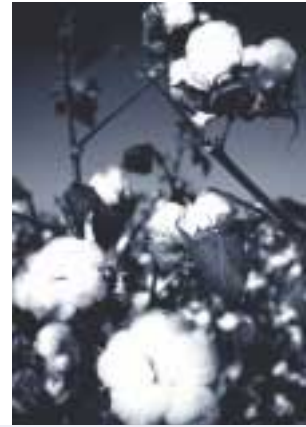


# 2004

## ANNUAL REPORT



“Creating value  
through active  
involvement”

The logo for Arques Industries AG, featuring a stylized blue arch above the company name.  
**ARQUES**  
INDUSTRIES AG



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## From chaos to finely tuned symmetry

As with a gnarled stump, companies in transitional situations can be honed. They can be shaped for success by an expert. The transformation of struggling entities into well managed, systems-driven organisations is the strategic expertise with which ARQUES creates value for its shareholders.

# Introduction by the Executive Board

Dear shareholders and business partners, employees and friends of our company:

We are very pleased to report on the Company's highly successful performance in 2004 in this second Annual Report of ARQUES Industries AG.

The foundation for building ARQUES Industries AG into a successful restructuring and equity investment company was laid in 2002 with the acquisition of the corporate shell of the former Aktiengesellschaft Bad Salzschlirf. The name of the company was changed to its present form in 2003.

ARQUES Industries AG is the first listed company in Germany that specialises in the acquisition and active restructuring of companies in transitional situations. Such cases could involve spin-offs, unresolved succession arrangements and companies in turnaround situations.

Our portfolio of participating interests underwent the following changes in 2004:

- On April 1, 2004, we acquired the company teutonia Kinderwagenfabrik GmbH, Hiddenhausen.
- On May 7, 2004, we sold our participating interest in the company InfoSystems GmbH, Wuppertal, to a private equity firm.
- On August 31, 2004, we acquired the steel operations of SKW Metallurgie AG, a wholly-owned subsidiary of Degussa, and combined them into the new holding company SKW Stahl-Metallurgie Holding GmbH.
- On November 8, 2004, we purchased the operating business of the insolvent Berlin-based press agency ddp Nachrichtenagentur GmbH and transferred it to the newly founded ddp Deutscher Depeschendienst GmbH. The new company has been consolidated in the ARQUES Group since January 1, 2005.

- On November 11, 2004, we purchased the company E. Missel GmbH & Co. KG, Fellbach, a niche supplier of sound and thermal insulation systems.
- On November 26, 2004, we sold the company LEONI Flex S.A., Burnhaupt, France, as part of a management buy-in deal.
- On December 8, 2004, we acquired the print specialist Colordruck Pforzheim GmbH & Co. KG.

With this attractive portfolio of participating interests, we were able to increase consolidated revenue to EUR 128.6 million and profit for the year to EUR 38.7 million. This translates to earnings per share of EUR 20.71. Thanks to the higher level of revenue and the solid profitability of our investments, we met all our stated goals for 2004 and have every reason to be satisfied.

The rates of increase in the company's key figures are also reflected in the performance of the ARQUES share price. The company's share continued its dynamic appreciation in 2004, closing the year on December 30, 2004 at EUR 59.00, indicative of a 154% share price gain. In May 2004, we issued new shares representing 27% of the share capital and placed them successfully in the market. ARQUES Industries AG raised new funds of EUR 10,2 million on this issue.

In order to perpetuate the growth story of ARQUES, we plan to move the Company's share to a more liquid stock exchange segment in 2005, thereby broadening our shareholder base. We also intend to intensify our investor relations activities.

At the end of this very successful year, we wish to thank all our shareholders, business partners and especially our employees for actively supporting the development of ARQUES Industries AG. We will do all that we can to fulfil your high expectations in the coming year as well. And so we hope that you will continue to place your trust and confidence in ARQUES Industries AG.

Sincerely,

The Executive Board of ARQUES Industries AG

Dr. Martin Vorderwülbecke

Dr. Dr. Peter Löw  
Chairman

Markus Zöllner

# The Executive Board



**Dr. Dr. Peter Löw**  
**Chairman**

After studying both systems of law and earning the doctorate degrees of Dr. jur. utr. and Dr. phil., as well as an MBA from INSEAD in Fontainebleau, Dr. Dr. Löw initially began working as a consultant for McKinsey & Company.

Thereafter, he founded and managed his first holding company for equity investments in small to medium-sized enterprises. Many more have followed over the years. As of today, he has carried out more than fifty acquisitions. In many of these cases, he bore direct operational responsibility as managing director.

He is a founder of ARQUES Industries AG and the Chairman of its Executive Board.



**Dr. Martin Vorderwülbecke**

After earning his law doctorate, Dr. Vorderwülbecke worked for two years as a management consultant for IMM Industriemanagement München GmbH, where he was responsible for equity investments in companies generating annual revenues of EUR 300 million. Thereafter, he earned an MBA from INSEAD in Fontainebleau.

Together with Dr. Dr. Löw, he founded the first holding company for equity investments in small to medium-sized enterprises. Many more have followed over the years. To date he has carried out more than fifty acquisitions. In many cases, he served as managing director of the acquired company.

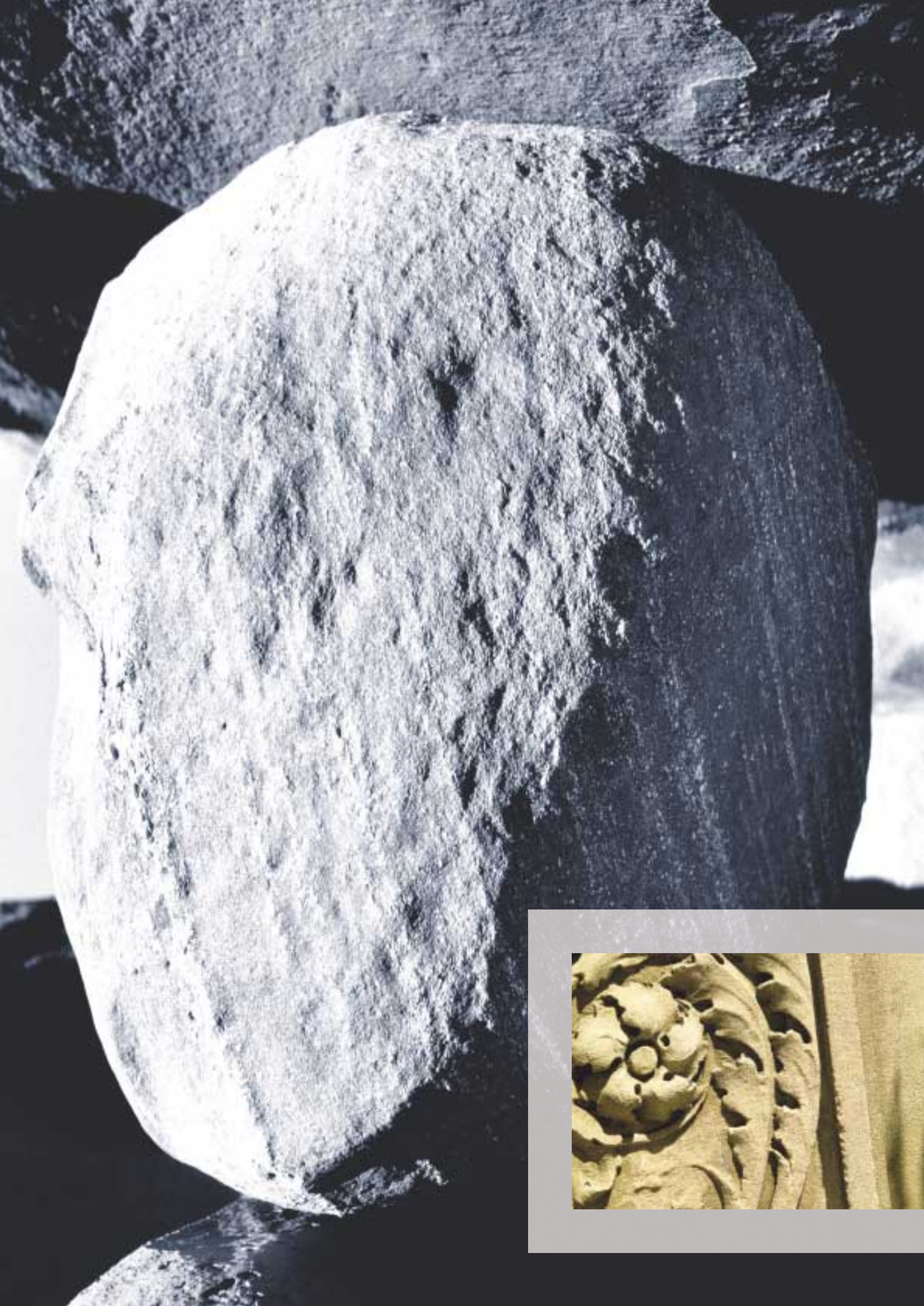
Dr. Vorderwülbecke is licensed to practice law. He has served on the Executive Board of ARQUES Industries AG since July 1, 2004.



**Markus Zöllner**

After studying engineering and business administration, Markus Zöllner worked in the telecommunications sector for more than ten years. He played a key role in the creation of VIAG Interkom (today O2), where he held several senior management positions. In 2000, he earned an MBA from the WHU-Kellogg Program in Vallendar, Chicago.

Most recently, Mr. Zöllner carried operational responsibility as managing director of the ARQUES subsidiaries Tesion Telekommunikationsnetze and the Versatel Deutschland Group. Mr. Zöllner has served on the Executive Board of ARQUES Industries AG since the beginning of 2005, where he is responsible for operational management and restructuring of ARQUES subsidiaries.





# Overview of Developments in 2004

## April

April 1, 2004 - ARQUES Industries AG acquires teutonia Kinderwagenfabrik

On April 1, ARQUES Industries AG acquired Britax teutonia Kinderwagenfabrik based in Hiddenhausen, Germany, in full from Britax Childcare, a subsidiary of the UK-based Britax International Group.

teutonia sets standards in Europe and the United States with its premium-quality prams, baby carriages, pushchairs, strollers and joggers. It is the market leader in these core markets. With around 160 employees, the company generates annual revenues of approximately EUR 20.0 million.

April 20, 2004 - ARQUES reports successful results for the 2003 financial year

The ARQUES Group reported consolidated revenues of EUR 28.7 million and a profit for the year of EUR 5.1 million for 2003. The consolidated group of companies had 341 employees at the balance sheet date of December 31, 2003.

## May

May 7, 2004 - ARQUES sells participating interest in InfoSystems

Effective May 7, 2004, ARQUES Commercial GmbH, a wholly-owned subsidiary of ARQUES Industries AG, sold its participating interest in InfoSystems GmbH, Wuppertal, to the British private equity firm Riverside Associates. ARQUES decided to sell the company early at a good price because any further increase in the value of the company would have required an excessive commitment of capital and management resources.

May 28, 2004 - Successful capital increase

ARQUES Industries AG successfully placed 426,667 new shares, representing 26.67% of the company's capital stock, in the stock market. The share issue raised new funds of more than EUR10.2 million for the Company. As a result of this transaction, the free float increased from 16.2% to approximately 33.0% of shares outstanding.

## A sound operation needs a rock solid base

Recognising a diamond in the rough is just the start. Action is called for when continually creating value. With the finely tuned efforts of both management and task force, specific measures are coordinated to form an overall strategy. A base upon which a profitable and sustainable organisation is built.

## June

June 29, 2004 - Dr. Martin Vorderwülbecke appointed to the Executive Board

Effective July 1, 2004, Dr. Martin Vorderwülbecke was appointed to the Executive Board, where he is responsible for Acquisitions and Taxes. He also purchased 300,000 shares in the Company, establishing himself as a new investor. For the last eleven years, the 43-year old attorney has specialised in the acquisition of companies in transitional situations. Since this time, more than fifty acquisitions have been carried out under his responsibility.

## July

July 2, 2004 - Annual General Meeting of ARQUES Industries AG shareholders

Besides the routine items on the agenda of the Annual General Meeting of Shareholders held in Starnberg on July 2, 2004, the shareholders approved a dividend of EUR 1.00 per share and resolved to move the company from the OTC Market segment of the German Stock Exchange to the Regulated Market segment.

## August

August 31, 2004 - ARQUES acquires steel operations from Degussa

On August 31, ARQUES acquired the steel business of SKW Metallurgie AG, a wholly-owned subsidiary of Degussa.

The acquisition included SKW's steelmaking technology, the Affival Group with companies in France, Japan, South Korea and the United States, a participating interest in India's Jamshedpur Injection Powder Ltd. and France-based SKW La Roche de Rame S.A.S.

The companies that have since been consolidated under the roof of the new SKW Stahl-Metallurgie Holding GmbH holding company generated combined revenues of approximately EUR 130.0 million in 2003.

## November

November 8, 2004 - ARQUES acquires second-biggest German press agency ddp

ARQUES purchased the business operations of the insolvent, Berlin-based company ddp Nachrichtenagentur GmbH. These operations were then transferred to the newly founded ddp Deutscher Depeschendienst GmbH. Through a company established specifically for this purpose, ddp Journalisten GmbH, all the employees together will participate in the company's annual net profit or loss at the rate of 49.0 percent. ARQUES Executive Board member Dr. Martin Vorderwülbecke has been appointed as the new chief executive of ddp.

ddp has around 300 permanent and freelance employees and more than 300 customers.

**November 11, 2004 - ARQUES buys niche supplier E. Missel GmbH & Co. KG**

E. Missel GmbH & Co. KG is a niche supplier specialising in sound and thermal insulation systems for pipes and floors. The seller was Masco Corporation, based in Michigan, USA. In the past, Missel has achieved market leadership in the segment of tear-resistant structural-reverberation insulation systems and the ARQUES team intends to build on this position. Another goal is to increase exports by establishing additional new branch offices. Missel has around 90 employees and generates annual revenues of about EUR 12.0 million.

**November 26, 2004 - ARQUES Industries AG sells LEONI Flex S.A.**

ARQUES Industries AG sold its French printed circuit board activities with retroactive effect from November 1, 2004. The turnaround goals for LEONI Flex S.A. had largely been achieved. The new investor took over day-to-day operations in connection with a management buy-in deal.

