CREATING VALUE

ANNUAL REPORT 2007

ARQUES INDUSTRIES AG

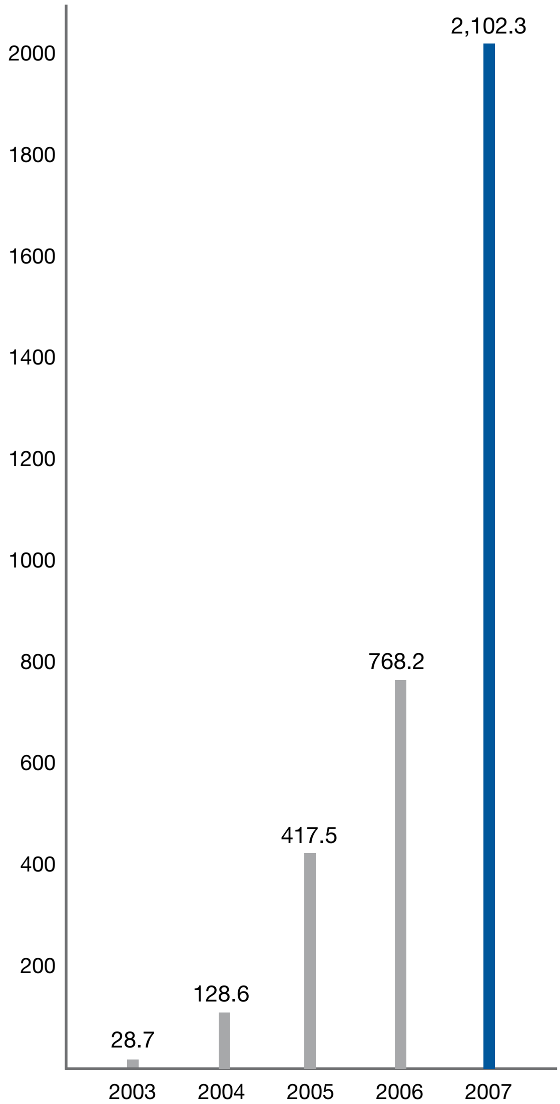
EUR MILLION	2004	2005	2006	2007	%
Consolidated revenues	128.6	417.5	768.2	2,102.3	174
Earnings before interest, taxes, depreciation and amortization (EBITDA)	34.7	58.9	126.2	202.7	61
Earnings before interest and taxes (EBIT)	31.0	46.1	100.2	140.5	40
Consolidated net profit	34.4	47.8	112.6	114.6	2
Free Cash Flow	n/a	15.5	36.4	(24.8)	-
Earnings per share (diluted in EUR)	1.86	2.19	4.60	4.43	-
Dividend per share (in EUR)*	0.115	0.205	0.51	-	-
Total assets	154.0	367.9	665.3	1,830.8	175
Shareholders' equity	51.9	142.2	274.8	398.1	45
Equity ratio in %	33.7	38.7	41.3	21.7	-
Workforce	1,000	2,568	4,645	12,319	165

*proposal by the Executive Board and the Supervisory Board for FY 2007

2007

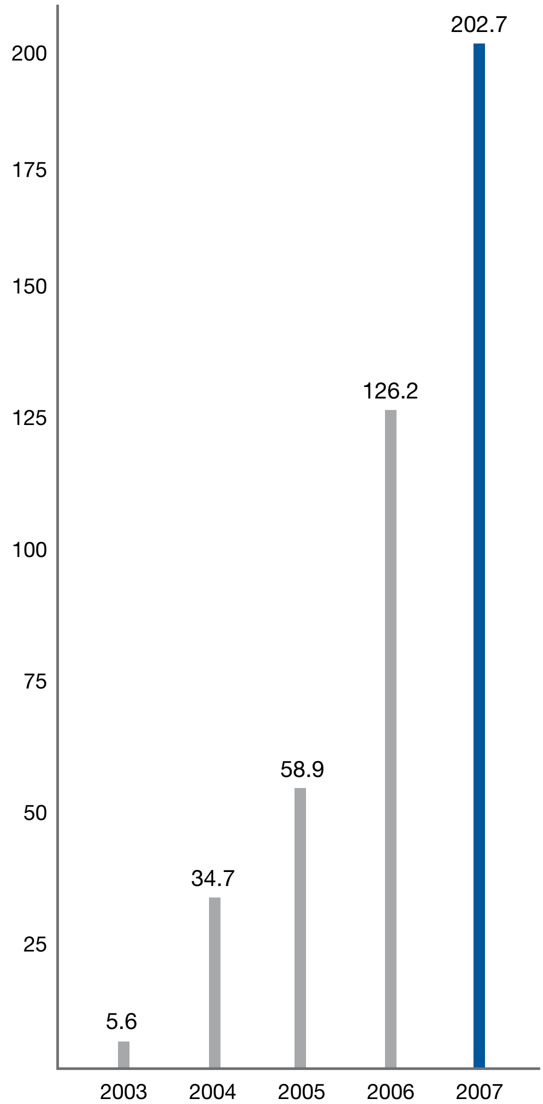
KEY FIGURES

Significant Growth



Consolidated Revenues (EUR Million)

Significant Increase in Profitability



EBITDA (EUR million)

2007

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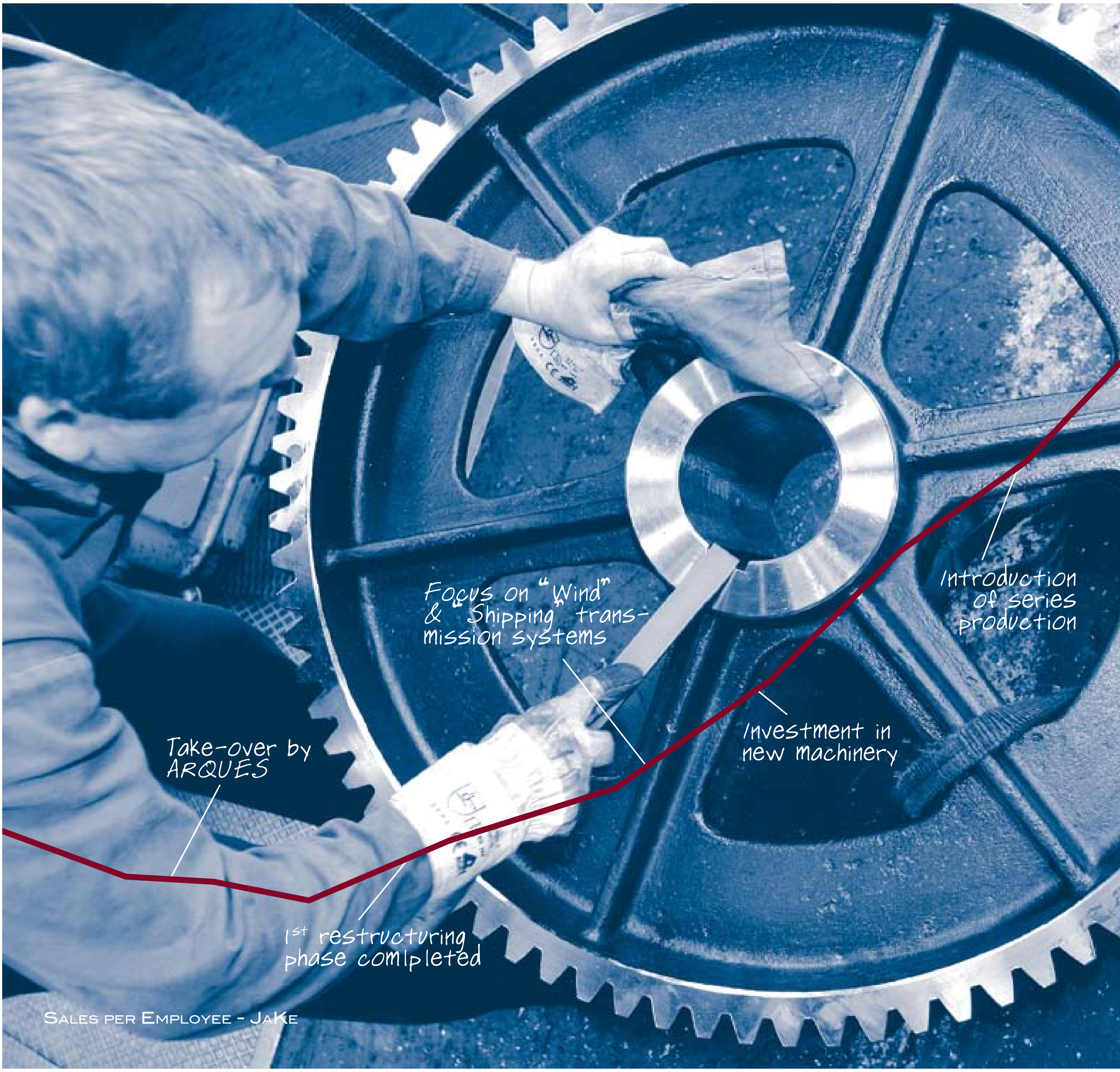
Take-over by ARQUES
1st restructuring phase comlpleted
Focus on "Wind" & "Shipping" transmission systems
Investment in new machinery
Introduction of series production
Sales per Employee - JaKe

2007

"ARQUES Industries AG creates new prospects for the acquired companies by improving them operationally and strategically. With clear goals and a realistic outlook, we are free to utilize even unorthodox methods in the restructuring process.

With ARQUES as a strong business partner and supported by the extensive expertise of our Task Force, we have been able to guide the gear systems manufacturer Jahnel-Kestermann on a sustainable course of growth."

Lothar Schäfer
Subsidiary Manager
Jahnel-Kestermann

FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES:

ARQUES Industries AG continued on a course of profitable growth in fiscal year 2007, generating record-setting revenues and earnings that exceeded the company's own goals, in some cases by a significant margin. Having been added to the MDAX index in October 2007, ARQUES is now one of the 80 biggest exchange-listed stock corporations in Germany.

RECORD RESULTS

In the outlook section of last year's Annual Report, ARQUES announced its goals for 2007, those being revenues of at least EUR 1.5 billion and EBITDA (earnings before interest, taxes, depreciation and amortization) of EUR 180 million. In fact, ARQUES surpassed these ambitious goals, which were considerably higher than the corresponding figures for 2006, by a significant margin in 2007. The revenues of the ARQUES Group rose by more than 174% to EUR 2.1 billion (PY: EUR 0.768 billion) and the earnings indicator EBITDA rose by 61% to EUR 203 million (PY: EUR 126 million). On February 16, 2007 ARQUES has sold the baby stroller manufacturer, teutonia to the US consumer goods company Newell Rubbermaid for about EUR 10 million. The transaction volume is thereby 20% above the net asset value as determined by ARQUES. ARQUES took over the unprofitable baby stroller manufacturer, teutonia, in April 2004 for a purchase price of EUR 100,000. In almost three years, teutonia has been fundamentally restructured by ARQUES and generated annual revenues of more than EUR 18 million in 2006 on a clearly profitable basis (Revenues 2004: EUR 15 million). teutonia is but one example from the ARQUES portfolio of a goal-oriented acquisition, successful reorganisation and subsequent convincing exit.

STRATEGIC ADVANCEMENT

ARQUES also took some very important course-setting steps in 2007 to ensure continued profitable growth in the future, including numerous major acquisitions that were effected, such as the acquisition of the IT distributor Actebis from the Otto Group and the acquisitions of the automotive suppliers Eurostyle and ANVIS. These transactions underscored the point that ARQUES is a well-regarded partner to large corporations that are looking to spin off subsidiaries that no longer fit in with their core business models and therefore need to find new owners for those companies. But ARQUES also increased the number of divestitures, or "exits" considerably, which improved the Group's earnings quality. The baby stroller manufacturer teutonia, the building supplier SKS Stakusit and ARQUES' remaining equity stake in SKW Metallurgie were all sold in 2007, yielding a high level of net proceeds. These transactions can be credited to the creation of a separate Exits Division, under the leadership of an Executive Board position created solely for that purpose.

CHANGES IN TOP MANAGEMENT AND IN THE SHAREHOLDER STRUCTURE

The strategic advancement of the Group was accompanied by numerous personnel changes. The founding Executive Board members Dr. Dr. Peter Löw and Dr. Martin Vorderwülbecke left the company in the last twelve months. Dr. Michael Schumann has been the new Executive Board Chairman of ARQUES Industries AG since February 1, 2008. Mr. Bernd Schell has been the Executive Board member in charge of Operations since January 1, 2008, succeeding Mr. Markus Zöllner, who did not renew his contract that expired at the end of 2007. The above-mentioned Exits Division is represented on the Executive Board by Mr. Felix Frohn-Bernau. By virtue of their many years of service with the company and their profound industry expertise, the new top management will assure the continued profitable growth of the ARQUES Group. In connection with his departure, Dr. Löw gave up his holding of company shares, as a result of which 100% of ARQUES shares are widely held at this time.

> "In the current year, we will stick with our successful strategy and continue to implement and refine our business model in a systematic manner."

Further profitable growth planned

In the current year, we will stick with our successful strategy and continue to implement and refine our business model in a systematic manner. As before, the basic prerequisites for the Group's continued success include the successful accomplishment of additional acquisitions, the operational restructuring of our subsidiaries by our Task Force and subsidiary managers and our continued ability to sell the successfully restructured subsidiaries at a profit.

We wish to thank our employees for their hard work and dedication, without which the successes of 2007 would not have been possible. Also, we wish to thank you, our shareholders and business partners, for the trust and confidence you have placed in our company.

Sincerely,

The Executive Board of ARQUES Industries AG

Dr. Michael Schumann | Felix Frohn-Bernau | Bernd Schell

Dr. Michael Schumann (r.)

Chairman of the Executive Board

After the study of Business Administration and Political Science in Munich, Michael Schumann was a personal advisor of Prof. Dr. Berthold Beitz (representative of the majority shareholder of the Krupp Group). He accompanied, among other things, the merger between the Krupp Group and Hoesch AG, before switching to the Treuhand privatization agency (government agency privatizing eastern German property) in Berlin as Head of Department. Other stations in his professional career include the establishment, management, and subsequently successful sale of various companies.

Since the beginning of 2003, he has been in charge of the acquisition department of ARQUES Industries AG and has participated substantially in all acquisitions. Since October, 2006, Michael Schumann has been a member of the Executive Board of ARQUES Industries AG and has been Chairman of the Board since February, 2008.

Felix Frohn-Bernau (m.)

Executive Board Member, Exits (Disposals)

After studying Law in Cologne, Munich, and Madrid, Felix Frohn-Bernau worked as a lawyer in a large German law firm, and later in one of the largest law firms in Spain in the areas M&A, general commercial law, and media law. Afterwards, he was a co-founder of dooyoo AG, a start-up with 180 employees in five countries. Finally, Felix Frohn-Bernau worked for Bayerische Landesbank as an advisor in London on a project in the area of sports and media.

He has worked for ARQUES since 2003 – initially as the general manager of an equity investment. Additionally, he was in charge of the acquisition of more than ten companies. He has been a member of the Executive Board responsible for Exits as well as for the disposal of restructured equity investments (among others, teutonia and SKS Stakusit) since March, 2007.

Bernd Schell (l.)

Executive Board Member, Operations

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

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

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THE EXECUTIVE BOARD

REPORT OF THE SUPERVISORY BOARD

In the past fiscal year, the Supervisory Board fulfilled all its responsibilities under the law and according to the company's Articles of Incorporation. It supervised the work of the Executive Board and provided consultative support. In particular, the Supervisory Board monitored the strategic development of the company and individual measures of importance. The Executive Board provided the Supervisory Board with regular, up-to-date and comprehensive reports on all relevant issues of corporate planning and strategic development, on the business development and situation of the Group, on planned divestitures and sales of subsidiaries or parts thereof, on the risk situation and the risk management system and on budgetary developments.

