1,953	1,902
Capresa Group	1,750	1,471
van Netten Group	1,214	1,475
Wanfried Group	737	893
Eurostyle Group	0	5,583
Evotape Group	0	2,301
Rohner Group	0	1,980
Jahnel-Kestermann Group	0	1,709
Austrian BEA companies	0	139
Other	741	2,605
Total	**52,372**	**57,828**

In accordance with IFRS 5, the raw materials and supplies of the Rohner Group, the Evotape Group, and the Austrian BEA companies are shown under assets held for sale within the disposal group at the balance sheet date.

The companies of the Jahnel-Kestermann Group and the Eurostyle Group shown in the prior year were deconsolidated at the balance sheet date.

The following table shows the breakdown of advance payments by company:

EUR'000 ADVANCE PAYMENTS	2008	2007
Gigaset Group	720	0
Rohé Group	693	677
tiscon Group	524	1,257
Anvis Group	429	498
Sommer Group	368	760
SM Electronic Group	29	0
Eurostyle Group	0	3,933
Other	0	788
Total	**2,763**	**7,913**

The companies of the Eurostyle Group shown in the prior year were deconsolidated at November 30, 2008.

Inventories in the amount of EUR 12,613 thousand (prior year EUR 3,442 thousand) have been pledged as security for financial liabilities. A detailed presentation of the security furnished can be found under “Liquidity risk” in the notes to financial instruments.

21. Receivables from percentage of completion

The receivables from percentage of completion are calculated as follows:

EUR'000	2008	2007
Costs incurred, plus accrued profit	4,576	15,040
Less invoices issued for advance payments	1,622	0
Total	**2,954**	**15,040**
of which: receivables from percentage of completion	3,030	15,040
of which: payables from percentage of completion	76	0

The receivables and payables from percentage of completion result from the Rohé Group. The construction contracts are accounted for by the zero profit method.

A receivable is recognized if the value of the work performed exceeds the advance payments; in the reverse case, a payable is recognized. Provisions are set up to cover anticipated losses on construction contracts.

The Hottinger Group shown in the prior year was deconsolidated at the balance sheet date.

In accordance with IFRS 5, the receivables from percentage of completion of BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH are shown under assets held for sale within the disposal group at the balance sheet date.

22. Trade receivables

EUR'000	12/31/2008	12/31/2007
Receivables before valuation allowances	413,311	433,383
Valuation allowances	-5,679	-2,987
Carrying amount of the receivables	**407,632**	**430,396**

The following table shows the development of the valuation allowances on trade receivables:

EUR'000	2008	2007
01/01	**2,987**	**1,644**
Addition	8,589	2,661
Utilization	-3,366	-29
Reversal	-2,532	-547
Changes in consolidation group	0	-742
12/31	**5,679**	**2,987**

No interest income was received on written-down trade receivables in the period under review.

Some companies of the ARQUES Group have assigned a portion of their trade receivables to a financing company. The maximum volume of the factoring agreements concluded by the balance sheet date amounts to EUR 458,721 thousand (prior year EUR 310,000 thousand). The maximum volume had, however, not been utilized at the balance sheet date. Receivables in the amount of EUR 322,622 thousand (prior year EUR 267,900 thousand) had been sold. Due to the nature of the contracts for some of the factoring agreements, neither the risks nor the opportunities associated with the sold receivables can be completely assigned to one of the parties. In accordance with IAS 39, therefore, the company has recognized an amount of EUR 9,586 thousand (prior year EUR 892 thousand) as its “continuing involvement” in the sold receivables, composed of EUR 9,453 thousand (prior year EUR 153 thousand) for the residual interest rate risk and EUR 151 thousand (prior year EUR 739 thousand) for the del credere risk arising from the purchase price retention. Furthermore, a claim against the purchaser of the receivables in the amount of EUR 15,481 thousand (prior year EUR 660 thousand) resulting from the purchase price retention is carried under trade receivables.

The following table shows the age structure of the trade receivables at December 31, 2008:

EUR'000	12/31/2008	12/31/2007
Carrying amount	**407,632**	**430,396**
of which: neither written down nor past due at the balance sheet date	302,130	240,881
of which: written down at the balance sheet date	36,123	85,349
of which: not written down but past due at the balance sheet date, by the following lengths of time	69,379	104,166
up to 90 days past due	47,428	98,357
90 days to 180 days past due	8,292	4,138
180 days to 1 year past due	4,934	1,433
more than 1 year past due	8,725	238

EUR 26,252 thousand (prior year EUR 17,860 thousand) of the trade receivables stated in the balance sheet was pledged as security for financial liabilities. A detailed presentation of the security furnished can be found under “Liquidity risk” in the notes to financial instruments.

With respect to the trade receivables that were neither written down nor past due at the balance sheet date, there was no indication that the payments would not be made when due.

The ARQUES Group did not accept any credit security or any other credit improvements as security for trade receivables or unpaid invoices in fiscal 2008.

The largest items within trade receivables are attributable to the following corporate groups:

EUR'000	12/31/2008	12/31/2007
Actebis Group	180,039	163,240
Gigaset Group	92,537	0
Anvis Group	37,641	52,222
Rohé Group	22,179	21,749
SM Electronics Group	16,115	18,919
tiscon Group	12,713	18,560
Auto Windscreens Group	12,707	0
ASM Group	8,767	0
weberbenteli Group	7,727	6,356
Oxxynova Group	4,878	21,168
Capresa Group	3,988	4,101
Sommer Group	3,880	5,526
Wanfried Group	3,562	3,370
Eurostyle Group	0	47,772
BEA Electrics Group	0	10,679
Evotape Group	0	16,921
Jahnel-Kestermann Group	0	14,358
Other	898	25,456
Total	**407,632**	**430,396**

The companies of the Eurostyle Group and the Jahnel-Kestermann Group shown in the prior year were deconsolidated at the balance sheet date.

In accordance with IFRS 5, the Evotape Group and the BEA Group are shown under non-current assets and liabilities held for sale within the disposal group at the balance sheet date.

As a result of the international activity of many of the subsidiaries of the ARQUES Group, the trade receivables at December 31, 2008, contained the following trade receivables denominated in foreign currency, which have been translated to the Group currency (EUR) as shown in the following table:

FOREIGN CURRENCY		12/31/2008 EUR'000	12/31/2008 %	12/31/2007 EUR'000	12/31/2007 %
USD	U.S. dollars	23,846	23.3	12,785	9.9
DKK	Danish krone	15,662	15.3	70,354	54.4
GBP	British pounds	15,394	15.0	3,596	2.8
CHF	Swiss francs	9,474	9.2	12,830	9.9
NOK	Norwegian krone	6,072	5.9	5,975	4.6
SEK	Swedish krona	5,242	5.1	3,525	2.7
CNY	Chinese yuan	3,797	3.7	4,190	3.2
BRL	Brazilian reals	3,615	3.5	0	0.0
PLN	Polish zlotys	3,068	3.0	2,725	2.1
RON	Romanian lei	3,013	2.9	4,708	3.6
RSD	Serbian dinars	2,745	2.7	0	0.0
ARS	Argentine pesos	2,471	2.4	0	0.0
HUF	Hungarian forints	2,011	2.0	1,293	1.1
TRL	Turkish lira	1,692	1.7	0	0.0
BGN	Bulgarian levs	1,111	1.1	1,245	1.0
Other		3,333	3.2	6,121	4.7
Total		**102,545**	**100.0**	**129,347**	**100.0**

23. Available-for-sale financial assets

Available-for-sale financial assets in the amount of EUR 821 thousand (prior year EUR 1,418 thousand) represent the residual amount of the financial assets that were not recognized in other measurement categories in accordance with IAS 39. The ARQUES Group presents only interest-bearing and non-bearing securities and equity instruments in this item.

The items in this position are measured at fair value upon initial recognition. The securities involved are shares in unlisted companies. It is not possible to determine the fair value for subsequent measurement. Hence subsequent measurement is at amortized cost.

Premiums and discounts are recognized as net interest income/expenses over the term to maturity. At the balance sheet date, interest income was recognized in the amount of EUR 63 thousand (prior year EUR 28 thousand).

24. Other assets

The following table shows the breakdown of other assets:

EUR'000	12/31/2008	12/31/2007
Receivables from factoring	70,578	115,892
Amounts owed by former shareholders	39,417	8,000
Tax receivables	21,087	16,471
Prepaid expenses	11,529	7,636
Current loans	5,896	21,057
Credit balances in customer accounts	5,145	4,761
Refund claims due from suppliers	3,855	10,618
Receivables from pension liability insurance	3,809	426
Receivables from asset sales	3,507	0
Security deposits	1,778	965
Other personnel receivables	1,541	1,094
Derivatives	1,530	76
Receivable for negative purchase prices	7	11,500
Receivables from share sales	0	4,620
Receivables measured at fair value	0	4,047
Miscellaneous other assets	22,430	21,760
Total	**192,109**	**228,923**

The receivables from factoring of the Actebis Group at December 31, 2008, essentially include the receivable of EUR 21,258 thousand (prior year EUR 25,042 thousand) arising from the purchase price retention for the legal validity and revenue deduction risks and the receivable of EUR 21,507 thousand (prior year EUR 87,949 thousand) arising from the outstanding portion of the purchase price claim. A further EUR 14,772 thousand disclosed under this item is attributed to the Gigaset Group.

The amounts of EUR 39,417 thousand owed by former shareholders result mainly from the amount of EUR 30,376 thousand owed by Siemens AG on account of the Gigaset Group. A large part of the total, EUR 29,456 thousand, reflects receivables from the Contractual Trust Arrangement (CTA), which arise in conjunction with the transferred pension commitments. In addition, the Anvis Group is owed an amount of EUR 7,874 thousand (prior year EUR 8,000 thousand) by a former shareholder for environmental measures, and the ASM Group an amount of EUR 616 thousand.

The tax receivables stated in the balance sheet do not include income tax receivables as these are shown separately. The tax receivables disclosed here notably include VAT claims in the amount of EUR 17,014 thousand (prior year EUR 12,562 thousand), relating mostly to the Gigaset Group in the amount of EUR 6,993 thousand, the Anvis Group in the amount of EUR 3,701 thousand (prior year EUR 3,128 thousand), the Actebis Group in the amount of EUR 2,157 thousand (prior year EUR 3,522 thousand), and the tiscon Group in the amount of EUR 1,310 thousand (prior year EUR 36 thousand).

The prepaid expenses relate mainly to Auto Windscreens in the amount of EUR 2,506 thousand, the Actebis Group in the amount of EUR 1,616 thousand (prior year EUR 713 thousand), the tiscon Group in the amount of EUR 1,463 thousand (prior year EUR 819 thousand), the SM Electronic Group in the amount of EUR 1,356 thousand (prior year EUR 2,561 thousand), the Gigaset Group in the amount of EUR 1,245 thousand, and the Rohé Group in the amount of EUR 1,074 thousand (prior year EUR 284 thousand).

EUR 4,701 thousand of the current loans amounting to EUR 5,896 thousand relates to Arques Industrie Finanz GmbH. Valuation allowances of EUR 2,591 thousand have been taken on the loans disclosed under this item.

Refund claims due from suppliers of EUR 3,855 thousand (prior year EUR 10,618 thousand) have been recognized, EUR 1,660 thousand (prior year EUR 6,303 thousand) of which is attributable to the Actebis Group, EUR 1,537 thousand (prior year EUR 2,873 thousand) to the tiscon Group, EUR 413 thousand (prior year EUR 0) to the Anvis Group, and EUR 231 thousand (prior year EUR 0 thousand) to the Golf House Group. These claims generally reflect (year-end) rebates of manufacturers and suppliers that will be paid in the subsequent period.

25. Tax refund claims

The following table shows the breakdown of this item which relates solely to claims for refunds of income tax:

EUR'000	12/31/2008	12/31/2007
Actebis Group	4,732	866
Gigaset Group	3,797	0
Anvis Group	657	1,642
ARQUES Value Invest Ltd,	0	5,911
Other	1,321	5,513
Total	**10,507**	**13,932**

26. Cash and cash equivalents

This item is composed of cash on hand and cash in banks that are available in less than three months, as well as other financial securities with original terms of less than three months. Of the total cash and cash equivalents, an amount of EUR 33,511 thousand (prior year EUR 14,675 thousand) has been pledged as security for credit lines and currency hedges (restricted cash).

EUR'000	12/31/2008	12/31/2007
Short-term deposits	1,262	893
Cash on hand and cash in banks	107,636	68,972
Restricted cash	33,511	14,675
Total	**142,409**	**84,540**

27. Non-current assets and liabilities held for sale

The amounts presented in the balance sheet under non-current assets held for sale and liabilities related to assets held for sale refer to specific assets and liabilities of the companies listed below.

In accordance with the provisions of IFRS 5, an item of property, plant and equipment must be reviewed in order to determine whether the fair value less costs to sell is less than the carrying amount prior to reclassifying such an asset as held for sale. The assets listed below were measured at the lower of the fair value less the costs to sell and the previous carrying amount. In the case of disposal groups, the fair value less the costs to sell is measured and compared with the carrying amounts on an aggregated level.

BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH, the Austrian BEA companies, the ddp Group, the Evotape Group, and the Rohner Group were sold to a financial investor in January 2009 under the terms of a portfolio deal.

The criteria for recognizing the sold assets and liabilities as non-current assets and liabilities held for sale in accordance with IFRS 5 were met. Following their classification as held for sale, the Evotape Group, the Rohner Group, and the Austrian BEA companies were written down to their fair value less costs to sell.

The assets and liabilities sold comprised the following at December 31, 2008:

BEA ELEKTROTECHNIK UND AUTOMATION TECHNISCHE DIENSTE LAUSITZ GMBH (SERVICE SEGMENT)	EUR'000
Assets	
Intangible assets	593
Property, plant and equipment	1,061
Inventories	951
Current assets and other assets	18,936
Bank balances and security	8,102
Deferred tax assets	53
Total	**29,696**
Liabilities	
Provisions	1,233
Other liabilities	26,420
Deferred tax liabilities	189
Total	**27,842**

DDP GROUP (SERVICE SEGMENT)	EUR'000
Assets	
Intangible assets	3,009
Property, plant and equipment	391
Current assets and other assets	539
Bank balances and security	238
Deferred tax assets	23
Total	**4,200**
Liabilities	
Interest-bearing liabilities	66
Provisions	31
Other liabilities	2,193
Total	**2,290**

EVOTAPE GROUP (INDUSTRIAL PRODUCTION SEGMENT) EUR'000	AMOUNT BEFORE IMPAIRMENT	IMPAIRMENT IN ACCORDANCE WITH IFRS 5	AMOUNT AFTER IMPAIRMENT
Assets			
Intangible assets	35	-1	34
Property, plant and equipment	11,232	-349	10,883
Inventories	5,005		5,005
Current assets and other assets	19,200		19,200
Bank balances and security	264		264
Total	**35,736**	**-350**	**35,386**
Liabilities			
Interest-bearing liabilities	6,775		6,775
Provisions	3,515		3,515
Other liabilities	20,932		20,932
Total	**31,222**	0	**31,222**

ROHNER GROUP (SPECIALTY CHEMISTRY SEGMENT) EUR'000	AMOUNT BEFORE IMPAIRMENT	IMPAIRMENT IN ACCORDANCE WITH IFRS 5	AMOUNT AFTER IMPAIRMENT
Assets			
Intangible assets	1,315	-1,105	210
Property, plant and equipment	13,379	-11,229	2,150
Inventories	7,734	0	7,734
Current assets and other assets	4,079	0	4,079
Bank balances and security	6,192	0	6,192
Total	**32,699**	**-12,334**	**20,365**
Liabilities			
Interest-bearing liabilities	0	0	0
Provisions	7,402	0	7,402
Other liabilities	5,235	0	5,235
Total	**12,637**	**0**	**12,637**

AUSTRIAN BEA COMPANIES (SERVICE SEGMENT) EUR'000	AMOUNT BEFORE IMPAIRMENT	IMPAIRMENT IN ACCORDANCE WITH IFRS 5	AMOUNT AFTER IMPAIRMENT
Assets			
Intangible assets	3,114	-2,541	573
Property, plant and equipment	3,950	-2,210	1,740
Financial assets	542	0	542
Inventories	3,534	0	3,534
Current assets and other assets	9,552	0	9,552
Bank balances and security	2,048	0	2,048
Deferred tax assets	0	0	0
Total	**22,740**	**-4,751**	**17,989**
Liabilities			
Interest-bearing liabilities	5,283	0	5,283
Provisions	1,064	0	1,064
Other liabilities	9,807	0	9,807
Deferred tax liabilities	0	0	0
Total	**16,154**	**0**	**16,154**

28. Equity

Subscribed capital

The company's share capital remains unchanged at EUR 26,450,000, divided into 26,450,000 no-par bearer shares. Thus, every no-par share represents EUR 1.00 of the share capital.

The shareholders adopted a resolution for a conditional capital increase of EUR 1,300,000, divided into 1,300,000 new no-par bearer shares (Conditional Capital 2008/I) at the annual shareholders' meeting on July 7, 2008. The increase will be used solely to grant subscription rights under the stock option program.

The creation of the Conditional Capital 2008/I took effect when entered in the Commercial Register on October 27, 2008.

The nominal amount of the 48,118 treasury shares at the balance sheet date of December 31, 2008, was offset against the subscribed capital in accordance with IAS 32. 26,000 treasury shares were acquired in fiscal 2008 for a price of EUR 512 thousand. Furthermore, 32,438 treasury shares were issued to settle stock option programs and a further 38,325 treasury shares redeemed under existing redemption obligations.

Additional paid-in capital

The amount of the acquisition costs exceeding the nominal amount of the treasury shares acquired was set off against the additional paid-in capital in accordance with IAS 32, with the result that the additional paid-in capital amounted to EUR 73,580 thousand at the balance sheet date of December 31, 2008.

Retained earnings

The retained earnings totaling EUR 20,290 thousand have not changed since 2007.

Minority interests

The adjustment entry for minority interests pertains mainly to the following segments: Automotive, IT, Retail, Specialty Chemistry, and Service. The changes relate to the newly acquired companies, changes in existing subsidiaries, and the derecognized minority interests of deconsolidated companies.

Authorized capital

The shareholders resolved to increase the Authorized Capital 2005/I at the annual shareholders' meeting on May 30, 2006. The same resolution authorized the Executive Board to increase the share capital once or in partial amounts by a total amount of EUR 12,000,000 in the period up to May 30, 2011, with the approval of the Supervisory Board, by issuing new no-par bearer shares for cash and/or in-kind contributions (Authorized Capital 2006/I). The subscription rights of existing shareholders can be excluded.

The issue of 2,183,330 shares against the Authorized Capital 2006/I approved by the annual shareholders' meeting of May 30, 2006 took effect when entered in the Commercial Register on May 30, 2007. Thus, the authorized capital totaled EUR 9,816,670 at the balance sheet date compared with EUR 12,000,000 at year-end 2007.

Stock options

ARQUES introduced a stock option program in fiscal 2005. Under this program, options were granted in 2008 on a total of 1,195,000 shares (prior year 412,500 shares) in ARQUES Industries AG in 8 different tranches, which are recognized as equity-settled, and 3 different tranches which are recognized as cash-settled. Unlike standard options, these stock options do not feature fixed strike prices. Instead, the stock option beneficiary can request delivery of a certain number of shares in ARQUES Industries AG on any one of up to three delivery dates. The number of shares to be delivered on a given delivery date is determined on the basis of the performance of the ARQUES share since the starting date (calculation for the first tranche) or the final exercise date. The individual tranches have terms of between 1 and 3 years. If the share price has fallen, no shares are delivered. The stock options expire if the employee leaves the Group before they become vested.