**November 29, 2004 - Markus Zöllner strengthens ARQUES Executive Board**

Markus Zöllner was appointed to the Executive Board effective January 1, 2005. He will be responsible primarily for the operational management and restructuring of subsidiaries. The 37 year-old served most recently as managing director of the ARQUES-owned companies Tesion Telekommunikationsnetze and Versatel Deutschland.

## December

**December 8, 2004 - ARQUES acquires Colordruck Pforzheim GmbH & Co. KG**

On December 8, 2004, ARQUES Industries AG purchased a majority stake in the printing specialist Colordruck Pforzheim GmbH & Co. KG. This company had around 225 employees and generated revenues of approximately EUR31.0 million in 2004.

# The ARQUES Business Model

ARQUES acquires companies in transitional situations and builds them into competitive, profitable companies through the efforts of the ARQUES employees.

The business model of ARQUES Industries AG rests on the following principles:

## 1. Focus on acquiring companies in transitional situations

Examples of transitional situations:

- Classical turnaround situations
- Spin-off of business divisions
- Succession arrangements
- Technological change

## 2. Net asset value as the basis of company valuation for acquisitions

The goal of acquisition negotiations is to reach an agreement on a company valuation that is geared to the company's net asset value. This approach reduces acquisition risks and guarantees creditworthiness for cash-preserving measures during the restructuring phase.

The so-called transitional cases represent the kind of situation in which the otherwise customary earnings capacity method is not appropriate, especially when considering the underlying strategic considerations of the seller.

## 3. Active management of acquired companies

ARQUES helps its subsidiaries realise their business goals by supporting them with its own task force of highly experienced restructuring specialists. In the first phase, the task force takes steps to secure the company's short-term and medium-term liquidity. Active support and development measures may include a reorganisation of the product or service portfolio, operational improvements, efficiency enhancements and/or the implementation of new technologies.

## 4. Direct engagement by subsidiary managers

To ensure that the managers of the subsidiaries pursue the same interests as ARQUES, these managers generally also acquire an interest in the company taken over by ARQUES. This arrangement provides an additional, success-oriented performance incentive.

## 5. Medium-term investment horizon

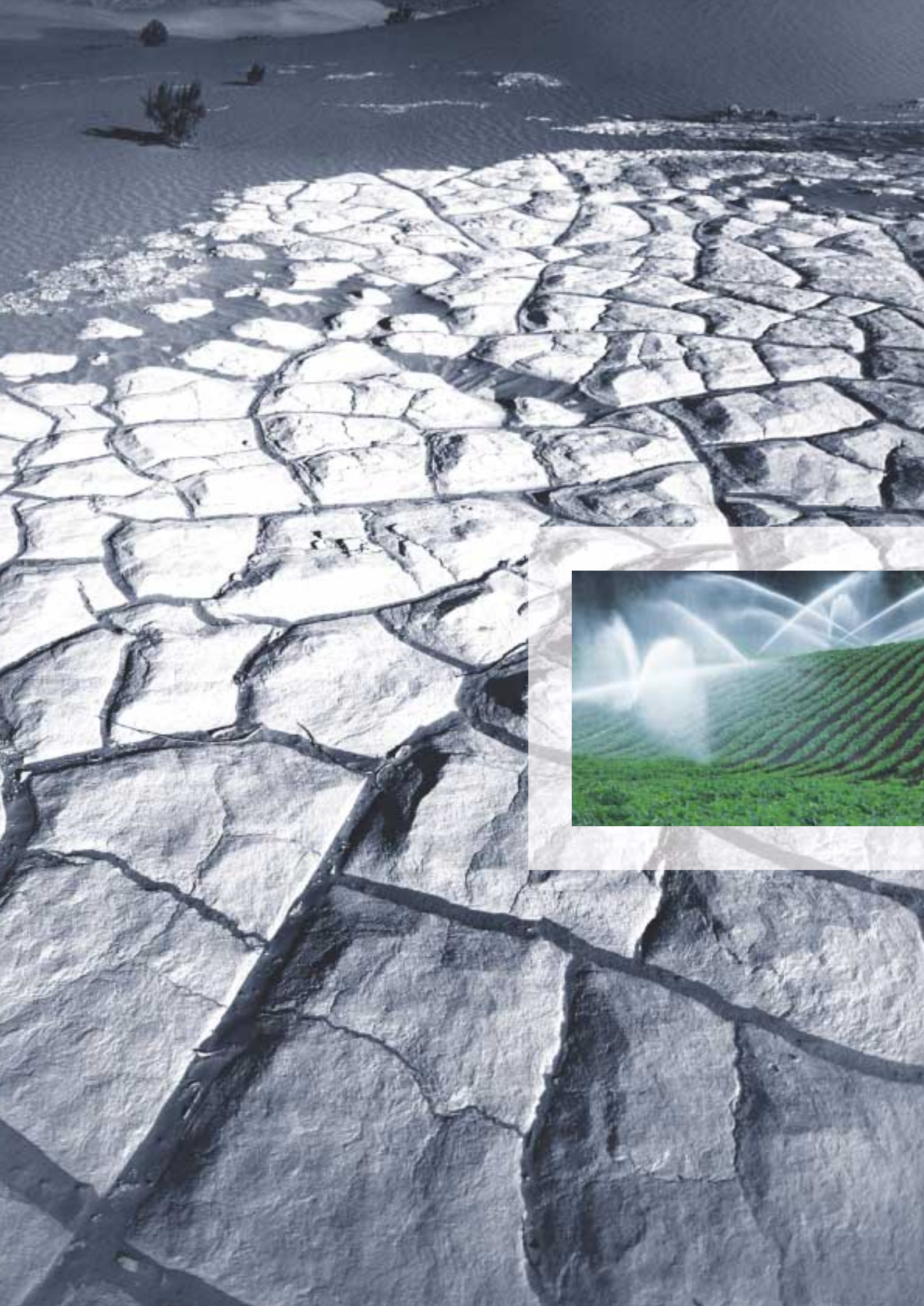
ARQUES Industries AG generally adheres to medium-term investment horizons (three to eight years) in small to medium-sized enterprises. ARQUES does not have an interest in short-term investments.

Necessary capital expenditures are financed by means of capital allocations. The uppermost goal is to develop these companies to the point where they have a secure long-term market position and adequate profitability.



The ARQUES task force is at the heart of ARQUES' operational activities.

With a design and composition that is unique in Germany, it looks forward to further challenges.



# The ARQUES Share

The share of ARQUES Industries AG continued to perform very well in 2004, posting a net gain of 154% for the year. Its closing price on December 30, 2004 was EUR 59.00. During this same period, the DAX saw a gain of 7.3%, the MDAX a gain of 20.3% and the SDAX a gain of 21.6%.

In the current year, ARQUES plans to carry out the move to the Regulated Market section of the Frankfurt Stock Exchange, which was approved by shareholders at the 2004 Annual General Meeting. This move is expected to stimulate investor interest in the ARQUES share, while substantially increasing the free float and the trading volumes.

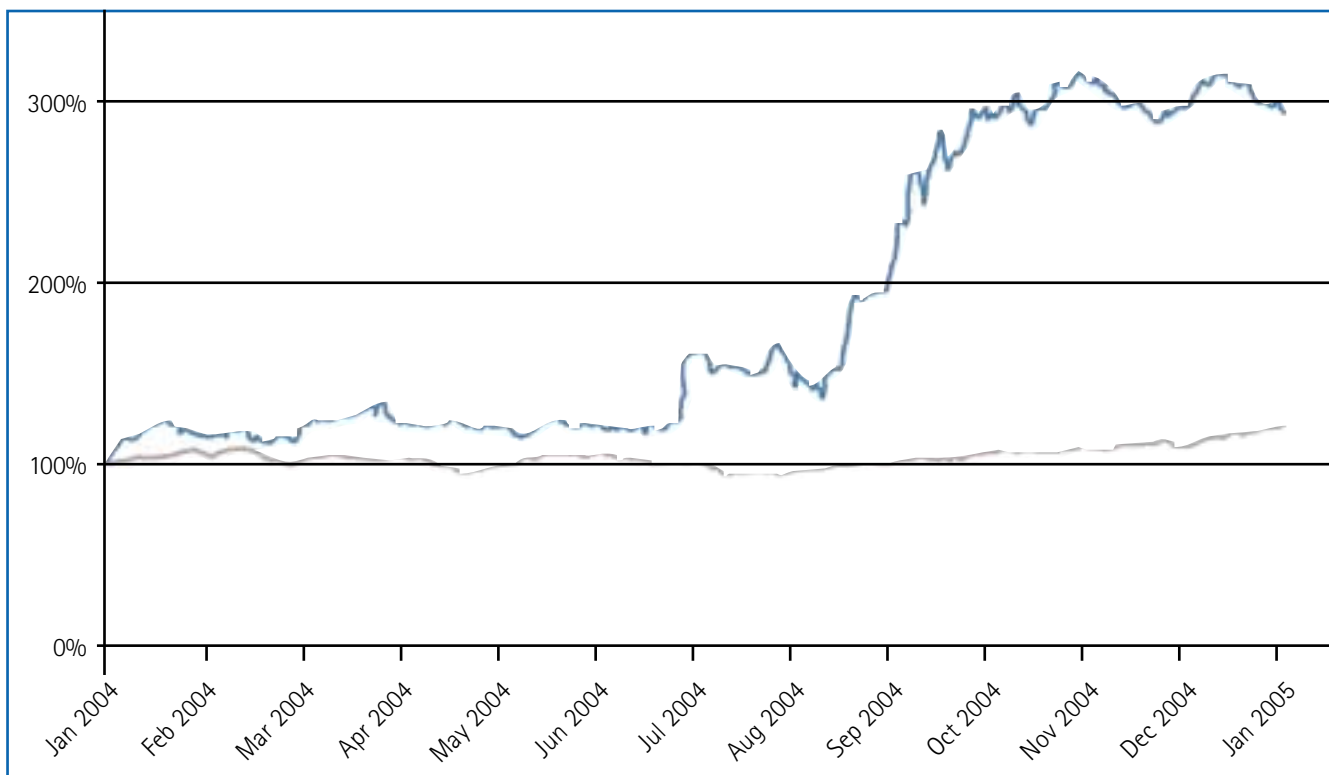
## Turning an arid landscape into a garden of plenty

If a company has had a history of poor performance, it certainly takes more than money to engineer a turnaround. Investment of human capital, know-how and above all passion for success is what makes ARQUES different, which is why more and more large corporations see ARQUES as a desirable business partner.

Already today, ARQUES meets nearly all of the ongoing requirements for a listing on the Regulated Market section of the stock exchange. As of 2005, all reporting obligations are fulfilled in English as well as in German. To intensify transparent, prompt communication with shareholders, investors and the financial press in the future, the company established an internal department called Investor Relations & Corporate Communications in early 2005. And the relaunch of our new

website, [www.arques.de](http://www.arques.de), at the beginning of 2005 was designed to better accommodate the information needs of all target groups. Interested readers will find there not only all the Company's quarterly and annual financial reports, press releases and news, but also the Company's Memorandum and Articles of Association, the Commercial Register record and the rules of procedure for the Executive Board and Supervisory Board of ARQUES Industries AG.

## ARQUES share price (compared to SDAX)



(indexed January 1, 2004)

■ ARQUES ■ SDAX

## Share information

WKN	515 600
ISIN	DE0005156004
Stock exchange abbreviation	AQU
Share type	Bearer no-par shares
Shares outstanding at December 31, 2004	2,026,667
Capital stock	EUR2,026,667
Closing price at December 30, 2004	EUR59.00
Market capitalisation at December 31, 2004	EUR119,573,353
Exchanges where traded	OTC XETRA, Frankfurt, Berlin, Stuttgart, Munich
Earnings per share for 2004	EUR20.71



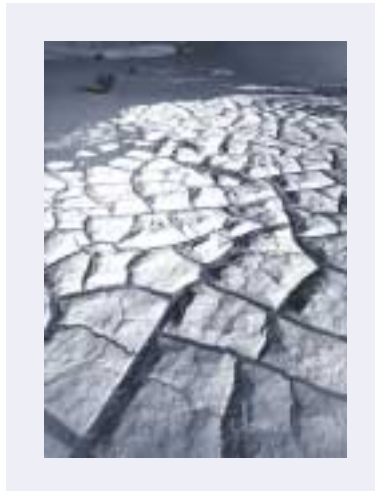
## Contact

ARQUES Industries AG  
Investor Relations &  
Corporate Communications

Ms. Anke Lüdemann, CEFA/CIA  
Tel.: +49 (0)8151 651 - 0  
info@arques.de

## Corporate Calendar

Please visit our website at [www.arques.de](http://www.arques.de) for up-to-date information about dates and events of ARQUES Industries AG.



In order to perpetuate the growth story of ARQUES, we plan to move the Company's share to a more liquid stock exchange segment in 2005 and intensify our investor relations activities.

# Corporate Governance

The term corporate governance stands for the responsible management and supervision of companies, geared to long-term value creation. Essential aspects of good corporate governance include efficient cooperation between the Executive Board and Supervisory Board, clear rules and regulations, the respect of shareholder interests, and openness and transparency of corporate communications. In the 2004 financial year, ARQUES Industries AG began to align itself with the guidelines set forth in Section 161 of the German Stock Corporation Act (AktG) and to implement corporate governance as a process that is being constantly refined and enhanced.

The declaration of conformity and compliance with the German Corporate Governance Code within the meaning of Section 161 of the German Stock Corporation Act (AktG) has been made permanently accessible to shareholders: "The Executive Board and Supervisory Board of ARQUES Industries AG hereby declare that the recommendations of the Code Commission on corporate management and supervision announced in the official section of the electronic Federal Gazette have been complied with, with the following exceptions. The deviations are explained in the following statement."

## Compensation paid to members of the Supervisory Board

Notwithstanding clause 5.4.5 of the Code, the members of the Supervisory Board do not currently receive any compensation, as a result of which reporting on the nature and amount of compensation paid is omitted. The nature and amount will be reported as soon as any compensation is paid.

## Compensation paid to members of the Executive Board

Notwithstanding clause 4.2.3, the compensation model does not contain any variable components. Thus disclosures regarding their form are not required. The members of the Executive Board do, however, hold significant shares of Company stock.