Activities of the Supervisory Board

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

The Supervisory Board discussed and thoroughly examined the quarterly reports of the Executive Board on fundamental questions of corporate planning (especially finance, investment and personnel planning), business development (especially the revenues and situation of the company) and transactions of potentially major significance to the profitability or liquidity of the company.

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

The Chairman of the Supervisory Board also met regularly with the Executive Board to question the management on current developments and thoroughly discuss pending decisions.

Meetings and resolutions of the Supervisory Board in 2007

The Supervisory Board held a total of nine meetings in fiscal year 2007. The members of the Executive Board were also present at these meetings. In addition, the Supervisory Board adopted written resolutions on the basis of eight circular ballots in total. The Audit Committee of the Supervisory Board held two meetings at which the independent auditor reported on its activities.

The independent auditor also attended the balance sheet meeting for fiscal year 2007 on April 15, 2008.

At its meetings, the Supervisory Board discussed the reports of the Executive Board in detail, including the business development of the subsidiaries. Besides discussing and advising on the company's strategic direction, supervising the work of the Executive Board is one of the central responsibilities of the Supervisory Board.

In the past year, the Supervisory Board carefully monitored the ongoing business development and implementation of the business strategy, as well as the strategic advancement and continued strong growth of the company, along with the heightened financial and personnel needs entailed by this trend.

Corporate governance

The Supervisory Board addresses the application and further development of the binding standards of good and responsible corporate governance on a regular basis. On March 31, 2008, the Executive Board and Supervisory Board issued an updated Statement of Compliance according to Section 161 of the German Stock Corporations Act ("AktG") and made it permanently available to the shareholders at the company's website.

In accordance with the recommendations of the German Corporate Governance Code, the Supervisory Board obtained a statement by the auditor dated April 18, 2007, in which the auditor outlined any professional, financial or other relationships between the auditor and the company that could possibly cast doubt on the auditor's independence ("Independence Statement"). The statement also covered the extent of other consulting services that were provided to the company in the past fiscal year.

Personnel Matters of the Executive Board

The personnel matters of the Executive Board were the subject of particular deliberations. The Supervisory Board reached an agreement with Dr. Dr. Peter Löw regarding the termination of his Executive Board mandate effective April 30, 2007. Dr. Martin Vorderwülbecke was appointed to succeed Dr. Dr. Peter Löw as the Chairman of the Executive Board effective May 1, 2007. At the meeting of March 29, 2007, Mr. Felix Frohn-Bernau was appointed as an additional Executive Board member for a term of three years, effective March 30, 2007. At the Supervisory Board meeting of October 22, 2007, the Supervisory Board reached an agreement with Mr. Markus Zöllner regarding the termination of his Executive Board mandate effective December 31, 2007. Mr. Bernd Schell was appointed to succeed Mr. Markus Zöllner as an additional Executive Board member for a term of three years, effective January 1, 2008. At the Supervisory Board meeting of January 17, 2008, Dr. Vorderwülbecke's position on the Executive Board of ARQUES Industries AG (Executive Board Chairman) was terminated by mutual agreement, effective January 31, 2008. Dr. Schumann, member of the Executive Board of ARQUES Industries AG, was appointed as the Chairman of the Executive Board effective February 1, 2008. He was appointed for a term until January 31, 2011.

Personnel Matters of the Supervisory Board

In accordance with Sections 96 (1), 101 (1) AktG and Article 7 of the Articles of Incorporation, the Supervisory Board of the company is composed of six members to be elected by the annual shareholders' meeting. In accordance with Article 7 Para. 2 of the Articles of Incorporation, the Supervisory Board is to be elected for a period that ends with the close of the annual shareholders' meeting that will resolve on the ratification of their actions for the first fiscal year after the commencement of their term of office, not counting the fiscal year in which their term of office begins. The term of office of Supervisory Board members elected during an election period ends with the term of office of the entire Supervisory Board. The Supervisory Board was last elected at the annual shareholders' meeting of July 14, 2005 and therefore the terms of office of all Supervisory Board members will end at the close of the annual shareholders' meeting of June 21, 2007. At the annual shareholders' meeting of June 21, 2007, the following persons were elected to the Supervisory Board:

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

As an alternate member in the event of the departure of one of the above-mentioned Supervisory Board members was elected:

- Othmar Freiherr von Diemar.

In every case, the Supervisory Board members were appointed for a term to last until the end of the annual shareholders' meeting that will resolve on the ratification of their actions for the first fiscal year after commencement of their term of office. The fiscal year in which their term of office begins is not counted for this purpose. At the special Supervisory Board meeting following the annual shareholders' meeting, Dr. Georg Obermeier was elected as the Chairman of the Supervisory Board and Mr. Bernhard Riedel as the Vice Chairman of the Supervisory Board. The members of the Audit Committee of the Supervisory Board are Dr. Georg Obermeier, Dr. Rudolf Falter and Franz Graf von Meran.

Review of the annual financial statements

The parent company's separate financial statements and the consolidated financial statements of the Group at December 31, 2007, as well as the combined management report and the accounting records, were audited by the elected independent auditor PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, and provided with an unqualified audit opinion. All financial statement documents and audit reports were submitted to all members of the Supervisory Board sufficiently in advance of the balance sheet meeting of the Supervisory Board. These documents were carefully reviewed by the entire Supervisory Board. At the meetings of November 9, 2007 and February 28, 2008, the Audit Committee of the Supervisory Board questioned the independent auditor about the principal aspects of the audit activities and about specific findings of the audit, and at the meetings of March 31, 2008 and April 14, 2008, which were likewise attended by the independent auditor, the Audit Committee discussed the annual financial statements in detail and asked questions of the independent auditor as part of this meeting.

The Audit Committee submitted a detailed report to the Supervisory Board at the Supervisory Board meeting of April 15, 2008. The Supervisory Board took this opportunity to ask further questions of the independent auditor, who was also present at the meeting. The Supervisory Board concurred with the findings of the independent auditor and had no objections to raise on the basis of the final conclusion of its own review. The Supervisory Board approved the parent company's separate financial statements and the consolidated financial statements of the Group by way of a resolution. The Supervisory Board raised no objections to the combined management report. The parent company's separate financial statements were thereby adopted.

Furthermore, the profit utilization proposal of the Executive Board was reviewed at the meeting of April 15, 2008. The Supervisory Board concurs with the profit utilization proposal of the Executive Board.

Explanations regarding the Management Report

For the explanations regarding to the Management Report pursuant to Section 171 AktG, the Supervisory Board refers the reader to the disclosures on page 68 of the Management Report regarding Sections 289 (4), 315 (4) HGB. Information regarding the subscribed capital of the company, the provisions relevant to the appointment and dismissal of Executive Board members, amendments to the Articles of Incorporation and the authority of the Executive Board to issue or buy back company shares can be found in the combined Management Report on page 68.

The Supervisory Board wishes to express its emphatic appreciation for the work of the entire Executive Board and its gratitude for the information provided in an atmosphere of trust and cooperation. Above all, the Supervisory Board wishes to extend their special thanks to all employees whose tremendous hard work and dedication contributed significantly to the success of the ARQUES Group.

Starnberg, April 2008

For the Supervisory Board

Dr. Georg Obermeier

Chairman

The Supervisory Board

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

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

Bernhard Riedel

Munich
Lawyer
Vice Chairman of the Supervisory Board

Dipl.-Kfm. Dr. jur. Rudolf Falter

Raubling
Lawyer, tax consultant, executive board member of
WTS Aktiengesellschaft Steuerberatungsgesellschaft

Dr. jur. Gerhard Fischer

Munich
Lawyer

Prof. Dr. jur. Michael Judis

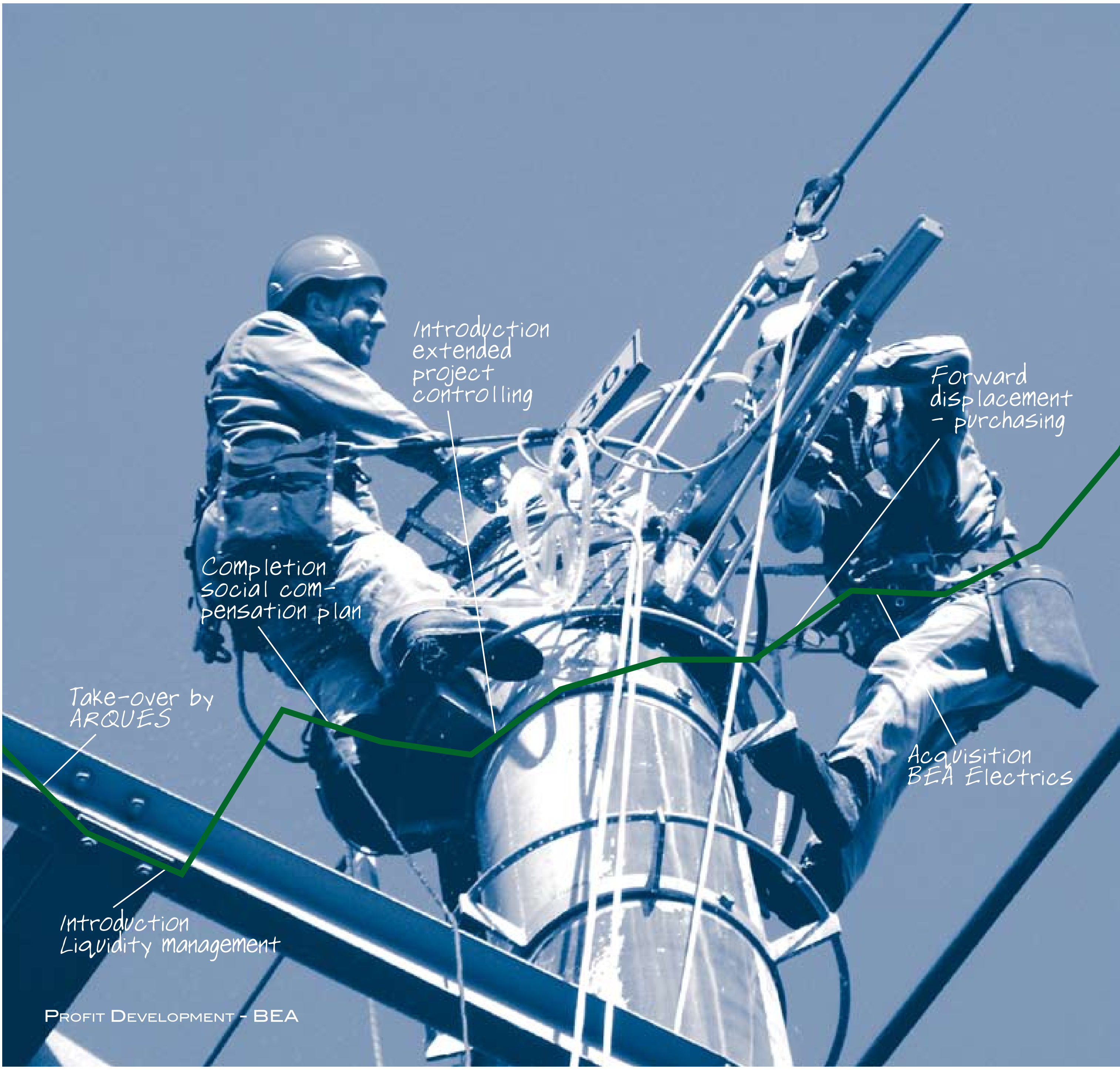
München
Executive board member of Open Pictures AG and lawyer

Franz Graf von Meran

Munich
Businessman and banker, retired

Dipl.-Kfm. Othmar Freiherr von Diemar

Oberahr/Westerwald
Managing owner of Othmar von Diemar
Vermögensverwaltung + Beratung
Alternate member of the Supervisory Board



Profit Development - BEA

2007

"The ARQUES business model is very much based on the expertise and entrepreneurial spirit of its employees. In no other management position is it possible to apply the full breadth of one's experience in such a short time. The subsidiaries benefit from this and so does ARQUES.

By interlinking the operations of BEA TDL and BEA Electrics, we were able to permanently strengthen the market position of both companies."

Oliver Apelt

Subsidiary Manager
BEA TDL / BEA Electrics

THE ARQUES SHARE

High volatility with Mid-Cap Companies in 2007

The development of global markets in 2007 was characterized by the uncertainty of further economic developments. If optimistic forces propagating an unchanged dynamic dominated in the first half of the year, after mid-July, the credit crisis revealed the susceptibility of capital markets, as well as how sensitive they react to disturbances, driving market prices down. It was not possible for the ARQUES share to break away from this trend. It closed fiscal year 2006 at just over EUR 16. In light of good operating figures, a large number of successful transactions on both the acquisition side and – in increasing volume – on the exit side, as well as positive statements by financial analysts, ARQUES' share price jumped to an all-time high of EUR 40.75 by the beginning of July. At the beginning of the U.S. mortgage crisis, however, even ARQUES' listing declined significantly. Even being added to the MDAX at the beginning of October was only able to affect this briefly. The share also suffered under the general weakness of shares of German mid-cap companies. Many institutional investors, in particular from the U.S.A., disposed of small and medium-sized values at the end of the year in order to lower their portfolio risk profile in the event of a recession in the U.S.A. Thus, the share price relinquished a portion of its gains by the end of the year and closed the year with a price of EUR 23.50.

ARQUES shares up almost 50%

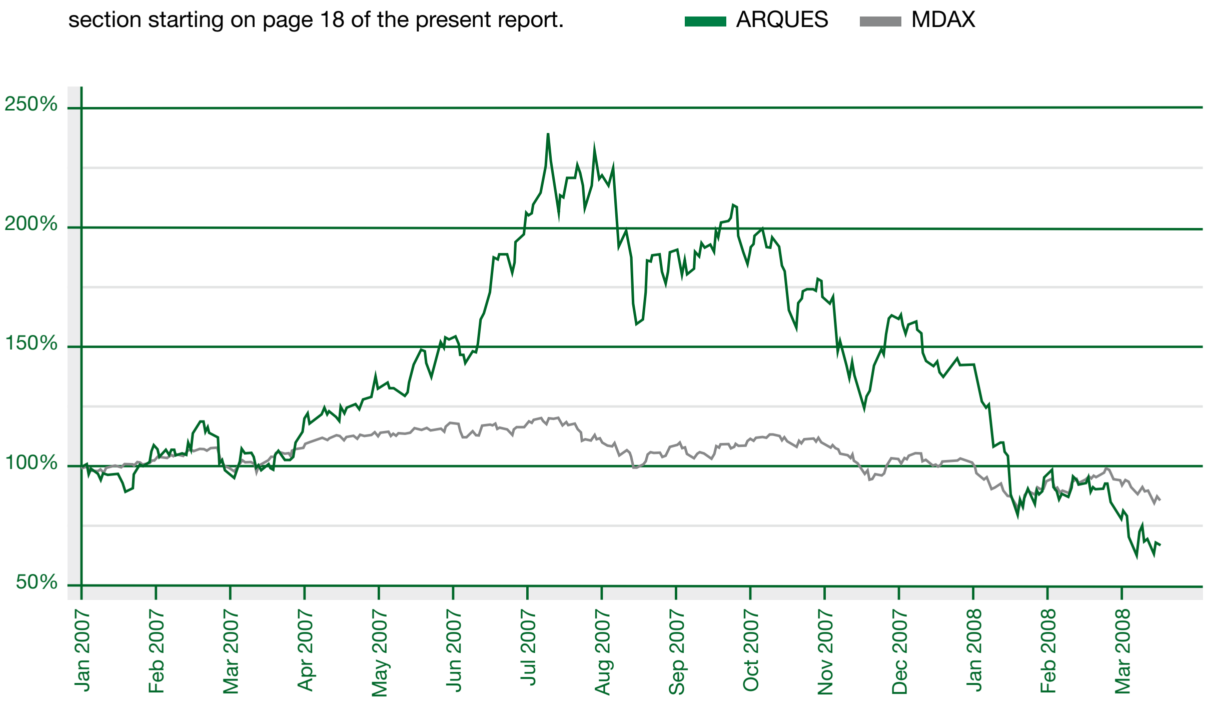
Overall, the market year 2007 was nevertheless very successful for ARQUES. With a price increase of 46% (including dividend, even 50%), the company was able to clearly outperform all share indices – as it did in the preceding market years. For comparison: The leading German index DAX increased by almost 22%, and the MDAX by only around 3%. At its all-year high of more than EUR 40, ARQUES' price performance was even up 150%, reaching a market capitalization of well over one billion euros. At the end of 2007, this figure was EUR 622 million, compared to EUR 390 million the previous year. In the ranking of Deutsche Börse, according to which the criteria for index membership are defined, ARQUES was ranked 60th at the end of February 2008 in terms of market capitalization, and even 30th in terms of trading volume. At the end of 2006, the comparative figures were 67th and 59th place respectively. This, too, contributed to a clear increase in the significance placed on ARQUES shares, above all by international investors. In a twelve month comparison, average trading volume climbed from 55,822 shares per day in 2006 to 371,931 in 2007 (XETRA and floor trading).