The following table shows the valuation results for the various equity-settled tranches granted in fiscal 2008:

TRANCHE	GRANT DATE	INITIAL PRICE	DELIVERY DATE	FINAL PRICE	INTEREST RATE	VOLATILITY	FAIR VALUE
1	01/10/2008	EUR 23.50	12/31/2009	EUR 19.25	3.78%	48.90%	EUR 3.78
2	01/21/2008	EUR 13.25	03/17/2010	EUR 13.25	3.44%	51.58%	EUR 2.66
3	01/25/2008	EUR 18.22	01/31/2010	EUR 14.96	3.57%	52.04%	EUR 2.32
4	01/25/2008	EUR 14.96	01/31/2010	EUR 14.96	3.57%	52.04%	EUR 3.10
5	04/08/2008	EUR 10.36	04/03/2009	EUR 8.30	3.70%	69.63%	EUR 1.30
6 I	06/04/2008	EUR 7.45	04/08/2009	EUR 7.53	4.18%	71.20%	EUR 2.04
6 II	06/04/2008	-	04/08/2010	EUR 7.53	4.20%	59.87%	EUR 1.48
7 I	06/30/2008	EUR 6.40	06/30/2009	EUR 5.80	4.48%	71.42%	EUR 1.19
7 II	06/30/2008	-	06/30/2010	EUR 5.80	4.53%	59.59%	EUR 0.84
7 III	06/30/2008	-	06/30/2011	EUR 5.80	4.55%	54.47%	EUR 0.59
8	09/09/2008	EUR 8.16	08/31/2010	EUR 8.16	3.97%	64.97%	EUR 2.51

The following table shows the valuation results for the various cash-settled tranches:

TRANCHE	GRANT DATE	INITIAL PRICE	DELIVERY DATE	FINAL PRICE 12/31/2008	INTEREST RATE	VOLATILITY	FAIR VALUE GRANTED	FAIR VALUE AT BALANCE SHEET DATE
1 I / 2008	02/28/2008	EUR 20.29	01/31/2009	EUR 2.52	1.74%	108.50%	EUR 803,750	EUR 0.00
1 II / 2008	02/28/2008	-	01/31/2010	EUR 2.52	1.67%	108.02%	-	EUR 1.03
1 III / 2008	02/28/2008	-	01/31/2011	EUR 2.52	1.88%	87.83%	-	EUR 0.86
2 II / 2008	03/03/2008	EUR 2.19	12/31/2009	EUR 2.52	1.65%	111.23%	EUR 607,500	EUR 1.15
2 III / 2008	03/03/2008	-	12/31/2010	EUR 2.52	1.86%	88.26%	-	EUR 0.86
3 II / 2008	03/05/2008	EUR 16.00	03/31/2009	EUR 2.52	1.74%	167.36%	EUR 613,750	EUR 0.01
3 III / 2008	03/05/2008	-	03/31/2010	EUR 2.52	1.69%	103.16%	-	EUR 0.99

1,230,000 stock options were outstanding at the balance sheet date (355,000 equity-settled and 875,000 cash-settled), of which 1,230,000 are not yet exercisable. 902,500 stock options were outstanding at December 31, 2007 (402,500 equity-settled and 500,000 cash-settled). The average weighted strike price of the outstanding options at the balance sheet date was EUR 19.65 (prior year EUR 18.23). The stock options were measured by means of a Monte Carlo simulation. For this purpose, a simulation of a lognormal-distributed process was conducted for the price of the ARQUES share in order to measure the performance of the share between two valuation dates. The stock options granted are composed of up to three sub-options. Each sub-option is valued separately in the simulation model. The fair value of each stock option is determined as the sum of the sub-options.

The interest rates were calculated on the basis of the yield curves for German government bonds. For purposes of the Monte Carlo simulation, discrete dividends were assumed. The following dividend estimates were used when calculating the cash-settled tranches at the balance sheet date (the dividends expected at each grant date were applied during the course of the year for the equity-settled tranches):

YEAR (PAYMENT)	2009	2010	2011
Dividend	EUR 0.00	EUR 0.00	EUR 0.00

The decision regarding the dividend proposal for 2008 was made at the meeting of the Supervisory Board on April 29, 2009 devoted to the balance sheet. It will then be published together with the annual financial statements approved by the Supervisory Board and the definitive annual report for 2008. A dividend less than the amounts presented above would lead to an increase in the value of the stock options, while a dividend higher than the amounts presented above would lead to a decrease in the value of the stock options. However, the calculation is to be made on the basis of the information available at the grant date. Consequently, the calculation has not been adjusted but will be considered for the purpose of future calculations.

Traded options or similar products of ARQUES Industries AG did not exist when the expert opinion was drafted, for which reason an implied volatility could not be determined. The historical volatility applied for purposes of the calculation was based on daily closing prices. The life span of the stock options was applied as the period for determining the historical volatility. Because there were no special events that would have necessitated an adjustment, no such adjustment was made for individual days. On account of ARQUES' business model and growth strategy, the company's share price can be expected to undergo considerable fluctuations in the future as well, for which reason the volatilities applied for the calculation are considered to be good estimates.

ARQUES has the option of settling the claims of the stock option beneficiaries either in cash or with shares. ARQUES settles these claims with shares, with the exception of the tranches pertaining to the Executive Board.

A total of 350,000 options (prior year 294,000 options) were exercised in fiscal 2008. The amount required to settle the claims arising from equity-settled options was EUR 566 thousand (prior year EUR 3,124 thousand). The claims arising from equity-settled tranches were generally settled in shares. In a departure from the otherwise strictly followed practice of settlement in shares, ARQUES chose to settle one program from 2007 classified as equity-settled in cash, in accordance with the company's option in this respect. The amount settled in cash in fiscal 2008 for 2007 was EUR 412 thousand. In the case of options falling due in fiscal 2008, no claims arising from options classified as equity-settled were settled in cash. The cash-settled tranches were exercised in the following periods at the indicated average price in relation to the individual strike prices: January EUR 22.06, February EUR 14.71. A total of 32,438 shares were issued as settlement for these claims. The option programs classified as cash-settled were settled in cash, involving a payment of EUR 1,306 thousand. The fair value of the cash-settled options at the balance sheet date amounting to EUR 234 thousand is shown under other liabilities.

There were 517,500 expired or forfeited options with an average strike price of EUR 20.77 in fiscal 2008.

In fiscal 2008, the Group recognized expenses totaling EUR 1,366 thousand (prior year EUR 353 thousand) related to share-based payments settled with equity instruments. Income of EUR 817 thousand was recognized for cash-settled options in 2008 set against expenses of EUR 1,957 thousand recognized in 2007. The average remaining term of the stock options from the first possible exercise date is 10 months for the equity-settled options and 13 months for the cash-settled options.

The stock options were included in the calculation of the diluted earnings per share. There was no diluting effect, however, on account of the development of the share price in fiscal 2008.

Other changes

The other changes in transactions with shareholders essentially reflect dividend payments to minority shareholders in the Group (EUR 317 thousand) and the exceptional settlement in cash of equity-settled stock options (EUR 412 thousand).

Under the ARQUES subsidiary manager model, stakes of between 0.4% and 10.0% had been granted to selected managers at 20 subsidiaries by the balance sheet date (of which 6 subsidiaries in fiscal 2008).

The other changes relating to the other net income reflect the recognition of shares in subsidiaries granted for services performed. Shares in a subsidiary were granted for the services performed. The value of the services was measured by the fair value of the shares transferred less the consideration received. The total amount was EUR 911 thousand, recognized under consulting expenses. EUR 690 thousand of this total was recognized directly in equity. The fair value was measured on the basis of a company evaluation performed on the basis of the ratio of free cash flow to equity. No expenses accrued for further investments in subsidiaries in fiscal 2008, as these were sold at market values or to the subsidiary managers on the basis of fair values derived from valuation models. There are no separate purchase options on the part of ARQUES for the shares sold in 2008.

29. Pension obligations

Provisions for pensions and similar obligations have been established for a total of 16 Group companies. The total amount of the provision relates to the following companies:

EUR'000	12/31/2008	12/31/2007
Gigaset Group	35,057	0
Carl Froh	11,660	0
Anvis Group	8,231	8,899
weberbenteli Group	3,879	3,207
Oxxynova Group	3,609	3,571
Wanfried Group	2,053	2,071
Other	1,511	14,453
Total	**66,000**	**32,201**

In accordance with IFRS 5, the provisions for pensions of Evotape S.p.A. (EUR 3,090 thousand) and the BEA companies (EUR 2,148 thousand) have been shown as a disposal group under liabilities related to assets held for sale at the balance sheet date.

In 2007, the "other" item contained among other things the companies of the Jahnel-Kestermann Group (EUR 6,728 thousand) which were deconsolidated at the balance sheet date, the companies of Evotape S.p.A. (EUR 3,934 thousand) shown as a disposal group, and the BEA Group (EUR 2,225 thousand).

The present value of vested benefits under the defined benefit plans of the companies of the ARQUES Group developed as follows:

EUR'000	2008	2007
Balance at 01/01	**104,279**	**108,308**
Companies added to consolidation group	52,188	14,213
Companies removed from consolidation group	-8,601	-6,085
Reclassifications	1,586	0
Current service cost	4,338	2,993
Subsequent service cost	22	253
Employee contributions	1,446	1,601
Interest expenses	4,983	3,505
Pension benefits paid	-8,283	-8,801
Plan adjustments	-153	-322
Plan compensation	0	-744
Actuarial gains/losses	9,265	-5,679
Foreign currency effects	8,829	-4,963
Balance at 12/31	**169,899**	**104,279**

The amount of provisions for pension obligations was derived as follows:

EUR'000	2008	2007
Present value of vested pension benefits	**169,899**	**104,279**
- internally financed	74,244	29,367
- externally financed	95,655	74,912
Actuarial gains/losses not recognized	-15,455	2,847
Subsequent service cost not recognized	-24	0
Fair value of plan assets	-83,452	-75,026
Unrecognized assets in accordance with IAS 19.58 (b)	270	101
Pension provisions	**71,238**	**32,201**
Pension provisions related to assets held for sale	-5,238	0
Total pension provisions	**66,000**	**32,201**

The following items were reported under pension expenses in 2008:

EUR'000	2008	2007
Current service cost	4,338	2,993
Expected return from plan assets	-3,196	-3,037
Compounding of expected pension obligations	4,983	3,505
Amortization of actuarial gains/losses	5,048	909
Amortization of chargeable service cost	0	271
Effects of plan adjustments (plan adjustments/compensation)	-153	-1,536
Other effects	0	1,055
Effects of unrecognized assets in accordance with IAS 19.58 (b)	-33	101
Total pension expenses	**10,987**	**4,261**

Pension expenses are recognized as personnel expenses under social security, pension and other benefit costs.

The actual income from plan assets is disclosed in the amount of EUR 5,162 thousand.

The following table shows the development of plan assets:

EUR'000	2008	2007
Fair value of plan assets at 01/01	**75,026**	**80,122**
Acquisitions	6,407	1,002
Divestitures	-879	-3,562
Expected return from plan assets	3,196	3,037
Actuarial gains/losses	-9,506	-150
Employer contributions	2,262	1,769
Employee contributions	2,837	2,781
Benefits paid	-4,759	-7,757
Foreign currency effects	8,868	-2,216
Fair value of plan assets at 12/31	**83,452**	**75,026**

The following table shows the breakdown of plan assets in 2008:

EUR'000	2008	2007
Shares	22,494	22,496
Fixed-income securities	30,232	28,824
Spezialfonds investment accounts	6,329	3,166
Real estate and real estate investment trusts (REITs)	14,580	13,029
Financial instruments of the company	0	0
Assets used or held by the company	0	0
Other	9,817	7,511
Total	**83,452**	**75,026**

Additional information at December 31, 2008:

EUR'000	2008	2007
Present value of the obligation	169,899	104,279
Fair value of plan assets	83,452	75,026
Surplus (+) / deficit (-)	-86,447	-29,253
Experienced-based adjustment of plan liabilities	525	31
Experienced-based adjustment of plan assets	-9,506	-150

The expected contribution payments to existing pension plans in the subsequent year amount to EUR 5,860 thousand.

The current employer's contributions to the statutory pension insurance scheme are recognized as operating expenses. They amounted to EUR 31,623 thousand (prior year EUR 16,208 thousand) for the Group as a whole in fiscal 2008.

Payments for defined contribution plans amounted to EUR 831 thousand.

The calculation was based on the following actuarial assumptions:

%	2008	2007
Discount rate	3.0 – 10.8	3.0 – 5.6
Salary trend	1.5 – 7.0	1.0 – 3.0
Pension trend	0.8 – 4.0	1.5 – 2.0
Employee turnover	*	*

* depending on age

The expected return on plan assets ranges from 3.3% to 11.0%, reflecting the expected income from plan assets taking account of the expected amounts received and disbursed. This income consists of interest, dividends, and other income generated by investing the plan assets, including realized and unrealized gains in asset value, less the cost of managing the plan and any taxes to be paid on the plan.

30. Provisions

EUR'000	BALANCE AT 01/01/2008	CHANGE IN CONSOLIDATION GROUP	UTILI-ZATION	REVERSAL	ADDITION	RECLASSI-FICATION	CURRENCY EFFECT COMPOUNDING/ DISCOUNTING	BALANCE AT 12/31/2008
Restructuring	7,873	5,174	-6,007	-127	527	-847	0	6,593
Environmental risks	15,879	369	-1,750	0	27	-6,621	337	8,241
Warranties	7,051	14,662	-4,407	-1,045	5,759	-977	10	21,053
Onerous contracts	14,814	13,617	-8,446	-4,964	4,894	-25	179	20,069
Personnel	6,842	1,408	-727	-181	1,087	-626	7	7,810
Other	15,053	2,790	-7,428	-12,656	38,578	-625	-312	35,400
	67,512	**38,020**	**-28,765**	**-18,973**	**50,872**	**-9,721**	**221**	**99,166**

The following table shows the breakdown of the individual categories of provisions:

EUR'000	12/31/2008	12/31/2007
Restructuring		
Redundancy plans and severance payments	2,098	4,881
Termination of rental/leasing contracts	3,797	7
Other	698	2,985
	6,593	**7,873**

The largest item under restructuring provisions at the balance sheet date was EUR 4,984 thousand at Auto Windscreens, resulting from a restructuring plan adopted prior to the acquisition.

EUR'000	12/31/2008	12/31/2007
Environmental risks		
Cleanup of residual pollution	7,874	8,000
Other	367	7,879
	8,241	**15,879**

The provisions for environmental risks mainly result from the cleanup of residual pollution on operating premises of the Anvis Group. In 2007, the Rohner Group recognized provisions of EUR 7,879 thousand for recultivation measures for waste dumps. In accordance with IFRS 5, all items of the Rohner Group are carried as a disposal group under liabilities related to assets held for sale at the balance sheet date.

EUR'000	12/31/2008	12/31/2007
Warranties		
Gigaset Group	16,214	0
Actebis Group	1,908	1,950
Rohé Group	1,367	1,449
Anvis Group	426	343
tiscon Group	326	310
Other	812	2,999
	21,053	**7,051**

In 2007, the “other” item included the deconsolidated companies of the Jahnel-Kestermann Group at the balance sheet date in the amount of EUR 844 thousand and the Hottinger Group in the amount of EUR 342 thousand. Furthermore, this item contained a total of EUR 746 thousand relating to the BEA companies, which, in accordance with IFRS 5 is carried as a disposal group under liabilities related to assets held for sale at the balance sheet date.

EUR'000	12/31/2008	12/31/2007
Onerous contracts		
Gigaset Group	11,087	0
Fritz Berger Group	3,258	3,638
Oxxynova Group	2,330	5,134
Anvis Group	793	241
Auto Windscreens Group	579	0
SM Electronics Group	486	791
Other	1,536	5,010
	20,069	**14,814**

The provisions for onerous contracts relate predominantly to unfavorable rental, usage, and service agreements.

EUR'000	12/31/2008	12/31/2007
Personnel		
Partial retirement	2,986	3,986
Service anniversary bonuses	4,824	2,855
	7,810	**6,842**

In addition to numerous smaller transactions, the other provisions pertain in particular to the continuing involvement of the Actebis Group from sales of receivables and the fair value for the retained default and interest rate risk (EUR 11,486 thousand; prior year EUR 1,552 thousand), risks associated with official proceedings entailing uncertainty with regard to timing or amount (EUR 5,000 thousand), commissions (EUR 2,949 thousand; prior year EUR 4,274 thousand), the cost of closing a plant (EUR 2,500 thousand), redemption obligations (EUR 530 thousand), and bonuses for the main customer of the Sommer Group (EUR 484 thousand).

The maturity structure of the provisions is as follows:

EUR'000	12/31/2008	12/31/2007
Non-current provisions	31,317	31,466
Current provisions	67,849	36,046
	99,166	**67,512**

The non-current provisions are due in more than one year and break down by individual category as follows:

EUR'000	12/31/2008	12/31/2007
Onerous contracts	7,916	6,889
Environmental risks	7,187	14,540
Personnel	6,612	2,945
Warranties	5,662	3,086
Restructuring	794	540
Other	3,146	3,466
	31,317	**31,466**

31. Non-current financial liabilities

EUR'000	2008	2007
Liabilities to banks	45,984	54,807
Other financial liabilities	29,233	27,099
	75,217	**81,906**

The liabilities to banks in the amount of EUR 45,984 thousand (prior year EUR 54,807 thousand) due in more than 12 months result from loans extended to the following Group companies:

EUR'000	2008	INTEREST
A. Rohé Holding Gesellschaft mbH	13,766	3-month Euribor+1.5%
Arques Objekt 1 GmbH	7,111	3-month Euribor+2.0%
Wanfried Druck Kalden GmbH	6,629	6%
SINAS Beteiligungs GmbH & Co. Vermietungs KG	5,816	6%
Actebis Computerhandels GmbH	4,406	5%
van Netten GmbH	4,388	3-month Euribor + 1.5% - max. 7%
Other	3,868	
	45,984	

The "other" item includes additional liabilities owed to banks by a total 6 companies, the carrying amount of which, however, is less than EUR 1,500 thousand per individual item. The interest rates range from 5% to 17% in the case of fixed interest rates, and from the 3-month Euribor to the 12-month Euribor +0.75% in the case of variable interest rates.

Loans of EUR 879 thousand denominated in Russian rubles are also disclosed here.

Among other things, the other financial liabilities in the amount of EUR 29,233 thousand (prior year EUR 27,099 thousand) result from a fixed-interest loan extended to Oxxynova Holding GmbH in the amount of EUR 7,404 thousand (prior year EUR 8,536 thousand) and another fixed-interest loan extended to Anvis Deutschland GmbH in the amount of EUR 3,554 thousand. A further EUR 6,785 thousand (prior year EUR 3,989 thousand) is attributable to variable-yield bearer bonds of A. Rohé Holding Gesellschaft mbH and EUR 3,000 thousand to a fixed-interest loan extended to tiscon AG (formerly tiscon AG Infosystems) by IT wholesaler Cosorius AG. SM Electronic GmbH and van Netten GmbH have recognized loans of EUR 5,681 thousand extended by their respective minority shareholders.

Of the other non-current financial liabilities recognized by the Group as a whole, EUR 326 thousand is repayable in British pounds and EUR 162 thousand in Swiss francs.

After the addition of new subsidiaries, an attempt is made in some cases to negotiate the immediate repayment of the acquired financial liabilities assumed with the banks. If the negotiations are successful, any penalties incurred for premature repayment are immediately recognized in profit or loss.

Transaction costs incurred in connection with the conclusion of new non-current financial liabilities are allocated over the term of the liability in accordance with the effective interest method and are included in the recognized amount.

EUR 67,583 thousand (prior year EUR 94,461 thousand) of the liabilities to banks and EUR 15,685 thousand (prior year EUR 9,695 thousand) of the other financial liabilities are secured by intangible assets, land and buildings, other items of property, plant and equipment, inventories, and trade receivables. A detailed presentation of the security furnished can be found under "Liquidity risk" in the notes to financial instruments.

The obligations of A. Rohé Holding Gesellschaft mbH were derecognized during the period when the balance sheet was being prepared when the company was sold in March 2009.

32. Liabilities under finance leases

The buildings, technical equipment, plant and machinery, and other equipment, operational and office equipment disclosed in the consolidated balance sheet under property, plant and equipment include assets of which the Group is considered to be the beneficial owner on account of the underlying lease agreements. The following table shows the Group's liabilities under such finance leases:

EUR'000	2008 NOMINAL VALUE	2008 DISCOUNT AMOUNT	2008 PRESENT VALUE	2007 NOMINAL VALUE	2007 DISCOUNT AMOUNT	2007 PREVENT VALUE
Due in up to 1 year	8,959	1,822	7,137	6,863	1,310	5,553
Due in 1 to 5 years	23,050	2,386	20,664	29,114	3,520	25,594
Due in more than 5 years	3,692	110	3,582	10,404	125	10,279
Total	**35,701**	**4,318**	**31,383**	**46,381**	**4,955**	**41,426**

The following table shows the breakdown of liabilities under finance leases by corporate group:

EUR'000 PRESENT VALUE	12/31/2008	12/31/2007
weberbenteli Group	19,200	16,169
Carl Froh Group	3,288	0
Anvis Group	1,395	1,601
Actebis Group	1,365	765
tiscon Group	866	1,423
ASM Group	770	0
van Netten Group	571	5,782
Eurostyle Group	0	10,288
Evotape Group	0	777
Other	3,928	4,621
Total	**31,383**	**41,426**

The van Netten Group was able to pay off a large portion of its liabilities under finance leases. The Eurostyle Group was no longer included in the consolidated group of ARQUES Industries AG at the balance sheet date. In accordance with IFRS 5, the liabilities of the Evotape Group are shown under assets held for sale at the balance sheet date.

The significant lease agreements include the following:

The weberbenteli Group has leased two web offset printing machines with remaining lease terms of 75 and 80 months as well as other machinery with remaining lease terms of 53 to 62 months. Added to this are two web offset machines newly acquired in fiscal 2008 with remaining lease terms of 69 and 78 months. Carl Froh GmbH has leased two tube welding machines with remaining lease terms of 42 and 49 months under a lease agreement. The remaining lease terms are counted from the balance sheet date.

The liabilities of the weberbenteli Group were derecognized during the period when the balance sheet was being prepared when the company was sold in March 2009.

33. Other non-current liabilities

EUR'000	12/31/2008	12/31/2007
Purchase price liabilities	60,716	37,500
Deferred income	1,167	695
Personnel-related liabilities	905	4,314
Miscellaneous other liabilities	2,481	10,683
Total	**65,269**	**53,192**

The purchase price liabilities relate to the non-current portion of seller loans received in connection with company acquisitions. The item mainly reflects the Gigaset Group (EUR 30,005 thousand) and Carl Froh GmbH (EUR 2,750 thousand) acquired in 2008 together with the Actebis Group acquired in fiscal 2007 in the amount of EUR 27,811 thousand (prior year EUR 37,500 thousand).