The individualised disclosure of compensation paid to members of the Executive Board has been included in the consolidated financial statements for the 2004 financial year.

## Conflicts of interest

Notwithstanding clause 4.3.5, members of the Executive Board may also accept sideline activities without the approval of the Supervisory Board. The Supervisory Board is kept regularly informed of existing sideline activities and does not view this as any danger for the Company.

## Directors' dealings

Notwithstanding clause 6.6, the Company has not yet reported on the purchase or sale of shares in the Company or its subsidiaries by corporate executives or on their shareholding in the Company. This recommendation will, however, be implemented in the very near future.

## Appointments to the Executive Board

Notwithstanding clause 5.1.2, no long-term succession planning takes place for the Executive Board at the present time. The recommendation will be implemented in the near future.

## Committees

Notwithstanding clauses 5.3.1 and 5.3.2, the Company's Supervisory Board does not form any committees, as the size of the Company and the Supervisory Board does not require this or make such action appear purposeful.

## Participating interests in external companies

Notwithstanding clause 7.1.4, the Company does not make any disclosures regarding the profit or loss for the year of external companies in which it holds significant participating interests. Our subsidiaries are small and medium-sized enterprises whose restructuring success and competitive position could be compromised by the publication of profit or loss for the year.

## Relations with related shareholders

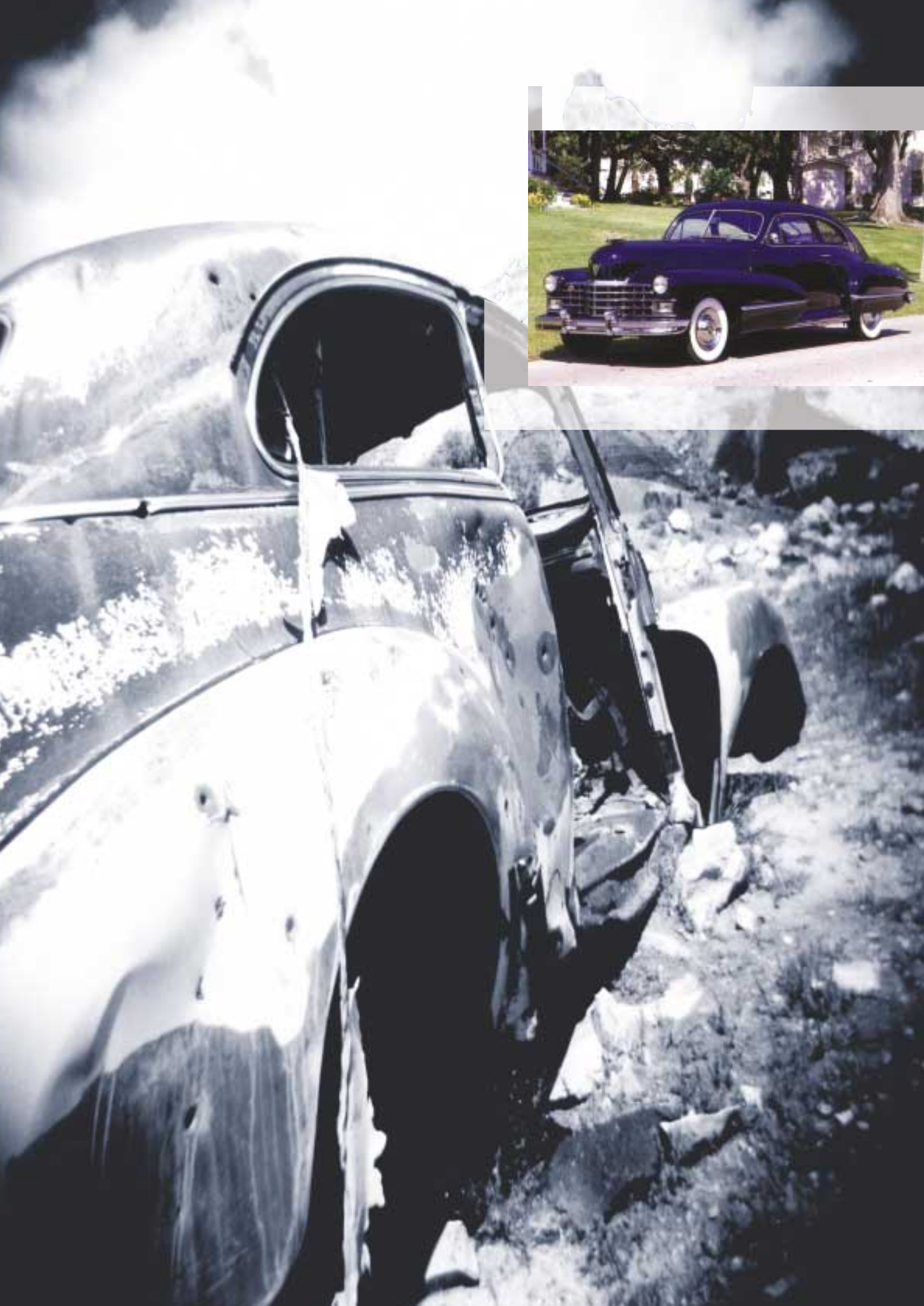
Notwithstanding clause 7.1.5, the Company does not currently report on relations with shareholders considered related parties. The Company will, however, implement this recommendation with effect from the consolidated financial statements for the 2005 financial year.

## Audit of annual financial statements

The Company does not at the present time obtain a statement of independence from the independent auditors proposed by the Annual General Meeting of Shareholders (clause 7.2.1), as there are no other relations with the independent auditors. Nevertheless, the Company will similarly implement the recommendation in the very near future.

The Supervisory Board has not agreed an immediate reporting obligation with the independent auditors as set forth in clause 7.2.3, as the Supervisory Board is heavily involved in the audit process.

At the present time, the consolidated financial statements are not yet published 90 days after the close of the financial year (clause 7.1.2), as the reporting involving the subsidiaries in the first year of operation has not been fully coordinated yet. Also, more time is required each year on account of the ongoing initial consolidation of new participating interests acquired and the deconsolidation of participating interests sold. The Company will implement the recommendation with effect from the consolidated financial statements for the 2005 financial year.



## Involvement is the key

When faced with a seemingly defunct business, it sometimes takes more than insight and courage to envisage and strive for a result. The skills of the ARQUES managers combined with tenacity and creativity allows them not only to recognise possibilities but turn them into shining success stories.

# Group Management Report of ARQUES Industries AG

### General economic climate

The global economy picked up pace again during 2004. The main drivers of growth were the countries of the former Eastern Bloc together with emerging economies, most notably China. Real gross domestic product expanded by almost 4.9% worldwide in 2004, although it did tend to tail off a little in the second half of the year. For 2005, leading German economic forecasters expect to see the pace of expansion slacken. Growth has been slowed in the euro area since mid-2004 by the high oil price allied with the strengthening euro. Real gross domestic product in the euro area increased by round 1.75% in 2004, although growth rates varied greatly from country to country. The new member states of the EU following enlargement grew faster than average.

All in all, Europe is expected to expand at a slower rate of 1.5% in 2005, Germany failed to match the average across all euro countries in 2004, recording a growth rate in real gross domestic product of 1.7%. The main reasons for this were the high price of oil and the strong euro. The inflated oil price led to a rise in the cost of living, while the strong euro served to temper external demand. The consumption and investment climate was further dampened by persistently weak consumer confidence, the sluggish pace of reform and the tight situation on the labour market. Real gross domestic product is expected to rise 0.8% in 2005.

ARQUES was able to benefit from the weak economy last year.

## Positioning of the ARQUES Group

The German equity-investment market has been further stimulated by the introduction of Basel II and the resulting reticence of banks to extend loans, coupled with the frequently weak capital base of small and medium-sized enterprises and the poor performance of the economy in 2004.

The ARQUES Group specialises in one segment of the equity-investment market, the acquisition of companies in transitional situations. The aim is to restructure the companies acquired by deploying ARQUES management and the in-house ARQUES task force and turn them into competitive, profitable enterprises. Alongside classical turnaround scenarios, transitional situations also include the spin-off of company divisions, succession arrangements and technological change. ARQUES management can boast many years of experience in the field of company reorganisation and restructuring.

Alongside the deployment of the task force, the main advantage of the ARQUES model lies in the decentralised management of the corporate group. Subsidiary managers work directly on site and hold stakes in the companies acquired. This policy ensures that the holding company and the respective managers pursue the same interests and promotes entrepreneurial and autonomous behaviour.

## The ARQUES Group – Changes in the consolidated group

### ARQUES Industries AG

ARQUES Industries AG is the parent company of the ARQUES Group. It directly or indirectly holds all the participating interests in subsidiaries of the corporate group.

An average of 997 people were employed in the ARQUES Group during the 2004 financial year. Please refer to the notes to the financial statements for more information about the number of employees in the individual Group companies.

ARQUES Industries AG is financed almost exclusively by shareholders' equity. A capital increase was carried out during the 2004 financial year. The capital stock of ARQUES Industries AG increased by 26.67% on May 28, 2004 as a result of placing 426,667 new shares. Cash in a total amount of EUR 10.2 million accrued to ARQUES Industries AG as a consequence.

The debt shown in the consolidated balance sheet results from the consolidation of the subsidiaries. The subsidiaries are financed primarily by means of trade accounts receivable.

## The subsidiaries

### Colordruck Pforzheim GmbH & Co. KG

Colordruck Pforzheim GmbH & Co. KG, one of the major German web offset printers, was taken over on December 8, 2004. Its core competencies are in the printing and processing of prospectuses, catalogues and magazines. The main customers include newspaper publishers, mail-order operators and large producers of consumer goods. Colordruck Pforzheim GmbH & Co. KG generates approximately 30% of its revenues outside Germany and had a workforce of 224 at December 31, 2004. Colordruck Pforzheim GmbH & Co. KG was included with its balance sheet in the consolidated financial statements of the ARQUES Group at December 31, 2004.

#### Industry situation

According to figures published by the Federal Statistical Office and the German Printing and Media Industries Federation, the German printing industry managed to record a 1.5% rise in revenues in 2004 following on from falls of 5% and 2.2% in 2002 and 2003, respectively. Revenues are expected to rise by around 2% in 2005 as a result of the persistently moderate recovery of the economy as a whole and a slight increase in advertising spending (source: [www.bvdm-online.de](http://www.bvdm-online.de)).

#### Company situation

When ARQUES acquired Colordruck Pforzheim GmbH & Co. KG, the principle causes of structural problems were an oversized workforce and unbalanced investment policies. Inadequate market canvassing was also evident. The first restructuring measures involved immediate adjustments to staffing levels and a correction of investment decisions.

### E. Missel GmbH & Co. KG

ARQUES acquired all the shares in E. Missel GmbH & Co. KG headquartered in Fellbach on November 11, 2004. The company is an industrial supplier of sound and thermal insulation systems for pipes and floors and has achieved a dominant market position over the last few years, notably in the field of high quality structural-reverberation insulation systems.

#### Industry situation

The company is directly dependent on the development of the construction industry. Although the German construction industry remains in crisis, the German Construction Industry Association believes that the slowdown that has been evident for years is beginning to tail off. According to figures published by the association, spending on construction of residential properties declined by 1.5% to EUR 207 billion in 2004. The Central Association of the German Construction Industry expects to see a further fall of 1.4% in 2005.

#### Company situation

At the time when it was taken over by ARQUES Industries AG, E. Missel GmbH & Co. KG was characterised by high general administrative expenses and poor market canvassing on the exports side. It proved possible to achieve rapid progress on restructuring by implementing personnel consolidation measures and tapping new markets. The goal is to expand the proportion of exports again in 2005. Missel employed 90 people at December 31, 2004. E. Missel GmbH & Co. KG was included in the consolidated financial statements of ARQUES for the first time at November 11, 2004.

## Schierholz Translift AG

The Schierholz Translift Group has been part of the ARQUES portfolio since August 14, 2003. The Bremen-based corporate group is a leading worldwide supplier of solutions used to automate the in-house flow of materials. An average of 291 people were employed at its five operational facilities in Europe in the 2004 financial year. The main areas of application for the materials handling systems of Schierholz Translift are in the automotive industry complete with its supply industries, equipment and plant construction, and surface engineering.

### Industry situation

Once again in 2004, the automation industry suffered from German industry constantly increasing the flow of investment in new production facilities in eastern Europe. Lower wage levels mean that investments in automation and material flows in this region are far lower than at western European facilities. At the same time, the volume of supply on the market was much higher in 2004 than the year before. A number of projects actually planned at the end of the year suggested that the backlog of decisions particularly evident in the last quarter of 2004 was coming to an end.

### Company situation

Despite the difficult investment environment in Germany, the volume of orders on Schierholz's books was at the upper end of the range seen over the last three years. Major orders from outside Germany helped to raise the proportion of exports on the plant-construction side to 52%. It proved possible to stabilise the customer support business and slightly increase the highest margin portion of the spare parts business.

## SKW Stahl-Metallurgie Holding GmbH

ARQUES acquired the steel operations from SKW Metallurgie AG, a wholly-owned subsidiary of Degussa, on August 31, 2004. SKW Stahl-Metallurgie Holding GmbH has been consolidated in the ARQUES Group since September 1, 2004. The average number of employees since consolidation has totalled 228.

### Industry situation

SKW's customers are steel-makers, who have enjoyed something of a boom over the last few years thanks to strong demand from China. This is having a positive impact on the profitability of the individual companies, with SKW also benefiting.

Production of crude steel has risen constantly over the last few years and exceeded the 1 million tonne (1.06 million ton) level again for the first time in 2004. Industry experts forecast demand to remain at a high level in 2005 (International Iron and Steel Institute (ISI)).

Another trend evident in the industry is increasing consolidation, which reached its present culmination at the end of 2004 when Mittal Steel took over ISG to create the largest steel corporation in the world. Further consolidation is expected, as the ten biggest steel-makers in the world are responsible for 30% of total steel production at present.

### Company situation

ARQUES managers started restructuring following the takeover. The measures initiated focused on France, including among other things the introduction of working capital management complete with a sharp reduction in inventory levels, the closure of an expensive representative office that was surplus to requirements in Paris, a reduction in the cost of materials and the realignment of the sales and purchasing operations.