At the beginning of 2008, the downhill slide on the stock markets continued all over the world, after signs of a slowdown of the North American economy grew stronger. In January alone, the DAX fell by 15% and the MDAX fell by 12%. Companies listed on a stock exchange in the private equity sector were trampled on even more, because the weak market environment – in the opinion of some investors – significantly limited exit opportunities. Additionally, the resignation of Dr. Vorderwülbecke from the Executive Board impacted the share price, which subsequently lost a third of its value in March, falling to EUR 12.

Goal of being added to the MDAX achieved

In last year's report, ARQUES had defined being added to the MDAX as one of the most important goals for the year. This step was implemented on October 1, 2007. This was made possible on the one hand by the improvement in the share price, which was based on good operational development, and on the other hand also by the fact that the Executive Board of ARQUES Industries AG had reduced its holdings in the company by around 20 percentage points in January and February 2007. This simultaneously increased the company's free float to 100%, which was an important factor as a basis for Deutsche Börse's index calculation method. The shares were sold for generally between EUR 14.40 and EUR 17.64, and thus significantly below the 2007 year-end closing price.

Information regarding shares and options held by executives in corporate bodies and securities transactions conducted by members of the Executive Board and Supervisory Board subject to mandatory disclosure is included in the Corporate Governance section starting on page 18 of the present report.



Listed subsidiaries

In 2007, ARQUES had three listed subsidiaries in its portfolio: SKW Stahl-Metallurgie Holding AG, tiscon AG, and Xerius AG. With the sale of shares held in SKW, this number was reduced to two at the end of the year.

With the IPO on December 1, 2006, ARQUES had already reduced its stake in SKW Stahl-Metallurgie AG to around 57%. The initial issue price was EUR 29.00. It had already been decided at the time that ARQUES would also dispose of this remaining stake at a suitable opportunity, which finally occurred at the end of July. The demand was very high; the allotment price was EUR 37 per share. ARQUES was able to generate gross proceeds of EUR 82 million as a result of this step. In total, ARQUES generated proceeds of around EUR 120 million from the SKW transaction, thus demonstrating impressively that it is capable of disposing of a reorganized and revitalized company at a profit via the stock market – as established in the business model.

tiscon AG is listed in the Regulated Market (General Standard). At the end of December 2006, the company acquired the German IT distribution activities of Swiss-based COS Computer Systems AG, with revenues of around EUR 270 million, under the terms of an asset deal. The move made tiscon one of the five biggest German IT distributors and, at the same time, market leader in the segment for IT distributors specializing in small and medium-sized enterprises.

Furthermore, ARQUES still holds 80% of Xerius AG, which is listed in the Open Market and currently not entails any operational activities.

Capital increase for further expansion successfully placed

At the beginning of June 2007, ARQUES successfully concluded a capital increase of 9% of the capital stock within a few hours. 2,183,330 shares were issued, exploiting the capital increase authorized by the ordinary general meeting on May 30, 2006. The placement price was EUR 21.60 per share; gross proceeds from the issue thus totaled EUR 47.2 million. The shares went to German and international institutional investors. The revenues from the transaction are being used to finance multiple large projects – including the major IT distributor Actebis.

INFORMATION ON THE ARQUES SHARE

WKN	515600
ISIN	DE0005156004
Stock market code	AQU
Reuters Xetra code	AQUG.DE
Bloomberg Xetra code	AQU GY
Stock type	No-par bearer shares
Share indexes	MDAX, CDAX, Classic All Share, GEX, Prime All Share, BayX30

	2007	2006
Shares in issue as of December 31	26,450,000	24,266,670
Capital stock in EUR	26,450,000	24,266,670
Closing price as of December 31, in EUR	23.50	16.06
Share price development	+46%	+60%
Market capitalization as of December 31, in EUR	621.6	389.7
Average trading volume per day in shares	371,931	55,822
52-week high* in EUR	40.75	20.00
52-week low* in EUR	14.90	10.00
Dividends in EUR	-	0.51
Earnings per share (diluted) as of December 31, in EUR	4.43	4.60
Price-Earnings Ratio**	5.3	3.5

*at the time of the report
** Share price/ Earnings per share as of December 31

Dividend proposal

The Executive and Supervisory Board proposed to retain the profits for the fiscal year 2007. The liquidity shall be used to finance further strong growth the ARQUES group is aiming for in the future.

Management activities focus on investor relations

For ARQUES, communication with its investors and analysts is one of the most important responsibilities of the Executive Board, as well as the Investor Relations Department set up for this purpose. ARQUES has presented itself at a series of road shows and analyst and investor events over the course of the last year. As a result, we have succeeded in increasing awareness of the company and further expanding the investor base – including internationally. According to the information that we have, most of the institutional investors outside of the German market are in the UK, United States, Switzerland, and Austria. Currently, we are not aware of any shareholders with more than 5% of the voting rights in ARQUES Industries AG.

In addition to WestLB and HSBC Trinkaus & Burkhardt, as well as SES Research, the analysts of Deutsche Bank, Bankhaus Reuschel & Co., and Viscardi have covered the ARQUES share. Furthermore, it was possible to interest additional national and international financial institutions in the company, increasing demand for ARQUES shares and attracting new ARQUES investors. The current recommendations and target prices issued by analysts are published on the ARQUES homepage, www.arques.de, in the Investor Relations section.

Our investor relations work is rounded off by holding regular investor meetings at the company's head office in Starnberg and keeping in contact with the press by means of interviews and press conferences. The ARQUEE Club was formed at the beginning of 2004 for shareholders who have more than a purely financial interest in ARQUES. It gives its members – the Arquees – the chance to attend regular information events staged by the ARQUES Group and hence to have direct contact with both management and staff. The Arquees are important for ARQUES, as direct contacts can give rise to ideas and possible ways of improving the company's image.

All financial reports, ad hoc and press releases, the financial calendar, together with General Meeting documents and a range of regularly updated information about the subsidiaries, are made publicly available on the ARQUES homepage, www.arques.de.

In addition, anyone is welcome to contact ARQUES' Investor Relations team directly:

Contact Investor Relations and Corporate Communication:

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Net asset value of the investment portfolio

The net asset value of the ARQUES investment portfolio at March 28, 2008 (reporting date) is outlined below:

NAME OF CORPORATE GROUP	COMPANY VALUE AT MARCH 28, 2008 (EUR MILLION)
ddp	10.1
Jahnel-Kestermann	20.5
Golf House	11.8
Evotape	4.4
Sommer Road Cargo Solutions	21.4
tiscon AG	11.4
Xerius AG	2.6
Hottinger	2.5
Fritz Berger	8.5
Rohner	20.5
Farbendruck Weber	5.1
Oxxynova	36.7
BEA TDL	10.9
BEA Electrics	13.1
Wanfried Druck Kalden	5.8
Van Netten	12.5
Capresa	4.1
Schöps	5.0
Rohé	8.5
Eurostyle	26.0
SM Electronic	2.9
Actebis	253.0
ANVIS	43.0
TOTAL	**540.3**

The value of the investment portfolio of ARQUES Industries AG was measured and subjected to a review on the basis of the ratio of free cash flow to equity, in accordance with the Standard IDW S 1: “Principles for Conducting Company Valuations“ of the German accounting standards association Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW).

The calculation was based on the operating budgets of the subsidiaries and the medium-term financing plans developed on that basis. The free cash flows were discounted to present value by application of a relevant interest rate for the company in question, based on a Capital Asset Pricing Model (CAPM) and current capital markets data.

For the exchange-listed subsidiaries tiscon AG and Xerius, the Group’s share of those companies’ market capitalization at March 28, 2008 was applied for purposes of the net asset value calculation.

The net asset value of the investment portfolio does not correspond to the figures stated in the consolidated financial statements (carrying amounts of the subsidiaries); in particular, the net asset value can be higher or lower than the figures stated there.

Those companies for which the budgets and medium-term financing plans are not yet sufficiently reliable have not been valued. This can be the case with newly acquired companies, in particular.

CORPORATE GOVERNANCE REPORT

ARQUES Industries AG is in compliance with the recommendations of the German Corporate Governance Code ("DCGK"), issued in 2002 and last expanded in June, 2007, in all but a few points. ARQUES Industries AG understands corporate governance as a process that is constantly being developed and improved.

The Executive Board and Supervisory Board of ARQUES Industries AG have been deeply involved in complying with the DCGK specifications, especially the new requirements of June 14, 2007. This consultation process yielded the DCGK statement of compliance that you can read below. This statement has been posted at www.arques.de and will be updated to reflect any amendments.

Management and supervisory structure Supervisory Board

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

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

Executive Board

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

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

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

The following transactions were reported to the company in fiscal year 2007 pursuant to Section 15a WpHG:

NAME OF PERSON REPORTING	POSITION	TRANSACTION DATE	SYMBOL OF THE FINANCIAL IN-STRUMENT (ISIN)	TRANS-ACTION TYPE	SHARE PRICE IN EUR	VOLUME IN SHARES	VOLUME IN EUR
Markus Zöllner	COO	01/17/2007	No-par bearer shares DE0005156004	Sale	15.60	100,000	1,560,000.00
Dr. Dr. Peter Löw	CEO (until 04/30/2007)	01/18/2007	No-par bearer shares DE0005156004	Sale	14.40	1,850,000	26,640,000.00
Dr. Dr. Peter Löw	CEO (until 04/30/2007)	02/23/2007	No-par bearer shares DE0005156004	Sale	17.64	3,000,000	52,920,000.00
Dr. Martin Vorderwülbecke	CFO (CEO since 05/01/2007)	04/03/2007	No-par bearer shares DE0005156004	Purchase	18.88	80,000	1,510,400.00
Bernhard Riedel	Deputy Chairman of the Super-visory Board	07/12/2007	No-par bearer shares DE0005156004	Sale	39.95	200	7,990.00
Dr. Gerhard Fischer	Member of the Super-visory Board	11/29/2007	No-par bearer shares DE0005156004	Purchase	27.13	4,000	108,520.00

The following reports pursuant to Section 15a WpHG were received by the company in fiscal year 2008 as of the reporting date:

NAME OF PERSON REPORTING	POSITION	TRANSACTION DATE	SYMBOL OF THE FINANCIAL IN-STRUMENT (ISIN)	TRANS-ACTION TYPE	SHARE PRICE IN EUR	VOLUME IN SHARES	VOLUME IN EUR
Dr. Martin Vorderwülbecke	CEO	01/07/2008	No-par-Bearer shares DE0005156004	Purchase	20.32	5,000	101,600.00
Prof. Dr. Michael Judis	Member of the Super-visory Board	01/10/2008	No-par-Bearer shares DE0005156004	Purchase	20.28	1,000	20,280.00
Felix Frohn-Bernau	Executive Board Menber, Exits	01/11/2008	No-par-Bearer shares DE0005156004	Purchase	18.27	2,787	50,918.49
Felix Frohn-Bernau	Executive Board Menber, Exits	01/11/2008	No-par-Bearer shares DE0005156004	Purchase	18.24	213	3,885.12

NAME OF PERSON REPORTING	POSITION	TRANSACTION DATE	SYMBOL OF THE FINANCIAL INSTRUMENT (ISIN)	TRANSACTION TYPE	SHARE PRICE IN EUR	VOLUME IN SHARES	VOLUME IN EUR
Dr. Martin Vorderwülbecke	CEO	01/23/2008	Call-Warrant DE000DB2S581	Purchase	0.050	120,000	6,000.00
Dr. Martin Vorderwülbecke	CEO	01/23/2008	Call-Warrant DE000CB8GLM6	Purchase	0.059609	140,400	8,369.10
Dr. Martin Vorderwülbecke	CEO	01/23/2008	Call-Warrant DE000CB7SBC5	Purchase	0.053757	74,000	3,978.02
Franz Graf von Meran	Member of the Supervisory Board	01/24/2008	No-par-Bearer shares DE0005156004	Purchase	14.42	1,500	21,630.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/24/2008	No-par-Bearer shares DE0005156004	Purchase	14.38	1,000	14,380.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/25/2008	No-par-Bearer shares DE0005156004	Purchase	15.50	1,000	15,500.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/28/2008	No-par-Bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	01/29/2008	No-par-Bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Dr. Gerhard Fischer	Member of the Supervisory Board	03/10/2008	No-par-Bearer shares DE0005156004	Sale	10.67	4,000	42,680.00

Statement of Compliance

The Statement of Compliance with the Corporate Governance Code pursuant to Section 161 of the German Stock Corporations Act (AktG) has been made permanently available to the shareholders: “The Executive Board and Supervisory Board of ARQUES Industries AG declare their compliance with the recommendations of the Government Commission for the German Corporate Governance Code zur Unternehmensleitung und -Überwachung Stand 14. Juni 2007 published in the electronic version of the Federal Gazette (Bundesanzeiger) with the exception of the points outlined in the following.”

D&O insurance

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

Executive Board compensation

Contrary to Section 4.2.3 of the Code, the compensation model in fiscal year 2007 for Executive Board members Dr. Dr. Peter Löw (until April 30, 2007) and Dr. Martin Vorderwülbecke (until January 31, 2008) does not include any variable components. The compensation model of the remaining Executive Board members Markus Zöllner (until December 31, 2007), Dr. Michael Schumann, Felix Frohn-Bernau, and Bernd Schell (as of January 1, 2008) includes success-dependent components which are based on the capital appreciation of a virtual share portfolio (based on the success of the company) and on the achievement of specified targets in the respective management division (based on the success of the division). There are no commitments in the event of termination of the role of Executive Board member. The company does not currently grant its Executive Board members any fringe benefits. The Compensation Report prescribed in Section 4.2.5 of the Code immediately follows the information addressing the other points of the Code.

Succession planning

Contrary to Section 5.1.2 of the Code, there is not currently any long-term planning for the succession of the Supervisory Board members. The members of the Supervisory Board are elected until the end of the annual shareholders' meeting 2009. Furthermore, an alternate was appointed at the annual shareholders' meeting of June 21, 2007.

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

Supervisory Board compensation

Contrary to Section 5.4.7 of the Code, the compensation of the Supervisory Board members is a fixed compensation. There is no success-dependent compensation component.