Among other things, miscellaneous other non-current liabilities include an amount of EUR 631 thousand arising from a price-adjustment clause in a delivery agreement, amounts of EUR 297 thousand owed for bills of exchange, non-current liabilities of EUR 208 thousand from variable purchase price liabilities, and non-current derivative financial liabilities in the amount of EUR 100 thousand.

34. Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities result from the different values disclosed in the financial statements prepared in accordance with IFRS and the financial statements prepared for tax reporting purposes by the Group companies and from consolidation activities.

The following table shows the breakdown of deferred tax assets and deferred tax liabilities:

EUR'000	12/31/2008	12/31/2007
Deferred tax assets		
Intangible assets	761	695
Property, plant and equipment	18	499
Financial assets	2,737	827
Inventories	2,804	3,840
Receivables and other current assets	2,319	306
Provisions	4,794	7,671
Liabilities	13,639	11,166
Tax loss carry-forwards	6,855	14,855
Total deferred tax assets	**33,927**	**39,859**
of which: current	10,501	14,587
of which: non-current	23,426	25,272

EUR'000	12/31/2008	12/31/2007
Deferred tax liabilities		
Intangible assets	22,104	19,668
Property, plant and equipment	27,477	24,729
Financial assets	268	680
Inventories	679	2,193
Receivables and other current assets	3,915	8,132
Non-current assets held for sale	0	240
Provisions	4,980	2,897
Liabilities	12,549	6,406
Total deferred tax liabilities	**71,972**	**64,945**
of which: current	17,736	13,909
of which: non-current	54,236	51,036
Net balance of deferred tax assets and deferred tax liabilities	17,063	5,363
Deferred tax assets recognized in the balance sheet	**16,864**	**34,496**
Deferred tax liabilities recognized in the balance sheet	**54,909**	**59,582**

No deferred tax assets were recognized for partial amounts of existing corporate tax loss carry-forwards in the amount of EUR 343,277 thousand (prior year EUR 265,693 thousand) or for partial amounts of trade tax loss carry-forwards in the amount of EUR 164,456 thousand (prior year EUR 63,507 thousand). Of the total corporate income tax loss carry-forwards shown here, EUR 209,023 thousand relate to foreign companies and EUR 141,181 thousand to companies classified as held for sale. It should be noted for German companies that, as a result of the Corporate Tax Reform Act of 2008, share transfers of 25% to 50% lead to a proportional reduction in existing loss carry-forwards, while share transfers in excess of 50% lead to a complete loss of existing loss carry-forwards.

No deferred tax liabilities were recognized for temporary differences in connection with shares in subsidiaries and associated companies in the amount of EUR 34,590 thousand (prior year EUR 4,673 thousand).

For more information in this regard, please refer to the notes concerning the principal accounting and valuation methods and the comments contained in Note 10.

35. Current financial liabilities

EUR'000	12/31/2008	12/31/2007
Liabilities to banks	130,819	169,641
Other current financial liabilities	5,935	87,956
Total	**136,754**	**257,597**

Based on the usual payment terms agreed with banks and other creditors, the due dates and corresponding cash outflows of current financial liabilities are as follows:

EUR'000	2008	2007
Carrying amount	**136,754**	**257,597**
of which due within the following periods of time:		
< 30 days	49,545	106,495
30 - 90 days	40,507	71,271
90 - 180 days	27,906	29,453
180 days - 1 year	18,796	50,378

The current liabilities to banks relate mainly to current account overdraft facilities, the majority of which are attributable to the following corporate groups:

EUR'000	12/31/2008	12/31/2007
ARQUES Industries AG	43,154	41,254
Anvis Group	28,582	21,377
Actebis Group	13,985	34,963
weberbenteli Group	9,342	5,977
tiscon Group	8,678	7,116
Capresa Group	5,096	4,234
ASM Group	4,345	0
Wanfried Group	4,292	2,991
Rohé Group	3,631	1,009
Gigaset Group	2,520	0
Eurostyle Group	0	20,867
Schöps Group	0	20,517
Evotape Group	0	5,342
Other	7,194	3,994
Total	**130,819**	**169,641**

The companies of the Eurostyle Group and the Schöps Group shown in the prior year were deconsolidated at the balance sheet date. In accordance with IFRS 5, the Evotape Group is shown under non-current assets and liabilities held for sale within the disposal group at the balance sheet date.

The 3-month Euribor plus an interest premium of between 0.5% and 7% is generally applied for variable-rate interest, whereas fixed interest ranges from 1.5% to 9.8% p.a.

The current liabilities to banks include liabilities in the amount of EUR 2,266 thousand (prior year EUR 23,498 thousand) denominated in Danish krone, loans in the amount of EUR 8,183 thousand (prior year EUR 3,128 thousand) denominated in Swiss francs, liabilities in the amount of EUR 1,034 thousand (prior year EUR 852 thousand) denominated in Russian rubles, liabilities in the amount of EUR 3,089 thousand (prior year EUR 438 thousand) denominated in U.S. dollars, and liabilities in the amount of EUR 727 thousand (prior year EUR 76 thousand) denominated in other currencies.

Other current financial liabilities consist of loan liabilities payable to third parties. The following table shows the breakdown of most of this item by individual company:

EUR'000	12/31/2008	12/31/2007
Wanfried Group	1,111	11
Oxxynova Group	1,098	983
ASM Group	932	0
Rohé Group	793	405
Gigaset Group	745	0
Anvis Group	718	0
Carl Froh Group	314	0
Actebis Group	0	49,474
Eurostyle Group	0	31,304
Schöps Group	0	2,605
Other	224	3,174
Total	**5,935**	**87,956**

In 2008, Actebis Nordic repaid in full a financial liability payable to the seller of the company.

The companies of the Eurostyle Group and the Schöps Group shown in the prior year are no longer included in the consolidation group at the balance sheet date.

The other current financial liabilities include EUR 745 thousand denominated in Turkish lira, EUR 125 thousand (prior year EUR 60 thousand) denominated in Swiss francs, and EUR 149 thousand denominated in Bosnian marks, all of which were translated into euros as the Group currency.

36. Trade payables

Based on the usual payment terms agreed with suppliers and other creditors, the due dates and the related cash outflows of current trade payables are as follows:

EUR'000	12/31/2008	12/31/2007
Carrying amount	**601,356**	**581,472**
of which due within the following periods of time:		
< 30 days	441,263	451,015
30 - 90 days	143,381	109,061
90 - 180 days	7,325	15,431
180 days - 1 year	9,387	5,965

The largest items within trade payables relate to the following corporate groups:

EUR'000	12/31/2008	12/312/007
Actebis Group	310,101	302,227
Gigaset Group	140,594	0
tiscon Group	31,759	29,143
Anvis Group	28,563	31,966
Rohé Group	14,684	10,535
Auto Windscreens Group	12,251	0
weberbenteli Group	11,966	9,016
Eurostyle Group	377	55,910
Jahnel-Kestermann Group	21	21,835
Evotape Group	0	16,248
Other	51,038	104,593
Total	**601,356**	**581,472**

The companies of the Eurostyle Group and the Jahnel-Kestermann Group shown in the prior were deconsolidated at the balance sheet date. In accordance with IFRS 5, the Evotape Group is shown under non-current assets and liabilities held for sale within the disposal group at the balance sheet date.

Due to the international activities of many subsidiaries of the ARQUES Group, the trade payables included the following currency items, which were translated into euros as the Group currency at December 31, 2008:

		12/31/2008		12/31/2007	
		EUR'000	%	EUR'000	%
USD	U.S. dollars	92,939	56.8	54,707	56.2
DKK	Danish krone	23,871	14.6	13,925	14.3
GBP	British pounds	13,492	8.2	1,305	1.3
CHF	Swiss francs	8,063	4.9	9,970	10.2
CNY	Chinese yuan	3,491	2.1	2,921	3.0
RON	Romanian lei	3,235	2.0	3,563	3.7
ARS	Argentine pesos	2,527	1.5	0	0.0
RUR	Russian rubles	2,133	1.3	1,584	1.6
PLN	Polish zlotys	1,915	1.2	1,807	1.9
BRL	Brazilian reals	1,785	1.1	0	0.0
JPY	Japanese yen	1,690	1.0	0	0.0
NOK	Norwegian krone	1,655	1.0	1,068	1.1
RSD	Serbian dinars	1,541	0.9	0	0.0
MXN	Mexican pesos	1,076	0.7	0	0.0
Other		4,283	2.7	6,421	6.7
Total		**163,697**	**100.0**	**97,271**	**100.0**

Of the disclosed trade payables, EUR 154 thousand are secured by intangible assets, EUR 5,064 thousand by machines and other operational equipment, EUR 11,274 thousand by inventories, EUR 15,857 thousand (prior year EUR 5,416 thousand) by trade receivables, and EUR 60,579 thousand (prior year EUR 21,617 thousand) by other security.

At the balance sheet date, trade payables included an amount of EUR 5,823 thousand in defaults arising from the non-performance of a payment and an amount of EUR 67 thousand for breaches of contract.

37. Tax liabilities

This item pertains solely to income tax liabilities and comprises the following:

EUR'000	12/31/2008	12/31/2007
Actebis Group	10,999	9,237
Anvis Group	2,074	1,850
ARQUES Value Invest Ltd,	0	6,705
Other	1,974	10,772
Total	**15,047**	**28,564**

38. Current other liabilities

EUR'000	12/31/2008	12/31/2007
Other taxes	64,720	44,436
Other personnel liabilities	42,391	41,525
Purchase price liabilities	38,113	35,585
Wages and salaries	7,213	2,985
Social security contributions	6,558	9,401
Amounts owed for bills of exchange	4,042	4,795
Advance payments received	11,238	38,710
Deferred income	3,544	1,259
Derivatives	2,159	0
Miscellaneous other liabilities	40,824	42,401
Total	**220,802**	**221,097**

The other personnel liabilities mainly include the following items and transactions:

- Vacation leave not yet taken at December 31, 2008: Gigaset Group EUR 3,472 thousand, Anvis Group EUR 2,292 thousand (prior year EUR 2,755 thousand), Actebis Group EUR 1,487 thousand (prior year EUR 2,589 thousand), Rohé Group EUR 1,291 thousand (prior year EUR 1,081 thousand), weberbenteli Group EUR 1,192 thousand (prior year EUR 419 thousand), Sommer Group EUR 664 thousand (prior year EUR 633 thousand), Oxxynova Group EUR 426 thousand (prior year EUR 445 thousand), ARQUES Industries AG EUR 276 thousand (prior year EUR 180 thousand), Carl Froh GmbH EUR 179 thousand, Fritz Berger Group EUR 164 thousand (prior year EUR 167 thousand), tiscon Group EUR 157 thousand (prior year EUR 239 thousand), and van Netten Group EUR 154 thousand (prior year EUR 148 thousand).
- Profit-related bonuses and other bonuses: Gigaset Group EUR 7,204 thousand, Actebis Group EUR 4,463 thousand (prior year EUR 5,652 thousand), ARQUES Industries AG EUR 324 thousand (prior year EUR 1,403 thousand), Anvis Group EUR 592 thousand (prior year EUR 564 thousand), Rohé Group EUR 672 thousand (prior year EUR 490 thousand), Golf House Group EUR 179 thousand (prior year EUR 485 thousand), SM Electronic Group EUR 171 thousand (prior year EUR 350 thousand), Fritz Berger Group EUR 215 thousand (prior year EUR 202 thousand), and Carl Froh GmbH EUR 200 thousand.
- Compensation for flexible work schedules: Gigaset Group EUR 2,256 thousand, Oxxynova Group EUR 247 thousand (prior year EUR 539 thousand), van Netten Group EUR 143 thousand (prior year EUR 133 thousand), and Carl Froh Group EUR 221 thousand.

There are also liabilities in the amount of EUR 7,000 thousand at the Gigaset Group and EUR 1,377 thousand at the Anvis Group for wages, salaries, and severance payments.

The current purchase price liabilities essentially relate to the acquisition of the Gigaset Group (EUR 15,039 thousand), the acquisition of the Anvis Group (EUR 10,493 thousand), and the acquisition of the Actebis Group (EUR 9,789 thousand).

The derivative financial liabilities include forward exchange contracts in the amount of EUR 2,159 thousand used to hedge currency risk and an interest rate swap in the amount of EUR 100 thousand. The hedge accounting rules defined in IAS 39 are, however, not used for these hedges.

The due dates and the related cash outflows of the current derivative financial liabilities are as follows:

EUR'000	2008	2007
Carrying amount	**2,159**	**0**
of which due within the following periods of time:		
< 30 days	127	0
30 - 90 days	1,665	0
90 - 180 days	367	0
180 days - 1 year	0	0

The miscellaneous other liabilities mainly comprise income tax liabilities of EUR 7,188 thousand (prior year EUR 4,439 thousand), overpaid liabilities of EUR 3,761 thousand (prior year EUR 3,245 thousand), and liabilities arising from the current portion of the virtual share portfolio of the Executive Board members of ARQUES Industries AG in the amount of EUR 126 thousand (prior year EUR 1,678 thousand), which IFRS 2 requires to be classified as cash-settled. Also included here are interest liabilities of EUR 1,083 thousand (prior year EUR 828 thousand), liabilities of EUR 1,695 thousand payable to customs authorities, liabilities of EUR 7,785 thousand from discount promotions and other customer-retention activities, and liabilities of EUR 195 thousand from so-called earn-out clauses.

Of the items disclosed, only the purchase price liabilities in the amount of EUR 38,113 thousand bear interest. Because the remaining terms to maturity are less than one year, it can be assumed that any difference between the carrying amount of the liabilities and their fair values is immaterial. Consequently, the stated repayment amounts correspond to the fair value of the liabilities.

F. OTHER INFORMATION

39. Business segments and geographical segments

As a turnaround specialist, ARQUES acquires companies in transitional situations in a wide range of industries. These segments form the basis for the primary format of segment reporting.

The primary business segments are as follows:

- The Steel segment includes companies that are active as primary or intermediate processors or suppliers in the steel industry. In fiscal 2008, this segment again included the Jahnel-Kestermann Group and the Capresa Group as in 2007, and now also Carl Froh GmbH.
- The Print segment continues to include the printing companies of the Wanfried Group and the weberbenteli Group, as in 2007.
- The Industrial Production segment comprises all activities related to industrial production, which are characterized by relatively simple production processes. As in 2007, this segment covers the Missel Group, the Hottinger Group, the Evotape Group, and the van Netten Group.
- The IT segment includes companies that trade and distribute products and services in the areas of information technology and entertainment electronics. As in 2007, the Actebis Group together with the NT plus Group and the tiscon Group are assigned to this segment.
- The Automotive segment includes companies operating in the area of automotive technology and the automotive supply industry. As in 2007, the segment covers the Anvis Group, the Eurostyle Group, and the Sommer Group.
- The new Retail segment includes companies that distribute products and services directly to consumers. As in 2007, these are Richard Schöps & Co. AG, SM Electronic GmbH, the Golf House Group, and the Fritz Berger Group.
- The Holding segment includes the activities of Group controlling and administration.
- The Specialty Chemistry segment includes the subsidiaries that develop, manufacture, distribute, and trade in chemical and pharmaceutical products. As in 2007, these are the Rohner Group, the Oxxynova Group, and the Oxiris Group.
- The Communications segment has been added to the presentation of business segments. It covers companies with principal activities in the communications technology sector. In fiscal 2008, this was the Gigaset Group.
- All other Group activities that are not assigned to one of the segments listed above are assigned to the Service segment. The Service segment also includes the Auto Windscreens Group and the Agencia Servicios Mensajeria Group (ASM) which were newly acquired in fiscal 2008

The transfer prices between the business segments correspond to prices charged to third parties. Administrative services are charged in the form of cost allocations.

EUR'000 2008	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	**86,233**	**81,330**	**129,901**	**3,974,288**
of which: discontinued operations	*0*	*0*	*0*	*0*
Internal revenues	**0**	**0**	**0**	**136**
of which: discontinued operations	*0*	*0*	*0*	*0*
Total revenues	86,233	81,330	129,901	3,974,424
of which: discontinued operations	*0*	*0*	*0*	*0*
Segment profit or loss/EBITDA	**17,404**	**8,903**	**-9,901**	**44,609**
of which: discontinued operations	*0*	*0*	*0*	*0*
Depreciation and amortization	**-4,295**	**-10,429**	**-3,966**	**-19,024**
Impairment losses	**-6,666**	**-14,947**	**-683**	**0**
Segment profit or loss/EBIT	**6,444**	**-16,473**	**-14,550**	**25,585**
of which: discontinued operations	*0*	*0*	*0*	*0*
Income from financial assets accounted for by the equity method				
Net financial income				
Loss before taxes				
Income tax expenses				
Net loss for the year				
Minority interests				
Consolidated net loss for the year				
Balance sheet assets				
Segment assets	50,491	72,913	82,315	591,537
Financial assets accounted for by the equity method	0	0	0	135
Unassigned assets				
Consolidated assets				
Balance sheet liabilities				
Segment liabilities	35,217	39,677	44,042	496,137
Unassigned liabilities				
Consolidated liabilities				
Other information				
Segment investments	7,011	11,247	7,783	10,360
Investment expenditures for acquisitions	25,647	0	0	0

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNI-CATIONS	HOLDING	SERVICE	ELIMI-NATIONS	CONSOLI-DATED
537,263	**122,637**	**172,686**	**156,126**	**32**	**244,530**	**0**	**5,505,026**
0	*0*	*0*	*0*	*0*	*0*		*0*
0	**1**	**0**	**9,300**	**2,264**	**0**	**-11,701**	**0**
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
537,263	122,638	172,686	165,426	2,296	244,530	-11,701	5,505,026
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
7,002	**-13,576**	**-7,355**	**69,086**	**-27,165**	**26,557**	**0**	**115,563**
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
-29,361	**-2,308**	**-3,343**	**-11,584**	**-265**	**-8,723**	**0**	**-93,298**
-65,984	**-18,481**	**-12,334**	**-4,877**	**0**	**-9,701**		**-133,673**
-88,343	**-34,365**	**-23,032**	**52,625**	**-27,431**	**8,133**	**0**	**-111,408**
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
							474
							-37,352
							-148,286
							6,664
							-141,622
							-11,542
							-130,080
183,350	49,456	46,199	395,319	35,930	180,327	-4,352	1,683,485
4,865	0	0	0	0	0	0	5,000
							30,555
							1,719,040
113,895	5,558	40,755	307,096	70,926	123,401	-4,040	1,272,664
							183,384
							1,456,048
36,469	9,043	2,569	9,493	866	9,318	0	104,159
0	0	0	131,987	0	18,112	0	175,746

EUR'000 2007	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	**83,461**	**69,098**	**165,225**	**1,059,366**
of which: discontinued operations	*0*	*0*	*0*	*0*
Internal revenues	**0**	**40**	**3**	**2**
of which: discontinued operations	*0*	*0*	*0*	*0*
Total revenues	83,461	69,138	165,228	1,059,368
of which: discontinued operations	*0*	*0*	*0*	*0*
Segment profit or loss/EBITDA	**3,823**	**662**	**9,232**	**31,877**
of which: discontinued operations				
Depreciation and amortization	**-3,646**	**-6,662**	**-6,275**	**-6,236**
Impairment losses	**0**	**0**	**0**	**0**
Segment profit or loss/EBIT	**177**	**-6,000**	**2,957**	**25,641**
of which: discontinued operations	*0*	*0*	*0*	*0*
Income from financial assets accounted for by the equity method				
Net financial income				
Profit before taxes				
Income tax expense				
Net profit for the year				
Minority interests				
Consolidated net profit for the year				
Balance sheet assets				
Segment assets	86,647	83,423	118,545	672,921
Financial assets accounted for by the equity method	0	0	0	181
Unassigned assets				
Group assets				
Balance sheet liabilities				
Segment liabilities	68,571	40,077	52,929	573,578
Unassigned liabilities				
Group liabilities				
Other information				
Segment investments	6,122	15,712	8,427	28,629
Investment expenditures for acquisitions	11,476	10,684	41,707	67,453

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNI-CATIONS	HOLDING	SERVICE	ELIMI-NATIONS	CONSOLI-DATED
139,282	**92,669**	**342,166**	**0**	**29**	**151,001**	**0**	**2,102,297**
0	*0*	*122,964*	*0*	*0*	*0*		*122,964*
0	**0**	**0**	**0**	**3,549**	**351**	**-3,945**	**0**
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*
139,282	92,669	342,166	0	3,578	151,352	-3,945	2,102,297
0	*0*	*122,964*	*0*	*0*	*0*	*0*	*122,964*
85,798	**30,013**	**59,884**	**0**	**-11,937**	**-6,703**	**0**	**202,650**
		55,031					
-5,770	**-2,318**	**-9,873**	**0**	**-332**	**-4,575**	**0**	**-45,678**
0	**0**	**-6,521**		**-9,912**			**-16,433**
80,028	**27,695**	**43,490**	**0**	**-22,171**	**-11,278**	**0**	**140,539**
0	*0*	*53,532*	*0*	*0*	*0*	*0*	*53,532*
							-10,671
							-11,787
							118,081
							-3,356
							114,725
							-175
							114,550
429,517	102,345	113,016	0	68,964	109,456	-3,733	1,781,101
4,383	0	0	0	0	0	0	4,564
							48,428
							1,834,093
255,142	47,957	63,310	0	60,952	54,615	4,492	1,221,623
							211,469
							1,433,092
6,949	7,536	7,427	0	437	5,682	0	86,921
183,520	15,220	21,295	0	1	23,018	0	374,374

Income from deconsolidations and income from the reversal of negative goodwill are allocated to the respective segments.