## teutonia Kinderwagenfabrik GmbH

teutonia Kinderwagenfabrik GmbH based in Hiddenhausen near Herford in North Rhine-Westphalia, Germany, was acquired in full from the UK-based Britax Group on April 1, 2004 and consolidated in the ARQUES Group at the start of the second quarter on April 1, 2004. The company is a vendor of premium prams, baby carriages, pushchairs, strollers and joggers. It is the market leader in its core European markets. Production facilities are located in Germany and Poland. teutonia employed an average of 161 staff in the 2004 financial year.

### Industry situation

The market potential for premium pushchairs can still be considered stable, even if the economic situation of the industry failed to improve in 2004. The birth rate has fallen again and the competitive situation remains difficult. Vendors previously positioned in the lower price segment are trying to penetrate the high price pushchair segment, as this promises the best returns.

### Company situation

A period of restructuring began in all divisions following the change of ownership. It proved possible to make considerable savings in both the cost of materials and personnel expense. Manufacturing costs were also reduced by renegotiating terms with suppliers and making changes to the products on offer. The product range was completely revised.

## Disposal of subsidiaries

The participating interest in Wuppertal-based InfoSystems GmbH, a company specialising in visual and acoustic passenger-information systems in buses and trains, was sold to a private equity firm on May 7, 2004. InfoSystems was taken over from Schaltbau AG in December 2003.

The specialist supplier of flexible printed circuit boards LEONI Flex S.A. headquartered in Burnhaupt, France, was taken over in full from LEONI Bordnetz-Systeme GmbH & Co. KG, a member of the LEONI Group, on January 8, 2004. LEONI Flex S.A. was sold on November 26, 2004.

Bankruptcy plan proceedings were initiated for the plant in La Roche de Rame (French Alps) belonging to the SKW Group in December 2004. The bankruptcy plan proceedings are expected to be completed in April 2005 as a result of the sale to an external investor.

A complete list of all subsidiaries of the ARQUES Group is included in the notes to the consolidated financial statements.

## Financial position and financial performance

### Operating performance

The figures for the 2004 financial year cannot be compared with the previous year, as the ARQUES Group has only existed since August 1, 2003 and the income statement for the previous year only covers five months.

The revenues of the ARQUES Group rose to EUR 128.6 million in the 2004 financial year. EUR 80.2 million of this total was provided by companies consolidated for the first time in the 2004 financial year. The main sources of revenue are the SKW Group and the Schierholz Translift Group.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to EUR 10.4 million, while earnings before interest and taxes (EBIT) reached EUR 7.1 million. The main contributions to earnings come from the SKW Group followed by the Schierholz Group, teutonia Kinderwagenfabrik and Missel. The financial profit includes the income of EUR 0.2 million from our investment in Jamshedpur Injection Powder Ltd., which is valued at equity, and the net interest income of EUR 0.5 million. Consolidated profit rose to EUR 38.7 million.

For the first time, consolidated profit contains the so-called "bargain purchase" item totalling EUR 33.4 million. This is the negative goodwill that arises when the actual value of the participating interest acquired exceeds the purchase price paid, even after all the related risks have been taken into account and any necessary provisions have been set up. Compliant with the IFRS international accounting standards, this was carried as negative goodwill (IAS 22.63, 1998) within intangible assets until March 31, 2004. With effect from April

1, 2004, a new IFRS regulation (IFRS 3.57, 2004) requires any residual negative goodwill to be disclosed immediately as profit once the acquired assets and liabilities have been remeasured.

Earnings per share amounted to EUR 20.71. Adjusted for the bargain purchase, earnings per share totalled EUR 2.89.

ARQUES management's plans for the 2004 financial year called for strong revenue growth to be achieved by acquiring participating interests in four to six new subsidiaries and a large profit to be disclosed. Both goals were attained.

### Balance sheet figures

The total assets shown in the consolidated balance sheet had increased to EUR 141.7 million by the balance sheet date of December 31, 2004. A comparison with the previous year does not, however, have any informative value due to the acquisition of participating interests in subsidiaries

#### Assets side

On the assets side, the proportion of non-current assets to total assets amounts to 29.5%. All in all, non-current assets totalled EUR 41.8 million.

Property, plant and equipment amounting to EUR 38.7 million contains mainly company premises of EUR 28.8 million and technical equipment and machinery of EUR 6.1 million.

Current assets include finished products and merchandise for resale totalling EUR 11.5 million.

Trade accounts receivable totalled EUR 47.0 million. As a proportion of total assets, this represents 33.1%. Thus the ratio has not changed materially compared with the previous year.

All in all, receivables totalled EUR 52.5 million at December 31, 2004. This represents a ratio of receivables to total assets of 37.1%.

#### **Liabilities side**

As a result of the Company's strong overall performance, the shareholders' equity in the corporate group improved to EUR 53.2 million. Thus the ARQUES Group can report an equity capital ratio of 37.5%.

The increase in amounts owed to banks to 11.9% of total liabilities can be attributed to the companies to be consolidated for the first time in the 2004 financial year. At the balance sheet date, the amounts owed to banks totalled EUR 16.9 million at corporate level.

At 25.9%, the ratio of trade accounts payable to total liabilities remained at almost the same level as last year. Trade accounts payable totalled EUR 36.7 million at the balance sheet date of December 31, 2004.

Further explanations of the cash flow statement, segment reporting and employee figures are included in the notes to the consolidated financial statements.

## **Events after the balance sheet date**

### **ddp Deutscher Depeschendienst GmbH**

At the start of January 2005, the main business operations of ddp Nachrichtenagentur GmbH, which has been insolvent since September 2004, were transferred to the newly founded ddp Deutscher Depeschendienst GmbH, a wholly owned ARQUES subsidiary. ddp Deutscher Depeschendienst GmbH is the second-largest press agency in Germany with around 300 customers and more than 300 in-house and external staff. ddp Deutscher Depeschendienst GmbH has been consolidated in the ARQUES Group since January 1, 2005.

### **Changes on the Executive Board**

Dr. Dirk Markus left the Executive Board on February 28, 2005. Markus Zöllner, who has been a member of the Executive Board since January 1, 2005, has been responsible for the Restructuring business area since December. The Finance business area has been run by a new, largely autonomous departmental manager since January 2005. Talks regarding a successor to Dr. Markus are currently under way.

## Risk report

The future business development of the ARQUES Group is associated with risks and opportunities that have their origins in both the purchasing market and the disposal of participating interests. Our risk policy consists in exploiting the available opportunities and limiting the associated risk by using appropriate instruments.

### Industry-related risks

#### Purchasing risks

Since the subsidiaries have activities in a very wide range of markets with a broad selection of products, the industry-specific risk in the corporate group is widely spread. Nevertheless, all companies of the ARQUES Group are exposed to general economic risk. The core business of ARQUES Industries AG, purchasing companies in transitional situations, generally benefits from a weak economy.

ARQUES Industries AG is facing greater competition in the market for companies in transitional situations, primarily from individual entrepreneurs. This competition can inflate purchase prices. At the present time, management considers this risk less than average, as small competitors are rarely in a position to offer legal or economic stability.

#### Disposal risk

It is conceivable that the general economic situation would not allow an exit opportunity for one or more subsidiaries, or an exit opportunity would only open up under which ARQUES could not generate any return on investment. This would have negative consequences for the financial position or financial performance of the corporate group.

#### Market risks of subsidiaries

ARQUES takes over companies in transitional situations. The risk can, in individual instances, even extend as far as the threat of bankruptcy. As a general rule, several parties have attempted to engineer a turnaround in the respective company before the takeover, but this has ended in failure. The ARQUES team needs to make a success of the necessary restructuring while avoiding excessive debt or insolvency. Despite this, the possibility of a subsidiary declaring bankruptcy cannot be excluded in individual instances, due to the often difficult starting point.

The subsidiaries tend to suffer from declines in demand and sales during an economic slowdown. Alongside economic downturns, inflation and political uncertainty can also have an impact on the business operations of the ARQUES Group.

All companies in the ARQUES Group are basically exposed to the danger of their products or services meeting with little acceptance and failing to match the demand of their customers. The entry of new competitors, product innovations of other market players and other changes in the competitive environment can have a negative impact on the ARQUES Group.

### **Risk of failure at the level of ARQUES Industries AG**

The main risk when acquiring companies in need of restructuring is a misjudgement of their ability to be restructured and the ensuing possible bankruptcy of the subsidiary. Such risks are monitored on an ongoing basis.

### **Management risks**

The selection, acquisition and restructuring of companies in transitional situations calls for a very high level of management experience and expertise from the people responsible. Consequently ARQUES has to ensure that, when needed, it has access to an adequately large pool of potential management candidates for the Acquisition department, the task force, and finally the management of the companies taken over.

### **Financial risks**

#### **Currency risks/price risks**

As far as possible, currency risks arising from business operations are reduced by natural hedges involving buying and selling in foreign currency. Nevertheless, currency movements may have an impact on the future results of the corporate group.

### **Interest rate risks**

The ARQUES Group is exposed to the risk of changes in interest rates. This relates above all to changes in lending terms for bank loans to the participating interests and from short-term bridging loans. ARQUES Industries AG itself does not have any amounts owed to banks.

### **Funding risks**

The ARQUES Group is financed from the internal cash flow, bank loans, credit lines and short-term bridging loans as well as capital increases carried out by ARQUES Industries AG.

### **Risk management pursuant to Section 91 (2), German Stock Corporation Act (AktG)**

Compliant with Section 91 (2) of the German Stock Corporation Act (AktG), the Executive Board is required to take suitable measures notably to set up a monitoring system so that any developments jeopardizing the continued existence of the Company can be recognised promptly.

In the ARQUES Group, risk management is carried out as part of corporate-wide controlling. Reports on the current situation of all subsidiaries are submitted to the Executive Board on a weekly basis. An actual vs. planned comparison is prepared and, where necessary, the budget and current forecast adjusted promptly as part of monthly closing. Informing the Executive Board and subsidiary managers promptly makes it possible to draw up and implement packages of necessary counter-measures at short notice.

Further elements of risk management include regular visits by the members of the Executive Board to the management offices of all subsidiaries to find out about their current situation. Subsidiaries with international operations conduct several meetings at management level each year. A large expansion of the ARQUES task force also makes it possible to intervene massively and quickly should subsidiaries experience financial difficulties. The ARQUES business model, which sees the respective managing directors on the ground taking a stake in the companies they are expected to restructure, ensures that local interests are in step with ARQUES' interests, and thus helps to minimize risk.

#### Legal and tax risks

We do not currently see any developments in general legal or tax conditions that would have a decisive influence on the ARQUES Group. All legal disputes have been accounted for. For the most part, these represent industrial disputes.

Taking an overall view of the risk situation faced by the ARQUES Group and the risks and business prospects outlined in the present report, it becomes clear that the risks are limited and manageable. Management does not consider the continued existence of the corporate group as a whole endangered at the present time. There are currently no risks identifiable that would represent a danger to the continued existence of the Company in the future.

## Outlook

Leading German economic forecasters are predicting a slight downturn in the European economy in 2005. They expect real gross domestic product to increase by less than 1% in Germany and around 1.5% in the euro area as a whole.

The subsidiaries of the ARQUES Group have made a satisfactory start to the 2005 financial year. For the ARQUES Group, we expect to see revenues increase from the participating interests held to date and profitability to rise at the same time.

Our Acquisition department is constantly running the rule over companies, and we are planning to execute four to six transactions during the current financial year. We cannot, however, provide a concrete forecast for the development of revenues and earnings in the ARQUES Group, as this depends on the number and size of possible takeovers in the current financial year. Moreover, a part of the ARQUES business model involves taking over companies that are making losses, as it is precisely companies such as these that have large potential for value growth as a result of restructuring and reorganisation. At corporate level, however, this can lead to the losses incurred by individual subsidiaries having a negative effect on consolidated profit.

All in all, the Executive Board expects the ARQUES Group to continue performing strongly during the 2005 financial year.

Starnberg, March 24, 2005

ARQUES Industries Aktiengesellschaft

Dr. Martin Vorderwülbecke

Dr. Dr. Peter Löw

Markus Zöllner

# Report of the Supervisory Board

The Supervisory Board was kept informed regularly and comprehensively about the course of business as well as the economic situation and development of the ARQUES Group during the 2004 financial year. The Executive Board reported to the Supervisory Board in the Supervisory Board meetings and additionally as required on the economic and financial situation of the Company and its subsidiaries as well as on all significant questions relating to corporate planning. Numerous detailed consultations took place between the chairman of the Supervisory Board and mostly the chairman of the Executive Board as well as with individual members of the Executive Board, during which important aspects of business development were discussed. The chairman of the Supervisory Board was informed of key strategic decisions promptly at all times.

The Supervisory Board advised and supervised the Executive Board in accordance with the functions defined for it under German law and the Company's Memorandum and Articles of Association. It also dealt with all the measures requiring the Supervisory Board to be informed or express its approval as part of its supervisory and advisory function, at the same time providing support for the Executive Board as it implemented the corporate strategy and the associated measures.

The Supervisory Board met a total of four times during the 2004 financial year. No Supervisory Board committees were formed.

## Main results of Supervisory Board work

The most important decisions taken by the Supervisory Board related to the extension of the Executive Board from two members to four by the end of the period under review. Dr. Martin Vorderwülbecke was appointed to oversee the Acquisition and Taxes business areas on June 29, 2004 (with effect from July 1, 2004). On November 12, 2004 (with effect from January 1, 2005) Markus Zöllner was appointed to the Executive Board with responsibility for the Operations business area as well as operational management and restructuring of the subsidiaries. The division of responsibilities plan was extended and approved accordingly. Outside the period under review, but also part of the core duties in the Supervisory Board's area of responsibility, it is important to mention the removal of Executive Board member Dr. Dirk Markus on February 28, 2005 at a meeting specially called for this purpose.

Other important resolutions were adopted primarily to update the corporate governance guidelines. These related to the areas of insider regulations, directors' dealings, the rules of procedure for the Executive Board and the division of responsibilities plan. Discussions were also held during the period under review regarding the further opening of the Company for new investors, and the foundation was laid for the capital increase that was carried out accordingly on May 28, 2004.

The Supervisory Board welcomes the provisions of the German Corporate Governance Code overall. The Supervisory Board and Executive Board comply with these regulations with a few exceptions. The Company has made the corresponding statement compliant with Section 161 of the German Stock Corporation Act (AktG) permanently available on its website and published it on page 16f of the present annual report.