Supervisory Board Nominating Committee

Contrary to Section 5.3.3, the Supervisory Board has not formed a Nominating Committee.

Compensation Report

Governing bodies of the company

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

Compensation of the Executive Board

The responsibilities and contributions of the respective Executive Board member are taken into account in setting the compensation. The compensation granted in fiscal year 2007 consisted of a fixed annual salary and success-dependent components. The variable components consist of bonus agreements for the Executive Board members Mr. Markus Zöllner, Dr. Michael Schumann and Mr. Felix Frohn-Bernau, which are tied to the capital appreciation of a virtual share portfolio (and thus dependent on the company's success) and to the fulfillment of certain goals established for each Executive Board division (and thus dependent on the success of that division).

In 2006, the Supervisory Board had offered a success-dependent variable compensation also to the Executive Board members Dr. Dr. Peter Löw and Dr. Martin Vorderwülbecke. However, the Executive Board members Dr. Dr. Löw and Dr. Vorderwülbecke expressly and voluntarily opted not to enter into such a stock option agreement. Dr. Vorderwülbecke received a payment of EUR 500,000 when taking over the post of Executive Board Chairman. In the compensation breakdown (see below), this bonus was classified as a "success-dependent" compensation component.

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

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

The basis for calculating the variable compensation with respect to the "virtual share portfolio" for Markus Zöllner, Dr. Michael Schumann and Felix Frohn-Bernau is a specific number of shares in ARQUES Industries AG ("virtual stock portfolio") valuated at a specific share price ("initial value"). The amount of variable compensation is calculated in each case from the possible appreciation of the virtual share portfolio over a specific period – that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual stock portfolio valuated at the rate on the valuation date and its initial value ("capital appreciation") yields the amount of variable compensation. The general policy is to pay out the capital appreciation in shares converted at the rate on the valuation date, but the company – represented by the Supervisory Board – reserves the right to instead pay out the capital appreciation in cash. If shares are granted, a contractually stipulated portion of those shares will be subject to a 12-month holding period.

The virtual share portfolio for Mr. Zöllner comprised 125,000 shares. The valuation date for 70,000 of those shares was January 31, 2007 and the valuation date for the other 55,000 shares was September 30, 2007. The grant dates were May 30, 2006 and November 23, 2006.

The share portfolio for Mr. Zöllner was valued at EUR 1,146,358.62 on the valuation date in September 2007 and at EUR 557,900.00 on the valuation date in January 2007.

The virtual share portfolio for Dr. Schumann comprises 125,000 shares. The valuation dates for all shares are January 31, 2008 and June 30, 2009 (the initial value used to calculate the capital appreciation at June 30, 2009 being the value of the virtual share portfolio at the share price of January 31, 2008). The grant date was October 12, 2006.

With regard to the first tranche of 125,000 shares due on January 31, 2008 (with an earned proportion of 94% according to IFRS), the fair value of the virtual share portfolio for Dr. Schumann was EUR 1,678,125 at the balance sheet date. With respect to the second tranche of 125,000 shares due June 30, 2009 (with an earned proportion of 45% according to IFRS), it was EUR 256,250.

The virtual share portfolio for Mr. Frohn-Bernau comprises 125,000 shares. The valuation date for all shares is March 31, 2009. At the grant date of May 15, 2007, the fair value of the virtual share portfolio for Mr. Frohn-Bernau was EUR 910,000. At the balance sheet date, the fair value of the virtual share portfolio for Mr. Frohn-Bernau (with an earned proportion of 35% according to IFRS) was EUR 374,782.61.

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

Mr. Zöllner received a bonus for the sale of operating subsidiaries ("share deals") or for the sale of significant assets by the subsidiaries ("asset deals"). The amount of this bonus was determined on the basis of the collected sale proceeds. The due date and payment of the bonus were determined with reference to the actual receipt of the sale proceeds.

Dr. Schumann received a bonus for calendar year 2007 on the basis of the cumulative annual revenues of the acquired subsidiaries. Only those acquisitions of companies with annual revenues in excess of EUR 10 million were eligible for the bonus. As a result of Dr. Schumann's appointment as the Chairman of the company's Executive Board effective February 1, 2008, the previous employment contract was annulled, along with the bonus scheme described above. The new employment contract features a bonus scheme according to which the bonus is measured on the basis of the fiscal year net profit stated in the consolidated financial statements.

Mr. Frohn-Bernau receives a bonus for the sale of operating subsidiaries of the ARQUES Group or significant assets of the subsidiaries ("asset deals"). The amount of this bonus is determined on the basis of the "net return" of the subsidiary sold. The net return is equal to the actually received cash sale price for the share of the subsidiary sold by ARQUES, regardless of whether such payment was received in exchange for equity shares, loan receivables or other significant assets (asset deal), less the payments made by the ARQUES Group for liquidity support purposes, repayment of which was not requested prior to the conclusion of the sale (e.g., purchase price, capital injections).

The following compensation was set for the individual Executive Board members in fiscal year 2007:

FIGURES IN EUR FISCAL YEAR 2007		CASH COMPENSATION	CASH VALUE OF VEHICLE CONTRIBUTION	VIRTUAL STOCK PORTFOLIO	BONUS	TOTAL
Dr. Dr. Peter Löw	Expense, including provisions (IFRS)	80,000	1,680	0	0	81,680
(until 04/30/2007)	Expense, incl. provisions (German Commercial Code)	80,000	1,680	0	0	81,680
	Cash compensation	80,000	1,680	0	0	81,680
Dr. Martin	Expense, including provisions (IFRS)	320,000	8,202	0	500,000	828,202
Vorderwülbecke	Expense, incl. provisions (German Commercial Code)	320,000	8,202	0	500,000	828,202
(until 01/31/2008)	Cash compensation	320,000	8,202	0	500,000	828,202
Markus Zöllner	Expense, including provisions (IFRS)	240,000	0	1,407,301	587,788	2,235,089
(until 12/31/2007)	Expense, incl. provisions (German Commercial Code)	240,000	0	1,299,254	587,788	2,127,042
	Cash compensation	240,000	0	1,704,259	587,788	2,532,047
Dr. Michael	Expense, including provisions (IFRS)	158,400	6,487	1,857,266	1,374,994	3,397,147
Schumann	Expense, incl. provisions (German Commercial Code)	158,400	6,487	1,371,136	1,374,994	2,911,017
	Cash compensation	158,400	6,487	0	584,088	748,975
Felix Frohn-Bernau	Expense, including provisions (IFRS)	118,800	5,854	563,256	315,031	1,002,941
(since 04/01/2007)	Expense, incl. provisions (German Commercial Code)	118,800	5,854	510,287	315,031	949,972
	Cash compensation	118,800	5,854	215,000	315,031	654,685
TOTAL	**Expense, including provisions (IFRS)**	**917,200**	**22,223**	**3,827,823**	**2,777,813**	**7,545,059**
	Expense, incl. provisions (German Commercial Code)	**917,200**	**22,223**	**3,180,677**	**2,777,813**	**6,897,913**
	Cash compensation	**917,200**	**22,223**	**1,919,259**	**1,986,907**	**4,845,589**

The Executive Board Compensation table shows the compensation expenses and the actual cash payments made to the Executive Board members. The latter figures were determined with reference to the bonus disbursed in fiscal year 2007, and not the bonus for which a provision was established, and to the payments under the stock options, and not the value of the stock options at the balance sheet date.

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

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

Members of the Executive Board – Dr. Dr. Peter Löw (member/Chairman of the Executive Board until April 30, 2007), Dr. Martin Vorderwülbecke, Markus Zöllner, and Felix Frohn-Bernau – have each acquired minority interests in ARQUES Objekt1 AG, a domestic company in which ARQUES indirectly holds a majority interest, amounting to 2% of the capital stock at par value for a purchase price of EUR 2 thousand.

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

Compensation of the Supervisory Board

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

The corresponding compensation of the members of the Supervisory Board of ARQUES Industries Aktiengesellschaft in fiscal year 2007 is presented in the table below:

EUR	PAID OUT	PROVISION	TOTAL EXPENSES
Dr. Georg Obermeier (Chairman since 06/21/2007)	6,666.69	12,000.00	**18,666.69**
Bernhard Riedel	14,792.66	-	**14,792.66**
Dr. Rudolf Falter	6,666.69	8,000.00	**14,666.69**
Dr. Gerd Fischer	6,666.69	8,000.00	**14,666.69**
Prof. Dr. Michael Judis (Chairman since 06/21/2007)	10,840.00	8,000.00	**18,840.00**
Franz Graf von Meran (since 06/21/2007)	-	8,000.00	**8,000.00**
Matthias Spindler (since 06/21/2007)	6,666.67	-	**6,666.67**
TOTAL	**52,299.40**	**44,000.00**	**96,299.40**

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

Shareholdings of Executive Board and Supervisory Board members

At the balance sheet date, the shareholdings of the members of the ARQUES Executive Board represented approximately 0.86% of the shares outstanding. Of this total percentage, Dr. Martin Vorderwülbecke held shares representing approximately 0.34% and Mr. Markus Zöllner shares representing approximately 0.52% of the shares outstanding. At the balance sheet date, the Supervisory Board members Dr. Gerhard Fischer and Dr. Rudolf Falter held shares representing approximately 0.015% and 0.002% of the shares outstanding, respectively.

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

Disclosures regarding stock option rights and similar incentive systems

The board members do not currently hold options on the ARQUES share.

Please refer to the comments in the Compensation Report for more information on the virtual share portfolios of the Executive Board members Mr. Zöllner, Dr. Schumann and Mr. Frohn-Bernau.

Additional information on corporate governance at ARQUES

Detailed information on the activities of the Supervisory Board and on the cooperation between the Supervisory Board and Executive Board can be found in the Report of the Supervisory Board on page 10 of this annual report.

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

EXECUTIVE BOARD	NUMBER OF SHARES 12/31/2007	NUMBER OF SHARES AT BALANCE SHEET DATE	NUMBER OF OPTIONS 12/31/2007	NUMBER OF OPTIONS AT BALANCE SHEET DATE
Dr. Martin Vorderwülbecke CEO, until 01/31/2008)	90,000	n/a	-	n/a
Markus Zöllner (COO, until 12/31/2008)	136,880	n/a	-	n/a
Dr. Michael Schumann (Executive Board Member, CEO since 02/01/2008)	-	-	-	-
Felix Frohn-Bernau (Executive Board Member, Exit)	-	3,000	-	-
Bernd Schell (COO, since 01/01/2008)	550	550	-	-
SUPERVISORY BOARD				
Dr. Georg Obermeier (Chairman since 06/21/2007)	-	-	-	-
Bernhard Riedel (Deputy Chairman)	-	-	-	-
Prof. Dr. Michael Judis (Chairman until 06/21/2007)	-	5,000	-	-
Dr. Gerhard Fischer	4,000	-	-	-
Dr. Rudolf Falter	500	500	-	-
Franz Graf von Meran (since 06/21/2007)	-	1,500	-	-


Market leadership
New distributer appointed
Take-over by ARQUES
2 branches closed
Development of licensing & corporate business
Spanish affiliate sold
complete revision of the mail-order & internet performance
New branch concept
Sales Development - GolfHouse

2007

"It is very important to assemble a highly motivated core team within the new subsidiary immediately after the acquisition. These people must be ready to actively carry out the new strategy. Another key measure at Golf House was to train the employees who are now in the process of implementing the new branch concept."

Dr. Peter Fischer
Vice President, Manager HR Task Force (r)

"ARQUES Industries AG takes a comprehensive approach to restructuring its subsidiaries. We analyze every area of the company and take action with regard to any and all matters, from long-term contractual obligations to purchasing conditions."

Sven Lampey
Vice President, Task Force (l)

CONSOLIDATED MANAGEMENT REPORT OF ARQUES INDUSTRIES AG

The ARQUES Industries AG business model

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

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

The ARQUES business model versus private equity

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

Overall, private equity companies are more likely to be potential buyers of companies restructured by ARQUES than competitors on the buying side.

The buying market

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

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

The selling market

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

The ARQUES model's dependence on economic conditions

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

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

Acquisition process

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

Bar chart - development of average annual sales revenues per acquisition (in EUR million)

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

Restructuring

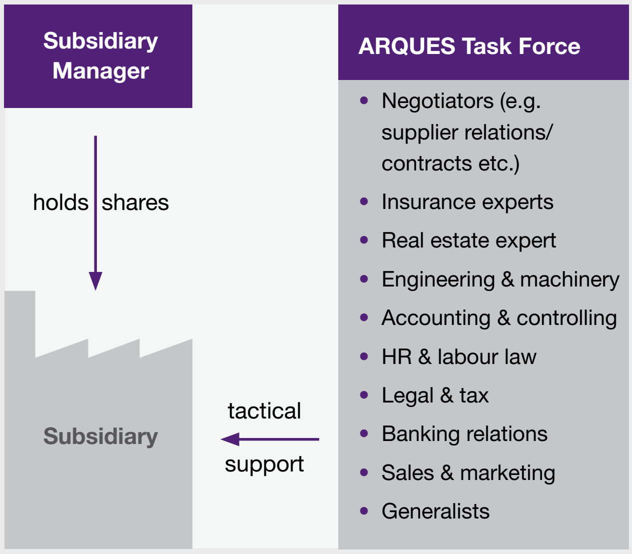
After completing the acquisition, ARQUES generally installs managers with experience in restructuring in the new subsidiary (so-called ARQUES subsidiary managers) in order to carry out the reorganization along with the staff of the acquired company in the shortest possible period of time.

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

- Creation of new management structures
- Bank debt relief and rescheduling of bank liabilities
- Setting up new, beneficial supplier relationships while settling left-over debt and arranging partial concessions, where appropriate
- Employee contributions
- Redundancy plans, agreements with works councils and trade unions
- Targeted partial disinvestments
- Improvement of working capital positions
- Reorganization of production processes
- Replacement of intragroup relationships
- Analysis of existing computer systems and frequently roll-out of state-of-the-art systems
- Streamlining of the product portfolio
- Development of new sales and marketing concepts

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

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



Exit

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

In contrast to the phases Acquisition and Operational Management, in which ARQUES is guided by the maxim of executing all important process steps with its own employees, during the Exit process, external specialists are regularly called in. This way, it is always possible to fall back on transaction-specific know-how and networks.

Value-based management

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

General economic climate and industry environment

Financial market turbulence slowed the global economy slightly in 2007

The global economy exhibited significant growth also in 2007, according to the most important economic research institutes. The strong growth dynamic in emerging countries largely overcompensated the negative influences resulting from the capital market turbulences in summer 2007 and the clearly increasing prices in the international energy and raw materials markets, as well as with regard to agricultural products. In its forecast of January 2008, the International Monetary Fund (IMF) is predicting global economic growth of 4.9% for 2007.

As in the previous years, the positive development in the reporting year was carried in particular by the further strongly expanding economies in Eastern and Southeast Asia. With growth rates of +11.4% and +8.9% respectively, China and India were the most important guarantors for positive global development. The gross domestic products of other Central and Eastern European countries (+5.5%) and Russia (+7.0%) also increased significantly. In contrast, the developments for the large traditional industrialized nations were varied. Thus, the euro zone continued to exhibit very robust growth of 2.6%, according to the Organization for Economic Development (OECD). According to the German Federal Statistical Office, the gross domestic product grew 2.5% as a result of strong exports, despite the sharp increase in the rate of inflation in the second half of the year. At 2.2% overall for the year, inflation hit a 13 year high. As for the gross domestic product of the remaining EU countries, the OECD calculated the following growth rates: Great Britain 3.1%, France 1.9%, Italy 1.8%, Spain 3.8%, Netherlands 3.0%, Belgium 2.6%, and Austria 3.3%

In the United States, however, the economy slowed down noticeably as a result of the mortgage crisis. Thus, the OECD expects the U.S. economy to grow only 2.2% following +3.4% in the previous year, despite attempts by the U.S. Federal Reserve to counteract the burdens arising from the credit crisis by lowering the key interest rate from 5.25% to 3.00% through a total of five reductions between August 2007 and the end of January 2008. The significant increase in the rate of inflation also had an impact. For the Japanese economy this year, the OECD forecasts economic growth of 1.9%.