The following table shows the breakdown of revenues by region for fiscal 2008 and the comparison year 2007:

EUR'000	2008 CONTINUING OPERATIONS	2008 DISCONTINUED OPERATIONS	2008 GROUP	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 GROUP
Germany	3,426,608	0	3,426,608	1,300,739	15,374	1,316,113
Europe - European Union (excluding Germany)	1,655,739	0	1,655,739	437,539	39,332	476,871
Europe – other	259,541	0	259,541	115,034	2,577	117,611
Rest of world	163,138	0	163,138	126,021	65,681	191,702
Total	**5,505,026**	**0**	**5,505,026**	**1,979,333**	**122,964**	**2,102,297**

The following table shows the additions to intangible assets and property, plant and equipment together with the segment assets at the balance sheet date:

EUR'000	2008	2007
Current investment expenditures		
Germany	46,215	61,738
Europe-European Union (excluding Germany)	41,491	18,326
Europe-other	11,086	4,982
Rest of world	5,367	1,875
Total	**104,159**	**86,921**
Acquisitions		
Germany	154,775	119,196
Europe-European Union (excluding Germany)	19,416	229,157
Europe-other	5	1,503
Rest of world	1,550	24,518
Total	**175,746**	**374,374**
Segment assets		
Germany	869,297	858,702
Europe-European Union (excluding Germany)	648,375	803,339
Europe-other	61,376	67,167
Rest of world	104,437	51,893
Total	**1,683,485**	**1,781,101**

40. Cash flow statement

The cash flow statement shows the changes in the cash funds of ARQUES in fiscal 2008 and 2007. The net funds are defined as the holdings of cash and cash equivalents less restricted cash. As a rule, items denominated in foreign currency are translated using the average exchange rates for the year in question. By contrast, liquid funds are translated using the year-end rate, as in the balance sheet. The effect of exchange rate differences on cash and cash equivalents is shown separately.

In accordance with IAS 7, the cash flows are classified as resulting from operating activities, investing activities, and financing activities.

EUR'000	2008	2007
Cash flow statement		
Cash flow from operating activities	119,048	42,178
Cash flow from investing activities	61,815	-67,014
Free cash flow	**180,863**	**-24,836**
Cash flow from financing activities	-106,151	16,477
Change in cash and cash equivalents	**74,712**	**-8,359**

The cash flow statement is prepared in accordance with the indirect method. The changes in balance sheet items reflected here are adjusted for the effects of changes in the consolidation group, meaning that only cash flows allocable to the Group are shown. Cash flows resulting from changes in non-current assets held for sale or liabilities related to non-current assets held for sale are assigned to the areas of the cash flow statement where they lead to cash outflows or inflows. For these reasons, the changes in balance sheet items shown in the cash flow statement cannot be reconciled with the balance sheet.

For the first time, the impairment losses are presented in a separate line in cash flow from operating activities. The change in current financial liabilities essentially results from the change in drawing accounts as part of the liquidity management process. As a general rule, they are due in less than 90 days. This item is shown as an aggregate total in the cash flow statement. The prior year figures have been adjusted accordingly.

The initial sale of receivables in connection with the financing of acquisitions is shown under cash inflows from the initial sale of receivables under cash inflow from operating activities.

Other non-cash income and expenses mainly comprise waived receivables and internal production capitalized.

The cash inflows from the property of Actebis Peacock GmbH sold in fiscal 2008 and shown under assets held for sale in 2007 are assigned to cash inflows from investing activities in the cash flow statement.

Outflows in the amount of EUR 50,562 thousand (prior year EUR 145,560 thousand) were devoted to the acquisition of minority interests in fiscal 2008. This includes the acquisition of minority interests in the amount of EUR 1,454 thousand. This is offset by cash acquired in the amount of EUR 95,092 thousand (prior year EUR 31,379 thousand). The other non-cash income and expenses shown under cash flow from operating activities essentially include waived receivables and internal production capitalized.

The net funds amounting to EUR 125,741 thousand (prior year EUR 69,865 thousand) at December 31, 2008 comprise readily available cash in banks, checks, and cash on hand. The restricted cash used to secure liabilities and currency hedges amounted to EUR 33,511 thousand (prior year EUR 14,675 thousand) at December 31, 2008. Thus, the total holdings of cash and cash equivalents amounted to EUR 159,252 thousand (prior year EUR 84,540 thousand). Of this total, EUR 16,843 thousand (prior year EUR 0 thousand) is carried under assets held for sale and EUR 142,409 thousand (prior year EUR 84,540 thousand) under cash and cash equivalents. The net funds of the companies classified as available for sale in 2007 were not shown under assets held for sale on account of the information available at that time.

41. Notes on company acquisitions

Of the business combinations completed in 2008, only the acquisitions of the Gigaset Group and the Auto Windscreens Group are material according to the definition of IFRS 3.68. Consequently, the disclosures regarding business combinations required by IFRS 3 are only shown separately for the Gigaset Group and the Auto Windscreens Group. The other company acquisitions are presented on an aggregated basis for materiality reasons.

As in 2007, ARQUES applied the following criteria when determining the materiality of business combinations:

1. The annualized revenues of the acquired company determined in accordance with IFRS are compared with the annualized consolidated Group revenues at the acquisition date. If these represent 5.5% or more of the Group revenues, the company or corporate group qualifies as material.
2. If the positive EBIT of the acquired company determined in accordance with IFRS represents 7.5% or more of the aggregate EBITs of those Group companies that generated a positive EBIT, the company or corporate group is considered material. For this purpose, any income from the reversal of negative goodwill is deducted from EBIT.
3. If the negative EBIT of the acquired company determined in accordance with IFRS represents 7.5% or more of the aggregate EBITs of those Group companies that generated a negative EBIT, the company or corporate group is considered material. For this purpose, any income from the reversal of negative goodwill is deducted from EBIT.
4. If the assets of the acquired company determined in accordance with IFRS represent 5.5% or more of the consolidated total assets at the balance sheet date, the company or corporate group is considered material.

If at least one of the listed criteria is met, the company in question is considered material and is therefore presented separately within the disclosures required by IFRS 3. Purchased immaterial companies are not presented in the notes on company acquisitions.

For the purposes of purchase price allocation, assets are measured in accordance with one of the following three methods, based on IDW RS HFA 16: the market price method, the net present value method, or the cost method.

When the market price method is applied, the fair value of a given asset is determined with reference to current transactions involving comparable assets. This value is adjusted to reflect specific characteristics such as age, selling features, and the transaction environment. The market price method is applied in particular to measure the value of property, plant and equipment, including buildings and machinery, for which an active market exists.

In most cases, intangible assets are acquired in connection with business combinations. Publicly accessible market prices are rarely available for these types of transaction. In most cases, it is not possible to identify knowledgeable, willing parties at any given time because the intangible assets are not generic but have very specific characteristics depending on the company in question.

When the present value method is applied, the fair value is determined by applying a risk-adjusted discount rate to determine the present value of the future cash flows to be generated by the asset in question. Thus, the fair value is deemed equivalent to the present value of the expected future cash flows. The value determined in this way is based in turn on management estimates and projections concerning the future performance of the asset in question and on the selection of an appropriate risk-adjusted discount rate.

The cost method is only applied for the purpose of determining the fair value as part of the purchase price allocation process. Under this method, management may consider those costs which would be required to produce an exact duplicate of the asset in question (reproduction cost method). Alternatively, management may consider the costs of producing an equivalent asset for the intended usage (replacement cost method). Management must also determine whether it is necessary to apply discounts to account for technical, physical, and/or economic obsolescence. Value depletion must be determined on the basis of the anticipated useful life based on economic criteria. If the economic life cannot be determined reliably, certain reference values may be considered as a means of determining the remaining potential usage of the asset in question – especially in the case of assets that have been completely depreciated.

In accordance with IFRS 3.56, negative goodwill is to be recognized immediately in profit or loss after additional review of the measurements made in accordance with IFRS 3.56 (b). Among other things, negative goodwill results from the specific sale situations of the companies, most of which are in need of restructuring, and from the very detailed regulations regarding the recognition of provisions for restructuring expenses at acquired companies at the time of acquisition.

Gigaset Group

On August 1, 2008, ARQUES Invest Potenzial GmbH (subsequently renamed Gigaset Communications GmbH) acquired the shares in the former Siemens Home und Office Communication Devices (SHC) division from Siemens AG as part of a share deal. ARQUES Invest Potenzial GmbH is a wholly owned subsidiary of ARQUES Value Development GmbH, which in turn is a joint venture between ARQUES Industries AG (80.2%) and Siemens AG (19.8%). ARQUES Invest Potenzial GmbH acquired 100% of the shares in Siemens Home and Office Communication Devices Management GmbH from Siemens AG together with the limited partner's share in Siemens Home and Office Communication Devices GmbH & Co. KG. Siemens Home and Office Communication Devices Management GmbH acted as general partner of Siemens Home and Office Communication Devices GmbH & Co. KG up to the transfer date.

At the time of acquisition, Siemens Home and Office Communication Devices GmbH & Co. KG already held shares in the following subsidiaries:

- 100% of Siemens Home and Office Communication Devices Schweiz GmbH (Switzerland);
- 100% of Siemens Home and Office Communication Devices FZ-LLC (United Arab Emirates)
- 100% of Siemens Home & Office Communication Devices Sp.z.o.o. (Poland)
- 100% of Siemens Home and Office Communication Devices Ltd. (UK)
- 100% of Siemens EV VE Ofis Iletisim Cihaulari Limited Sirketi (Turkey)
- 100% of Siemens Home and Office Communication Devices S.R.L. (Argentina)
- 100% of Siemens Home and Office Communication Devices Limited Liability Company (Russia)
- 100% of the shares in Gigaset Communications Inc. (USA)

In addition, Gigaset Communications GmbH acquired the following foreign subsidiaries:

- 100% of Siemens Home and Office Communication Devices GmbH (Austria)
- 100% of Siemens Home and Office Equipamentos de Comuincacao Ltda. (Brazil)
- 100% of Siemens Home and Office Communication Devices Inc. (Canada)
- 100% of Siemens Home and Office Communication Devices (Shanghai) Ltd. (China)
- 100% of Siemens Home and Office Communication Devices SAS (France)
- 100% of Siemens Home and Office Communication Devices S.r.l. (Italy)
- 100% of Siemens Home and Office Communication Devices B.V. (Netherlands)
- 100% of Siemens Home and Office Communication Devices S.L. (Spain)
- 100% of Siemens Home and Office Communication Devices AB (Sweden)

These companies were sold by the respective local companies of the Siemens Group.

Gigaset Communications GmbH acquired the following U.S. subsidiaries through its wholly-owned USA Gigaset Communications Inc. subsidiary:

- 100% of Siemens Home and Office Communication Devices LLC
- 100% of Siemens Subscriber Networks LLC

The closing, and hence transfer of control over the companies of the Gigaset Group, took place on October 1, 2008. Consequently, the companies acquired were included in the consolidated financial statements of ARQUES with effect from October 1, 2008.

The Gigaset Group was included in the consolidated financial statements on the basis of provisional accounting. Since the changeover to IFRS accounting methods and the execution of the purchase price allocation are time-consuming, the best possible information available at the time of acquisition was applied at the time that the financial statements were prepared.

The total purchase price for the shares in the Gigaset Group acquired amounted to EUR 80,974 thousand, of which EUR 33,334 thousand was immediately paid in cash on the day of closing. The remaining purchase price consists of a seller loan of EUR 45,000 thousand, incidental costs of EUR 2,635 thousand, which have similarly already been paid in cash, and an outstanding payment of EUR 5 thousand. The purchase price determined by the time the present consolidated financial statements were prepared is not definitive. The purchase agreement contains provisions calling for the amount paid in cash upon closing to be based on certain calculations. The amount already paid represents only an estimate of the actual amount to be paid. The definitive amount is still being determined. The difference may cause the definitive purchase price to be higher or lower.

Negative goodwill in the amount of EUR 81,698 thousand arose from these cash flows and the assets and liabilities acquired. This amount has been recognized under other operating income in the income statement. Under the terms of the Joint Venture Agreement, no minority interests for the stake held by Siemens AG are disclosed by the ARQUES Group.

The net losses of the acquired companies from the acquisition date to December 31, 2008, totaled EUR 29,373 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 acquisition date amounted to EUR 423,154 thousand; the total revenues in fiscal 2008 amounted to EUR 588,580 thousand. The earnings contribution for the period from January 1, 2008, to the respective acquisition date 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	23,866	43,679
Land	2,151	4,025
Buildings	20,408	21,324
Technical equipment and machinery	6,228	13,920
Other assets	31,485	49,077
Financial assets	36	36
Deferred tax assets	2,888	5,544
Current assets		
Inventories	58,501	64,394
Trade receivables	102,150	102,150
Other assets	54,594	54,594
Cash and cash equivalents	76,153	76,153
Liabilities		
Provisions	-91,857	-94,846
Trade payables	-109,336	-109,336
Other liabilities	-27,045	-27,045
Deferred tax liabilities	-7,774	-40,997
Net assets		**162,672**

The cash acquired amounted to EUR 76,153 thousand, which resulted in a total cash inflow of EUR 40,184 thousand.

No business units were sold or discontinued in connection with the acquisition.

Auto Windscreens Group

In December 2008, ARQUES Industries AG acquired 95% of the shares in Auto Windscreens Ltd., based in the UK, through its wholly-owned Arques Management GmbH subsidiary. In accordance with the "subsidiary manager model" practiced at ARQUES, the remaining 5% interest was acquired by the subsidiary manager in charge. The seller was Britain's RAC plc, a subsidiary of insurer AVIVA plc. The company specializes in repairing car windscreens.

The closing, and hence transfer of control, took place on December 30, 2008. Thus, the company was included in the consolidated financial statements of ARQUES Industries AG as of December 31, 2008.

The Auto Windscreens Group was included in the consolidated financial statements on the basis of provisional accounting. Since the changeover to IFRS accounting methods and the execution of the purchase price allocation are time-consuming, the best possible information available at the time of acquisition was applied at the time that the financial statements were prepared.

The total purchase price for the shares in the company acquired amounted to EUR 1 plus incidental costs of EUR 605 thousand. In addition, a loan with a nominal amount of EUR 6,193 thousand was acquired for an amount of EUR 1.

Taking account of minority interests, negative goodwill in the amount of EUR 20,015 thousand arose from these cash flows and the assets and liabilities acquired. This amount has been recognized under other operating income in the income statement.

The total revenues for the period from January 1, 2008, to the acquisition date of December 31, 2008, amounted to EUR 124,891. The earnings contribution for the period from January 1, 2008, to the respective acquisition date 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	0	3,003
Land	216	697
Buildings	4,681	5,377
Technical equipment and machinery	698	1,507
Other assets	747	747
Financial assets	0	0
Deferred tax assets	0	2,089
Current assets		
Inventories	6,009	6,009
Trade receivables	12,707	12,707
Other assets	2,900	2,900
Cash and cash equivalents	17,858	17,858
Liabilities		
Provisions	-13,108	-13,687
Trade payables	-4,216	-4,216
Other liabilities	-17,064	-17,064
Deferred tax liabilities	0	-2,727
Net assets		**15,200**

The cash acquired amounted to EUR 17,858 thousand, which resulted in a total cash inflow of EUR 17,253 thousand.

No business units were sold or discontinued in connection with the transaction.

Other acquisitions in fiscal 2008

In March 2008, ARQUES Industries AG acquired assets from Benteli Hallwag Druck AG, based in Wabern, Switzerland, in the form of a singular succession through its Farbendruck Weber AG subsidiary, based in Biel, Switzerland. The items purchased were certain assets in the field of job printing. The company was renamed weberbenteli AG as part of this asset deal. The closing, and hence transfer of control over the assets, took place on June 1, 2008. Consequently, the acquired assets will be included in the consolidated financial statements of ARQUES as of June 1, 2009.

At the end of April 2008, ARQUES Industries AG acquired 100% of the shares in 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.

Furthermore, ARQUES Industries AG acquired 100% of the shares in Carl Froh GmbH, based in Sundern, Germany, through its Arques Wert Potenzial GmbH subsidiary in April 2008. 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.

At the end of August 2008, ARQUES Industries AG acquired 100% of the shares in Tank- und Anlagentechnik H&R GmbH through its Saxs Tank GmbH subsidiary, which is part of the Rohé Group. The company is active in the plant engineering sector. The acquisition, and hence transfer of control over the company, took place on August 31, 2008. The company was included in the consolidated financial statements of ARQUES Industries AG as of August 31, 2008.

Similarly in August 2008, the Rohé Group, which belongs to the ARQUES Group, acquired 100% of the shares in Hünert Tanktechnik GmbH, Gödenstorf, a German gas station service provider. The closing for this transaction, and hence transfer of control, took place on October 2, 2008. Due to the proximity to the start of the month, the company was included in the ARQUES consolidated financial statements as of October 1, 2008.

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

The combined purchase prices for the companies acquired amounted to EUR 18,233 thousand, of which EUR 12,534 thousand was paid in cash. The total includes incidental costs of EUR 160 thousand. Moreover, a seller loan of EUR 5,700 thousand was entered into. Shareholder loans in the amount of EUR 4,361 thousand were acquired in connection with the company acquisitions. Taking account of minority interests, the acquisition of the companies resulted in negative goodwill in a total amount of EUR 10,814 thousand and goodwill in a total amount of EUR 595 thousand.

The net losses of the acquired companies from the acquisition date to December 31, 2008, totaled EUR 5,475 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 acquisition date amounted to EUR 42,310 thousand; the total revenues for fiscal 2008 amounted to EUR 87,770 thousand. The earnings contribution for the period from January 1, 2008, to the respective acquisition date 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	118	5,864
Land	1,111	2,286
Buildings	2,758	7,332
Technical equipment and machinery	8,647	12,178
Other assets	3,618	4,730
Financial assets	677	677
Deferred tax assets	552	1,945
Current assets		
Inventories	9,932	9,932
Trade receivables	20,419	20,419
Other assets	6,157	6,157
Cash and cash equivalents	1,081	1,081
Liabilities		
Provisions	-12,479	-16,972
Trade payables	-10,532	-10,532
Other liabilities	-18,521	-18,521
Deferred tax liabilities	-291	-2,588
Net assets		**23,988**

The cash acquired amounted to EUR 1,081 thousand, which resulted in a cash outflow of EUR 11,453 thousand.

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

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

Acquisitions after December 31, 2008

In February 2009, ARQUES acquired the British driving school The British School of Motoring Ltd. (BSM) complete with two subsidiaries. In accordance with the ARQUES model, a 95% interest in the company was acquired. The purchase price totaled GBP 1.

It is not planned to discontinue any business units of the acquired company.

In March 2009, the Actebis Group signed an agreement to acquire the broadline distribution operations of Ingram Micro in Denmark. The employees and the complete customer base of the Danish Ingram Micro office are to be transferred. The transaction is subject to the approval of the antitrust authorities. Since the closing for this transaction is scheduled for the start of the third quarter of 2009, no further details can be provided at present as the purchase price is based on the conditions at the date of closing.

The other disclosures required by IFRS 3.66 (a) are not possible at the present time, as the purchase price allocation process had not been completed by the time the annual financial statements were prepared and hence information was not available or could not be determined with sufficient certainty.

42. Notes on company sales

The following companies and corporate groups were sold in fiscal 2008:

- Operating business of Missel GmbH & Co. KG
- Oxiris Chemicals S.A.
- Jahnel-Kestermann Group
- Xerius AG
- Schöps Group
- Hottinger Group
- Eurostyle Group

On February 22, 2008, ARQUES sold the operating business of the building supplier Missel GmbH & Co. KG (part of the Industrial Production segment) to the globally active KOLEKTOR Group from Slovenia for a sale price of EUR 8.5 million (of which EUR 7.9 million is payable to ARQUES in cash) under the terms of an asset deal. The other assets, notably including land and buildings, and other liabilities remained with the company. At the time of deconsolidation, the assets of Missel GmbH & Co. KG, which until that date had been classified as held for sale, totaled EUR 8.1 million, including cash and cash equivalents of EUR 0.2 million, while its liabilities amounted to EUR 2.7 million. Including other expenses related to the transaction, the sale of Missel led to a gain of EUR 3.1 million at ARQUES, which is carried under other operating income.

On April 14, 2008, ARQUES sold Oxiris Chemicals S.A., Spain (part of the Specialty Chemistry segment), to a strategic investor, with a transaction volume totaling EUR 3.9 million for the sale of shares and the redemption of intercompany loans. At the time of deconsolidation, the assets of Oxiris Chemicals S.A. which until that date had been classified as held for sale, totaled EUR 15.7 million, including cash and cash equivalents of EUR 0.0 million, while its liabilities amounted to EUR 12.6 million. Including consolidation effects and other expenses related to the transaction, the sale of the company led to a gain of EUR 1.5 million at ARQUES, which is carried under other operating income.