## Audit of the annual financial statements

The annual financial statements and management report for 2004 of ARQUES Industries AG at December 31, 2004 were audited by the independent auditors Mörtl & Partner GbR, Munich, elected by the Annual General Meeting of Shareholders and commissioned by the Supervisory Board. They issued an unqualified opinion. The consolidated financial statements and Group management report were also reviewed by the independent auditors for the first time for the 2004 financial year. An unqualified opinion was issued in this instance as well. The independent auditors also reviewed the risk management system of the ARQUES Group and confirmed its effectiveness.

The audit report prepared by the independent auditors was made available to all members of the Supervisory Board and was explained and discussed at length in the meeting on April 25, 2005 in the presence of the independent auditors. The Supervisory Board concurred with the findings of the audit report without raising any objections. The Supervisory Board has reviewed the annual and consolidated financial statements for the 2004 financial year prepared by the Executive Board together with the proposed appropriation of profit and discussed them at length during its meeting on April 25, 2005.

The Supervisory Board hereby endorses the annual and consolidated financial statements at December 31, 2004 as well as the Management Report and Group Management Report of ARQUES Industries AG for the 2004 financial year at December 31, 2004. Thus these are approved in compliance with Section 172, 1, of the German Stock Corporation Act (AktG).

The cooperation between the Supervisory Board and the Executive Board can be described as highly productive and purposeful overall. Particularly in a period of unusually strong growth, a discussion culture based on trust, but one which does not shy away from two-way debate either, is of great value. The requirements expected of the Company today – be it by the capital market, the subsidiaries, the in-house team in the holding company or not least the Supervisory Board – have placed the Executive Board under considerable pressure to perform over the past few months.

The Supervisory Board would like to take this opportunity to express its explicit appreciation for the work performed by the Executive Board team and thank them for the constantly trusting and fruitful exchange of information. The Supervisory Board would similarly like to thank the managing directors of the Group companies and all employees of the ARQUES Group for their tremendous efforts and hard work during the financial year just completed.

Starnberg, April 25, 2005

The Supervisory Board

Steven Wilkinson

Chairman



# Members of the Supervisory Board

Memberships in other supervisory boards  
and other comparable supervisory bodies

## Steven Wilkinson

Chairman

Manager, Pöcking

CEO of Buchanan Capital Holding AG, Starnberg

Director of Buchanan Holdings Ltd., Ballasalla, Isle of Man, UK

Member of the Supervisory Board of Ludwig Beck am  
Rathauseck - Textilhaus Feldmeier AG, Munich

## Prof. Dr. Michael Judis

Vice chairman

Lawyer, Munich

## Dr. Gerd Fischer

Lawyer, Munich

Chairman of the Supervisory Board of Demos AG, Seeshaupt

## Oliver Gorny

Manager, Herrsching

## Mathias Spindler

Real estate economist (EBS), Munich

Investment manager of Comfort München GmbH, Munich

## Dr. Friedrich-Carl Wachs

Manager, München

Member of the Managing Board of Premiere AG, Munich



## It takes vision to see potential result

Often subsidiaries are left to wither unless one recognises that these companies are worth more than meets the eye. ARQUES has the foresight to see fabric where there is raw material, success where there is mismanagement. ARQUES gives these companies a new lease on life, a vitality which directly benefits the shareholder.



# ARQUES Industries AG

## Consolidated Financial Statements

### Consolidated Income Statement for the year ended December 31, 2004

EUR '000		Jan. 1 – Dec. 31, 2004	Aug. 1 – Dec. 31, 2003
1. Revenues	(1)	128,570	28,693
2. Decrease in inventories of finished goods and work in progress		(195)	(510)
3. Other operating income	(2)	15,471	5,245
4. Cost of materials	(3)	85,806	16,672
5. Personnel expense		32,396	9,089
6. Other operating expenses	(4)	15,230	2,039
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		10,414	5,628
7. Depreciation and amortisation of intangible assets, property, plant and equipment, goodwill		3,316	587
Earnings before interest and taxes (EBIT)		7,098	5,041
8. Income from other non-current marketable securities and long-term loans	(5)	309	0
9. Other interest and similar income	(6)	102	36
10. Interest and similar expenses	(6)	698	237
11. Profit (loss) from ordinary activities		6,811	4,840
12. Minority interest in consolidated profit (loss)	(7)	435	(6)
13. Profit before income taxes		7,246	4,834
14. Income taxes	(8)	1,894	(210)
15. Profit after income taxes		5,352	5,044
16. Income from the reversal of negative goodwill arising from capital consolidation	(9)	33,377	0
17. Consolidated profit (loss) for the year		38,729	5,044
18. Profit (loss) carried forward		1,660	(1,784)
<b>19. Consolidated net profit (loss)</b>		<b>40,389</b>	<b>3,260</b>

## Consolidated Balance Sheet at December 31, 2004

### ASSETS

EUR '000	Dec. 31, 2004	Dec. 31, 2003
<b>A. Non-current assets</b>		
<b>I. Intangible assets (11)</b>		
1. Franchises, operating licences, intellectual property and similar rights and assets, and licences under such rights and assets	2,406	2,769
2. Goodwill	(1,889)	0
3. Advances to suppliers	104	0
	<u>621</u>	<u>2,769</u>
<b>II. Property, plant and equipment (12)</b>		
1. Land, equivalent rights to real property and buildings, including buildings on land not owned of which: investment property EUR 2,277,000 (2003: EUR 0.0)	28,766	5,667
2. Technical equipment and machinery	6,145	872
3. Other equipment, plant and office equipment	3,103	575
4. Advances to suppliers	637	0
	<u>38,651</u>	<u>7,114</u>
<b>III. Investments (13)</b>		
1. Shares in affiliated companies	487	108
2. Shares in companies valued at equity	1,718	0
3. Long-term loans to affiliated companies	30	0
4. Other long-term loans	248	523
5. Non-current marketable securities	73	0
	<u>2,556</u>	<u>631</u>
	<b>41,828</b>	<b>10,514</b>
<b>B. Current assets</b>		
<b>I. Inventories (14)</b>		
1. Raw materials and supplies	15,817	2,249
2. Work in progress	1,780	1,634
3. Finished goods and merchandise for resale	11,496	0
4. Advances to suppliers	3,231	2,177
	<u>32,324</u>	<u>6,060</u>
<b>II. Receivables and other assets (15)</b>		
1. Trade accounts receivable	46,963	12,101
2. Other assets	5,551	6,437
	<u>52,514</u>	<u>18,538</u>
<b>III. Cash on hand, cash in banks, and cheques (16)</b>	<u>12,860</u>	<u>3,621</u>
	<b>97,698</b>	<b>28,219</b>
<b>C. Deferred tax assets (17)</b>	<b>1,640</b>	<b>0</b>
<b>D. Prepaid expenses</b>	<b>543</b>	<b>217</b>
<b>Total assets</b>	<b>141,709</b>	<b>38,950</b>

## Consolidated Balance Sheet at December 31, 2004

### SHAREHOLDERS' EQUITY AND LIABILITIES

EUR '000		Dec. 31, 2004	Dec. 31, 2003
<b>A. Shareholders' equity</b>	<b>(18)</b>		
I. Subscribed capital		2,027	1,600
II. Additional paid-in capital		9,905	92
III. Retained earnings		95	95
IV. Consolidated net profit (loss)		40,389	3,260
V. Difference resulting from capital consolidation		0	2,156
VI. Minority interest	(19)	828	394
VII. Translation adjustment		(94)	
		<u>53,150</u>	<u>7,597</u>
<b>B. Provisions</b>	<b>(20)</b>		
1. Provisions for pensions and similar obligations		4,598	2,557
2. Provisions for taxes		637	24
3. Provisions for deferred taxes	(17)	2,464	0
4. Other provisions		15,928	4,170
		<u>23,627</u>	<u>6,751</u>
<b>C. Liabilities</b>			
1. Short-term financial liabilities	(21)	12,093	3,065
2. Long-term financial liabilities	(21)	9,095	0
3. Advances received on orders		1,171	1,436
4. Trade accounts payable	(22)	36,665	9,737
5. Other liabilities	(23)	5,890	8,672
		<u>64,914</u>	<u>22,910</u>
<b>D. Deferred income</b>		<b>18</b>	<b>1,692</b>
<b>Total shareholders' equity and liabilities</b>		<b>141,709</b>	<b>38,950</b>

## Statement of Changes in Shareholders' Equity

EUR '000	Subscribed capital	Additional paid-in capital	Retained earnings	Consolidated net profit (loss)	Difference resulting from capital consolidation	Translation adjustment	Minority interest	Consolidated shareholders' equity
August 1, 2003	1,600	92	94	(1,238)	2,156	0	388	3,092
Consolidated profit 2003				5,050				5,050
Other changes			1	(552)			6	(545)
December 31, 2003	1,600	92	95	3,260	2,156	0	394	7,597
Capital increase	427	9,813						10,240
Dividend payment 2003				(1,600)				(1,600)
Consolidated profit 2004				38,729				38,729
Currency changes						(94)		(94)
Other changes					(2,156)		434	(1,722)
December 31, 2004	2,027	9,905	95	40,389	0	(94)	828	53,150

## Consolidated Cash Flow Statement for the 2004 financial year

EUR '000	*Jan. 1, 2004 – Dec. 31, 2004
<b>1. Earnings before taxes</b>	<b>7,246</b>
2. Depreciation/amortisation of property, plant and equipment, and intangible assets	3,316
3. Change in provisions	(1,788)
4. Decrease in inventories	4,546
5. Increase in receivables and other assets	(1,539)
6. Increase in trade accounts payable	4,650
7. Income tax payments	(591)
8. Other non-cash income and expenses	(2,700)
<b>9. Net cash provided by operating activities</b>	<b>13,140</b>
10. Payments for the acquisition of consolidated companies	(6,545)
11. Increase in cash and cash equivalents from initial consolidation	2,393
<b>12. Net cash used in acquiring subsidiaries</b>	<b>(4,152)</b>
13. Payments for capital spending on non-current assets	(5,155)
14. Proceeds from the disposal of non-current assets	725
<b>15. Net cash used in investing activities</b>	<b>(4,430)</b>
16. Capital contributions	10,240
17. Dividends paid	(1,600)
18. Decrease in debt	(3,936)
<b>19. Net cash provided by financing activities</b>	<b>4,704</b>
20. Effect of exchange rates on cash and cash equivalents	(24)
21. Cash and cash equivalents at start of period	3,621
22. Change in cash and cash equivalents	9,239
<b>23. Cash and cash equivalents at end of period</b>	<b>12,860</b>

\*The short financial year from August 1 to December 31, 2003 is not shown as it is not comparable.

## Consolidated Segment Report

	Industry	Services	Consolidation	Group
	2004 EUR '000	2004 EUR '000	2004 EUR '000	2004 EUR '000
Revenues per segment	120,191	8,393	(13)	128,570
of which: with other segments	398	1,649	(2,046)	0
EBIT	(1,065)	8,162	0	7,098
EBITDA	1,384	9,030	0	10,414
Financial and investment profit (loss)	(582)	295	0	(287)
of which: shares in associated companies	199	0	0	199
Depreciation and amortisation	(2,449)	(868)	0	(3,316)
of which: of goodwill	46	0	0	46
Segment assets	140,729	17,614	(17,789)	140,555
Segment liabilities	98,061	1,172	(32,892)	66,340
Investments	88,113	4,595	0	92,708
of which: additions to consolidated group	82,340	1,782	0	84,122
Employees (annual average)	994	3	0	997



## List of Participating Interests at December 31, 2004

	Registered office	Equity interest (%) (direct) <sup>3)</sup>	Equity interest (%) (indirect) <sup>3)</sup>	Equity capital <sup>a)</sup> in EUR '000	Revenues <sup>b)</sup> in EUR '000	Average no. of employees
<b>Corporate parent</b>						
1.	ARQUES Industries Aktiengesellschaft			16,070	263	3
<b>Consolidated companies</b>						
2.	Arques Consult AG	100	100	(98)	270	0
3.	Arques Wert Consult GmbH	100	100	21	0	0
4.	Arques Wert Invest GmbH	100	100	16	0	0
5.	E. Missel GmbH & Co. KG		100	3,138	853	90
6.	WS 3021 Vermögensverwaltung AG	100	100	1,044	0	0
7.	Colordruck Pforzheim Verw. GmbH	94	94	482	0	0
8.	Colordruck Pforzheim GmbH & Co. KG	94	94	1,743	0	224
9.	Colordruck Immobilien GmbH	100	94	22	0	0
10.	Colordruck Immobilien GmbH & Co. KG	100	94	12,346	0	0
11.	Schierholz Translift Holding GmbH	100	100	24	0	0
12.	Schierholz Translift AG	89	82	40	1,089	1
13.	Schierholz Translift Schweiz AG		82	365	12,514	38
14.	Schierholz Translift Global Manufacturing & Finance AG	89	82	1,831	0	0
15.	Louis Schierholz GmbH	100	82	3,282	24,719	199
16.	Möck Immobilien Verwaltungs GmbH	100	82	24	0	0
17.	Möck Immobilien GmbH & Co. KG	100	82	8,000	0	0
18.	Digitron Translift Ltd.		82	1,751	4,829	35
19.	Digitron Translift S.A.S.		82	580	4,965	18
20.	SKW Stahl-Metallurgie Holding GmbH	100	100	1,031	0	0
21.	SKW Stahl-Technik Verwaltungs GmbH	100	100	3,482	0	14
22.	SKW Stahl-Technik GmbH & Co. KG <sup>2)</sup>	100	100	0	19,466	0
23.	SKW France S.A.S.		100	6,685	0	5
24.	SKW La Roche de Rame S.A.S. <sup>1)</sup>		100	0	488	0
25.	Affival S.A.S.	100	100	9,927	16,659	151
26.	Affival Inc.	100	100	3,882	20,058	40
27.	Affival KK	100	100	448	1,896	3
28.	Affival Korea Co. Ltd.	100	100	439	1,947	15
29.	teutonia Kinderwagenfabrik GmbH	89	89	1,576	10,940	97
30.	teutonia Polska Sp.Z.oo.	100	89	(330)	225	64
31.	WS 5001 Limited	100	100	6	0	0
32.	WS 5002 Limited	100	100	0	0	0
33.	WS 5003 Limited	100	100	0	0	0
34.	GIMFLEX S.A. <sup>1)</sup>		100	0	6,032	0
35.	InfoSystems GmbH <sup>1)</sup>		100	0	1,358	0
				<b>77,827</b>	<b>128,570</b>	<b>997</b>
<b>Companies valued at equity</b>						
36.	Jamshedpur Injection Powder Ltd.		30	30		
<b>Non-consolidated companies <sup>c)</sup></b>						
37.	Arques Commercial GmbH	100	100	3	0	
38.	Arques Immobilien Verwaltungs GmbH	100	100	24	0	
39.	Arques Immobilien GmbH & Co. KG	100	100	0	0	
40.	Arques Wert Finanz GmbH	100	100	24	0	
41.	WS 2018 Vermögensverwaltungs GmbH	100	100	24	0	
42.	Arques Industries Beteiligungs GmbH	100	100	25	0	
43.	Arques Industries Invest GmbH	100	100	25	0	
44.	WS 3022 Vermögensverwaltung AG	100	100	299	0	
45.	ddp Deutscher Depeschendienst GmbH	100	100	(248)	847	
46.	ddp Journalisten GmbH	100	100	67	0	
47.	ddp ttx production GmbH	100	100	86	0	
48.	ddp/vwd Wirtschaftsnachrichten GmbH	50	50	73	0	
49.	getaklik medien GmbH	100	100	15	0	
50.	Affival do Brasil Ltda.		100	0	0	
51.	Schierholz Dopravni technika s.r.o.		100	84	0	