Equity investment market and industry environment

For the business with Mergers & Acquisitions (M&A), 2007 was a new record year. The mergers and takeovers concluded worldwide in 2007 comprised a total transaction volume of USD 3,784 billion. This was 24% more than in the previous year. Above all, the number of transactions handled by private equity companies was the deciding factor for this strong growth. They were responsible for most of the total 28,729 deals, compared to 27,250 in the previous year; thus, around 5% more than in 2006. This underscores that the average transaction size has increased considerably. With USD 4,482 billion, the volume of M&A deals executed was even greater, and Europe even surpassed the United States as the leading M&A region for the first time since 2002. Thus, the 36% growth of M&A volume in Europe was approximately USD 1,800 billion, whereas the 9% growth in the United States was approximately USD 1,600 billion. Particularly notable in 2007 was that the overwhelming majority of transactions were completed in the first half of the year; the beginning of the U.S. real estate crisis in July caused a dramatic drop in the number of deals.

For the German equity investment market, the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften e.V. (BVK) (German Private Equity and Venture Capital Association) announced an increase of nearly 70% in the fundraising of German equity investment companies to EUR 3.15 billion up to and including the third quarter of 2007. Investments even jumped by more than 140% to EUR 3.5 billion in around 800 companies compared to same period in the previous year. It can be seen here as well that the average transaction size has increased significantly. Over 80% of the investments were buyout investments with a volume of nearly EUR 3,000 million, with an emphasis on small and medium-sized transactions. In contrast, venture capital investments fell to EUR 566 million (PY: EUR 606 million). As in the previous year, turnaround cases only accounted for a small portion of total investments. The exit volume rose by 36% to EUR 1.9 billion in the first three quarters of 2007. Of this total, 22% of the companies were sold to other equity investment companies, 30% under trade sales, and 34% within the framework of IPOs.

The ARQUES Group and its subsidiaries

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

Capital increase

In May 2007, the Executive Board and Supervisory Board of the equity investment company ARQUES Industries AG, based in Starnberg, resolved to increase the capital stock by up to 9% against capital contributions in cash while excluding shareholders' subscription rights. A total of 2,183,330 new shares were issued against the capital increase authorized by the annual shareholders' meeting on May 30, 2006. The placement price was EUR 21.60 per share; thus, the gross issue proceeds totaled EUR 47.2 million. This capital increase took effect with the corresponding entry in the Commercial Register on May 30, 2007. The company's capital stock now amounts to EUR 26,450,000.00 and is divided into 26,450,000 no-par bearer shares.

The subsidiaries of ARQUES Industries AG as of December 31, 2007:

SUBSIDIARY	ACQUISITION DATE (SIGNING)	INDUSTRY
Missel (Schwab)	November 2004 March 2006	Sanitary engineering / building supplier
ddp Nachrichtenagentur	November 2004	Media / press agency
Jahnel-Kestermann	April 2005	Standard and specialty gears gears / industry / steel
Golf House	June 2005	Retail and mail-order business
Evotape	June 2005	Adhesive tape / industry
Sommer Road Cargo Solutions	October 2005	Motor vehicle production
tiscon AG (COS Distribution, Avitos, Topedo, E-Logistics, Chikara)	October 2005 December 2006 February 2007	Equity investment company currently focusing on IT-Distribution
Rohner	March 2006	Specialty chemicals
Hottinger	March 2006	Machine building
Fritz Berger	May 2006	Retail and mail-order business
Farbendruck Weber	August 2006	Web offset printing
Oxxynova	September 2006	Specialty chemicals
BEA TDL	November 2006	Technical equipment for conveyance and energy applications
Oxiris	February 2007	Specialty chemicals / antioxidants
Wanfried Druck Kalden	March 2007	Package and label printing
Schöps	April 2007	Retail / fashion chain store
Van Netten	April 2007	Confectionary manufacturer
Capresa	April 2007	Steel processor / steel
Rohé	June 2007	Service provider in the area of gas stations / industry
BEA Electrics	July 2007	Technical equipment for conveyance and energy applications
Actebis-Gruppe (including NT Plus and Actebis Nordic)	July 2007 October 2007 November 2007	IT and telecommunications distribution
ANVIS (formerly WOCO Michelin AVS)	September 2007	Automotive supplier
Eurostyle (formerly operatiinal unit of the MöllerGroup)	November 2007	Automotive supplier
SM Electronic	November 2007	Consumer electronics dealer

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

Jahnel-Kestermann Getriebewerke

Jahnel-Kestermann is one of the world's leading developers and manufacturers of high performance gears for all industrial applications. The long-established company supplies customers throughout the world in the fields of wind power, shipbuilding, and the sugar and chocolate industry, among others. Jahnel-Kestermann has belonged to the ARQUES Group since April 2005.

Critical industry appraisal

The market for wind energy is in a sustained growth phase all over the world. According to a forecast by the Deutsches Windenergie-Institut (DEWI), around 210,000 megawatts of wind energy output will be installed worldwide by 2014. That means that around EUR 130 billion will be invested in wind energy in this period. Industry associations even expect investment to reach EUR 200 billion by 2020. The European Wind Energy Association (EWEA) is forecasting 25% average annual growth of installed output in the next seven years. The export rate of equipment manufacturers and suppliers of the wind industry will be 70% in the medium term.

The shipbuilding industry also continues to grow robustly. Experts anticipate industry growth of more than 10% for 2007. Exports - above all to Japan, Korea, and China - will be the main pillar of growth.

Company situation, business developments, restructuring and development measures

In a positive economic environment, Jahnel-Kestermann succeeded in meeting or exceeding its budgeted revenue and earnings targets. The manufacturer of standard and specialty gears was able to further increase its market share.

Jahnel-Kestermann's operational focus in 2007 was on the consistent implementation of the initiated growth program. The company, which is based in Bochum, invested more than EUR 6 million in new machines and IT systems and hired additional personnel. In order to work off the high order backlog, the company spun off individual product lines.

Jahnel-Kestermann increased its inventory of raw materials and components necessary for production in order to ensure deliverability even in the event of any bottlenecks. It was possible to absorb the price increase of primary materials - in particular of steel and energy - through high capacity utilization. Jahnel-Kestermann produces at full capacity.

The gear manufacturer focused its product portfolio on the strong growth markets of wind energy and shipbuilding, and accelerated series production in these areas. It was possible to attract more customers in Asia, Canada, and the United States by expanding sales activities and attending national and international trade fairs. With the establishment of a service company, Jahnel-Kestermann is striving for greater participation in the value chain in the future.

Jahnel-Kestermann continues to pursue the expansion of its research and development program. The resulting product innovations are currently being introduced to the market. The company regularly trains its employees, as well as apprentices, so that it will also have enough qualified specialists in the future.

Outlook

The gear manufacturer will continue its strategy of business expansion in 2008. In order to ensure further growth, Jahnel-Kestermann will invest in additional machines and - to a limited degree - also in the expansion of existing facilities or in new buildings. The capacities for 2008 are already completely booked, and there is also a robust inflow of new orders for 2009. In order to avoid liquidity shortages, Jahnel-Kestermann will focus on financing the initiated growth strategy. In addition to the significant increase in capacity and revenues, further optimization of the processes should improve the earnings position.

Evotape

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

Critical industry appraisal

The market for the production of packaging and adhesive tape is characterized by high production capacities and constant downward pricing pressure, which is primarily accelerated by competition from Asia - in particular from China. The unfavorable exchange rate relationships (U.S. dollar, British pound sterling) are also burdening European market players. In contrast, production costs are fluctuating at a persistently high level owing to high oil prices and global demand for natural rubber.

Company situation, business developments, restructuring and development measures

Both Evotape plants produced at full capacity in 2007. In Novara, where products with high margins are produced, the production capacity of the main operating machines was expanded from five to six working days. The modernizations implemented as part of an investment program not only led to a reduction in production costs, but also to an increase in productivity. In addition to a recycling plant for solvents, Evotape installed a water cooling system, which reduced the Italian company's energy consumption by approximately 8%. Also, a plan of action was implemented in the second half of the year at the Castelforte plant that essentially provides for the discontinuation of production areas which are no longer profitable and a transition to the acquisition of the affected products. The management structures were streamlined within the framework of this plan, which resulted in a reduction in personnel costs.

Evotape adjusted both its customer structure and its production capacity as part of its plan to concentrate on products with high margins. In sales, Evotape succeeded in establishing special internally-developed products in the market. Additionally, the acquisition of a flexo printer machine, which enables the printing of packaging tape in multiple colors, made it possible to attract a new large customer in the United States.

The establishment of an umbrella company above both now independent companies was resolved for better strategic orientation and management of both locations. This measure was implemented effective January 1, 2008.

Outlook

Evotape will promote the marketing of internally-developed products and intensify its research and development program, which is geared to the needs of its customers. The Italian company will continue to concentrate on high-margin products, thereby increasing its profitability.

Sommer Road Cargo Solutions Group

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

Critical industry appraisal

According to figures from the German Federal Statistical Office, the transportation of goods in Germany further increased in 2007. At 77%, transportation of goods by road represents the largest share of total goods transport and also recorded the highest year-on-year growth rate of approximately 5.5%. Manufacturers of commercial utility vehicles profit from this: According to the industry association VDA, the respective year-on-year figures of both first-time vehicle registrations in Germany, as well as vehicles produced by German manufacturers (transporters and heavy-duty utility vehicles), were considerably exceeded. The basis for this was the robust domestic demand and the continued rise of exports. The positive economic situation with respect to vehicle manufacturers was impacted by raw material and component shortages, which led to increasing procurement prices. Additionally, delivery times increased significantly in the short term all across the industry - above all for axles.

Company situation, business developments, restructuring and development measures

Sommer Road Cargo Solutions profited from the positive industry situation and was able to significantly improve revenues and earnings at its eastern locations compared to the previous year. Above all, the development in the Eastern European locations, where there is a persistently high demand for transporters and heavy-duty utility vehicles, was very positive. Accordingly, the focus at the plants in Poland and Russia was on the expansion of capacities. Additional shifts were permanently introduced at those locations in order to be able to work off the high order backlog and keep pace with high demand. Also, the production of additional standard products (refrigerated trucks and dump trucks) was taken up at both locations. With the name change to Sommer Road Cargo Solutions, the vehicle manufacturer underscores its international position. In Germany, production will be concentrated at one location. As a result of this, production at the Bielefeld location will be discontinued in 2008 and transferred to Laucha (Saxony-Anhalt). In all plants, standardization and modularization was continued in production and there was a greater concentration on the production of standard products. In Poland, it was possible to permanently increase production capacity by insourcing small parts production and hiring additional skilled employees.

Sommer was able to pass some of the increased procurement costs on to customers and/or mostly offset them through the increase in production and by maintaining optimum inventory levels. The Sommer Road Cargo Solutions Group also stepped up its sales activities through increased attendance at international trade fairs, as well as through strategic cooperation, for instance in the Netherlands, the Baltic region, and Romania. This resulted in interesting order inquiries and an overall positive order situation.

Management in Germany was reinforced by the addition of a specialist for production processes and material flows. Additionally, Sommer was able to attract a new business manager. The optimization processes for the computer structure were initiated under the direction of the new IT manager. A redundancy plan was adopted for the resolved discontinuance of production in Bielefeld together with the employee representatives.

The sale of real estate assets made it possible to reduce outstanding loan liabilities considerably. The liquidity situation was improved by the negotiation of a special restructuring agreement with the company's employees and by the introduction of factoring.

Outlook

Sommer will accelerate growth - above all, at the Eastern European locations - and implement corresponding measures to expand capacities. At the same time, the standardization of production will be continued, which should further increase productivity. The optimization of software and work processes will also increase effectiveness. At the IAA commercial vehicles exhibition, which takes place every two years, Sommer will present new developments emerging from its R&D program which have already been tested by customers. The international strategy which has been adopted is to be intensified by enlarging the sales force - above all, for Eastern Europe and the former CIS states. For 2008, Sommer anticipates higher revenues and positive earnings at the Eastern European locations.

TISCON

The structure of the tiscon Group changed fundamentally with the discontinuance of the business model in the IT services segment at the end of 2006 and the acquisition of companies operating in the IT distribution segment. Thus, a comparison of the tiscon Group with the previous year is not very informative. tiscon AG is an equity investment company which currently holds investments in companies operating in the IT distribution segment. The following key companies belong to the Group: COS Distribution, Avitos, TOPEDO, E-Logistics, and Chikara.

Critical industry appraisal

IT expenditures in Western Europe have increased steadily in recent years. According to estimates, they are expected to continue rising by around 6% per year until 2011. The trend of expenditures on IT products is dependent on the general economic situation. In this growing market segment, demand for products in the areas of telecommunications and voice-over-IP will rise, while at the same time the convergence of consumer electronics and information technology will continue. Surplus capacities in the IT segment will drive a market consolidation process.

Company situation, business developments, restructuring and development measures

In February 2007, tiscon acquired the IT distributor Chikara, and in June 2007, the group took over trademark rights from Anubis GmbH; among others, Typhoon and selected inventories. A new business unit with an office in Kaiserslautern was created within COS Distribution from these assets. Furthermore, in the second half of 2007, former sales employees of Lion Electronics were hired. They are concentrating mainly on the marketing of complete PCs. In this context, an additional sales office was opened in Neuwied near Koblenz. Through the formation of the TOPEDO IT-Handels GmbH in December 2007, it was possible to streamline cost-intensive structures in the PC assembling business segment, thus enabling it to meet the growing demands of the markets with much greater flexibility. In 2007, tiscon AG also adopted an internationalization strategy and commenced operations in Austria and the bordering Eastern European countries with tiscon Handelsgesellschaft GmbH.

It was possible to improve the cost structure and simultaneously attract new customers through the restructuring of internal processes, such as the streamlining of purchasing and marketing departments in business units, the optimization of logistic processes, the reorientation of sales, the expansion of the portfolio by high-value products, the installation of new controlling software, and the introduction of a new shop system.

Another main component of the business model is the utilization of synergies achieved by integrating the new group companies into a coherent, comprehensive concept. The economies of scale achieved in this manner positively affect the profitability of the tiscon Group. In addition to the acquired activities, other potential takeover candidates were examined for their suitability to be integrated. In this context, the resolution by the annual shareholders' meeting to transfer tiscon AG's headquarters from Neu-Ulm to Linden was an important measure. At the same time, the resolution reflecting the new business orientation to change the company's name from the former tiscon AG Infosystems to the current tiscon AG was enacted.

Outlook

tiscon intends to firmly establish itself in the European IT distribution market and increase its market share both through internal and external growth. To this end, new distribution channels should be developed in the existing business segments, new product lines added to the product portfolio, and new target groups attracted. Following the consolidation and restructuring measures largely concluded in 2007, tiscon can now concentrate on the further strategic development of the group. In light of this, a significant increase in group revenues is planned for 2008. As a result of the improvements achieved in the previous year in the operating processes and the associated reduction in costs, tiscon is striving for significantly improved consolidated operating results.

ROHNER

Rohner

Rohner AG, based in Pratteln near Basel, is a chemicals company specializing in the production of intermediate pharmaceutical products and has also established a firm position in the specialty chemicals business. Rohner has belonged to the ARQUES Group since March 2006.