Similarly on April 14, 2008, ARQUES sold the Jahnel-Kestermann Group (part of the Steel segment) to a South Korean investor for EUR 15.5 million (sale of shares EUR 13.0 million, redemption of intercompany loans EUR 2.5 million). If certain defined targets for 2008 are met, additional purchase price payments of EUR 1.5 million may be received. The transferred assets totaled EUR 67.1 million, including cash and cash equivalents of EUR 0.3 million, while the liabilities amounted to EUR 60.1 million. Including consolidation effects and other expenses related to the transaction, the sale of the company led to a gain of EUR 6.0 million at ARQUES, which is carried under other operating income.

With effect from June 30, 2008, ARQUES Industries AG sold all the shares in Xerius AG (part of the Holding segment). The transferred assets totaled EUR 0.3 million, including cash and cash equivalents of EUR 0.3 million, while the liabilities amounted to EUR 0.0 million. The proceeds on disposal amounted to EUR 0.2 million. Including consolidation effects and other expenses related to the transaction, the loss on deconsolidation amounts to EUR 0.4 million, which is carried under other operating expenses.

On 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. The transferred assets totaled EUR 18.7 million, including cash and cash equivalents of EUR 2.5 million, while the liabilities amounted to EUR 18.7 million. An impairment of EUR 2.1 million was taken on the assets held for sale. Including consolidation effects and other expenses related to the transaction, the loss on deconsolidation amounted to EUR 4.7 million, which is carried under other operating expenses.

The Hottinger Group, Mannheim (part of the Industrial Production segment), was sold to an investor for a symbolic price with effect from August 31, 2008. The transferred assets totaled EUR 18.3 million, including cash and cash equivalents of EUR 0.7 million, while the liabilities amounted to EUR 18.4 million. Including consolidation effects and other expenses related to the transaction, the loss on deconsolidation amounts to EUR 8.9 million, which is carried under other operating expenses.

85% of the Eurostyle Group, Spain (part of the Automotive segment), was sold for a symbolic price by way of a management buy-out with effect from November 30, 2008. The transferred assets totaled EUR 197.3 million, including cash and cash equivalents of EUR 5.9 million, while the liabilities amounted to EUR 215.4 million. The loss on deconsolidation amounts to EUR 0.0 million

The following table shows the aggregate amounts for assets sold and liabilities transferred:

EUR'000	
Assets	
Intangible assets	1,536
Property, plant and equipment	69,925
Other assets	254,196
Total	**325,657**
Liabilities	
Provisions	40,689
Liabilities	287,267
Total	**327,956**

43. Discontinued operations

IFRS 5 prescribes special presentation requirements for discontinued operations. In order to increase transparency and comparability, primary emphasis has been given to continuing operations in the ARQUES financial statements, while the information on discontinued operations is presented on an aggregate basis for each applicable item of the balance sheet, income statement, and cash flow statement.

None of the companies sold in 2008 qualifies as a discontinued operation within the meaning of IFRS 5. Neither do any of the disposal groups classified as held for sale meet the definition of a discontinued operation, since the disposal groups represent neither a major line of business nor a geographical area of operations. Please refer to the comments in the previous section for details regarding company sales. For other information, please refer to the notes concerning non-current assets and disposal groups held for sale.

The “Discontinued operations” column of the income statement for 2007 contains the income and expenses of the SKW Group.

44. Other financial commitments

The other financial commitments at the balance sheet date of December 31, 2008 resulted from the non-terminable rental, lease, and service agreements entered into by the Group and its subsidiaries in the ordinary course of business. The following table shows the breakdown by maturity of the total future payments arising from these agreements:

EUR'000 2008	DUE IN LESS THAN 1 YEAR	DUE IN 1-5 YEARS	DUE IN MORE THAN 5 YEARS	TOTAL
Rental and lease commitments	29,143	97,137	83,298	209,577
Other commitments	2,375	1,967	1	4,342
Total	**31,518**	**99,103**	**83,298**	**213,919**

EUR'000 2007	DUE IN LESS THAN 1 YEAR	DUE IN 1-5 YEARS	DUE IN MORE THAN 5 YEARS	TOTAL
Rental and lease commitments	25,795	56,949	42,831	125,575
Other commitments	4,082	6,824	1,558	12,464
Total	**29,877**	**63,773**	**44,389**	**138,039**

The total rental and lease commitments of EUR 209,577 thousand (prior year EUR 125,575 thousand) result from rental and lease agreements for land and buildings in the amount of EUR 185,510 thousand (prior year EUR 104,713 thousand), operating lease agreements for plant and equipment in the amount of EUR 8,094 thousand (prior year EUR 10,582 thousand), and rental and lease agreements for other equipment, operational and office equipment in the amount of EUR 15,973 thousand (prior year EUR 10,280 thousand).

The other financial commitments in the amount of EUR 4,342 thousand (prior year EUR 12,464 thousand) resulted from maintenance and service contracts for plant and equipment, software, and other equipment, operational and office equipment. The decline results from the contractual arrangements of the Jahnel-Kestermann Group, which was deconsolidated in fiscal 2008.

Most of the investment commitment of EUR 3,481 thousand (prior year EUR 69,484 thousand) at December 31, 2008, related to investments in buildings, plant, and operating equipment. The year-on-year decline results primarily from the order obligation of the Jahnel-Kestermann Group, which was deconsolidated in fiscal 2008.

45. Contingent liabilities

The contingent liabilities at the balance sheet date of December 31, 2008 related to the following companies and matters:

In connection with the acquisition of 100% of the shares in Oxxynova Holding GmbH, Mainsee 410. VV GmbH has undertaken to maintain both facilities for the next five years. This commitment is secured by the imposition of a contractual penalty of initially EUR 15 million.

The possible contractual penalty amounted to EUR 10 million as of October 2008 and will be reduced in stages to zero over the remaining period of three years. Degussa has agreed in writing to convert and retool the facility in Lülsdorf. It is therefore currently planned to continue using the facilities, which reduces the economic risk arising from the commitment.

Also in connection with the acquisition of 100% of the shares in Oxxynova Holding GmbH, ARQUES Industries AG has issued a guarantee of up to EUR 10 million in favor of the seller to cover the anticipated liability for environmental pollution. This guarantee is limited to a period of five years after the purchase agreement takes legal effect. In the meantime, this risk has been covered by an insurance policy with a deductible of EUR 100 thousand.

ARQUES Industries AG has issued a guarantee for a maximum amount of EUR 2 million in connection with the release from encumbrances required for the planned sale of the operating premises of Missel GmbH & Co. KG, as consideration for the redemption of an existing land charge in the nominal amount of EUR 2 million. The background for this security transaction is the release from the statutory risk of secondary liability of the outgoing general partner for the period of five years that was negotiated with the seller as a condition for the acquisition of Missel GmbH & Co. KG. The risk is considered to be minor because no matters relevant to the secondary liability have arisen, now approximately four years after the transaction.

As is customary for the industry, the seller of the Eurostyle Group has issued contract performance guarantees in the total amount of EUR 19.4 million to major customers (automobile manufacturers) and suppliers in the form of surety bonds, guarantees, and letters of comfort. These guarantees were assumed by ARQUES Industries AG as a result of the acquisition of the Eurostyle Group. The guarantees in favor of customers amount to EUR 3.5 million and the guarantees in favor of suppliers amount to EUR 0.08 million. Their use depends above all on the operating performance of Eurostyle France S.A.S., which has entered into creditor protection proceedings under French law.

The sale of Oxiris Chemicals S.A., Spain, to chemicals company Raschig has given rise to a guarantee in the amount of EUR 6 million as part of a guarantee of the customary scope provided in the purchase agreement. There are no indications of the guarantee possibly taking effect. The guarantee is valid until December 31, 2013.

The sale of the Jahnel-Kestermann Group gave rise to a vendor liability in the amount of EUR 22 million as part of a guarantee of the customary scope provided in the purchase agreement. EUR 3.5 million of this total expires on October 14, 2009 and EUR 18.5 million on April 14, 2018. The probability of occurrence is considered to be low.

The sale of the teutonia Group gave rise to a vendor liability in the amount of EUR 3.0 million as part of a guarantee of the customary scope provided in the purchase agreement. The probability of occurrence is considered to be very low.

The buyer of Rohner AG has been indemnified against any costs arising from legal proceedings in connection with the assertion of a real right of pre-emption over a property as part of the acquisition of Wolfsheckmühle complete with properties. All the legal proceedings commenced to date have been rejected with costs borne by the plaintiff, and the associated risk is therefore considered to be minor.

In addition, ARQUES is subject to contingent liabilities of EUR 23.9 million (prior year EUR 18.0 million) from guarantees issued in connection with the operating activities of its subsidiaries and of EUR 1.6 million (prior year EUR 12.8 million) from the surety bonds and letters of comfort attributable to the subsidiaries. The decline results above all from expired contractual arrangements in connection with the restructuring activities of the Anvis Group.

46. Disclosures in accordance with Section 264b HGB

The following domestic subsidiaries organized as unincorporated partnerships within the meaning of Section 264a of the German Commercial Code (HGB) have to some extent exercised the exemption options permitted by Section 264b HGB:

- ARQUES Immobilien Equity GmbH & Co KG.
- ARQUES Immobilien GmbH & Co. KG
- ARQUES Immobilien Wert GmbH & Co. KG
- Sommer Road Cargo Solutions GmbH & Co. KG
- Hortensienweg Grundstücksverwaltung GmbH & Co. KG
- SINAS Beteiligungs GmbH & Co. Vermietungs KG

47. Executive Board and Supervisory Board of ARQUES Industries AG

The following individuals were members of the Executive Board in fiscal 2008 and in the time until the financial statements were prepared:

- **Dr. Martin Vorderwülbecke**, lawyer, Munich (Chairman of the Executive Board from May 1, 2007 to January 31, 2008)
- **Dr. Michael Schumann**, MBA, Feldafing (Executive Board member responsible for Acquisitions until February 2, 2009, Executive Board member responsible for Finance from February 1, 2008 to February 2, 2009, Chairman of the Executive Board from February 1, 2008 to February 28, 2009
- **Felix Frohn-Bernau**, lawyer, Munich (Executive Board member responsible for Exits, Executive Board member responsible for Exits and Acquisitions since February 3, 2009)
- **Bernd Schell**, MBA, Munich (Executive Board member responsible for Operations since January 1, 2008)
- **Hans Gisbert Ulmke**, businessman, Gauting (Executive Board member responsible for Finance since February 3, 2009)

The other executive responsibilities of the Executive Board members mainly include positions as managing directors or on the supervisory boards or executive boards of affiliates or subsidiaries of ARQUES Industries AG.

Individually, the members of the Executive Board served on the following supervisory and executive boards in 2008 and in the time until the financial statements were prepared. (The starting date and ending date are given when they fall within the reporting period):

Dr. Martin Vorderwülbecke (member of the Executive Board until January 31, 2008)

COMPANY	BOARD	STARTING DATE	ENDING DATE
Inside the Group			
Arques Austria Invest AG , Vienna, Austria	Vice Chairman of the Supervisory Board	-	04/25/2008
Arques Industries AG, Vienna, Austria	Vice Chairman of the Supervisory Board	-	04/28/2008
ddp media holding AG	Supervisory Board	-	01/31/2008
MDI Mediterranean Direct Invest AG	Chairman of the Supervisory Board	-	01/31/2008
Evotape S.P.A., San Mosezzo, Italy	Supervisory Board	-	02/08/2008
Sommer Holding AG	Supervisory Board	-	01/30/2008
Xerius AG	Vice Chairman of the Supervisory Board	-	02/08/2008
tiscon AG, Linden, Germany	Supervisory Board	-	07/10/2008
Outside the Group			
SKW Stahl-Metallurgie Holding AG, Unterneukirchen, Germany	Vice Chairman of the Supervisory Board	-	06/05/2008

Dr. Michael Schumann (member of the Executive Board until February 28, 2009)

COMPANY	BOARD	STARTING DATE	ENDING DATE
Inside the Group			
Arques Industrie Asset AG	Chairman of the Supervisory Board	-	02/23/2009
ddp media holding AG	Chairman of the Supervisory Board	-	01/23/2009
MDI Mediterranean Direct Invest AG	Chairman of the Supervisory Board	-	01/31/2008
Sommer Holding AG	Chairman of the Supervisory Board	-	-
tiscon AG, Linden, Germany	Vice Chairman of the Supervisory Board	-	02/18/2009
Zugspitze 66. VV AG	Chairman of the Supervisory Board	-	01/23/2009
Arques Industries Capital AG	Chairman of the Supervisory Board	-	11/04/2008
Arques Industries Wertbeteiligungs AG	Chairman of the Supervisory Board	-	11/04/2008
Anvis Netherlands B.V.	Supervisory Board	-	02/04/2008

Felix Frohn-Bernau

COMPANY	BOARD	STARTING DATE	ENDING DATE
Inside the Group			
Arques Austria Invest AG, Vienna, Austria	Chairman of the Supervisory Board	-	-
Arques Industries AG , Vienna, Austria	Vice Chairman of the Supervisory Board	04/28/2008	-
Arques Industrie Asset AG	Vice Chairman of the Supervisory Board	-	-
Arques Industrie Wertbeteiligungs AG	Vice Chairman of the Supervisory Board	-	11/04/2008
Arques Industries Capital AG	Vice Chairman of the Supervisory Board	-	11/04/2008
Richard Schöps & Co AG, Vienna, Austria	Supervisory Board	01/11/2008	10/08/2008
Anvis Netherlands B.V., Amsterdam, Netherlands	Supervisory Board	-	02/04/2008
ddp media holding AG	Supervisory Board	01/31/2008	01/23/2009
Sommer Holding AG	Supervisory Board	01/30/2008	-
Xerius AG	Supervisory Board	-	01/07/2009
Zugspitze 66. VV AG	Vice Chairman of the Supervisory Board	-	01/23/2009
Outside the Group			
dooyoo AG, Berlin, Germany	Supervisory Board	-	07/21/2008

Bernd Schell (member of the Executive Board since January 1, 2008)

COMPANY	BOARD	STARTING DATE	ENDING DATE
Inside the Group			
Arques Corporate Revitalization AG, Baar, Switzerland	President of the Board of Directors	05/14/2008	-
Rohner AG Pratteln, Pratteln, Switzerland	Board of Directors	05/19/2008	02/24/2009
Arques Industrie Wertbeteiligungs AG	Supervisory Board	-	11/04/2008
Arques Industries Capital AG	Supervisory Board	-	11/04/2008
NT Plus AG, Osnabrück	Vice Chairman of the Supervisory Board	01/02/2008	04/28/2008
Arques Austria Invest AG, Vienna, Austria	Supervisory Board	-	-
Arques Industrie Asset AG	Supervisory Board	-	-
Arques Industries AG, Vienna, Austria	Chairman of the Supervisory Board	-	-
ddp media holding AG	Vice Chairman of the Supervisory Board	-	01/23/2009
Richard Schöps & Co. AG, Vienna, Austria	Supervisory Board	01/11/2008	10/08/2008
Gigaset Communications GmbH	Supervisory Board	09/25/2008	-
Golfhouse Direktversand GmbH, Hamburg, Germany	Advisory Board	01/01/2008	-
MDI Mediterranean Direct Invest AG	Vice Chairman of the Supervisory Board	-	-
Sommer Holding AG	Vice Chairman of the Supervisory Board	-	-
tiscon AG, Linden, Germany	Chairman of the Supervisory Board	07/10/2008	-
Xerius AG	Chairman of the Supervisory Board	-	01/07/2009
Zugspitze 66. VV AG	Supervisory Board	-	01/23/2009

Hans Gisbert Ulmke (member of the Executive Board since February 3, 2009)

COMPANY	BOARD	STARTING DATE	ENDING DATE
Inside the Group			
Arques Industrie Asset AG	Supervisory Board	02/23/2009	-
tiscon AG, Linden, Germany	Supervisory Board	03/04/2009	-
Outside the Group			
Advisory Board South of Deutsche Bank AG, Munich, Germany	Advisory Board		
Verband deutscher Treasurer e.V.	Administrative Board		
ProLean AG, Düsseldorf, Germany	Advisory Board		

The following individuals were members of the Supervisory Board in 2008:

Dipl.-Kfm. Dr. rer. pol. Georg Obermeier, Chairman of the Supervisory Board, managing shareholder of Obermeier Consult GmbH, Munich,

Memberships of other supervisory and similar boards:
- Member of the Board of Directors of Kühne & Nagel International AG, Schindellegi, Switzerland
- Member of the Supervisory Board of Billfinger Berger Industrial Services AG, Munich
- Member of the Supervisory Board of Energie-Control GmbH Österreichische Regulierungsbehörde für Strom & Gas, Vienna, Austria
- Member of the Advisory Board South of Deutsche Bank AG, Munich

Bernhard Riedel, Vice Chairman of the Supervisory Board, lawyer, Munich

- No memberships of other supervisory or similar boards

Prof. Dr. jur. Michael Judis, Executive Board member of Open Pictures AG and lawyer, Munich

- No memberships of other supervisory or similar boards

Dipl.-Kfm. Dr. jur. Rudolf Falter, lawyer, tax advisor, Munich

Memberships of other supervisory and similar boards:
- Member of the Supervisory Board of WTS Management Services AG, Grünwald

Dr. jur. Gerhard Fischer, lawyer, Munich

Memberships of other supervisory and similar boards:
- Chairman of the Supervisory Board of Demos Wohnbau Beteiligungsgesellschaft AG, Seeshaupt
- Chairman of the Supervisory Board of CREDITREFORM Nürnberg Aumüller KG, Nuremberg

Franz Graf von Meran, businessman and banker, retired, Munich

Memberships of other supervisory and similar boards:

- Member of the Supervisory Board of Continentale Krankenversicherung a.G., Dortmund
- Member of the Supervisory Board of Continentale Lebensversicherung a.G., Munich
- Member of the Supervisory Board of Continentale Sach-Versicherung AG, Dortmund
- Member of the Supervisory Board of Deutsche Malteser gGmbH, Cologne
- Chairman of the Advisory Board of Langenscheidt KG, Munich
- Member of the Advisory Board of Graf v. Schaesberg BeteiligungsKG, Wegberg
- Member of the Advisory Board of Graf v. Schaesberg Vermögensverwaltungs-KG, Wegberg
- Member of the Advisory Board of Graf v. Schaesberg Forstwirtschaft KG, Wegberg

Alternate member of the Supervisory Board:

Dipl.-Kfm. Othmar Freiherr von Diemar, managing owner of Othmar von Diemar Vermögensverwaltung & Beratung, Cologne

Memberships of other supervisory and similar boards:

- Chairman of the Supervisory Board of Informium AG, Leverkusen
- Member of the Supervisory Board of Borussia Dortmund GmbH & Co KGaA, Dortmund

48. Compensation paid to the governing boards of the company

The Compensation Report (in accordance with Section 4.2.5. of the German Corporate Governance Code) explains the principles applied in setting the compensation paid to members of the Executive Board and indicates the amount and structure of Executive Board compensation. It also describes the principles of the compensation paid to members of the Supervisory Board and the amount of that compensation, and discloses the shareholdings of the Executive Board and Supervisory Board.

Compensation paid to the members of the Executive Board

The responsibilities and contributions of the respective Executive Board member are taken into account when setting the compensation. The compensation granted in fiscal 2008 consisted of a fixed annual salary and success-related components. The variable components consist of bonus agreements for the Executive Board members Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell which are tied to the capital appreciation of a virtual share portfolio (and thus dependent on the company's success) and to the fulfillment of certain goals established for each Executive Board division (and thus dependent on the success of that division).

Specifically, the Executive Board compensation is composed of the following elements:

- The fixed compensation is paid in the form of a monthly salary.

- The variable compensation consists in part of a special bonus, the amount of which is determined with reference to the capital appreciation of a "virtual share portfolio," and in part of an individual bonus agreement for the Executive Board members Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell

The basis for calculating the variable compensation with respect to the virtual share portfolio for Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell is a specific number of shares in ARQUES Industries AG ("virtual share portfolio") valued at a specific share price ("initial value"). The amount of variable compensation is calculated in each case from the possible appreciation of the virtual share portfolio over a specific period – that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual share portfolio valued at the share price on the valuation date and its initial value '("capital appreciation") yields the amount of variable compensation. The general policy is to settle the capital appreciation in cash, converted at the share price at the valuation date.

The virtual share portfolio for Dr. Schumann comprises 125,000 shares at each grant date. The valuation dates for all shares are January 31, 2009, January 31, 2010, and January 31, 2011. The grant date was February 28, 2008. This agreement supersedes the previous agreement under which Dr. Schumann received EUR 1,306,337.00 on December 31, 2008 on the basis of 125,000 virtual shares.

The fair value of the virtual share portfolio maintained for Dr. Schumann at the balance sheet date totaled EUR 0.00 for the first tranche of 125,000 shares, payable on January 31, 2009 (with a vested portion of 90.91% under IFRS rules), EUR 55,978.26 for the second tranche of 125,000 shares, payable on January 31, 2010 (with a vested portion of 43.48% under IFRS rules), and EUR 30,714.29 for the third tranche of 125,000 shares, payable on January 31, 2011 (with a vested portion of 28.57% under IFRS rules). The fair value of the stock options granted totaled EUR 185,000.00 for the first tranche, EUR 327,500.00 for the second tranche, and EUR 291,250.00 for the third tranche at the time of granting.

Dr. Schumann agreed with the Supervisory Board to waive all claims against ARQUES Industries AG under the terms of his termination agreement.