1) deconsolidated at Dec. 31, 2004

2) accrued to SKW Stahl-Technik Verwaltungs GmbH at Dec. 31, 2004

3) some trust relationships < 1%

a) before consolidation compliant with IAS/IFRS

b) after consolidation

c) equity capital shown in separate financial statements

# Notes to the ARQUES Industries AG consolidated

## General information

ARQUES Industries Aktiengesellschaft (the "Company") has its registered office and principal place of business in Münchner Strasse 15a, Starnberg, Germany. It is registered with Munich District Court under entry number HRB 146.911 and is the parent company of the ARQUES Group. In particular, the object of the parent company's business operations is to acquire and restructure companies in "transitional situations", meaning unresolved succession issues, modernisation, corporate spin-offs or economic difficulties. The acquired companies are generally sold on after around three to eight years.

The consolidated financial statements of ARQUES Industries Aktiengesellschaft at December 31, 2004 have been prepared voluntarily in accordance with the International Financial Reporting Standards (IFRS) compliant with the pronouncements of the International Accounting Standards Board (IASB). All the relevant standards have been observed, including the interpretations of the Standing Interpretations Committee (SIC). The Company applied those standards applicable at December 31, 2004 or that could be applied early.

Information on the acquisition and disposal of participating interests together with the related financial data compliant with IFRS 3.66, 3.67, 3.70 and 7.40 has not been disclosed in order to comply with protection-of-confidence clauses and existing contractual secrecy provisions with buyers and sellers.

In order to achieve equivalence with consolidated financial statements prepared in accordance with the German Commercial Code (Handelsgesetzbuch), all disclosures and notes required by the German Commercial Code going beyond the requirements of the IASB have been provided.

The annual financial statements of the companies consolidated in the ARQUES Group are based on uniform accounting policies. They have been prepared at the Group reporting date in accordance with the IFRS standards. The consolidated financial statements have

been prepared in euros.

In the figures disclosed for the previous year in the consolidated income statement, it should be noted that the ARQUES Group has only existed since August 2003. Due to the lack of comparability in the periods, previous-year figures have only been included for comparable items.

The income statement has been prepared in accordance with the period-accounting method.

Material differences to German accounting principles arise in the treatment of differences resulting from capital consolidation, the measurement of depreciation periods for intangible assets and property, plant and equipment, and the valuation and disclosure of pensions for provisions and deferred taxes.

## Summary of main accounting policies

### Group reporting date

The consolidated financial statements are prepared at the balance sheet date of the parent company ARQUES Industries Aktiengesellschaft (December 31, 2004). The financial years of the subsidiaries included in the consolidated financial statements coincide with the financial year of ARQUES Industries Aktiengesellschaft. Where significant value-adjusting transactions were concluded by the subsidiaries before the consolidated financial statements were prepared, such transactions have been included in the consolidated financial statements.

### Scope of consolidated financial statements

Alongside ARQUES Industries Aktiengesellschaft, the consolidated financial statements include all material companies for which ARQUES Industries Aktiengesellschaft directly or indirectly has the power to govern the financial or operating policies. Inclusion in the consolidated financial statements starts from the date at which

# financial statements for the 2004 financial year

the power to govern begins, and ends when this power no longer exists. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Subsidiaries with insignificant or inactive business operations which are insignificant when preparing a fair presentation of the financial position and financial performance of ARQUES Industries Aktiengesellschaft have not been consolidated. They are carried at their respective cost or fair value in the consolidated financial statements. The sum total of the equity capital of these companies amounts to around 1% of consolidated shareholders' equity; the total losses after taxes of these companies amount to around 1% of the profit after taxes of the ARQUES Group.

Companies for which ARQUES Industries Aktiengesellschaft has the power to directly or indirectly exert a significant influence over financial and operating policies (associated enterprises) are valued at equity.

The following table shows the composition of the ARQUES Group:

ARQUES Industries Aktiengesellschaft and fully consolidated subsidiaries	2004
Domestic	23
International	12
Subsidiaries carried at cost	
Domestic	13
International	2
Associated enterprises	
Domestic	0
International	1
Total	51

Please refer to the List of Participating Interests at December 31, 2004 for information on the companies belonging to the ARQUES Group at December 31, 2004 as well as disposals from the consolidated group.

All the companies were acquired or founded in the 2004 financial year, with the exception of:

- Schierholz Translift AG, Bremen (D)
- Louis Schierholz GmbH, Bremen (D)
- Schierholz Translift Schweiz AG, Obernau (CH)
- Digitron Translift S.A., Marne la Vallée (F)
- Digitron Translift Ltd., Redford (GB)
- Schierholz Translift Global  
Manufacturing & Finance AG, Baar (CH)
- ARQUES Commercial GmbH, Starnberg (D)
- SKW Stahl-Metallurgie Holding GmbH  
(formerly Arques Beteiligungs GmbH), Unterneukirchen (D)

Further information on the acquisition and disposal of participating interests together with the related financial data has not been disclosed in order to comply with protection-of-confidence clauses and existing contractual secrecy provisions with buyers and sellers. For more information on the purpose, structure and description of the subsidiaries, please refer to the Group Management Report of ARQUES Industries Aktiengesellschaft.

## Principles of consolidation

For acquisitions completed before April 1, 2004, capital consolidation of the fully consolidated companies is performed in accordance with IAS 22. This involves offsetting the cost for the parent company against the fair value of the company's interest in the equity of the subsidiary at the time of acquisition. The cost of the business combination is replaced by the assets and liabilities of the subsidiary that are carried at their fair values taking into account the percentage interest of the parent company. Any excess of the cost over the share of the fair values of the identified assets and liabilities assumed by the parent company is disclosed as goodwill and amortised on a straight-line basis over its expected useful life. If, however, the prorated fair values of the identified assets and

liabilities assumed by the parent company exceed the cost, the difference is disclosed separately as negative goodwill. In contrast to the previous year, negative goodwill was shown separately under intangible assets and no longer as a difference resulting from capital consolidation under shareholders' equity.

Acquisitions completed after April 1, 2004 are treated in accordance with the new IFRS 3 accounting standard. IFRS 3 follows the impairment-only approach. This involves any goodwill calculated under IFRS 3 being allocated to the recognised and not previously recognised assets and liabilities. The remaining amount is recognised as goodwill and tested for impairment annually as part of subsequent consolidation (IAS 36). Any negative goodwill ("bargain purchase") results first in a reassessment of the identification and measurement of the identifiable assets, liabilities and contingent liabilities of the company acquired and the measurement of the cost of the combination. Compliant with IFRS 3.56 (b), any excess remaining after such a reassessment is recognised immediately in profit or loss and disclosed under Income from the reversal of negative goodwill resulting from capital consolidation.

Intragroup revenues, income and expenses are eliminated as well as intercompany receivables and liabilities.

Unrealised gains and losses arising from intragroup transactions are similarly eliminated.

#### Foreign currency translation

Transactions denominated in foreign currency included in the separate financial statements of ARQUES Industries Aktiengesellschaft and its subsidiaries are translated using the rates applicable at the time of the transaction. Items denominated in foreign currency are valued using the mean rate applicable at the balance sheet date. Foreign exchange gains and losses arising as a result are recognised as profit or loss.

As a rule, foreign companies belonging to the ARQUES Group are independent divisions, whose financial statements are translated

into euros in accordance with the concept of the functional currency. Consequently asset and liability items are translated using the rate applicable at the balance sheet date, while the equity capital is translated using historic rates. The resulting translation adjustments are treated in a way that does not affect profit or loss until disposal of the subsidiary.

Items in the income statement are translated into euros using weighted average rates. The following table shows the rates applicable for translation:

		Balance Sheet	Income Statement
	1 FC = x EUR	Mean rate at Dec. 31, 2004	Average rate
Switzerland	CHF	1.5429	1.5438
UK	GBP	0.70505	0.67866
Japan	JPY	139.65	134.4
Korea	KRW	1410.05	1422.62
Poland	PLN	4.0845	4.5268
USA	USD	1.3621	1.2439

## Accounting policies

The assets and liabilities of the domestic and international companies included in the consolidated financial statements have been valued and disclosed in accordance with the principles of the IFRSs unchanged from last year. In contrast to the previous year, negative goodwill arising before April 1, 2004 is now offset against the goodwill carried under intangible assets and recognised instead of being disclosed under a separate item under shareholders' equity (Difference resulting from capital consolidation).

### Intangible assets

Compliant with IAS 38, intangible assets acquired for consideration (software) are capitalised at cost and amortised on a straight-line basis over 3 to 5 years.

No goodwill arose prior to April 1, 2004. The goodwill arising after this date is tested for impairment annually. Negative goodwill arising after this date is recognised immediately in profit and loss.

### Property, plant and equipment

Property, plant and equipment is carried at cost, less scheduled depreciation. Depreciation is taken on a straight-line or declining-balance basis over the expected useful life.

The following table shows the main useful lives applicable for scheduled depreciation:

	Useful life
Buildings	25 - 50 years
Land improvements	10 - 18 years
Technical equipment and machinery	6 -12 years
Other equipment, plant and office equipment	3 -15 years

Compliant with IAS 36, non-scheduled depreciation is taken on property, plant and equipment when the value in use or net sales price of the asset in question has fallen below the carrying

amount. Corresponding write-ups are taken, should the reasons for non-scheduled depreciation taken in previous years no longer apply.

### Financial instruments

Financial instruments are contracts that result in a financial asset at one entity and a financial liability or an equity instrument at another entity. In the case of regular way purchase or sale, financial instruments are recognised at the settlement date, meaning the day on which the asset is delivered.

Compliant with IAS 39, financial instruments are divided into the following categories:

- Held for trading
- Held to maturity
- Originated loans and receivables
- Available for sale

Financial instruments are carried at amortised cost or fair value. In this context, the amortised cost of a financial asset or financial liability is defined as the amount:

- at which the financial asset or a financial liability was measured when first disclosed
- minus any repayments, and
- any non-scheduled amortisation for impairment or uncollectibility, and
- plus or minus the cumulative allocation of any difference between the original amount and the amount to be repaid at maturity (premium), which is allocated over the term of the financial asset or financial liability using the effective interest method.

In the case of short-term receivables and liabilities, the amortised cost generally corresponds to the nominal value or the amount repayable. The fair value generally corresponds to the market value.

### Originated financial instruments

Originated loans, receivables and liabilities, and held-to-maturity investments, are valued at amortised cost, provided they are not related to hedging instruments. In particular, this relates to:

- Long-term loans and securities
- Trade accounts receivable and payable
- Other short-term receivables and liabilities
- Short- and long-term financial liabilities

Available-for-sale financial assets are carried at fair value. Changes in fair value are recognised as profit or loss.

Shares in subsidiaries and participating interests are also considered available-for-sale financial assets. They are, however, normally disclosed at cost in each case, as there is no active market for these companies and it is not possible to reliably calculate fair values at justifiable expense. Where there is an indication of lower fair values, these are disclosed.

### Derivative financial instruments/hedge accounting

In just a few cases, derivative financial instruments are employed by companies of the ARQUES Group to hedge balance sheet items. In the case of fair value hedges for balance sheet items, both the hedged item and the hedged risk portion of the hedged item are carried at fair value. Changes in valuation are recognised as profit or loss.

Where future cash flows are hedged, the hedging instruments are also measured at fair value. Changes in valuation are recognised in a special reserve in a way that does not affect profit or loss at first and not recognised as profit or loss until the cash flow is realised. There were no material financial instruments at the balance sheet date.

### Inventories

Raw materials and supplies, merchandise for resale, work in progress and finished products and services are carried at cost under inventories. Alongside the direct costs, production costs include appropriate portions of the necessary cost of materials and production overhead costs as well as production-related depreciation and amortisation charges that can be directly allocated to the production process. Administration costs are included, provided they are attributable to production. Interest paid on borrowings is not capitalised. Where the values are lower at the closing date due to falling prices on the sales market, these lower values are disclosed.

### Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. The construction contracts in this context are considered longer term.

Revenue and expenses arising from construction contracts are recognised as profit or loss in accordance with the stage of completion of the contract activity (percentage-of-completion method compliant with IAS 11). Where it is likely that the order costs will exceed the order revenues, the loss arising from the construction contract is immediately recognised in full in the income statement. The percentage of completion is calculated using the cost-to-cost method. The order revenues were calculated on the basis of the existing fixed price contracts taking into account any changes in the meantime.

Where the work performed on a construction contract exceeds the advances received at the balance sheet date, such amounts are recognised as receivables. On the other hand, where the advances received on construction contracts exceed the work performed by the balance sheet date, the item is carried under liabilities.

### **Other receivables and assets**

Other receivables and assets are carried at amortised cost. Identifiable individual risks are incorporated by taking suitable write-downs.