Critical industry appraisal

The chemicals industry was among the growth drivers in Switzerland in 2007. Whereas Switzerland's GDP expanded at a rate of approximately 2.5%, the chemicals industry registered double-digit growth. Economic growth in Switzerland is expected to slow to a rate of 1.9% in 2008, while the chemicals industry is expected to grow at a higher rate.

Company situation, business developments, restructuring and development measures

Rohner AG was generating losses when it was acquired by ARQUES, but exceeded all financial goals in 2007 and - contrary to expectations - was already operating profitably at the end of the fiscal year. Revenues and earnings targets were significantly exceeded.

The reorganization measures were finally concluded with the completion of the sales team in early 2007. Customers experienced capacity bottlenecks as a result of the favorable economic situation, which favored the company's development. Thus - also contrary to expectations - production is expected to continue in three manufacturing plants until at least the end of March 2008, after which, the focus will shift to two plants.

In addition to various customer audits, the American Food and Drug Administration (FDA) conducted an audit in November 2007 in connection with a multi-stage synthesis process for a new product for a pharmaceutical customer in the United States. Rohner also passed this very important audit, reaching a milestone and significantly increasing its opportunities in the market of the pharmaceuticals industry. This great success should also have a positive effect on the perception of Rohner AG in the specialty chemicals market. Since late autumn 2007, the newly established subsidiary operates in the world's largest market - the American pharmaceuticals industry.

In order to meet its revenue and earnings targets, employee capacity was increased to 193 employees ("full time equivalents"), especially in production. Rohner invested in measures to preserve and optimize operational readiness, including system controls and plant extensions, the waste water treatment plant, laboratory devices, and IT systems (network - new switches). No new systems were installed. The company is completely debt-free.

Outlook

In the coming months, the focus will be on additional revenue growth and market positioning. Both are supported by the successfully passed FDA audit and the new U.S. subsidiary, as well as by the focused plan of action with respect to the major customers in the pharmaceutical market and also specialty chemicals. The search for high-margin niche markets continues systematically, and innovative projects in this area will be initiated. Internal measures should help in designing more streamlined processes and achieving increases in productivity.

The prospects are somewhat muted as a result of the weak U.S. dollar. Overall, however, a positive economic environment is anticipated, with the result that some customers will continue to experience capacity bottlenecks, which will lead to short-term work orders and also to multi-year contracts under certain conditions.

Farbendruck Weber

Farbendruck Weber is a quality Swiss printer based in Biel which is primarily active in web offset printing. The large printing company, which was acquired in August 2006, has highly modern machines at its disposal and specializes in the production of premium advertising materials such as high-quality catalogues.

Critical industry appraisal

The printing industry continues to be characterized by excess capacities resulting from downward pricing pressure, the large number of market participants, and the burden of rising energy and paper prices. In 2007, the Swiss printing industry made it past the low point with respect to revenues - thanks to increased exports, above all. This positive development will slow in 2008, owing to the general economic slowdown. Experts expect that industry revenues will stagnate and the earnings position will remain strained. In this environment, suppliers with modern machines who can react flexibly to customer needs and can offer a comprehensive service portfolio have the best market opportunities.

Company situation, business developments, restructuring and development measures

After Farbendruck Weber had already acquired three new 16-page rotary presses in 2006 for approximately CHF 30 million, it invested additional CHF 7 million in the areas of prepress, finishing, and IT. Two highly modern adhesive binders, three new folding machines, and a fully automatic rotary printing press with a bumping mechanism was purchased and installed. Additionally, the company was able to considerably expand its finishing capacity with now four gang stitchers.

The Swiss large printing company also increased its capacity in the printing plate production with a new, fully automatic CTP platesetting and punch-bending machine, which makes it possible to take on larger contracts.

Farbendruck Weber also hired more employees. Under the direction of a purchasing manager with industry experience, materials management is being optimized - especially in the area of paper - which will lead to cost savings. Additionally, the outsourcing of activities which do not add value, such as the servicing of the forklifts, for instance, was prepared. Under a new director, sales personnel were added and the sales team was oriented on higher-quality and high-margin printing products. Employees were also added to the finance department, and the installation of new software was prepared.

Outlook

After the successful conclusion of the investment program, Farbendruck Weber not only has highly modern machines at its disposal, but also optimal prepress and finishing areas. With the installation or expansion of ERP software in the first quarter of 2008, the long-established printer will be able to further improve its work processes and optimize customer service. Costs are being reduced as a result of the measures initiated in the warehouse, while productivity is being increased through fully electronic planning and the sophisticated warehouse and logistics system.

Owing to the comprehensive action and investment package, the large printing company can meet customers' increased demands on quality and expand its position in the market as a first-class, quality printer. As a result of the expansion in the area of sales, Farbendruck Weber anticipates revenue growth and higher-margin contracts.

Oxxynova

Oxxynova is the leading European producer of liquid dimethyl terephthalate (DMT), an input for polyester production, and was acquired in September 2006. DMT is used in the production of textile and technical fibers, films, input materials for paint and adhesive products, as well as technical plastics. DMT offers concrete advantages over substitute products that can also be used as an input for polyester production. Oxxynova is by far the largest European producer of DMT for the free market.

Critical industry appraisal

The rising costs of raw materials and energy continue to burden the polyester industry. Owing to the market situation, it was not possible - or only after a delay - to pass on the higher production costs to customers. This circumstance had a significant impact on the earnings performance of market participants. Despite the closing of a competitor's plant in the Netherlands in the middle of 2007, the industry is characterized by excess capacities and the opportunity for customers to substitute DMT. The pressure on the European market from Asian suppliers of products of the polyester value chain continues unchanged.

Company situation, business developments, restructuring and development measures

In September, Oxxynova successfully passed the safety inspection at the Steyerberg plant, which is required every five years and involves a temporary shutdown of production. This inspection was used, among other things, to install a new process control system. Additional measures were also conducted to prepare the production facility for the coming five years. For 2008, new supply agreements were negotiated with all customers. Oxxynova also succeeded in asserting its position as the European market leader.

At the beginning of 2008, DMT production ceased at Lülsdorf. The corresponding dismantling and cleaning work is currently being conducted. A reconciliation of interests and a social plan were negotiated with the works council. Simultaneously, Oxxynova is conducting a strategic analysis to determine to what extent the capacities existing at the Lülsdorf location can be used for new product developments, procedural changes, or for the entry into a new market.

Outlook

Owing to the cessation of DMT production at Lülsdorf and the closure of a Dutch competitor's production facility, the excess capacities in the European DMT market have been largely eliminated. As soon as the costs for the cessation of DMT production at Lülsdorf no longer apply, Oxxynova's earnings position will improve considerably as a result of less strain on the market and other optimizing measures.

BEA TDL and BEA Electrics

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

Critical industry appraisal

As technical service providers, the BEA companies belonging to the ARQUES Group profited from the large investments of the European energy industry. Lignite extraction in Eastern Germany (Lausitz, Central Germany) and in the Rhineland stands to benefit from the planned end of black coal extraction. In light of this, German energy companies plan to invest several hundred million euros in strip mining, for which BEA TDL, among others, is developing, installing, and maintaining the electric systems and automation. The area of energy and environmental technology is gaining significance in connection with the planned investment of billions of euros from providers in the area of power plants. BEA Electrics is concentrating a large share of its revenues from 2007 on infrastructure projects and is profiting, among other things, from the modernization of the Vienna subway system.

Company situation, business developments, restructuring and development measures

Both BEA companies profited in 2007 from the positive general economic environment and generated positive results. BEA TDL, domiciled in Lausitz, even generated the best results in its company's history.

The technical service provider BEA TDL optimized its internal processes in 2007, installed an ERP system to control business resources, and initiated the process of adding a resource planning tool to that sytsem. BEA TDL also implemented improvement measures in the area of purchasing. After the acquisition of BEA Electrics, the companies bundled their resources in this area to boost synergies. Significant cost savings were realized through the conclusion of a social plan and a supplemental wage agreement. Additionally, the renegotiation of the agreements with suppliers and customers further reduced expenses.

With respect to sales, both companies introduced a policy of internationalization, above all in the regional growth markets of Southeastern Europe. Through close cooperation, both BEA TDL and BEA Electrics are capable of offering existing customers additional services while reaching a wider clientele.

Since the professional know-how of the skilled employees is the basis of successful business development, both companies regularly conduct training and advanced training activities. In order to be able to support the targeted growth, the BEA companies seek to acquire additional specialists. BEA operates a research and development program with the Brandenburger Technische Universität Cottbus, the Fraunhofer Institut, and the Advanced Technical College of Lausitz, each in connection with specific contracts and related to the respective areas of assignment.

Outlook

Through their close cooperation, both BEA companies will be able to significantly boost synergies in 2008 in the area of purchasing, as well as in sales. The companies will not only offer a wider service portfolio, but also be able to process larger contracts through the bundling of capacities. Through further joint internationalization of sales, both companies will be able to profit in the regional growth markets in Southeastern Europe and in Kazakhstan. Within the framework of investments by European energy companies, the reopening of the Reichwalde strip mine, and the reconstruction of power plants, the ARQUES Group BEA companies intend to acquire new contracts and accelerate their growth.

van Netten

Van Netten, based in Dortmund, is a general supplier of innovative and fine quality candies. As a partner and service provider for business and industry customers, the company not only has a private label assortment, but also a multifaceted trademark portfolio. Van Netten has belonged to the consolidated ARQUES Group since the end of March and was generating losses when it was taken over.

Critical industry appraisal

In 2007, the economic development of the German confection industry was characterized by - in some cases - significant price increases for important raw materials. Sales volumes and revenues in the confection industry increased only slightly (sales volume +1%, revenues +2%), whereas production volumes increased by 2.5%. The increase in production was carried mostly by double-digit export growth. The export rate in the German confection industry is now around 40%. Per capita consumption in Germany changed only slightly: In total, each German citizen consumed 32.15 kg of candy valued at EUR 109.81 in the past year.

Company situation, business developments, restructuring and development measures

Van Netten implemented a comprehensive restructuring package immediately following the acquisition by ARQUES. Amounts owed to banks were significantly reduced already during the course of the acquisition and the partial remission of left-over receivables was achieved as restructuring began. At the same time, it was possible to negotiate new terms with suppliers. A reorganization wage agreement lasting until 2009 was adopted with the works council and the German NGG union. Van Netten introduced strict expense controlling, which led to a further reduction in costs, and installed a liquidity management system so that it would always have sufficient funds at its disposal. The sale of a portion of property not essential for production also contributed to securing the liquidity of the long-established Dortmund company.

In 2007, van Netten succeeded in significantly reducing its inventories and optimized internal structures through the installation of a controlling and planning instrument. It was also possible to improve production processes.

An additional focus of restructuring was the internationalization of sales. Short-term contracts did not suffice to completely utilize surplus capacities arising, among other things, from the loss of a large business customer. By attending the most important national and international trade fairs, van Netten succeeded in attracting additional customers, above all in the industry customer segment, as well as in expanding business with large existing customers.

Outlook

Van Netten intends to significantly increase its revenues in 2008 through the expansion of the distribution basis and the development of new sales channels. A portion of the budgeted revenue increase is already contractually secured. Also, existing customer relationships should be strengthened and gradually expanded. Furthermore, the Dortmund company will accelerate its strategy of internationalization in order to reduce its dependency on the German market. Finally, van Netten intends to increase its market share with new product developments. The cost reduction measures will achieve their full effect in 2008. Accordingly, the company is counting on a significant improvement in earnings with increasing revenues.

Schöps

The Austrian fashion chain store was generating considerable losses when ARQUES acquired a 51% interest in that company in May 2007. Schöps is one of the largest and best-known fashion chain stores in Austria and has a nationwide network of outlets.

Critical industry appraisal

The Austrian economy lost momentum in the fourth quarter of 2007 following a period of positive development, during which the retail industry continued to lag behind the general economic development. Not even the Christmas shopping season was able to make up for this slow development. There is tremendous downward pricing pressure in the Austrian fashion industry owing to the large number of participants.

Company situation, business developments, restructuring and development measures

Schöps is still in the first phase of restructuring. Immediately following the acquisition, a basic restructuring program was drawn up and implemented. Unprofitable outlets and outlets deemed too small were closed, which resulted in a considerable reduction in revenues. Also, the company began to reposition the Schöps trademark. According to experience, the readjustment process - that is, the concentration on modern, inexpensive, feminine product lines for the fashion-conscious woman between 25 and 55 and the exploitation of interesting market niches, such as fashionable plus sizes and mothers (children's fashion) - takes about four seasons (two years). As a result of the repositioning, formerly regular customers stayed away while it was not yet possible to attract the desired number of new customers, which also impacted the revenue situation.

Leases, insurance policies, and service and supplier agreements were renegotiated by the ARQUES Task Force, which reduced costs. Additionally, significant optimization measures were conducted in the administrative and central warehouse areas. For example, the entire purchasing area was reorganized, the IT department, including support functions, was spun off, a new cash register system was introduced, and bank financing was secured. Furthermore, Schöps optimized inventories through the sale of leftover merchandise in specific discount stores. Schöps still has a need for financing which must be covered by the shareholders.

Simultaneous to the consolidation of the outlet network through the concentration on very good locations and on shops which fit the new image, personnel measures were conducted in a socially acceptable manner in close cooperation with the works council. In order to facilitate the successful sale of the repositioned Schöps trademark and its new product assortment, training programs in particular for the store managers and regional directors, as well as training measures for the sales representatives are conducted regularly. Additionally, comprehensive marketing and PR measures were conducted, such as the introduction of a customer card, events to reward loyal customers in all outlets, the development of a new, modular display window decoration system, and attendance at trade fairs.

Schöps succeeded in considerably reducing costs and increasing its gross margin. The cost reduction measures introduced will achieve their full effect in 2008. Nevertheless, non-recurring restructuring costs and the reduction in revenues contributed to significant negative earnings for the year 2007.

Outlook

As a result of the repositioning, the company will adopt a clearer market position in the Austrian fashion landscape than was previously the case and attract a comparably loyal customer group. Additionally, the fashionably upgraded, high-quality collections offered at higher price levels in a modern, emotionally pleasant store ambience should attract a new category of customers. This is supported by comprehensive marketing and PR measures which should lead to an increase in revenues. Consistent further implementation of the restructuring plan will simultaneously reduce spending. Overall, the company will benefit from the high degree of recognition of the Schöps trademark in Austria of more than 90%.

Oxiris

Oxiris is a chemical company specializing in the production of antioxidants. The company, which was taken over from Degussa, has production plants in Spain (Sant Celoni near Barcelona) and England (Knottingley) and has been included in the consolidated ARQUES Group since May 2007. Antioxidants are used to protect products from negative influences such as oxidation, brittleness, gumming, and changes in color or scent.

Critical industry appraisal

Increasing competition from Asia in the chemical industry has resulted in price and margin deterioration. The rising price of crude oil and the current euro/U.S. dollar exchange rate are also impacting the business development of European market participants. At the same time, however, there is a growing need in the American market for the antioxidant butylated hydroxytoluene (BHT), which is positively affecting Oxiris' business development.

Company situation, business developments, restructuring and development measures

Following the acquisition, the ARQUES Task Force drew up a restructuring plan which is currently being implemented. Also, following the separation from the Degussa Group, Oxiris developed autonomous administrative structures. Oxiris achieved considerable savings through the renegotiation of contracts with suppliers and service providers, the reorganization of purchasing, and strict cost controlling.