The virtual share portfolio for Mr. Frohn-Bernau comprises 125,000 shares at each grant date. The valuation dates for all shares are March 31, 2009 and March 31, 2010. The fair value of the virtual share portfolio maintained for Mr. Frohn-Bernau at the balance sheet date totaled EUR 961.54 for the first tranche of 125,000 shares, payable on March 31, 2009 (with a vested portion of 76.92% under IFRS rules) and EUR 49,500.00 for the second tranche of 125,000 shares, payable on March 31, 2010 (with a vested portion of 40.00% under IFRS rules). The grant date was March 5, 2008. The fair value of the stock options granted totaled EUR 265,000.00 for the first tranche and EUR 348,750.00 for the second tranche at the time of granting.

The virtual share portfolio for Mr. Schell comprises 125,000 shares at each grant date. The valuation dates for all shares are December 31, 2009 and December 31, 2010. The fair value of the virtual share portfolio maintained for Mr. Schell at the balance sheet date totaled EUR 65,340.91 for the first tranche of 125,000 shares, payable on December 31, 2009 (with a vested portion of 45.45% under IFRS rules) and EUR 31,617.65 for the second tranche of 125,000 shares, payable on December 31, 2010 (with a vested portion of 29.41% under IFRS rules). The grant date was March 3, 2008. The fair value of the stock options granted totaled EUR 293,750.00 for the first tranche and EUR 251,250.00 for the second tranche. 125,000 stock options were exercised in fiscal 2008. The delivery date was December 31, 2008. The fair value of these stock options at the grant date was EUR 62,500.00.

STOCK OPTIONS	DR. MICHAEL SCHUMANN	FELIX FROHN-BERNAU	BERND SCHELL
Outstanding at 01/01/2008	**250,000**	**125,000**	**125,000**
Granted in 2008	375,000	250,000	375,000
Forfeited in 2008	0	0	0
Exercised in 2008	125,000	0	125,000
Average share price on exercise date (EUR)	20.45	-	less than strike price
Expired in 2008	125,000	125,000	125,000
Outstanding at 12/31/2008	375,000	250,000	250,000
Of which: exercisable options	0	0	0
Strike price range	20.29	16.00	2.19
Income (+)/expense (-) recognized in reporting period under IFRS rules (EUR)	541,345	324,321	-49,054

In addition, Dr. Schumann, Mr. Frohn-Bernau, and Mr. Schell each have an individual bonus agreement.

Following the appointment of Dr. Schumann as Chairman of the company's Executive Board with effect from February 1, 2008, his existing employment contract complete with bonus agreement was rescinded. The new employment contract contains a bonus agreement under which the bonus is based on the profit for the year included in the consolidated profit.

Mr. Frohn-Bernau and Mr. Schell each received a bonus for projects involving the sale of operating subsidiaries of the ARQUES Group or their significant assets ("asset deal"), the size of which is based on the net return on the interest sold. The net return corresponds to the cash price actually received for the interest sold by ARQUES, regardless of shares, loans, or other significant assets (asset deal) net of any cash payments made and not recovered by the ARQUES Group prior to completion of the sale (e.g. purchase price, capital contributions).

The following compensation was set for the individual members of the Executive Board in fiscal 2008:

EUR	CASH COMPENSATION		MONETARY VALUE OF COMPANY CAR		SUCCESS-RELATED BONUS		TOTAL	
FISCAL	2008	2007	2008	2007	2008	2007	2008	2007
Dr. Martin Vorderwülbecke (until January 31, 2008)	20,100	320,000	671	8,202	0	500,000	20,771	828,202
Dr. Michael Schumann (until February 28, 2009)	343,200	158,400	5,494	6,487	0	1,374,994	348,694	1,539,881
Felix Frohn-Bernau	233,200	118,800	10,807	5,854	159,608	315,031	403,615	439,685
Bernd Schell (since January 1, 2008)	158,400	-	7,646	-	94,868	-	260,914	-
TOTAL	**754,900**	**597,200**	**24,618**	**20,543**	**254,476**	**2,190,025**	**1,033,994**	**2,807,768**

No further compensation was paid to members of the Executive Board for their activities on the governing boards of subsidiaries or affiliates.

Compensation paid to members of the Supervisory Board

The compensation paid to members of the Supervisory Board was established for the first time by the annual shareholders' meeting on May 30, 2006, at the proposal of the Executive Board and Supervisory Board. Every member of the Supervisory Board receives maximum annual compensation of EUR 16.000,00. They are entitled to fixed compensation of EUR 1,000.00 per month and variable compensation in the form of meeting fees. The total compensation paid to the Chairman of the Supervisory Board is 50% higher, making for maximum annual compensation of EUR 24,000.00.

The following table shows the compensation paid to members of the Supervisory Board of ARQUES Industries Aktiengesellschaft in fiscal 2008:

EUR	SETTLED	PROVISION ESTABLISHED	TOTAL EXPENSE
Dr. Georg Obermeier	12,000.00	12,000.00	24,000.00
Bernhard Riedel	16,000.00	--	16,000.00
Dr. Rudolf Falter	8,000.00	8,000.00	16,000.00
Dr. Gerd Fischer	8,000.00	8,000.00	16,000.00
Prof. Dr. Michael Judis	16,000.00	--	16,000.00
Franz Graf von Meran	8,000.00	8,000.00	16,000.00
TOTAL	**68,000.00**	**36,000.00**	**104,000.00**

In addition, travel and other out-of-pocket expenses in the amount of EUR 5,773.36 were reimbursed. Consequently, the total compensation paid to members of the Supervisory Board amounted to EUR 109,773.36.

Furthermore, no commitments have been made in the event of termination of Supervisory Board mandates. No advances or loans have been extended to members of the Executive Board or Supervisory Board of ARQUES. No contingent liabilities exist in relation to these persons. No payments have been made to former members of the Executive Board or Supervisory Board.

49. Shareholdings of Executive Board and Supervisory Board members

Members of the Executive Board held an aggregate of 13,550 shares in ARQUES Industries AG at the balance sheet date. This represents 0.05% of the shares outstanding.

Members of the Supervisory Board held an aggregate of 9,400 shares in ARQUES Industries AG at the balance sheet date. This represents 0.04% of the shares outstanding.

The following table shows the breakdown of the shares held by individual members of the Executive Board and Supervisory Board:

	NUMBER OF SHARES 12/31/2008	NUMBER OF SHARES AT THE DATE THE FINANCIAL STATEMENTS WERE PREPARED	NUMBER OF OPTIONS 12/31/2008	NUMBER OF OPTIONS AT THE DATE THE FINANCIAL STATEMENTS WERE PREPARED
Executive Board				
Dr. Michael Schumann (until February 28, 2009)	10,000	n/a	-	n/a
Felix Frohn-Bernau	3,000	3,000	-	-
Bernd Schell	550	550	-	-
Supervisory Board				
Dr. Georg Obermeier (Chairman)	-	-	-	-
Bernhard Riedel (Deputy Chairman)	400	400	-	-
Prof, Dr, Michael Judis	7,000	7,000	-	-
Dr. Gerhard Fischer	-	-	-	-
Dr. Rudolf Falter	500	500	-	-
Franz Graf von Meran	1,500	1,500	-	-

Disclosures concerning stock option rights and similar incentives

No options on the ARQUES share have been extended to board members at the present time. Please refer to the Compensation Report for more information on the virtual share portfolios of members of the Executive Board.

50. 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.

The companies listed below are considered related parties from the perspective of ARQUES according to the definition of IAS 24, because they have been or can be influenced by the active members of the Executive Board of the ARQUES Group.

Related parties include EMG Holding GmbH and WS 3014 Vermögensverwaltung AG.

The following significant business transactions were conducted between the Group and related parties:

EUR'000	2008	2007
Expenses for purchased services and cost allocation charges		
EMG Holding GmbH (consulting services and vehicle lease payments)	21	828
The Growth Group AG (consulting services)	0	114
TOTAL	**21**	**828**
Income from interest on extended loans		
WS 3014 Vermögensverwaltung AG (interest income)	4	4
TOTAL	**4**	**4**

The payments for consulting services and lease payments to EMG Holding GmbH consisted entirely of Executive Board compensation paid to the former Chairman of the Executive Board, Dr. Martin Vorderwülbecke.

At the balance sheet date, receivables in the amount of EUR 100 thousand were due from WS 3014 Vermögensverwaltung AG in connection with loans and purchase agreements.

In addition, a member of the Executive Board received credit for accrued interest in the amount of EUR 50 thousand arising from loan receivables from an ARQUES subsidiary in fiscal 2008.

51. Professional fees for independent auditors

Professional fees for services performed by the independent auditors within the meaning of Section 318 of the German Commercial Code (HGB) accrued in a total amount of EUR 3,027 thousand (prior year EUR 2,509 thousand) in fiscal 2008:

EUR'000	2008	2007
Auditing fees	2,513	2,264
Other consulting services	198	135
Tax consulting fees	269	107
Other services	47	3
TOTAL	**3,027**	**2,509**

52. Employees

The ARQUES Group had an average of 12,300 employees in 2008 (prior year 6,093). At December 31, 2008, the Group had a total of 13,455 employees (prior year 12,319). The employees of the companies acquired or sold in fiscal 2008 are included on a prorated basis.

	BALANCE SHEET DATE		AVERAGE	
	12/31/2008	12/31/2007	2008	2007
Wage-earning staff	5,827	6,412	5,746	2,616
Salaried staff	7,334	5,634	6,286	3,284
Apprentices/trainees	294	273	268	193
Total	**13,455**	**12,319**	**12,300**	**6,093**

The Executive Board and Supervisory Board of ARQUES Industries Aktiengesellschaft have issued the Declaration of Conformity with the German Corporate Governance Code in the version of June 14, 2007 on March 31, 2008 required by Section 161 of the German Stock Corporation Act (AktG). Furthermore, this declaration has been made permanently available to shareholders on the company's website at www.arques.de. The exceptions from the German Corporate Governance Code have been duly noted.

The Executive Board and Supervisory Board of tiscon AG, an exchange-listed subsidiary of ARQUES Industries AG, have issued the Declaration of Conformity with the German Corporate Governance Code in the version of June 14, 2007 on March 31, 2008 required by Section 161 of the German Stock Corporation Act (AktG). Furthermore, this declaration has been made permanently available to shareholders on the company's website at www.tiscon.com. The exceptions from the German Corporate Governance Code have been duly noted.

54. Shareholder structure

The following notifications regarding the voting rights thresholds in accordance with Sections 21 and 26 of the German Securities Trading Act (WpHG) were received in 2008 before the financial statements were prepared:

JPMorgan Chase & Co., New York, USA, notified us in accordance with Section 21 WpHG that its share of voting rights fell below the threshold of 5% to 4.81% (= 1,272,170 voting shares) on January 17, 2008. The voting rights are attributable to JPMorgan Chase & Co., New York, USA, via JPMorgan Asset Management Holding Inc., New York, USA, and others in the amount of 4.77% (= 1,261,943 voting shares) in accordance with Section 22 (1) (1) (1) and 6 in conjunction with (2) WpHG. Moreover, a share of the voting rights of 0.04% (= 10,227 voting shares) is attributable to JPMorgan Chase & Co., New York, USA, in accordance with Section 22 (1) (1) (1) WpHG.

The share of the voting rights held by JPMorgan Chase & Co., New York, USA, changed to 5.06% (= 1,338,547 voting shares) according to a separate notification dated January 23, 2008. The voting rights are attributable to JPMorgan Chase & Co., New York, USA, via JPMorgan Asset Management Holding Inc., New York, USA, in the amount of 5.003% (= 1,323,260 voting shares) in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG. Moreover, a share of the voting rights of 0.06% (= 15,287 voting shares) is attributable to JPMorgan Chase & Co., New York, USA, in accordance with Section 22 (1) (1) (1) WpHG.

The share of the voting rights held by JPMorgan Chase & Co., New York, USA, changed to 4.72% (= 1,247,755 voting shares) according to a separate notification dated March 12, 2008. The voting rights are attributable to JPMorgan Chase & Co., New York, USA, in the amount of 4.66% (= 1,232,552 voting shares) in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG. Moreover, a share of the voting rights of 0.06% (= 15,203 voting shares) is attributable to JPMorgan Chase & Co., New York, USA, in accordance with Section 22 (1) (1) (1) WpHG.

The share of the voting rights held by JPMorgan Chase & Co., New York, USA, changed to 2.628% (= 695,084 voting shares) according to a separate notification dated April 2, 2008. The voting rights are attributable to JPMorgan Chase & Co., New York, USA, in the amount of 2.614% (= 691,466 voting shares) in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG. Moreover, a share of the voting rights of 0.014% (= 3,618 voting shares) is attributable JPMorgan Chase & Co., New York, USA, in accordance with Section 22 (1) (1) (1) WpHG.

JPMorgan Asset Management Holding Inc., New York, USA, notified us in accordance with Section 21 WpHG that its share of voting rights fell below the threshold of 5% to 4.76% (= 1,258,678 voting shares) on January 17, 2008. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, USA, via JPMorgan Asset Management UK Ltd., London, UK, and others in accordance with Section 22 (1) (1) (6) in conjunction with (2) WpHG.

The share of the voting rights held by JPMorgan Asset Management Holding Inc., New York, USA, changed to 5.003% (= 1,323,260 voting shares) according to a separate notification dated January 23, 2008. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, USA, via JPMorgan Asset Management UK Ltd., London, UK, in accordance with Section 22 (1) (1) (6) in conjunction with (2) WpHG.

The share of the voting rights held by JPMorgan Asset Management Holding Inc., New York, USA, changed to 4.66% (= 1,231,487 voting shares) according to a separate notification dated March 12, 2008. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, USA, in accordance with Section 22 (1) (1) (6) in conjunction with (2) WpHG.

The share of the voting rights held by JPMorgan Asset Management Holding Inc., New York, USA, changed to 2.99% (= 790,105 voting shares) according to a separate notification dated April 1, 2008. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, USA, in accordance with Section 22 (1) (1) (6) in conjunction with (2) WpHG.

JPMorgan Asset Management UK Ltd., London, UK, notified us in accordance with Section 21 WpHG that its share of voting rights fell below the threshold of 5% to 4.75% (= 1,257,525 voting shares) on January 17, 2008. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, UK, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights held by JPMorgan Asset Management UK Ltd., London, UK, changed to 5.43% (= 1,437,543 voting shares) according to a separate notification dated January 24, 2008. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, UK, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights held by JPMorgan Asset Management UK Ltd., London, UK, changed to 4.65% (= 1,230,334 voting shares) according to a separate notification dated March 12, 2008. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, UK, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights held by JPMorgan Asset Management UK Ltd., London, UK, changed to 2.99% (= 790,105 voting shares) according to a separate notification dated April 1, 2008. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, UK, in accordance with Section 22 (1) (1) (6) WpHG.

AQR Capital Management LLC, Greenwich, USA, notified us in accordance with Section 21 WpHG that its share of voting rights fell below the threshold 3% to 2.99% (= 792,167 voting shares) on February 6, 2008. The voting rights are attributable to AQR Capital Management LLC, Greenwich, USA, in accordance with Section 22 (1) (1) (6) WpHG.

Dr. Dirk Markus, Feldafing, Germany, notified us in accordance with Section 21 WpHG that he has held a share of voting rights of 3.01% (corresponding to 796,150 voting shares) since September 12, 2008. The voting rights are attributable to Dr. Dirk Markus, Feldafing, Germany, via Lotus AG, Munich, Germany, in accordance with Section 22 (1) (1) (1) WpHG. At the same time, the voting rights are attributable to Dr. Dirk Markus in accordance with Section 22 (2) WpHG.

The share of the voting rights held by Dr. Dirk Markus, Feldafing, Germany, changed to 5.29% (= 1,398,067 voting shares) according to a separate notification dated September 16, 2008. The voting rights of 3.30% (= 872,000 voting shares) are attributable to Dr. Dirk Markus, Feldafing, Germany, via Lotus AG, Munich, Germany, in accordance with Section 22 (1) (1) (1) WpHG. At the same time, a share of the voting rights of 5.29% (= 1,398,067 voting shares) is attributable to Dr. Dirk Markus, Feldafing, Germany, Dr. Dirk Markus, Feldafing, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by Dr. Dirk Markus, Feldafing, Germany, changed to 2.47% (= 654,000 voting shares) according to a separate notification dated February 4, 2009. The voting rights are attributable to Dr. Dirk Markus, Feldafing, Germany, in the amount of 2.47% (= 654,000 voting shares) via Lotus AG, Munich, Germany, in accordance with Section 22 (1) (1) (1) WpHG. At the same time, a share of the voting rights of 2.47% (= 654,000 voting shares) is attributable to Dr. Dirk Markus, Feldafing, Germany, in accordance with Section 22 (2) WpHG.

DMV Vermögensverwaltungs GmbH, Feldafing, Germany, notified us in accordance with Section 21 WpHG that it has held a share of the voting rights totaling 3.01% (corresponding to 796,150 voting shares) since September 12, 2008. 0.86% (= 228,000 voting shares) of this total are held directly by DMV Vermögensverwaltungs GmbH, Feldafing, Germany. A share of the voting rights of 2.15% (= 568,150 voting shares) is attributable to DMV Vermögensverwaltungs GmbH, Feldafing, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by DMV Vermögensverwaltungs GmbH, Feldafing, Germany changed to 5.29% (= 1,398,067 voting shares) according to a separate notification dated September 16, 2008. 0.99% (= 261,600 voting shares) of this total are held directly by DMV Vermögensverwaltungs GmbH, Feldafing, Germany. A share of the voting rights of 4.30% (= 1,136,467 voting shares) is attributable to DMV Vermögensverwaltungs GmbH, Feldafing, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by DMV Vermögensverwaltungs GmbH, Feldafing, Germany changed to 2.47% (= 654,000 voting shares) according to a separate notification dated. February 4, 2009. 0.99% (= 261,600 voting shares) of this total are held directly by DMV Vermögensverwaltungs GmbH, Feldafing, Germany. A share of the voting rights of 1.48% (= 392,400 voting shares) is attributable to Vermögensverwaltungs GmbH, Feldafing, Germany, in accordance with Section 22 (2) WpHG.

AURELIUS AG, Munich, Germany, notified us in accordance with Section 21 WpHG that it has held a share of the voting rights of 3.01% (corresponding to 796,150 voting shares) since September 12, 2008. A share of the voting rights of 2.15% (= 568,150 voting shares) is attributable to AURELIUS AG, Munich, Germany, in accordance with Section 22 (1) (1), (1) WpHG. A share of the voting rights of 0.86% (= 228,000 voting shares) is attributable to AURELIUS AG, Munich, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by AURELIUS AG, Munich, Germany, changed to 5.29% (= 1,398,067 voting shares) according to a separate notification dated September 16, 2008. A share of the voting rights of 2.31% (= 610,400 voting shares) is attributable to AURELIUS AG, Munich, Germany, in accordance with Section 22 (1) (1), (1) WpHG. A share of the voting rights of 2.98% (= 787,667 voting shares) is attributable to AURELIUS AG, Munich, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by AURELIUS AG, Munich, Germany, changed to 2.47% (= 654,000 voting shares) according to a separate notification dated February 4, 2009. A share of the voting rights of 1.48% (= 392,400 voting shares) is attributable to AURELIUS AG, Munich, Germany, in accordance with Section 22 (1) (1), (1) WpHG. A share of the voting rights of 0.99% (= 261,600 voting shares) is attributable to AURELIUS AG, Munich, Germany, in accordance with Section 22 (2) WpHG.

Lotus AG, Munich, Germany, notified us in accordance with Section 21 WpHG that it has held a share of the voting rights of 3.01% (corresponding to 796,150 voting shares) since September 12, 2008. The voting rights are attributable to Lotus AG, Munich, Germany, in accordance with Section 22 (1) (1), (1) WpHG. At the same time, the voting rights are attributable to Lotus AG, Munich, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by Lotus AG, Munich, Germany, changed to 5.29% (= 1,398,067 voting shares) according to a separate notification dated September 16, 2008. A share of the voting rights of 3.30% (= 872,000 voting shares) is attributable to Lotus AG, Munich, Germany, in accordance with Section 22 (1) (1), (1) WpHG. A share of the voting rights of 5.29% (= 1,398,067 voting shares) is attributable to Lotus AG, Munich, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by Lotus AG, Munich, Germany, changed to 2.47% (= 654,000 voting shares) according to a separate notification dated February 4, 2009. A share of the voting rights of 2.47% (= 654,000 voting shares) is attributable to Lotus AG, Munich, Germany, in accordance with Section 22 (1) (1), (1) WpHG. A share of the voting rights of 2.47% (= 654,000 voting shares) is attributable to Lotus AG, Munich, Germany, in accordance with Section 22 (2) WpHG.

Stephan Schubert, Germany, notified us in accordance with Section 21 WpHG that he has held a share of the voting rights of 5.29% (corresponding to 1,398,067 voting shares) since September 16, 2008. 0.34% (= 90,067 voting shares) of this total are held directly by Stephan Schubert, Germany. A share of the voting rights of 4.95% (= 1,308,000 voting shares) is attributable to Stephan Schubert, Germany, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by Stephan Schubert changed to 0.34% (= 90,067 voting shares) according to a separate notification dated February 4, 2009. 0.34% (= 90,067 voting shares) of this total are held directly by Stephan Schubert, Germany.