### **Deferred tax assets and liabilities**

Deferred tax assets and liabilities are treated in accordance with IAS 12. This means that deferred taxes are recognised for temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax liabilities are normally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets on benefits arising from the carryforward of unused tax losses are recognised to the extent that it is probable that company future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are not disclosed if the temporary differences arise from goodwill (or negative goodwill) or from the initial recognition (resulting from transactions other than a business combination) of other assets and liabilities in a transaction that does not affect either the tax or accounting profit or loss. Compliant with IAS 12.47, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset or realised or the liability is settled. Deferred tax assets and liabilities are included in profit and loss as tax income or tax expense, unless they relate to items carried directly under shareholders' equity in a way that does not affect reported profit or loss. In this instance, the deferred tax assets and liabilities are carried under shareholders' equity in a way that does not affect reported profit or loss.

Income tax expense represents the aggregate total of present and deferred tax expenses.

The current tax expense is based on the profit or loss for the year, adjusted for non-taxable or non-deductible items. The amount is calculated using the tax rates applicable or announced at the balance sheet date.

### **Provisions for pensions**

In the case of defined benefit plans, the cost of providing benefits is calculated using the projected unit credit method under IAS 19, whereby an actuarial valuation is performed at every balance sheet date. The amount disclosed thus represents the present value of the defined benefit liability at the balance sheet date. Compliant with IAS 19.72, the actuarial assumptions applied when calculating the provisions for pensions are unbiased and mutually compatible. The actuarial gains and losses arising from changes in the actuarial assumptions are recognised in accordance with IAS 19.

### **Provisions for taxes**

The provisions for taxes include liabilities arising from current income taxes. Deferred tax assets and liabilities are shown in separate items in the balance sheet.

### **Other provisions**

Compliant with IAS 37, other provisions are set up where there is a present obligation to a third party as a result of a past event, which will probably lead to an outflow of resources and the amount of the obligation can be reliably estimated.

Restructuring provisions are set up when the workforce or their representatives in the enterprise concerned have been informed about the intended measure and a formal restructuring plan exists.

### **Liabilities**

Current and non-current liabilities are carried at the amount repayable or settlement amount.

### **Recognition of revenue and profit**

Revenue from the sale of goods is recognised when the goods have been delivered and legal ownership has passed to the buyer.

Revenue arising from services is recognised as soon as the service has been performed and it is probable that the economic benefits associated with the transaction will flow to the company.

Interest income is recognised on a pro rata basis, taking into account the effective interest rate applicable for the asset.

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income from investments is recognised when the right to receive payment is established.

### **Leasing**

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of an asset are transferred. An operating lease is a lease other than a finance lease.

Only operating leases existed in the ARQUES Group at the balance sheet date.

### **Borrowing costs**

When the conditions for the alternative allowed treatment under IAS 23.11 are met, the borrowing costs are capitalised as part of the cost of the asset. If the conditions are not satisfied, the benchmark treatment is applied. In other words, all borrowing costs are recognised as an expense in the period in which they are incurred.

No interest paid on borrowings was included in the cost of an asset in the 2004 financial year.

### **Impairment**

The Company tests its property, plant and equipment, investments, and intangible assets at every balance sheet date to determine whether there is any indication that any of these assets may be impaired. If any such indication exists, the Company estimates the

recoverable amount of the asset in order to determine the extent of any impairment loss. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to the recoverable amount and the impairment loss is recognised immediately in profit or loss. If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the estimated recoverable amount. The increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year. A reversal of an impairment loss is recognised immediately in profit or loss.

There were no impairment losses in the 2004 financial year.

### **Estimates and assumptions**

Preparing the consolidation financial statements requires estimates and assumptions to be made that may affect the amounts disclosed for the assets, liabilities and financial obligations at the balance sheet date as well as income and expenses for the financial year. The actual amounts may deviate from these estimates and assumptions.



## Notes to the income statement

### (1) Revenues

The following table shows the geographical breakdown of revenues:

<u>EUR '000</u>	<u>2004</u>
<u>Germany</u>	<u>42,985</u>
<u>Europe</u>	<u>49,677</u>
<u>EU</u>	<u>42,787</u>
<u>Europe ex. EU</u>	<u>6,890</u>
<u>Rest of the world</u>	<u>35,908</u>
<u>Total</u>	<u>128,570</u>

The revenues recorded by the companies consolidated for the first time in the 2004 financial year totalled EUR80 million. The proportion of revenues generated outside Germany totalled around 60% in the previous year.

### (2) Other operating income

<u>EUR '000</u>	<u>2004</u>
<u>Income from write-ups of receivables</u>	<u>3,974</u>
<u>Income from the disposal of investments</u>	<u>1,593</u>
<u>Income from write-ups of property, plant and equipment</u>	<u>1,659</u>
<u>Income from the reversal of provisions</u>	<u>2,215</u>
<u>Income from changes in exchange rates</u>	<u>439</u>
<u>Income from transfers of costs to third parties</u>	<u>361</u>
<u>Miscellaneous other operating income</u>	<u>5,230</u>
<u>Total</u>	<u>15,471</u>

The income from the disposal of investments includes the gains from the Group point of view on the disposal of the participating interests in Gimflex S.A., InfoSystems GmbH, and SKW La Roche de Rame S.A.S. This resulted in the losses of these companies being eliminated.

The income from the reversal of provisions primarily includes income from the reversal of provisions for anticipated losses on pending transactions.

The income from changes in exchange rates includes the gains on changes in exchange rates arising between the time of accrual and the time of payment of receivables and liabilities denominated in foreign currency as well as exchange rate gains arising from valuation at the balance sheet date. Exchange rate losses arising from these items are carried under other operating expenses.

In the previous year, other operating income totalling EUR5,245,000 notably included income from the disposal of investments of EUR5,219,000.

### (3) Cost of materials

The total cost of materials of EUR85,806,000 can be divided into the cost of raw materials and supplies totalling EUR63,660,000 and services purchased from third parties totalling EUR22,146,000.

#### (4) Other operating expenses

EUR '000	2004	2003
Marketing and representation expense	1,902	453
Carriage outward and other transport costs	3,087	0
Expenses for property and buildings	3,194	368
Cost of external consulting	1,795	242
Administrative costs	2,739	336
Subtotal	12,717	1,399
Miscellaneous other operating expenses		
Write-downs on receivables	505	218
Losses on the disposal of intangible assets and property, plant and equipment	22	0
Expenses arising from changes in exchange rates	1,245	45
Allocation to provisions for guarantee obligations	217	0
Addition to provisions for contingent liabilities	208	0
Other	316	377
Subtotal	2,513	422
Sonstige betriebliche Aufwendungen Total	15,230	2,039

The expenses arising from changes in exchange rates are offset by corresponding income for changes in exchange rates totalling EUR439,000 carried under other operating income.

#### (5) Income from other securities long-term loans of investments

This item includes the income of EUR199,000 from the company valued at equity and income from long-term loans of investments of EUR110,000.

#### (6) Net interest income

The following table shows the breakdown of net interest income:

EUR '000	2004	2003
Other interest and similar income	(102)	(36)
Other interest and similar expense	558	237
Expenses arising from the valuation of financial derivatives	140	0
Total	596	201

#### (7) Minority interest in consolidated profit (loss)

The losses and profits attributable to minority interests amount to EUR510,000 and EUR75,000, respectively (2003: profit attributable of EUR6,000).

#### (8) Income taxes

The following table shows the breakdown of taxes payable:

EUR '000	2004
Domestic income taxes	235
Foreign income taxes	760
Deferred tax income (arising from loss carryforward)	1,381
Deferred tax expense (arising from temporary differences between amounts carried in IAS/IFRS balance sheet and tax balance sheet)	2,280
Total	1,894

The following reconciliation takes account of all the effects serving to reduce and increase tax that are not recognised as part of deferred taxation. The tax rates applicable at the head office of the company were assumed for the expected tax expense (home-based approach) in the reconciliation. The statutory corporate income tax rate in Germany for the 2004 assessment period amounted to 25%. Including local trade tax and the solidarity surcharge, this gives rise to an income tax liability of 39.80%.

Assuming this tax rate, expected income tax expense of EUR2.8 million is calculated in the corporate group. The recognised current income tax expense (excluding deferred tax income and expense) in the corporate group totalling EUR994,485 is, however, much lower. The difference results essentially from the generation of tax-free revenues in the corporate group.

Reconciliation of expected income tax expense to disclosed income tax expense

EUR '000	2004
Profit before income taxes	7,246
Expected income tax expense (tax rate = 39.80%)	2,884
Reconciliation:	
Difference in foreign tax payable	(665)
Tax-free income	(1,486)
Non-deductible expenses	228
Tax credits	(247)
Current taxes relating to other reporting periods	269
Effects of changes in tax rates	11
Other tax effects	1
Recognised tax expense	995
Effective tax rate	13.73%

(9) Income from the reversal of negative goodwill arising from capital consolidation

Only the negative goodwill (bargain purchase) compliant with IFRS 3.56 (b) is disclosed in this item. This arises as part of initial consolidation when a reassessment of the identification and measurement of identifiable assets, liabilities and contingent liabilities of the company acquired and the measurement of the cost does not take up the entire negative goodwill arising upon capital consolidation. The aggregate amount of EUR33,377,000 relates to the acquisition of two corporate groups and one individual company. Further information on the acquisition of participating interests is not disclosed in order to comply with protection-of-

confidence clauses and existing contractual secrecy provisions with buyers and sellers

(10) Earnings per share

The diluted earnings per share is calculated by dividing the portion of profit attributable to the shareholders of ARQUES Industries Aktiengesellschaft by the weighted average number of ordinary shares outstanding during the year under review.

EUR '000	2004
Weighted average number of ordinary shares	1,848,888
Profit after taxes	38,729
Minority interest in consolidated net profit (loss)	(435)
Share of profit attributable to shareholders of ARQUES Industries Aktiengesellschaft	38,294
Undiluted and diluted earnings per share	20.71

## Notes to the balance sheet

### (11) Intangible assets

EUR '000	Franchises, operating licences, intellectual property and similar rights and assets	Goodwill/ bargain purchase	Other intangible assets	Advances to suppliers	Total
Cost at Jan. 1, 2004	1,386	3	2,895	0	4,284
Changes in consolidated group	5,734	(2,290)	787	104	4,334
Additions	136	0	31	0	167
Reclassifications	1	(2,157)	33	0	(2,123)
Disposal	(315)	2,847	(17)	0	2,515
Currency translation	0	0	34	0	34
Balance at Dec. 31, 2004	6,941	(1,597)	3,762	104	9,210
Amortisation at Jan. 1, 2004	859	0	655	0	1,514
Changes in consolidated group	5,230	246	696	0	6,172
Additions	263	46	576	0	885
Reclassifications	0	0	28	0	28
Disposal	0	0	(17)	0	(17)
Currency translation	0	0	7	0	7
Balance at Dec. 31, 2004	6,353	292	1,945	0	8,589
Carrying amount at Dec. 31, 2003	527	3	2,240	0	2,769
Carrying amount at Dec. 31, 2004	589	(1,889)	1,817	104	621

The negative goodwill (bargain purchase) totalling EUR2,157,000 carried as a liability last year was reclassified to goodwill in the 2004 financial year. The additions arising from negative goodwill through March 31, 2004 totalled EUR8,837,000 in the year under review. Disposals amounting to EUR1,197,000 were recognised due to deconsolidation.

Intangible assets of EUR1,817,000 relate primarily to development costs recognised by a subsidiary in accordance with IAS 38.

(12) Property, plant and equipment

EUR '000	Land, equivalent rights to real property and buildings, including buildings on land not owned	Technical equipment and machinery	Other equipment, plant and office equipment	Advances to suppliers and construction in progress	Total
Cost at Jan. 1, 2004	7,911	4,277	5,722	0	17,910
Changes in consolidated group	23,253	50,594	6,433	1,465	81,745
Additions	2,617	260	236	305	3,418
Reclassifications	268	714	119	(1,134)	(34)
Disposals	(674)	(2,300)	(76)	0	(3,050)
Currency translation	(49)	(559)	(66)	1	(674)
Balance at Dec. 31, 2004	33,327	52,985	12,367	637	99,316
Depreciation at Jan. 1, 2004	2,245	3,549	5,081	0	10,874
Changes in consolidated group	1,920	45,093	3,390	0	50,403
Additions	439	1,084	906	0	2,429
Reclassifications	0	(28)	0	0	(28)
Write-up	0	(1,400)	0	0	(1,400)
Disposals	0	(968)	(77)	0	(1,045)
Currency translation	(44)	(490)	(36)	0	(570)
Balance at Dec. 31, 2004	4,561	46,840	9,264	0	60,664
Carrying amount at Dec. 31, 2003	5,667	729	641	0	7,036
Carrying amount at Dec. 31, 2004	28,766	6,145	3,103	637	38,651

Non-current assets include an investment property held by ARQUES Industries Aktiengesellschaft, from which rental income of EUR147,000 has been generated since its addition in 2004. The depreciation calculated in accordance with the relevant tax provisions totalled EUR53,000. The carrying amount of the property amounted to EUR2,277,000 at December 31, 2004. The fair value calculated using the gross rental method matches the carrying amount. The property and buildings disclosed under corporate additions are used exclusively for production.

### (13) Investments

EUR '000	Shares in affiliated companies	Shares in companies valued at equity	Long-term loans to affiliated companies	Long-term loans to third parties	Non-current marketable securities	Total
Cost at Jan. 1, 2004	128	0	0	20	0	149
Changes in consolidated group	460	1,608	29	304	73	2,474
Additions	0	199	0	135	0	334
Reclassifications	0	0	0	0	0	0
Disposals	(101)	(27)	0	(224)	0	(353)
Currency translation	0	(62)	4	13	0	(45)
Balance at Dec. 31, 2004	487	1,718	33	248	73	2,559
Depreciation at Jan. 1, 2004	4	0	0	0	0	4
Changes in consolidated group	0	0	0	0	0	0
Additions	0	0	3	0	0	3
Reclassifications	0	0	0	0	0	0
Write-up	0	0	0	0	0	0
Disposals	(4)	0	0	0	0	(4)
Currency translation	0	0	0	0	0	0
Balance at Dec. 31, 2004	0	0	3	0	0	3
Carrying amount at Dec. 31, 2003	125	0	0	20	0	145
Carrying amount at Dec. 31, 2004	487	1,718	30	248	73	2,556

The carrying amounts of the companies not included in the consolidated financial statements are carried under shares in affiliated companies.