Following a market and product analysis, the manufacturer of antioxidants intensified its activities in the U.S. market and was especially successful in the BHT business. Additionally, Oxiris focused on the biodiesel segment, in which more and more antioxidants are being used. Supported by the development of new products and the intensive internationalization of sales, Oxiris was able to position itself well in this niche.

At the end of 2007, Oxiris sold its business with the antioxidants IONOL LC, 46, 530, 630, and IONOL 926 to the chemical company Raschig and consequently gave up the very small operating site in Ludwigshafen.

In addition to the optimization of production processes, Oxiris undertook scheduled investments in the maintenance of production facilities.

Outlook

On March 23, 2008, ARQUES reached an agreement with the Ludwigshafen-based Raschig Group regarding the sale of the Spanish chemicals company Oxiris Chemicals S.A. The transaction, which is still subject to the approval of the competent cartel authorities, is to be completed in the second quarter of 2008.

ANVIS

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

Critical industry appraisal

The situation in the European automotive industry remained stabile overall in 2007, thanks above all to the dynamic increase in the first-time registration of automobiles in the newly acceded EU countries. In contrast, in the United States, the world's largest automotive market, new car sales shrank by 2.5%. Analysts expect that the automotive industry will grow in 2008 only outside of Western Europe and the United States. It is expected that China, India, Russia, and Latin America will record the highest growth rates. Despite the problematic environment, there are clear growth opportunities for established automotive suppliers.

Company situation, business developments, restructuring and development measures

Immediately following the acquisition by ARQUES, the ANVIS Group began installing its own administrative structures in order to ensure a smooth and final separation from its former owners. This included, among other things, the development of its own finance department, the implementation of a corresponding IT landscape, relocation to its own office space, and the development or partial centralization of purchasing and sales.

Additionally, a restructuring concept was drawn up with the help of the ARQUES Task Force that is being consistently implemented and constantly refined. The goal is better cooperation between the various locations and the optimization of production processes. At the same time, the ANVIS Group intensified its sales activities.

Outlook

Owing to the very good international position of the ANVIS Group, which enables cost-effective production and facilitates international sales, the company will profit from the consolidation process among automotive suppliers. The company will be able to operate more economically and, at the same time, more efficiently as a result of the improvement in production processes and the centralization of corporate functions.

Actebis

The Actebis Group is a leading European wholesaler of information and telecommunications technology products (ITC) and entertainment electronics. Actebis' regional companies in Germany, Austria, France, and the Netherlands have belonged to the ARQUES Group since the end of September 2007. At the end of the year, ARQUES also took over both Actebis Nordic with regional companies in Denmark, Norway, and Sweden, as well as the German telecommunications wholesaler NT Plus AG.

Critical industry appraisal

IT expenditures in Western Europe have increased steadily in recent years. According to estimates, they are expected to continue rising by around 6% per year until 2011. The trend of expenditures on IT products is dependent on the general economic situation. In this growing market segment, demand for products in the areas of telecommunications and voice-over-IP will rise, while at the same time the convergence of consumer electronics and information technology will continue. Surplus capacities in the IT segment will drive a market consolidation process.

Company situation, business developments, restructuring and development measures

Following the acquisition by ARQUES, administrative and operational structures were further developed and a strategy for moving forward was drawn up which provides for expansion through both organic growth and acquisitions. It was possible to advance this strategy earlier than planned with the acquisition later in the year of Actebis Nordic's regional companies in Denmark, Norway, and Sweden, and the German telecommunications wholesaler NT Plus in December 2007.

The companies of the Actebis Group rigorously pursued their operating business. After the addition of more high-quality articles to the product assortment, the customer base was consistently expanded. Furthermore, the Group initiated a project to boost synergies between the German companies Actebis Peacock GmbH and NT Plus AG, thus generating the greatest possible benefit for the customers and manufacturers of both companies through the convergence of IT and telecommunications.

Outlook

Because it is a cost leader in nearly all core distribution processes, Actebis has the ability to increase its market share in a consolidating market by crowding out its competitors, as well as by developing new business segments, for instance in fulfillment. The strategic development of the producer portfolio and the associated development of buying customers offer the Group further opportunities for growth. The prerequisites for continuing the pursued consolidation strategy in the European distribution market will be created through the Actebis Group's planned IPO. The Actebis Group should also promote consolidation in the European ITC distribution segment in the future through targeted acquisitions. The first distributor that unites the concepts of telecommunications and information technology under one roof was created by the acquisition of the telecommunications wholesaler NT Plus. Thus, as a corporate group, Actebis will have an opportunity to shape the European market for convergence solutions - the merging of IT and telecommunications.

Rohé

The Rohé Group, based in Vienna, specializes in the construction, installation, and maintenance of hydraulic, electric, and electronic systems at gas stations and car washes. As an independent service provider, Rohé is active in 18 countries with its own foreign branches and has been included in the consolidated ARQUES Group since October 2007.

Critical industry appraisal

As a service provider for the gas station and car wash segments, Rohé is above all dependent on gas station network expansion by petroleum corporations. Whereas in Western Europe, and especially Germany, the number of gas stations is declining, the number of gas stations in the growth markets of Eastern Europe is constantly increasing.

Company situation, business developments, restructuring and development measures

The main task following the acquisition by ARQUES was and continues to be the international orientation of the Rohé Group in order to participate in the expansion of petroleum corporations into Eastern Europe. Accordingly, the company initiated a program to attract skilled employees at its Eastern European companies in order to strengthen the core areas of sales and purchasing. In contrast, in Germany and Austria, the operational focus lies on the restructuring of regional companies - namely, the optimization of internal processes. At the same time, the Task Force is working on a basic improvement concept for the Group-wide IT system.

Overall, revenue growth was above the level of the previous year, albeit with regional variances. In Germany and Austria, the Group's business development was stabile, although it had to accept the loss of a customer contract. In Poland, on the contrary, Rohé was able to win a new contract. In Switzerland, the service provider was able to accelerate its growth through an acquisition.

Continuous internal advanced training measures ensure the transfer of know-how among employees. Additionally, advanced training measures in the area of QHSE (Quality, Health, Safety, and Environment) ensure the company's high quality and safety standards.

In addition to the investigation of further growth markets, the Rohé Group is considering the expansion of its operations into related business segments.

Outlook

Through the expansion into Eastern European countries and the former CIS States, Rohé will be able to win new contracts and thus increase revenues. The establishment of new regional companies in Ukraine and Russia is planned for 2008. Additionally, Rohé will also achieve further external growth through acquisitions, for instance, in Romania. Through the development of new business segments, Rohé will be able to accelerate the initiated growth strategy.

Eurostyle

Eurostyle is an automotive supplier specializing in the development and production of systems, modules, and individual components made of plastic for the interior of automobiles. The Eurostyle Group has production plants in France, Spain, and Brazil. In France and Spain, the company also operates technology centers with comprehensive research and development programs.

Critical industry appraisal

The economic situation of the European automotive industry remained stabile overall in 2007, thanks above all to the dynamic increase in the first-time registration of automobiles in the new EU countries. In contrast, in the United States, the largest automotive market worldwide, new car sales shrank by 2.5%. Analysts expect that the automotive industry will grow in 2008 only outside of Western Europe and the United States, with the highest growth rates occurring in China, India, Russia, and Latin America. Despite the problematic environment, there are clear growth opportunities for established automotive suppliers.

Company situation, business developments, restructuring and development measures

The Eurostyle Group has been included in the consolidated group of ARQUES Industries AG since the end of December. Following the acquisition, a comprehensive analysis of the company and its competitive position was conducted on the basis of a reliable database. On this basis, a plan of action has been drawn up which pursues the increase of productivity, as well as the optimization of the cost structure. Investments in injection molding machines are also planned.

Outlook

The Eurostyle Group will actively promote the expansion of its sales activities during the course of fiscal year 2008. It will seek to win previously overlooked automobile manufacturers as customers, which will improve the Group's revenues and earnings, while reducing dependency on major customers. Through investments in production, Eurostyle will also increase productivity, as well as the quality of the systems, modules, and individual components. Finally, the automotive supplier will profit from its international position through the prevailing trend towards global automobiles - that is, the production of each series locally. The company will also expand its research and development activities to areas of application outside of the automotive industry, whereby new customer groups can be attracted. Overall, Eurostyle expects to profit from the prevailing consolidation process in the automotive supplier sector.

SM Electronic

SM Electronic offers satellite and antenna receivers (digital TV) under the brand name “Skymaster”, as well as electronic accessories, among other things, for audio, video, home cinema, car HiFi, navigation, and multimedia applications. SM Electronic, based in Stapelfeld near Hamburg, was generating considerable losses when the ARQUES Group acquired it at the end of December 2007.

Critical industry appraisal

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

Company situation, business developments, restructuring and development measures

Following the acquisition, a comprehensive analysis of the company and its market position was conducted at SM Electronic. A restructuring plan is currently being drawn up on the basis of this analysis. First, internal processes and the product assortment will be optimized. The goal is to reposition the brand name “Skymaster” in the market and to internationalize operations.

Outlook

SM Electronic sees great entrepreneurial opportunities in the optimization of the product range and in the reorientation of its foreign operations. It will be able to considerably improve its cost structure through the optimization of internal processes, the modernization of IT, and centralization of services. SM Electronics expects to be able to profit from the growth of the CE segment, above all in the area of set-top boxes.

Company sales/exits

In fiscal year 2007, ARQUES Industries AG sold five corporate groups from its portfolio of subsidiaries (teutonia Kinderwagenfabrik, SKW Metallurgie Holding AG, Salto Paper AG, SKS Stakusit Group and ARQUANA International & Media AG). Four of these corporate groups were deconsolidated in 2007.

The subsidiary teutonia Kinderwagenfabrik GmbH, Hiddenhausen, was sold to the U.S. company Newell Rubbermaid in February 2007. ARQUES had acquired teutonia from the British Britax Group in April 2004 and conducted a thorough restructuring. The sale price was EUR 8.5 million, leading to a deconsolidation gain of EUR 1.7 million, which is presented as other operating income. Immediately prior to the transaction, the company's equity base was strengthened. At the same time, outstanding liabilities under shareholder loans were repaid.

ARQUES has held 57% of the equity in SKW Metallurgie Holding AG since conducting a successful stock market placement of that company's shares in December 2006. ARQUES had acquired SKW Metallurgie from Degussa in August 2004. In June 2007, ARQUES sold an additional tranche of 300,000 SKW shares, generating sale proceeds of EUR 10.3 million. The remaining 50.3% equity stake in SKW Metallurgie was sold in July 2007, generating sale proceeds of EUR 80.3 million. Taking all deconsolidation effects into account, ARQUES realized a deconsolidation gain of EUR 44.0 million.

Also in July 2007, ARQUES sold Salto Paper AG (formerly Papiermühle Wolfsheck) to an investor. Papiermühle Wolfsheck had been acquired from the Finnish StoraEnso Group in September 2006 for a symbolic purchase price. The proceeds realized on this sale amounted to EUR 0.091 million. By means of this sale, ARQUES responded to the problematic situation of the papermaking industry, which has been adversely affected by a significant increase in the cost of raw materials. ARQUES realized a loss of EUR 11.9 million on the sale.

At the end of July 2007, ARQUES sold all its shares in the SKS Stakusit Group, Duisburg, to a strategic investor. SKS Stakusit had been acquired from the U.S. Masco Group in January 2005. The sale generated proceeds of EUR 11.3 million and a deconsolidation gain of EUR 4.1 million. In agreement with the buyer, moreover, ARQUES withdrew cash and cash equivalents of EUR 5.0 million from SKS Stakusit Bautechnik GmbH. The company's equity base was strengthened immediately prior to the transaction. At the same time, outstanding liabilities from shareholder loans were repaid.

Also in 2007, ARQUES sold its remaining shares in the exchange-listed ARQUANA International Print & Media AG, which has been accounted for at equity since the end of 2006, when the Group's shareholding was reduced to less than 50%. Following the sale of an additional tranche in August 2007, the remaining 19.78% equity stake in ARQUANA was presented as available-for-sale securities and sold in December 2007.

The earnings-relevant effects of the shares in ARQUANA International Print&Media AG are summarized in the table below:

EUR`000	
Loans	
Losses on sales of receivables due from Arquana	-9,831
Valuation allowances on receivables due from Arquana	-16,068
Shares	
Equity accounting	
Adjustment of at-equity value in 2007	381
Losses on sales	-4,427
Impairment losses	-6,979
Available-for-sale securities	
Impairment losses in available-for-sale securities	-2,994
Gain on the sale of available-for-sale securities	93
Other	
Cost of sale	-5,000
Total effect on the income statement	**-44,825**

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

ARQUES Industries Aktiengesellschaft – Separate Financial Statements of the Parent Company

Developments in fiscal year 2007

The principal developments affecting ARQUES Industries AG in fiscal year 2007 were the considerably expanded scope of acquisitions, as well as important restructuring gains and successful exits.

The number and average size of companies acquired in 2007 were significantly greater than the respective prior-year values. Through its intermediate holding companies, ARQUES Industries AG acquired a total of 15 companies with average annualized revenues of more than EUR 300 million. The biggest acquisitions in terms of annual revenues were the Actebis Group (Actebis Zentral, Nordics and NT Plus), with total revenues of EUR 3.7 billion in 2007, followed by the ANVIS Group (formerly WOCO Michelin AVS), with annual revenues of EUR 278 million, and Eurostyle (formerly consisting of the operating units of the Möller Group), with annual revenues of EUR 236 million. Excluding the Actebis Group, the average annual revenues of the companies acquired in 2007 would have been around EUR 91 million. These figures are demonstrative of the company's tendency to acquire bigger and bigger companies, in terms of annual revenues, while opting not to assess the acquisition potential of smaller companies (with annual revenues of less than EUR 30 million).

Due to the greater absolute size of the acquired companies, the economic situation of those companies was also somewhat better. Thus, they did not consist entirely of gravely troubled turnaround candidates, which could be acquired for a more or less symbolic purchase price. Instead, ARQUES was able to acquire "smitten" companies with relatively few restructuring needs (but considerable intrinsic value), which nonetheless exhibited extraordinary appreciation potential and therefore required a higher commitment of capital.

With regard to exits, ARQUES Industries AG successfully restructured and sold various companies in 2007, including teutonia Kinderwagen GmbH and SKW Stahl-Metallurgie Holding AG. ARQUES realized sale proceeds of EUR 99.2 million (after deduction of commissions) and gains of EUR 90.7 million on the sale of these companies. Other successful exits were conducted by the intermediate holding companies.

Earnings

ARQUES generated revenues of EUR 2.0 million in 2007 (PY EUR 1.9 million), mainly from the provision of consulting services to the portfolio companies.

ARQUES Industries AG generated other operating income of EUR 99.7 million in fiscal year 2007, that being 164% higher (PY +103%) than the corresponding year-ago figure of EUR 37.8 million. Of this amount, income from the sale of non-current financial assets accounted for EUR 91.7 million (EUR 88.2 million for SKW Stahl-Metallurgie AG, EUR 2.6 million for teutonia Kinderwagenfabrik GmbH and EUR 0.9 million for tiscon AG). Furthermore, the other operating income contains an additional income item of EUR 4.0 million from the repayment of loans by the SKW Group. The loan receivables had been stated in the balance sheet at EUR 1.

The cost of purchased services amounted to EUR 3.3 million (PY EUR 2.3 million). This item consisted mostly of services purchased from outside consultants.

At EUR 14.6 million, the personnel expenses were EUR 10.4 million higher than the year-ago figure of EUR 4.2 million. This increase was mainly due to the considerably higher number of employees in all areas of the company, but especially in the Acquisitions division and the Exits division, which was built from the ground up in 2007. In Finance, moreover, new employees were hired for positions in Group Consolidation, Controlling and Reporting. The increase in personnel expenses was also driven by heightened bonus payments and payments under the stock option program. An amount of EUR 0.3 million was incurred for severance expenses in 2007.