Lincoln Vale European Partners GP LLCs, George Town, Cayman Islands, notified us in accordance with Section 21 WpHG that it has held a share of the voting rights of 5.29% (corresponding to 1,398,067 voting shares) since September 16, 2008. A share of the voting rights of 1.65% is attributable to Lincoln Vale European Partners GP LLCs, George Town, Cayman Islands, in accordance with Section 22 (1) (1), (1) WpHG. A share of the voting rights of 3.64% is attributable to Lincoln Vale European Partners GP LLCs, George Town, Cayman Islands, in accordance with Section 22 (2) WpHG.

The share of the voting rights held by Lincoln Vale European Partners GP LLC changed to 1.65% (= 435,546 voting shares) in accordance with a separate notification dated February 4, 2009. A share of the voting rights of 1.65% is attributable to Lincoln Vale European Partners GP LLC, George Town, Cayman Islands, in accordance with Section 22 (1) (1), (1) WpHG through Lincoln Vale European Partners Master Fund, L.P.

Mantra Investissement SCA, Paris, France, notified us in accordance with Section 21 WpHG that it has held a share of the voting rights of 3.02% (corresponding to 800,000 voting shares) since September 19, 2008.

Antoine Drean notified us in accordance with Section 21 WpHG that he has held a share of the voting rights of 3.02% (corresponding to 800,000 voting shares) since September 19, 2008. The voting rights are attributable to Antoine Drean in accordance with Section 22 (1), (1), (1) WpHG from Mantra Investissement SCA via Mantra Gestion SAS and Mantra Holding SARL.

Mantra Holdings SARL, Paris, France, notified us in accordance with Section 21 WpHG that it has held a share of the voting rights of 3.02% (corresponding to 800,000 voting shares) since September 19, 2008.The voting rights are attributable to Mantra Holdings SARL in accordance with Section 22 (1), (1), (1) WpHG from Mantra Investissement SCA via Mantra Gestion SAS.

Mantra Gestion SAS, Paris, France, notified us in accordance with Section 21 WpHG that it held a share of the voting rights of 3.02% (corresponding to 800,000 voting shares) on September 19, 2008. The voting rights are attributable to Mantra Gestion SAS in accordance with Section 22 (1), (1), (1) WpHG from Mantra Investissement SCA.

The following transactions were notified to the company in fiscal 2008 in accordance with Section 15a WpHG:

PERSON OBLIGATED TO FILE NOTIFICATION	FUNCTION WHEN THE TRANSACTION WAS CONDUCTED	DATE	TYPE OF FINANCIAL INSTRUMENT	TRANSACTION TYPE	PRICE IN EUR	NUMBER OF UNITS	VOLUME IN EUR
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	01/07/2008	No-par bearer shares DE0005156004	Purchase	20.32	5,000	101,600.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/10/2008	No-par bearer shares DE0005156004	Purchase	20.28	1,000	20,280.00
Felix Frohn-Bernau	Member of the Executive Board, Exit	01/11/2008	No-par bearer shares DE0005156004	Purchase	18.27	2,787	50,918.49
Felix Frohn-Bernau	Member of the Executive Board, Exit	01/11/2008	No-par bearer shares DE0005156004	Purchase	18.24	213	3,885.12
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	01/23/2008	Call warrants DE000DB2S581	Purchase	0.050	120,000	6,000.00
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	01/23/2008	Call warrants DE000CB8GLM6	Purchase	0.059609	140,400	8,369.10
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	01/23/2008	Call warrants DE000CB7SBC5	Purchase	0.053757	74,000	3,978.02
Franz Graf von Meran	Member of the Supervisory Board	01/24/2008	No-par bearer shares DE0005156004	Purchase	14.42	1,500	21,630.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/24/2008	No-par bearer shares DE0005156004	Purchase	14.38	1,000	14,380.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/25/2008	No-par bearer shares DE0005156004	Purchase	15.50	1,000	15,500.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/28/2008	No-par bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/29/2008	No-par bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Dr. Gerhard Fischer	Member of the Supervisory Board	03/10/2008	No-par bearer shares DE0005156004	Sale	10.67	4,000	42,680.00
Dr. Michael Schumann	Chairman of the Executive Board	04/21/2008	No-par bearer shares DE0005156004	Purchase	8.49	5,500	46,695.00
Dr. Michael Schumann	Chairman of the Executive Board	04/22/2008	No-par bearer shares DE0005156004	Purchase	8.42	4,500	37,890.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	04/24/2008	No-par bearer shares DE0005156004	Purchase	8.49	1,000	8,490.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	06/16/2008	No-par bearer shares DE0005156004	Purchase	6.52	1,000	6,520.00
Bernhard Riedel	Vice Chairman of the Supervisory Board	07/09/2008	No-par bearer shares DE0005156004	Purchase	7.90	400	3,160.00

The company received the following notifications in accordance with Section 15a WpHG in fiscal 2009 up until the date the financial statements were prepared.

Oppenheimer International Small Companies Funds, Centennial (CO), USA, notified us in accordance with Section 21, Section 24 WpHG that it has held a share of the voting rights of 5.15% (corresponding to 125.000 voting shares) since December 9, 2005. The share of the voting rights held by Oppenheimer International Small Companies Funds, Centennial (CO), USA, totaled 8.51% (= 2,250,000 voting shares) on March 10, 2009.

OppenheimerFunds Inc., Centennial (CO), USA, notified us in accordance with Section 21, Section 24 WpHG that it has held a share of the voting rights of 5.15% (corresponding to 125.000 voting shares) since December 9, 2005. The share of the voting rights held by OppenheimerFunds Inc., Centennial (CO), USA, totaled 8.51% (= 2,250,000 voting shares) on March 10, 2009. The voting rights are attributable to OppenheimerFunds Inc. in accordance with Section 22 (1) (1), (6) WpHG through Oppenheimer International Small Companies Funds.

Oppenheimer Acquisition Corp., Centennial (CO), USA, notified us in accordance with Section 21, Section 24 WpHG that it has held a share of the voting rights of 5.15% (corresponding to 125,000 voting shares) since December 9, 2005. The share of the voting rights held by Oppenheimer Acquisition Corp., Centennial (CO), USA, totaled 8.51% (= 2,250,000 voting shares) on March 10, 2009. The voting rights are attributable to Oppenheimer Acquisition Corp. in accordance with Section 22 (1) (1), (6) (2) WpHG through Oppenheimer International Small Companies Funds.

MassMutual Holding LLC, Springfield (MA), USA, notified us in accordance with Section 21, Section 24 WpHG that it has held a share of the voting rights of 5.15% (corresponding to 125.000 voting shares) since December 9, 2005. The share of the voting rights held by MassMutual Holding LLC, Springfield (MA), USA, totaled 8.51% (= 2,250,000 voting shares) on March 10, 2009. The voting rights are attributable to MassMutual Holding LLC in accordance with Section 22 (1) (1), (6) (2) WpHG through Oppenheimer International Small Companies Funds.

The Massachusetts Mutual Life Insurance Company, Springfield (MA), USA, notified us in accordance with Section 21 (1) WpHG that it has held a share of the voting rights of 5.15% (corresponding to 125,000 voting shares) since December 9, 2005. The share of the voting rights held by Massachusetts Mutual Life Insurance Company, Springfield (MA), USA, totaled 8.51% (= 2,250,000 voting shares) on March 10, 2009. The voting rights are attributable to Massachusetts Mutual Life Insurance Company in accordance with Section 22 (1) (1), (6) (2) WpHG through Oppenheimer International Small Companies Funds.

55. Legal disputes and claims for damages

Companies of the ARQUES Group are involved in various litigation and administrative proceedings in connection with their ordinary business, or it is possible that such litigation or administrative proceedings could be commenced or asserted in the future. Even if the outcome of the individual proceedings cannot be predicted with certainty, considering the imponderability of legal disputes, it is the current estimation of management that the matters in question will not have a significant adverse effect on the earnings of the Group beyond the risks that have been recognized in the financial statements in the form of liabilities or provisions.

56. Significant events after the balance sheet date

Due to the difficult economic situation in Spain, the crisis in the automotive industry, and the restrictive attitude of Spanish banks, ARQUES has decided not to make any more funds available to its Capresa subsidiary. Consequently, the automotive supplier had to declare bankruptcy on January 19, 2009 as a result of this step. The sales figures of Capresa's main customers had collapsed over the last few months, leading to a massive reduction in both new orders and revenues.

On January 22, 2009, ARQUES sold four subsidiaries - the BEA group of companies, press agency ddp, Italian adhesive tape manufacturer Evotape, and Swiss chemicals company Rohner – to the private equity company BluO as part of a portfolio transaction. The sale resulted in ARQUES receiving EUR 20 million in cash. In the first quarter of 2009, the deconsolidation of these companies will probably result in a loss totaling EUR 6,700 thousand.

At a meeting on February 2, 2009, the Supervisory Board of ARQUES Industries AG and Dr. Michael Schumann agreed to terminate the appointment of Dr. Michael Schumann as Chairman of the Executive Board of ARQUES Industries AG by mutual consent with effect from February 28, 2009. At the same meeting, the Supervisory Board appointed Hans Gisbert Ulmke to act as CFO for a period of three years. Since March 1, 2009, the ARQUES Executive Board has consisted of Hans Gisbert Ulmke (Chief Financial Officer), Bernd Schell (Chief Operating Officer), and Felix Frohn-Bernau (Executive Board member responsible for M&A).

On February 11, 2009, ARQUES acquired the leading British driver training school The British School of Motoring (BSM), Bristol, for a symbolic purchase price. The seller is Britain's RAC plc, a subsidiary of insurer AVIVA plc, which already acted as seller for the acquisition of Auto Windscreens in November 2008. With around 2,700 (franchise) driving instructors and some 100 service centers, BSM is the biggest driver training school in the UK. Formed in 1910, the long-standing company is the market leader with a share of around 10%. BSM generated revenues of around GBP 34 million in 2008. Besides the traditional private customer business, BSM trains driving instructors and conducts driver training courses for companies and the public sector. BSM is one of the best-known British brands.

In March 2009, the Actebis Group signed an agreement to acquire the broadline distribution operations of Ingram Micro in Denmark. The employees and the complete customer base of the Danish Ingram Micro office are to be transferred. The transaction is subject to the approval of the antitrust authorities. Since the closing for this transaction is scheduled for the start of the third quarter of 2009, no further details can be provided at present as the purchase price is based on the conditions at the date of closing.

At the beginning of March 2009, ARQUES sold its holding in gas station supplier Rohé, Vienna, to the private equity company ValueNet Capital Partners, Munich.

On March 12, 2009, the Sommer Road Cargo Solutions Group was sold to a consortium comprising mid-sized strategic partners from the German vehicle industry and a financial investor, BSF Consulting AG. The buyers intend to continue the development of Sommer.

With effect from March 19, 2009, the Swiss printer weberbenteli was sold to the financial investor ValueNet Capital Partners, Munich.

The probable aggregate loss on deconsolidation of the Capresa Group, the Rohé Group, the Sommer Group, and the weberbenteli Group in the first quarter of 2009 amounts to EUR 7,000 thousand.

ARQUES has initiated the sale of one further subsidiary. The completion of this transaction is subject to various conditions being met, and is expected for the third quarter.

57. Release for publication of the consolidated financial statements

The Executive Board released the present consolidated financial statements of ARQUES Industries AG for publication on April 28, 2009. Company shareholders are entitled to amend the consolidated financial statements at the annual shareholders' meeting.

Starnberg, April 28, 2009

ARQUES Industries AG

The Executive Board

REPORT OF THE EXECUTIVE BOARD

The Executive Board of ARQUES Industries AG is responsible for the information contained in the consolidated financial statements and the combined management report. This information has been reported in accordance with the accounting regulations of the International Accounting Standards Committee. The combined management report was drafted in accordance with the provisions of the German Commercial Code.

By means of implementing uniform Groupwide guidelines, using reliable software, selecting and training qualified personnel and continually optimizing the processes of the acquired companies, we are able to present a true and fair view of the company's business performance, its current situation and the opportunities and risks of the Group. To the necessary extent, appropriate and objective estimates were applied.

In accordance with the resolution of the annual shareholders' meeting, the Supervisory Board has engaged PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, to audit the consolidated financial statements of the Group in the capacity of independent auditors. The Supervisory Board discussed the consolidated financial statements and the consolidated management report with the auditors in the financial statements review meeting. The results of their review are presented in the Report of the Supervisory Board.

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 Group, and the combined management report provides a true and fair view of the Group's performance and the situation, along with a fair description of the principal opportunities and risks of the Group's future development."

Starnberg, April 29, 2009

The Executive Board of ARQUES Industries AG

AUDITOR'S REPORT*

We have audited the consolidated financial statements prepared by the ARQUES Industries Aktiengesellschaft, Starnberg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the ARQUES Industries Aktiengesellschaft, Starnberg, for the business year from January 1st, 2008 to December 31st, 2008. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB, supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

In accordance with our professional obligations, we draw attention to the comments regarding financial obligations made by the company in the section entitled "Report on opportunities and risks" in the Combined Management Report. Attention is drawn to the fact that, should the guarantees and payment assurances issued by ARQUES Industries AG be executed or claimed in close succession and in larger amounts, this would pose a threat to the continued existence of the parent company and the Group. Furthermore, we draw attention to the comments regarding the threat to the continued existence of the tiscon Group that are made in the section entitled "ARQUES Group and subsidiaries" in the Combined Management Report. This would be the case if the restructuring measures that have been initiated are not implemented successfully and the parent company does not provide financial support."

Munich, April 29, 2009

PricewaterhouseCoopers		
Aktiengesellschaft	(Franz Wagner)	(ppa. Dorothee Mayr)
Wirtschaftsprüfungsgesellschaft	Wirtschaftsprüfer	Wirtschaftsprüferin

*Translation of the auditor's report issued in German language on the annual/consolidated financial statements prepared in German language by the management of ARQUES Industries AG.

LIST OF SHAREHOLDINGS AT DECEMBER 31, 2008

	LOCATION	EQUITY SHARE (DIRECT)
ARQUES Industries AG	**Starnberg, Germany**	
Actebis GmbH	**Soest, Germany**	**96.40%**
Actebis Peacock GmbH	Soest, Germany	
Beteiligungsgesellschaft Actebis Peacock mbH	Soest, Germany	
Actebis Computerhandels GmbH	Groß Enzersdorf, Austria	
Actebis S.A.S	Gennevilliers, France	
LAFI Logiciels Applications Formation S.A.S.	Gennevilliers, France	
Actebis Computers B.V.	Nieuwegein, Netherlands	
NT Plus GmbH	Osnabrück, Germany	
CPT Markenservice GmbH	Osnabrück, Germany	
MFG Mobil-Funk GmbH	Osnabrück, Germany	
Teleprofi Verwaltungs- und Beteiligungs GmbH	Osnabrück, Germany	
SINAS Beteiligungs GmbH & Co. Vermietungs KG	Munich, Germany	
Actebis Computers A/S	Taastrup, Denmark	
Actebis Computer AS	Arendal, Norway	
Actebis Computer AB	Taastrup, Denmark	
ARQUES Aktiva Verwaltung GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Wert Industrie GmbH	Starnberg, Germany	
ANVIS Netherlands B.V.	Amsterdam, Netherlands	
ANVIS Deutschland GmbH	Steinau a.d. Straße, Germany	
Anvis Russland ooo	Togilatti, Russia	
ANVIS Automotive Spain S.A.	Soria, Spain	
Woco Automotive Inc.	Toronto, Canada	
Anvisgroup Mexico S.A. de C.V.	El MARQUES, Mexico	
ANVIS France Epinal S.A.S.	Epinal, France	
ANVIS France Decize S.A.S.	Decize, France	
Société Immobilière Decize (SID) S.N.C.	St.-Léger-des-Vignes (Nièvre), France	
Anvis SD France S.A.S.	Decize, France	
ANVIS ROM S.R.L.	Satu Mare, Rumania	
Anvis AVT s.r.o.	Vsetin, Czech Republic	
WUXI WOCO-Tongyong Rubber Engineering Co. Ltd.	Jiangsu, China	
ARQUES Asset Invest GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Beteiligungsverwaltung GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Wert Potenzial GmbH	Starnberg, Germany	
Carl Froh GmbH	Sundern, Germany	
ARQUES Consulting GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Corporate Revitalization AG	**Baar, Switzerland**	**80.00%**
ARQUES Corporate Value GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Management Potenzial GmbH	Starnberg, Germany	
ARQUES Equity GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Immobilien Equity GmbH & Co KG	Starnberg, Germany	

1 The exchange rates are presented in the “Currency translation” section in the general part of the notes.

EQUITY SHARE (INDIRECT)	CURRENCY [1] '000	EQUITY AT 12/31/08	PROFIT/LOSS 2008	AVE. NO. OF EMPLOYEES
	EUR	**73,080**	**-99,904**	**66**
	EUR	**40,197**	**12,164**	**18**
100.00%	EUR	31,711	0	855
100.00%	EUR	104	-5	0
100.00%	EUR	6,092	1,041	41
100.00%	EUR	34,371	19,871	249
100.00%	EUR	7,428	7,028	55
100.00%	EUR	1,890	155	59
100.00%	EUR	17,386	649	327
100.00%	EUR	103	-6	13
98.65%	EUR	246	60	0
100.00%	EUR	324	155	0
0.00%	EUR	-733	92	0
100.00%	DKK	110,020	71,020	236
100.00%	NOK	13,679	7,679	13
100.00%	SEK	2,842	1,842	7
	EUR	**9,889**	**-272**	**0**
90.00%	EUR	10,757	583	0
100.00%	EUR	85,472	-4,460	1
100.00%	EUR	589	-1,920	140
99.00%	RUR	10	-9,482	6
100.00%	EUR	16,049	805	175
100.00%	CAD	5,884	66	0
99.99%	USD	-19,667	-9,012	266
100.00%	EUR	12,150	610	161
100.00%	EUR	40,272	-6,253	533
100.00%	EUR	2,273	61	0
100.00%	EUR	4,676	1,085	60
100.00%	ROL	-1,186	-3,824	176
100.00%	CZK	223,093	36,360	246
100.00%	CNY	113,271	14,617	256
	EUR	**16**	**-2**	**0**
	EUR	**5,205**	**1**	**0**
100.00%	EUR	4,663	-534	0
100.00%	EUR	10,776	-1,801	182
	EUR	**22**	**3**	**0**
	CHF	**-472**	**-465**	**1**
	EUR	**25**	**3**	**0**
100.00%	EUR	23	4	0
	EUR	**23**	**3**	**0**
100.00%	EUR	2	0	0

	LOCATION	EQUITY SHARE (DIRECT)
ARQUES Equity Management GmbH	**Starnberg, Germany**	**90.00%**
SM Electronic GmbH	Stapelfeld/Braak, Germany	
Skymaster Electronic HK Ltd.	Hongkong, China	
ARQUES Sport Handelsgesellschaft mbH	**Starnberg, Germany**	**100.00%**
GOLF HOUSE Direktversand GmbH	Hamburg, Germany	
Golf Extreme GmbH	Neumünster, Germany	
ARQUES Immobilien Verwaltungs GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Immobilien GmbH & Co. KG	Starnberg, Germany	
ARQUES Immobilien Wert Beteiligungs GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Immobilien Wert GmbH & Co. KG	Starnberg, Germany	
ARQUES Industries AG	**Vienna, Austria**	**100.00%**
Anvis Holding GmbH	Vienna, Austria	
ARQUES Asset Invest GmbH	Vienna, Austria	
Elbwiese 71. VV GmbH	Spremberg, Germany	
BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH	Dresden, Germany	
ARQUES Commercial GmbH	Vienna, Austria	
IVMP-AG	Baar, Switzerland	
Rohner AG	Pratteln, Switzerland	
Rohner Inc.	New Jersey, USA	
ARQUES European Asset Management GmbH	Vienna, Austria	
ARQUES Iberia S.A.	Madrid, Spain	8.00%
Iversia Invest S.L.	Madrid. Spain	
Desarollos Enterprise Line S.L.	Madrid. Spain	
Sodelica Markets S.L.	Madrid, Spain	
Vastec Corporate S.L.	Madrid, Spain	
Oxiris Intellectual Property LTD	Cardiff, Great Britain	
Oxiris LTD	Cardiff, Great Britain	
Oxiris Property LTD	Cardiff, Great Britain	
Calibrados de Precision S.A.	Barcelona, Spain	
Capremex S.A. DE C.V.	San Luis Potosi, Mexico	
ARQUES Austria Invest AG	Vienna, Austria	8.00%
Tractive gestión S.L.	Madrid, Spain	
Agencia de servicios mensajeria S.A. (ASM)	Madrid, Spain	
ASM Transport Urgente Andalucia S.A.	Madrid, Spain	
Mallorca Servicios Mensajeria S.L.	Madrid, Spain	
Global Notice Investments S.L.	Madrid, Spain	
MASTROC MANAGEMENT S.L.	Amurrio, Spain	
Hottinger Holding GmbH	Vienna, Austria	
ARQUES Capital GmbH	Vienna, Austria	
Ariolan Consulting AG	Baar, Switzerland	
Hermes Investment AG	Bienne, Switzerland	
Weber Benteli AG	Brügg, Switzerland	
Gravor S.A.	Brügg, Switzerland	
Actual Sàrl	Bienne, Switzerland	
W.E.D. S.A. (in Liquidation)	Brügg, Switzerland	