The profits of the company valued at equity are carried as additions.

The loan-term loans to third parties and non-current marketable securities are long-term rent deposits and statutory lodgements.

The deposits are not interest-bearing.

### (14) Inventories

EUR '000	Dec. 31, 2004	Dec. 31, 2003
Raw materials and supplies	15,817	2,249
Work in progress	1,780	1,634
Finished goods, merchandise for resale	11,497	2,177
Advances to suppliers	3,231	0
Total	32,324	6,060

The impairment relating to the gross values of the inventories at the end of the financial year totalled EUR433,000.

(15) Receivables and other assets

EUR '000	Dec. 31, 2004	Dec. 31, 2003
Trade accounts receivable from third parties	46,963	12,101
Other assets	5,551	6,437
Total	52,514	18,538

EUR26,000 of the receivables are due in more than one year.

Trade accounts receivable include receivables of EUR7,789,000 (2003: EUR12,048,000) arising from construction contracts with third parties.

EUR '000	Dec. 31, 2004
Accrued costs plus cumulative realised profit	45,101
Less progress payment invoices issued	45,865
	(764)
of which: future receivables from percentage of completion	1,966
of which: payables from percentage of completion	2,545

(16) Cash and cash equivalents

Cash on hand and cash in banks due in less than three months is carried in this item. A total of EUR2,813,000 is pledged as security for the contractual execution of projects and loan collateral.

(17) Deferred tax assets and provisions for deferred tax assets and liabilities

Deferred tax assets and liabilities are computed and disclosed on the basis of the timing differences in the values stated for assets and liabilities in the balance sheet prepared in accordance with IAS/IFRS and the tax balance sheet and for losses carried forward that will probably be utilised. For more information, please refer to note (8).

(18) Shareholders' equity

The subscribed capital corresponds to the capital stock of ARQUES Industries Aktiengesellschaft. The capital increase of May 7, 2004 served to raise the capital stock from EUR1,600,000.00 to EUR2,026,667.00. This now comprises 2,026,667 shares of bearer no-par stock with full voting and dividend rights.

Approved capital increase

The Executive Board is authorised to increase the capital stock in the period up to June 30, 2009 with the approval of the Supervisory Board once, or in partial amounts, by a total not exceeding EUR1,013,000.00 by issuing new shares of bearer no-par stock.

Additional paid-in capital

The additional paid-in capital corresponds to the additional paid-in capital of ARQUES Industries Aktiengesellschaft. This essentially contains the share premium on the capital increase carried out by ARQUES Industries Aktiengesellschaft in the 2004 financial year.

Retained earnings

The retained earnings include the statutory reserve of ARQUES Industries Aktiengesellschaft totalling EUR94,000.

Distribution of profits/proposed dividend payment

A total of EUR1,600,000.00 was distributed in 2004 from the net profit of ARQUES Industries Aktiengesellschaft for 2003. This corresponds to a dividend payment of EUR1.00 per share.

The Executive Board and Supervisory Board of ARQUES Industries Aktiengesellschaft will propose to shareholders at the Company's Annual General Meeting that the net profit of EUR2,348,940.58 for the year of ARQUES Industries Aktiengesellschaft be used to pay a dividend of EUR1.15 per share (for a total of EUR2,330,667.05) and that the remaining amount be carried forward.

#### (19) Minority interest

Minority interest relates primarily to the Schierholz Translift Group, the Colordruck Group and the teutonia Group.

#### (20) Provisions

EUR '000	Remaining maturity		Dec. 31, 2004	Dec. 31, 2003
	Less than 1 year	More than 1 year		
Provisions for pensions and similar obligations	400	4,198	4,598	2,557
Provisions for taxes	637	0	637	24
Provisions of deferred tax assets and liabilities	0	2,464	2,464	0
Other provisions	9,362	6,566	15,928	4,170
Total	10,399	13,228	23,627	6,751

#### Provisions for pensions and similar obligations and values

Provisions for pensions and similar obligations and values have been set up by a total of eight Group companies. The total amount of the provision of EUR4,598,000 (2003: EUR2,557,000) can be attributed primarily to the following companies:

- Louis Schierholz GmbH (EUR2,611,000)
- SKW Stahl-Technik Verwaltungs GmbH (EUR615,000)
- Affival S.A.S. (EUR505,000)
- teutonia Kinderwagenfabrik GmbH (EUR400,000)

EUR1,623,000 of the amount disclosed relates to companies acquired during the 2004 financial year.

The provisions are based on benefit-dependent pension commitments. The benefits vary in line with the legal, tax and economic conditions of the country concerned. The provisions for pensions relate to defined benefit plans. The amount is calculated using the projected unit credit method as defined in IAS 19.

The following table shows an analysis of the provisions for pensions disclosed by the main companies of the ARQUES Group on account of defined benefit plans:

	2004/EUR '000
Balance at Jan. 1, 2004	
Addition to consolidated group	930
Current service cost	2,555
Past service cost	43
Interest cost	153
Pensions paid	(119)
Effects of curtailments	0
Actuarial gains (losses)	(62)
<b>Balance at Dec. 31, 2004</b>	<b>3,500</b>

The amount of the provision is thus calculated as follows for the main companies:

	2004/EUR '000
Calculation of the provision for pensions	
Net present value of the pension obligations	3,500
Unrecognised actuarial gains	108
<b>Total provisions for pensions at Dec. 31, 2004</b>	<b>3,608</b>

Further provisions of EUR990,000 result from the remaining Group companies. These are not shown for materiality reasons.



The following table shows the breakdown of pension expense during the year under review:

Breakdown of pension expense	2004/EUR '000
Current service cost	54
Past service cost	
Interest cost component of expected pension obligations	153
Amortisation of actuarial gains/losses	46
<b>Total pension expense, 2004</b>	<b>253</b>

#### Other provisions

The largest individual items under other provisions are provisions for staff redundancies and other personnel expenses totalling EUR7,597,000, provisions for anticipated losses on pending transactions totalling EUR1,390,000 and provisions for guarantee obligations totalling EUR929,000.

Restructuring provisions are set up when the workforce or their representatives in the enterprise concerned have been informed about the intended measure and a formal restructuring plan exists.

#### (21) Short- and long-term financial liabilities

The following assumptions were included when calculating the provisions for pensions shown above:

	2004 %
Discount rate	5.0 - 5.5
Rate of increase in future compensation	1.75 - 2.25
Rate of increase in pension obligations	1.25 - 1.75
Fluctuation	0

In the previous year there were long-term liabilities of EUR 3,065,000 payable to a bank, secured by a mortgage.

The long-term financial liabilities are mostly denominated in euros. The annual interest amounted to between 4% and 5.66% at year-end.

The short-term financial liabilities are mostly denominated in euros. The annual interest amounted to between 3% and 12% at year-end. The only item included in liabilities to owners is a short-term bridging loan from Buchanan Holdings Ltd. on which annual interest of 12% is charged. The liability existed for four months and had already been repaid by the time the consolidated financial statements were prepared.

EUR '000	Remaining maturity			Carrying amount of which: secured			
	Less than 1 year	1 - 5 years	More than 5 years	Dec. 31, 2004	Mortgages	Inventories	Receivables
Amounts owed to banks	9,779	5,087	2,027	16,893	10,412	2,395	10,401
Liabilities to owners	1,564	0	0	1,564	0	0	0
Liabilities to third parties	750	1,981		2,731	0	381	2,785
<b>Total</b>	<b>12,093</b>	<b>7,068</b>	<b>2,027</b>	<b>21,188</b>	<b>10,412</b>	<b>2,776</b>	<b>13,186</b>

#### (22) Trade accounts payable

A total of EUR93,000 of the trade accounts payable of EUR36,665,000 (2003: EUR9,737,000) has a remaining maturity of between one and five years. The remaining balance is due within one year.

#### (23) Other liabilities

Other liabilities of EUR5,890,000 include primarily payroll obligations and social welfare liabilities totalling EUR3,501,000 and tax liabilities totalling EUR2,168,000. The aggregate total for other liabilities includes EUR40,000 with a remaining maturity of one to five years.

#### (24) Cash flow statement

The cash and cash equivalents shown in the cash flow statement encompass solely the cash and cash equivalents shown in the balance sheet.

The cash flow statement shows the cash flows in the corporate group broken down into net cash provided by and net cash used for operating activities, investing activities and financing activities.

#### (25) Segment report

In 2004, the segment report is structured in accordance with the structures of the companies. ARQUES Industries Aktiengesellschaft essentially holds participating interests in production companies with worldwide activities. The production companies are assigned to the Industry segment. Other lines of business, notably the activities of the parent company, are assigned to the Services segment. This also includes the disposals from the consolidated group in 2004.

Future changes to the segmentation cannot be excluded in the future as ARQUES Industries Aktiengesellschaft invests in a wide range of business activities.

#### Contingent liabilities

There were no contingent liabilities in the corporate group at the end of the financial year.

#### Legal disputes

Neither ARQUES Industries Aktiengesellschaft nor any of its consolidated subsidiaries are involved in any legal disputes that could have or have a significant influence on the economic situation of the corporate group. Adequate provisions have been set up by the respective companies to cover the costs arising from legal proceedings.

#### Other financial commitments

There are other financial commitments in the corporate group totalling EUR25 million. The following table shows the relevant breakdown:

EUR millions	Balance at Dec. 31, 2004	2006 2005	2009 -2009	2009 €t later
Commitments under rental agreements	11	1	4	6
Commitments under lease agreements	1	0	1	0
Commitments under maintenance agreements	1	1	0	0
Delivery obligations	12	6	6	0
Total	25	8	11	6

#### Average number of people employed

The ARQUES Group employed an average of 997 people during the year under review (2003: 341).

#### Related party disclosures

Compliant with IAS 24, people or entities that can be influenced by the Company, or that can influence the Company, are classified as related parties.

Buchanan Holdings Ltd., Ballasalla, Isle of Man, UK, is a shareholder of ARQUES Industries Aktiengesellschaft. The company grants short-term bridging loans in individual cases for company acquisitions.

All transactions with non-consolidated subsidiaries are made at usual market terms.

Members of the Executive Board of ARQUES Industries Aktiengesellschaft are members of executive bodies in other companies with which ARQUES Industries Aktiengesellschaft and/or further Group companies have relationships as part of ordinary business activities, or which perform asset-management activities outside the ARQUES Industries Group. Where transactions were made with the named companies, terms prevailed that were equivalent to those prevailing in arm's length transactions.

#### German Corporate Governance Code

The Executive Board and Supervisory Board of ARQUES Industries Aktiengesellschaft generally observe the Corporate Governance Code and have made the corresponding declaration of conformity and compliance available to shareholders. Deviations from the German Corporate Governance Code are documented accordingly.

## Corporate Boards

### Executive Board

**Dr. Dr. Peter Löw**, manager, Starnberg

Chairman of the Executive Board

**Dr. Dirk Markus**, manager, Munich

(until February 28, 2005)

**Dr. Martin Vorderwülbecke**, lawyer, Munich

(from July 1, 2004)

**Markus Zöllner**, industrial engineer, Bichl

(from January 1, 2005)

### Supervisory Board

**Steven Wilkinson**, manager, Pöcking

(chairman of the Supervisory Board)

CEO of Buchanan Capital Holding AG, Starnberg

Director of Buchanan Holdings Ltd., Ballasalla, Isle of Man (GB)

Member of the Supervisory Board of Ludwig Beck am Rathauseck-  
Textilhaus Feldmeier AG, Munich

**Dr. Gerd Fischer**, lawyer, Munich

Chairman of the Supervisory Board of Demos AG, Seeshaupt

**Oliver Gorny**, manager, Herrsching

**Professor Dr. Michael Judis**, lawyer, Munich (deputy chairman)

**Matthias Spindler**, real estate economist (EBS), Munich

Investment manager, Comfort München GmbH, Munich

**Dr. Friedrich-Carl Wachs**, manager, Munich

Member of the Managing Board of Premiere AG, Munich

## **Remuneration paid to the Executive Board and Supervisory Board**

The members of the Supervisory Board of ARQUES Industries Aktiengesellschaft received no remuneration in the 2004 financial year.

The remuneration paid to the members of the Executive Board of ARQUES Industries Aktiengesellschaft totalled EUR368,000 in the 2004 financial year.

The Chairman of the Executive Board Dr. Dr. Löw received EUR119,000 of this total. Dr. Vorderwülbecke received EUR72,000 and Dr. Markus EUR177,000.

## **Events after the balance sheet date**

The ddp Group not included in the consolidated financial statements of ARQUES Industries Aktiengesellschaft at December 31, 2004 commenced its main operational activities at the start of the 2005 financial year and was fully consolidated as of January 1, 2005.

Markus Zöllner joined the Executive Board of ARQUES Industries Aktiengesellschaft on January 1, 2005. Dr. Dirk Markus left the Executive Board of ARQUES Industries Aktiengesellschaft on February 28, 2005. Apart from this, there were no events requiring disclosure after the balance sheet date.

Starnberg, March 24, 2005

ARQUES Industries AG

The Executive Board

## Independent Auditor's Report

"I have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, prepared by

### **ARQUES Industries Aktiengesellschaft**

for the business year from January 1, to December 31, 2004. The preparation and the content of the consolidated financial statements are the responsibility of the Company's executive board. My responsibility is to express an opinion whether the consolidated financial statements are in accordance with International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) based on my audit.

I conducted my audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in accordance with the International Standards on Auditing (ISA). Those standards require that I plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used

and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IAS / IFRS.

My audit, which also extends to the group management report prepared by the executive board for the business year from January 1, to December 31, 2004 has not led to any reservations. In my opinion, on the whole the group management report together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks of future development."

Munich, March 30, 2005

Mörtl

German Public Auditor

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### **Disclaimer**

This version of the annual report is an English translation of the German original, which takes precedence in all legal respects.



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“ARQUES will  
continue to grow,  
rapidly but sensibly,  
with deliberation.

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Without  
pressure or haste  
ARQUES will take  
advantage of the  
opportunities it is  
presented with.”

---

Dr. Dr. Peter Löw  
Executive Board Chairman