1 The exchange rates are presented in the “Currency translation” section in the general part of the notes.

EQUITY SHARE (INDIRECT)	CURRENCY [1] '000	EQUITY AT 12/31/08	PROFIT/LOSS 2008	AVE. NO. OF EMPLOYEES
	EUR	**8**	**-11**	**0**
100.00%	EUR	1,842	-2,644	163
100.00%	HKD	517	417	8
	EUR	**3,548**	**-27**	**0**
74.90%	EUR	-3,335	515	163
100.00%	EUR	11	9	0
	EUR	**21**	**-1**	**0**
100.00%	EUR	1,655	-1,405	0
	EUR	**21**	**-1**	**0**
100.00%	EUR	170	101	0
	EUR	**4,214**	**-1,586**	**4**
90.00%	EUR	26	-9	0
100.00%	EUR	889	768	1
90.00%	EUR	1,745	-85	0
100.00%	EUR	3,009	1,107	347
100.00%	EUR	93	-6	0
90.00%	CHF	-52	-78	0
100.00%	CHF	23,644	10,636	200
100.00%	USD	-394	-307	0
100.00%	EUR	249	-8	0
89.00%	EUR	-659	-228	100
100.00%	EUR	470	1,523	0
89.99%	EUR	-233	-153	0
100.00%	EUR	-2	-2	0
80.97%	EUR	-9	-8	0
100.00%	GBP	0	0	0
100.00%	GBP	-1,468	-2,796	59
100.00%	GBP	972	412	0
100.00%	EUR	-3,471	-3,242	58
100.00%	USD	12	-1,590	0
81.00%	EUR	41	29	0
80.97%	EUR	-2	-5	0
100.00%	EUR	1,335	-998	412
70.15%	EUR	-538	-1,031	50
70.59%	EUR	124	-17	22
100.00%	EUR	-24	-27	0
100.00%	EUR	-3	-4	0
90.00%	EUR	-2,019	-4,061	0
100.00%	EUR	18	-17	0
100.00%	CHF	579	1	0
99.98%	CHF	12,422	-2,354	0
100.00%	CHF	3,844	-9,952	303
100.00%	CHF	727	-284	18
100.00%	CHF	421	-15	22
100.00%	CHF	-	-	-

	LOCATION	EQUITY SHARE (DIRECT)
ARQUES Wert Invest GmbH	Vienna, Austria	
ARQUES Süd Beteiligungs GmbH	Vienna, Austria	
Mainsee 410. VV GmbH	Frankfurt, Germany	
Oxxynova Holding GmbH	Marl, Germany	
Oxxynova Verwaltungs GmbH	Marl, Germany	
ARQUES Zeta Equity GmbH	Vienna, Austria	
ARQUES Eta Management GmbH	Vienna, Austria	
ARQUES Theta Restructuring GmbH	Vienna, Austria	
ARQUES Ny Improvement GmbH	Vienna, Austria	
ARQUES My Sustainment GmbH	Vienna, Austria	
ARQUES Omikron Performance GmbH	Vienna, Austria	
ARQUES Xi Progress GmbH	Vienna, Austria	
ARQUES Industrie Asset AG	**Starnberg, Germany**	**100.00%**
Wanfried Druck Kalden GmbH	Wanfried, Germany	
Wanfried Packaging s.a.r.l	Paris, France	
ARQUES Industrie Finanz GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Industrie Wert Beteiligungs AG	**Starnberg, Germany**	**100.00%**
ARQUES Industries Capital AG	**Starnberg, Germany**	**100.00%**
ARQUES Invest GmbH	**Starnberg, Germany**	**100.00%**
ARQUES ITALIA SRL	**Milan, Italy**	**100.00%**
ARQUES Management GmbH	**Starnberg, Germany**	**95.00%**
Auto Windscreens Ltd.	Chesterfield, Great Britain	
ARQUES Mediterranean Investments Ltd.	**Slieme, Malta**	**100.00%**
ARQUES Value Investment Ltd.	Slieme, Malta	
ARQUES Global Purchase Company Ltd.	Slieme, Malta	
ARQUES Süd Beteiligungs GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Objekt 1 GmbH	Starnberg, Germany	8.00%
ARQUES Iota Equity Management GmbH	Vienna, Austria	
A. Rohé Holding Gesellschaft mbH	Vienna, Austria	
A. Rohé Tanktechnik Beteiligungs GmbH	Vienna, Austria	
TOV Rohé Petrol Service Ukraine	Kiev, Ukraine	
A. Rohé GmbH	Vienna, Austria	
Rohé Deutschland GmbH	Heusenstamm, Germany	
Hünert Tanktechnik GmbH	Gödenstorf, Germany	
Bach Rohé AG	Stallikon, Switzerland	
Saxs Tank GmbH	Eching-Dietersheim, Germany	
Tank- und Anlagentechnik H&R GmbH	Pattensen, Germany	
Rohé Bulgaria o.o.d.	Sofia, Bulgaria	
Rohé Transport o.o.d.	Mladost, Bulgaria	
Rohé Automatisation o.o.d.	Iskar, Bulgaria	
Rohé Romania s.r.l.	Bukarest, Rumania	
Rohé Polska s.p.z.o.o.	Lomianki, Poland	
Rohé-CR spol s.r.o.	Prague, Czech Republic	
Rohé Hungaria kft.	Budapest, Hungary	
Rohé Slovensko s.r.o.	Bratislava, Slovakia	

1 The exchange rates are presented in the “Currency translation” section in the general part of the notes.

EQUITY SHARE (INDIRECT)	CURRENCY [1] '000	EQUITY AT 12/31/08	PROFIT/LOSS 2008	AVE. NO. OF EMPLOYEES
100.00%	EUR	40	-1	0
90.00%	EUR	29	-14	0
100.00%	EUR	-8,421	-4,155	0
100.00%	EUR	8,398	-6,389	126
100.00%	EUR	18	-11	0
100.00%	EUR	31	-4	0
100.00%	EUR	31	-4	0
100.00%	EUR	31	-1	0
100.00%	EUR	32	-3	0
100.00%	EUR	32	-3	0
100.00%	EUR	32	-3	0
100.00%	EUR	32	-3	0
	EUR	**998**	**-16**	**0**
100.00%	EUR	1,223	-961	189
100.00%	EUR	156	31	2
	EUR	**11,943**	**677**	**0**
	EUR	**46**	**-1**	**0**
	EUR	**41**	**-2**	**0**
	EUR	**21**	**-1**	**0**
	EUR	**20**	**0**	**0**
	EUR	**22**	**3**	**0**
100.00%	GBP	13,909	-14,731	1,907
	EUR	**25,348**	**-21**	**0**
100.00%	EUR	11,150	-3,850	2
99.95%	EUR	-21	-8	0
	EUR	**3**	**-706**	**0**
81.00%	EUR	0	-7,922	0
90.00%	EUR	290	-360	0
100.00%	EUR	-9,390	-5,703	13
100.00%	EUR	15	-20	0
100.00%	UAH	-344	-424	1
100.00%	EUR	8,474	-1,342	73
100.00%	EUR	328	-1,525	190
100.00%	EUR	589	-158	141
50.00%	CHF	830	8	62
100.00%	EUR	231	-413	44
100.00%	EUR	-428	-489	16
75.00%	BGN	2,901	852	107
100.00%	BGN	357	12	63
90.00%	BGN	162	2	5
75.00%	ROL	17,796	4,604	129
100.00%	PLN	6,848	722	143
100.00%	CZK	36,787	31	80
100.00%	HUF	239,442	2,118	73
100.00%	SKK	7,393	-1,550	14

	LOCATION	EQUITY SHARE (DIRECT)
Rohé YU d.o.o.	Belgrade, Serbia	
Rohé Hrvatska d.o.o.	Zagreb, Croatia	
Rohé BH d.o.o.	Sarajevo, Bosnia-Herzegovina	
Rohé Latvija SIA	Riga, Latvia	
Rohé Eesti Tanklatehnika OÜ	Talinn, Estonia	
Rohé Lithuania	Kaunas, Lithuania	
Rohé Belarus	Minsk, Belarus	
Rohé Caspian AZ	Baku, Azerbaijan	
Rohé AKARYAKIT ISTASYON HIZMETLERI LIMITED SIRKETI	Istanbul, Turkey	
ARQUES Beta Beteiligungs GmbH	Vienna, Austria	
ARQUES Gamma Vermögensverwaltung GmbH	Vienna, Austria	
BEA Electrics GmbH	Vienna, Austria	
BEA Electrics Energietechnik GmbH	Vienna, Austria	
ARQUES Epsilon Industriekapital GmbH	Vienna, Austria	
ARQUES Kappa Consult GmbH	Vienna, Austria	
ARQUES Serangano GmbH	Vienna, Austria	
ARQUES Syrato GmbH	Vienna, Austria	
ARQUES Zanobio GmbH	Vienna, Austria	
ARQUES UK Limited (formerly WS 5002 Limited)	**London, Great Britain**	**100.00%**
ARQUES Unternehmensstrukturierung GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Finanz Potenzial GmbH	Starnberg, Germany	
ARQUES Value Development GmbH	**Starnberg, Germany**	**80.20%**
Gigaset Communications GmbH (formerly ARQUES Invest Potenzial)	Munich, Germany	
Gigaset Management GmbH	Munich, Germany	
Gigaset Communications Schweiz GmbH	Solothurn, Switzerland	
Gigaset Communications FZ-LLC	Dubai, UAE	
Gigaset Communications Polska Sp. z o.o.	Warsaw, Poland	
Gigaset Communications UK Ltd.	Frimley, Camberley, Great Britain	
Gigaset Communications İLETİŞİM Hizmetleri LTD.ŞTİ.	Istanbul, Turkey	
Gigaset Communications Argentina S.R.L.	Buenos Aires, Argentina	
OOO Gigaset Communications Russia	Moskow, Russia	
Gigaset Communications Austria GmbH	Vienna, Austria	
Gigaset Equipamentos de Comunicação Ltda.	Manaus, Brazil	
Gigaset Communications Canada Inc.	Oakville, Canada	
Gigaset Communications (Shanghai) trading Ltd.	Shanghai, China	
Gigaset Communications France SAS	Saint Dénis, France	
Gigaset Communications Italia S.R.L.	Milan, Italy	
Gigaset Communications Nederland B.V.	s-Gravenhage, Netherlands	
Gigaset Communications Iberia S.L.	Madrid, Spain	
Gigaset Communications Sweden AB	Solna, Sweden	
Gigaset Communications Inc.	Wilmington, USA	
Gigaset Communications USA LLC	Wilmington, USA	
Gigaset Communications Dallas LLC	Dallas, USA	

1 The exchange rates are presented in the “Currency translation” section in the general part of the notes.

EQUITY SHARE (INDIRECT)	CURRENCY [1] '000	EQUITY AT 12/31/08	PROFIT/LOSS 2008	AVE. NO. OF EMPLOYEES
90.00%	RSD	195,036	28,219	66
100.00%	HRK	772	29	16
100.00%	BAM	-395	-401	6
100.00%	LVL	335	125	21
100.00%	EEK	-1,206	-1,558	6
100.00%	LTL	704	129	15
100.00%	BYR	845,353	238,275	14
100.00%	AZM	143	7	9
90.00%	TRL	-71	-111	0
100.00%	EUR	-8,476	-8,476	0
90.00%	EUR	86	-49	0
100.00%	EUR	2,435	270	132
100.00%	EUR	767	-78	16
100.00%	EUR	27	27	0
100.00%	EUR	31	-4	0
100.00%	EUR	32	-3	0
100.00%	EUR	32	-3	0
100.00%	EUR	5	-30	0
	GBP	**-11**	**-1**	**0**
	EUR	**25**	**3**	**0**
100.00%	EUR	23	4	0
	EUR	**25**	**3**	**0**
100.00%	EUR	63,253	63,233	1,642
100.00%	EUR	14	-4	0
100.00%	CHF	1,914	1,362	6
100.00%	AED	4,771	240	20
100.00%	PLN	5,010	1,685	132
100.00%	GBP	602	148	8
100.00%	TRL	1,572	387	6
100.00%	ARS	7,791	-839	5
100.00%	RUR	12,174	-6,134	9
100.00%	EUR	131	-221	15
100.00%	BRL	-8,626	-6,203	37
100.00%	CAD	2,517	324	2
100.00%	CNY	-15,376	-16,774	76
100.00%	EUR	2,980	384	18
100.00%	EUR	1,564	280	16
100.00%	EUR	4,263	286	12
100.00%	EUR	745	-97	20
100.00%	SEK	9,773	6,773	13
100.00%	USD	4,996	-5	0
100.00%	USD	9,423	16	17
100.00%	USD	5,458	356	38

	LOCATION	EQUITY SHARE (DIRECT)
ARQUES Wert Central GmbH	**Starnberg, Germany**	**90.00%**
van Netten GmbH	Dortmund, Germany	
Sonnina Süsswaren GmbH	Dortmund, Germany	
Sweets Project Verkaufsgesellschaft GmbH	Dortmund, Germany	
ARQUES Wert Entwicklung GmbH	**Starnberg, Germany**	**100.00%**
ARQUES Kapital Potenzial GmbH	Starnberg, Germany	
ddp media holding AG	**Starnberg, Germany**	**100.00%**
ddp Deutscher Depeschendienst GmbH	Berlin, Germany	
dfd Deutscher Fotodienst GmbH	Berlin, Germany	
colourpress.com A/S	Haderslev, Denmark	
Fritz Berger GmbH	**Neumarkt, Germany**	**90.00%**
Sport Berger Ausrüstung für Draußen und Unterwegs GmbH	Neumarkt, Germany	
Imandros Vermögensverwaltungs-GmbH	**Starnberg, Germany**	**100.00%**
Sommer Road Cargo Solutions GmbH & Co. KG	Bielefeld, Germany	
Sommer Verwaltungs GmbH	Bielefeld, Germany	
Sommer France S.A.R.L.	Marmoutier, France	
Sommer Polska Sp.z.o.o.	Brzeznio, Poland	
ZAO Novtruck	Welikiy Novgorod, Russia	
Sokol Sp.z.o.o.	Brzeznio, Poland	
Fahrzeugwerk Laucha Beteiligungs GmbH	Laucha, Germany	
Sommer South East Europe SRL	Bragadiru, Rumania	
Sommer Holding AG	Bielefeld, Germany	
Sommer Maschinen GmbH	Bielefeld, Germany	
MDI Mediterranean Direct Invest AG	**Starnberg, Germany**	**70.00%**
Zugspitze 66. Vermögensverwaltungs AG	Starnberg, Germany	
Evotape S.p.A.	San Pietro Mosezzo, Italy	
EVOTAPE PACKAGING S.R.L.	Santi Cosma E Damiano (LT), Italy	
EVOTAPE MASKING S.R.L.	San Pietro Mosezzo, Italy	
Hortensienweg Verwaltungs GmbH (formerly Missel Verwaltungs GmbH)	**Starnberg, Germany**	**100.00%**
Hortensienweg Management GmbH (formerly Missel Management GmbH)	**Starnberg, Germany**	**100.00%**
Hortensienweg Grundstücksverwaltung GmbH & Co. KG (formerly Missel GmbH & Co. KG)	Starnberg, Germany	
Schierholz Translift Global Manufacturing & Finance AG	**Baar, Switzerland**	**73.33%**
tiscon AG	**Linden, Germany**	**59.07%**
TOPEDO-IT Handels GmbH	Linden, Germany	
COS Distribution GmbH	Linden, Germany	
Avitos GmbH	Linden, Germany	
E-Logistics GmbH	Linden, Germany	
Chikara Handels GmbH	Tiefenbach, Germany	
tisCOS GmbH	Linden, Germany	
tiscon Handelsgesellschaft mbH	Vienna, Austria	
Troncone GmbH	**Starnberg, Germany**	**100.00%**
YENEN Consulting AG	**Baar, Switzerland**	**100.00%**

1 The exchange rates are presented in the “Currency translation” section in the general part of the notes.

2 There are no financial statements available for these companies.

EQUITY SHARE (INDIRECT)	CURRENCY [1] '000	EQUITY AT 12/31/08	PROFIT/LOSS 2008	AVE. NO. OF EMPLOYEES
	EUR	**3,984**	**364**	**0**
100.00%	EUR	-21,748	-501	224
100.00%	EUR	26	0	40
100.00%	EUR	51	0	0
	EUR	**25**	**3**	**0**
100.00%	EUR	23	4	0
	EUR	**5,590**	**-370**	**1**
100.00%	EUR	1,428	-1,177	122
100.00%	EUR	2,206	-63	21
100.00%	DKK	-1,264	-1,764	3
	EUR	**-932**	**-1,229**	**225**
100.00%	EUR	367	227	50
	EUR	**19,356**	**25**	**0**
100.00%	EUR	-12,970	26	206
100.00%	EUR	56	1	0
100.00%	EUR	568	32	17
100.00%	PLN	-4,609	-6,268	164
100.00%	RUR	138,417	44,079	247
100.00%	PLN	508	-24	0
100.00%	EUR	39	-2	0
100.00%	ROL	-	-	-[2]
100.00%	EUR	165	-3	0
100.00%	EUR	19	-5	0
30.00%	**EUR**	**218**	**-98**	**0**
90.00%	EUR	1	-11	0
100.00%	EUR	708	-3,141	231
100.00%	EUR	-	-	-[2]
100.00%	EUR	-	-	-[2]
	EUR	**0**	**-6**	**0**
	EUR	**0**	**-309**	**0**
90.00%	EUR	8,131	3,157	0
8.00%	**CHF**	**2,275**	**-35**	**0**
	EUR	**1,565**	**-693**	**4**
100.00%	EUR	-2,205	-488	5
100.00%	EUR	-2,461	-4,406	209
100.00%	EUR	4	82	16
100.00%	EUR	29	19	278
90.00%	EUR	399	-311	38
100.00%	EUR	25	-1	0
100.00%	EUR	76	37	7
	EUR	**0**	**-166**	**0**
	CHF	**99**	**-1**	**0**

	LOCATION	EQUITY SHARE (DIRECT)
AT EQUITY		
Vibracoustic do Brasil Industria e Comercio de Artefatos de Borracha Ltda.	Tabaté, Sao Paulo, Brazil	
BEL-Anvis ANTIVIBRATIONSSYSTEMS (Pty.) Ltd.	Port Elizabeth, South Africa	
Fulfilment Plus GmbH	Staufenberg, Germany	
INVESTMENTS		
Eurostyle Participaciones S.L. (formerly NIKEN PLUS S.L.)	Madrid, Spain	
Eurostyle Automotive Amurrio S.A.	Amurrio, Spain	
Eurostyle Automotive Orense S.L.	Perreiro de Aguiar, Spain	
Eurostyle France S.A.S.	Verrières-le-Buisson, France	
Eurostyle Valenplast S.A.S.	Verrières-le-Buisson, France	
SCI St. Clement	Verrières-le-Buisson, France	
MöllerTech Brasil Ltda.	Jundiai, Brazil	
EUROSTYLE AUTOMOTIVE ENGINEERING S.R.L.	Bukarest, Rumania	
WS 3021 Vermögensverwaltung AG	Starnberg, Germany	6.00%
NON-CONSOLIDATED COMPANIES		
BEA POLSKA Elektrotechnika i Automatyzacia Sp. z. o. o.	Breslau, Poland	
BEA BALKAN Elektrotechnik i Avtomatsazia EOOD	Sofia, Bulgaria	
Woco-Maxtech Inc.	Warren, USA	
ANVIS Maxtech S.A. de C.V.	El MARQUES, Mexico	
Golf House Schweden A.B.	Stockholm, Sweden	
Camping Outlet GmbH	Bielefeld, Germany	

1 The exchange rates are presented in the “Currency translation” section in the general part of the notes.

2 There are no financial statements available for these companies.

EQUITY SHARE (INDIRECT)	CURRENCY [1] '000	EQUITY AT 12/31/08	PROFIT/LOSS 2008	AVE. NO. OF EMPLOYEES
50.00%	BRL	23,284	902	133
50.00%	ZAR	19,794	4,858	105
49.00%	EUR	317	0	0
15.00%	EUR	-25,255	16,454	0
100.00%	EUR	14,990	961	296
100.00%	EUR	9,771	-621	175
100.00%	EUR	3,550	-10,855	891
100.00%	EUR	1,374	-1,190	273
100.00%	EUR	548	22	0
100.00%	BRL	16,766	3,146	173
100.00%	ROL	-	-	-[2]
	EUR	-	-	-[2]
100.00%	PLN	-	-	-[2]
100.00%	BGN	-	-	-[2]
47.00%	USD	-	-	-[2]
99.98%	USD	-	-	-[2]
100.00%	EUR	-	-	-[2]
100.00%	EUR	-	-	-[2]

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Publisher

ARQUES Industries AG
Münchner Strasse 15a, 82319 Starnberg, Germany

Phone: +49 (0) 8151 651-0, Fax: +49 (0) 8151 651-500
info@arques.de, www.arques.de

Editorial Team

ARQUES Industries AG
Investor Relations & Corporate Communication
Christian Schneider

Concept, Design, Production

The Growth Group AG
www.growth-group.com

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ARQUES
INDUSTRIES AG

Münchner Strasse 15a, 82319 Starnberg, Germany, info@arques.de, www.arques.de
Telefon: +49 (0) 8151 651 - 0, Fax: +49 (0) 8151 651 - 500