Impairment losses of EUR 1.8 million were recognized for a parcel of land in Burnhaupt le Haut, France. Being located in an economically depressed area, the land can be leased for only very low rents at the present time. The rental income generated in the current period amounts to EUR 38 thousand (PY EUR 60 thousand). The fair value of this investment property was remeasured in 2007 on the basis of the future rental income and in consideration of the ground contamination that has been discovered there. As a result, the value of the land was reduced by an amount of EUR 1.8 million.

The writedowns on current assets in the amount of EUR 8.1 million consisted mainly of valuation allowances for loan receivables due from ARQUANA International Print & Media AG.

The other operating expenses for 2007 amounted to EUR 29.2 million, as compared with only EUR 5.3 million in the previous year. This increase resulted mainly from the loss on the sale of shares in ARQUANA International Print & Media AG (EUR 8.6 million) and the loss on the sale of receivables (EUR 9.8 million) due from the ARQUANA Group.

Other important components included legal and consulting expenses (EUR 6.1 million) and the placement commission for the capital increase of ARQUES Industries AG (EUR 1.2 million).

ARQUES Industries AG collected dividends of EUR 9.4 million from its subsidiaries in 2007 (PY EUR 0). The highest dividend was paid by the company Arques Mediterranean Investments Limited, in the amount of EUR 9.0 million, followed by the company Arques Wert Invest GmbH, in the amount of EUR 0.4 million.

The company generated net interest income of EUR 2.7 million in fiscal year 2007 (PY EUR 0.9 million). The increase over the previous year resulted from the higher level of loan receivables due from affiliated companies and from the interest income on short-term financial investments.

The impairment losses in non-current financial assets and in marketable securities presented as current assets amounted to EUR 5.1 million. In addition to the impairment loss in treasury shares (EUR 1.0 million), this figure also contains the impairment loss recognized in the carrying amount of the subsidiary Arques Industrie Asset AG (EUR 4.0 million).

The fiscal year net profit of EUR 52.4 million was 91% higher than the year-ago figure of EUR 27.4 million. The primary component of the net profit was the income on the sale of non-current financial assets in the amount of EUR 91.7 million.

The accumulated net profit amounted to EUR 50.2 million (PY EUR 27.4 million).

The Executive and Supervisory Board proposed to retain the profits for the fiscal year 2007.

Assets

The company's total assets at December 31, 2007 amounted to EUR 242.1 million (PY EUR 115.3 million). The substantial increase over the previous year resulted mainly from the extensive investment activities in 2007.

As in the previous year, the most important asset category was that of non-current financial assets in the amount of EUR 154.5 million, representing 63.8% (PY 46.9%) of the total assets. As a general rule, the investments were effected indirectly via the intermediate holding companies of ARQUES Industries AG in the following groups: Actebis Group (via Actebis GmbH) in the amount of EUR 28.2 million, the ANVIS Group (via Arques Aktiva Verwaltung GmbH) in the amount of EUR 15.0 million and the van Netten Group (via Arques Wert Central GmbH) in the amount of EUR 4.0 million. Other capital contributions to the equity of subsidiaries were made in (among other companies) ARQUES Industries AG, Austria (EUR 5.5 million), in Arques Immobilien GmbH & Co. KG (EUR 5.1 million) and in Arques Immobilien Wert GmbH & Co. KG (EUR 30.0 million). In the latter case, the capital contributions were made for the purpose of enabling that company to purchase real estate.

The receivables due from affiliated companies amounted to EUR 75.9 million, as compared with EUR 20.4 million in the previous year. These receivables consisted mainly of loan receivables (EUR 65.0 million) and other receivables due from Arques Mediterranen Investments Ltd. in connection with a profit distribution of EUR 9.0 million.

At December 31, 2007, the company held cash and cash equivalents of EUR 5.6 million (representing 2.3% of total assets), as compared with EUR 20.3 million (17.7% of total assets) in the previous year. The decrease in the cash and cash equivalents was mainly due to the number and quality of acquisitions effected in 2007, as the purchase prices paid for some of the acquired companies were higher than the purchase prices paid in the past.

The company's equity amounted to EUR 173.0 million (PY EUR 85.8 million), indicative of an equity ratio of 71.5% (PY 74.4%). The return on equity came to 30.3%, as compared with 31.9% in the previous year.

ARQUES purchased 108,029 treasury shares in 2007 to be granted to employees under the stock option program. Of this number, 15,148 shares were granted to employees in 2007. At December 31, 2007, the company held 92,881 treasury shares with a total market value of EUR 2,182,704 or EUR 23.50 per share. The treasury shares represented EUR 92,881 or 0.35% of the company's subscribed capital at December 31, 2007.

The tax provisions of EUR 0.1 million (PY EUR 0.2 million) were measured under the assumption that the company's profits from the sale of shares in corporations are tax-exempt in accordance with Section 8b (2) of the German Corporation Tax Act ("KStG").

The other provisions of EUR 6.4 million (PY EUR 4.3 million) consisted mainly of personnel-related provisions in the amount of EUR 5.4 million (PY EUR 2.5 million). The increase in the personnel-related provisions resulted from the higher number of persons eligible for the stock option program of ARQUES Industries AG, due to the generally higher workforce, and from bonus agreements.

The liabilities due to banks amounted to EUR 41.3 million at the balance sheet date (PY EUR 5.0 million). The increase resulted mainly from the borrowing of a loan to finance the acquisition of the Actebis Group.

The liabilities due to affiliated companies consisted mainly of loan liabilities (EUR 9.8 million) and other liabilities due to Imandros Vermögensverwaltungs GmbH (obligation to make an additional contribution to the paid-in capital reserve) in the amount of EUR 4.0 million.

The other liabilities in the amount of EUR 4.7 million (PY EUR 0.8 million) consisted mainly of tax withholding liabilities (EUR 2.6 million), wage and church tax withholding liabilities and salaries payable for the month of December 2007 (EUR 0.6 million).

Financial position

The most important cash inflows in 2007 consisted of the proceeds from the capital increase in the amount of EUR 47.2 million, from the borrowing of loans in the amount of EUR 40.5 million (PY EUR 5.0 million) and from the sale of companies (exits) in the amount of EUR 99.2 million. The cash inflows were opposed by cash outflows for dividend payments in the amount of EUR 12.4 million (PY EUR 5.0 million). An amount of EUR 53.0 million (after repayments during the fiscal year) was disbursed to the Group's subsidiaries in the form of shareholder loans and an amount of EUR 101.4 million was paid into the subsidiaries' equity accounts in 2007.

Key indicators of assets, financial position and earnings

		2007	2006
Equity ratio	$\frac{\text{Equity}}{\text{Total assets}}$	71.5%	74.4%
Debt ratio (static)	$\frac{\text{Debt}}{\text{Equity}}$	39.9%	34.3%
Return on equity	$\frac{\text{Net profit}}{\text{Equity}}$	30.3%	31.9%
Return on capital employed	$\frac{\text{Net profit}}{\text{Total assets}}$	21.6%	23.7%

ARQUES Industries AG Consolidated Financial Statements

Assessment of the economic situation in fiscal year 2007

Fiscal year 2007 was the most successful year in the history of ARQUES to date. The company continued on a course of profitable growth by generating record revenues and earnings, thereby surpassing the goals that had been set and communicated at the beginning of the year, in some cases by a significant margin.

The increased number and average size of the acquired companies compared to the previous year underscores the degree to which ARQUES has become recognized as a reliable partner to large corporations seeking to spin off companies or divisions from their portfolios in connection with strategic reorganizations. In particular, the acquisitions of the corporate groups van Netten, Actebis (including Actebis Nordics and NT Plus), Eurostyle (formerly Möller Group), Rohé and ANVIS (formerly WOCO Michelin AVS) had a significant impact on the net assets, financial position and earnings of ARQUES in fiscal year 2007.

Besides selecting suitable acquisition candidates, another key factor contributing to ARQUES' profitability is the ability to restructure them successfully and then bring about successful divestitures, known as "exits". In fiscal year 2007, ARQUES succeeded in selling a total of four corporate groups. These divestitures were of the companies teutonia Kinderwagen GmbH, SKW Stahl Metallurgie Holding AG, Salto Paper AG and SKS Stakusit Bautechnik GmbH. Other successfully restructured subsidiaries are in the process of being sold in 2008. The building industry supplier Missel and the chemical company Oxiris have already been sold.

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

Earnings

Revenues

The ARQUES Group generated revenues of EUR 2,102.3 million in fiscal year 2007, that being 174% higher than the year-ago figure of EUR 768.2 million. At EUR 1,979.3 million, the revenues generated in continuing operations were EUR 1,555.8 million or 367% higher than the corresponding year-ago figure of EUR 423.5 million. The newly acquired companies contributed revenues of EUR 1,064.3 million, representing 51% of the Group's total revenues in 2007. More than 70% of the revenues from newly acquired companies derived from the Actebis Group. Thus, about 80% of the revenue growth in 2007 resulted from additions to the consolidation group and about 20% of the revenue growth resulted from the operating business of the subsidiaries that had been acquired and restructured in earlier years.

As a turnaround specialist, ARQUES acquires companies in a wide range of industries. The industry sectors form the basis for the primary segment reporting. In consideration of the principal activities and industry affiliations of the newly acquired corporate groups, ARQUES created new segments and clarified the segment assignments for fiscal year 2007. The newly created segments that did not appear in last year's segment report were the Automotive, IT and Retail segments. The comparison figures for fiscal year 2006 were adjusted accordingly. The Automotive segment comprises the companies ANVIS, Eurostyle (formerly the Möller Group) and Sommer. The IT segment comprises the companies Actebis and tiscon, the Retail segment Richard Schöps und Co. AG, SM Electronic GmbH, Golf House and Fritz Berger. Please refer to the corresponding section of the notes to the financial statements for a detailed discussion of the segment report.

The breakdown of revenues by segments in fiscal year 2007 and the comparison period 2006 is presented in the table below.

REVENUES IN EUR MILLION	2007	2006	CHANGE
Steel	83.5	35.7	134%
Print	69.1	18.7	269%
Industrial Production	165.2	136.6	21%
IT	1,059.4	8.6	>500%
Automotive	139.3	51.0	173%
Retail	92.7	48.3	92%
Specialty Chemistry	219.2	67.0	227%
Holding	0.0	0.0	-
Service	151.0	57.7	162%
Continuing operations	1,979.3	423.5	367%
Discontinued operations	123.0	344.7	-64%
Total	**2,102.3**	**768.2**	**174%**

With revenues of EUR 1,059.4 million, representing nearly 50% of the Group's total revenues, the new IT segment was the biggest revenue contributor. The Actebis Group generated EUR 744.9 million of the IT segment revenues. The Specialty Chemistry segment, comprising the companies Rohner AG, Oxxynova and Oxiris, contributed EUR 219.2 million of the total Group revenues of EUR 2,102.3 million. The SKW Group, which had been included in this segment in the previous year, was sold and deconsolidated in 2007. The revenues generated by the SKW Group in both 2007 and 2006 are presented as revenues from discontinued operations (together with the revenues from the ARQUANA Group).

Development of key income statement items

At EUR 308.7 million, the other operating income was EUR 138.8 million or 82% higher than the corresponding year-ago figure of EUR 169.9 million. Income from the reversal of negative goodwill (so-called bargain purchases) amounted to EUR 214.7 million in 2007 (PY EUR 92.8 million). This income was recognized on the initial consolidation of the new companies Oxiris, van Netten, Capresa, Rohé, BEA Electrics, Actebis, ANVIS (formerly WOCO Michelin), Eurostyle (formerly the Möller Group), SKW QUAB Chemicals Inc. and SM Electronic. Income from the reversal of negative goodwill is recognized when the acquisition cost for a given company is lower than the sum of the fair values of the assets minus the liabilities and contingent liabilities of the acquired company. After reexamination, the negative goodwill must be recognized as income in the period during which the acquisition was effected. In accordance with IFRS, costs from future restructuring measures may only be recognized at the acquisition date if the liability had been entered into by the seller. Normally, these expenses are incurred after the acquisition either in the year of acquisition or in the following years. The income from the reversal of negative goodwill recognized in fiscal year 2007 is counterbalanced by the restructuring expenses of the companies acquired in 2007 or earlier.

The income from deconsolidations contained in the other operating income in the amount of EUR 51.0 million (PY EUR 33.9 million) resulted mainly from the sale of the still remaining equity stake in SKW-Metallurgie Holding AG. The change in the item of other operating income resulted primarily from the changes in the consolidation group.

At EUR 1,697.9 million, the purchased goods and services in fiscal year 2007 were EUR 1,175.6 million or 225% higher than the year-ago figure of EUR 522.3 million. The newly acquired companies accounted for EUR 886.5 million or 45% of the total purchased goods and services. Most of this amount, in turn, consisted of purchases of merchandise and finished goods.

The personnel expenses (wages, salaries, social security and pension benefits) amounted to EUR 259.1 million in fiscal year 2007, 54% higher than the corresponding year-ago figure of EUR 168.4 million. The newly acquired companies represented EUR 83.4 million or 32% of the total personnel expenses and therefore accounted for most of the increase over the year-ago figure.

At EUR 265.0 million, the other operating expenses were 116% higher than the year-ago figure of EUR 122.8 million. The biggest constituents of this category were the administrative expenses, expenses for land and buildings, transportation expenses, consulting expenses, writedowns on receivables, and deconsolidation losses. The newly acquired companies accounted for EUR 86.1 million or 32% of the total other operating expenses.

Compared with the previous year, the net financial income/expenses worsened from EUR -2.6 million to EUR -22.5 million. About 60% of the interest expenses of EUR -16.0 million are attributable to the new companies and interest expenses for financial liabilities assumed as part of the acquisition. The high expenses of non-current financial assets accounted for by the equity method, in the total amount of EUR -10.7 million, resulted mainly from the writedowns on non-current financial assets in connection with the final deconsolidation of ARQUANA International Print & Media AG.

The tax rate for the ARQUES Group came to 3% in fiscal year 2007 (PY -13%).

Earnings

The EBITDA (earnings before interest, taxes, depreciation and amortization) of the ARQUES Group in fiscal year 2007 amounted to EUR 202.7 million, that being EUR 76.5 million or 61% higher than the year-ago figure of EUR 126.2 million. The EBITDA from continuing operations amounted to EUR 147.6 million, that being EUR 27.1 million higher than the corresponding year-ago figure of EUR 120.5 million.

The EBIT (earnings before interest and taxes) amounted to EUR 140.5 million, that being EUR 40.3 million or 40% higher than the year-ago figure of EUR 100.2 million. The segment earnings (EBITDA and EBIT) contain the income/expenses from the reversal of negative goodwill. The segment earnings for fiscal year 2007 and the comparison period 2006 are presented in the table below:

EBITDA IN EUR MILLION	2007	2006	CHANGE
Steel	3.8	2.5	54%
Print	0.7	9.9	-93%
Industrial Production	9.2	10.3	-10%
IT	31.9	0.5	>500%
Automotive	85.8	-1.7	>500%
Retail	30.0	13.8	120%
Specialty Chemistry	4.9	33.5	-86%
Holding	-11.9	37.8	-132%
Service	-6.7	17.9	-137%
Group adjustment	0.0	-4.0	100%
Continuing operations	147.7	120.5	23%
Discontinued operations	55.0	5.7	>500%
Total	**202.7**	**126.2**	**61%**

EBIT IN EUR MILLION	2007	2006	CHANGE
Steel	0.2	0.0	>500%
Print	-6.0	5.7	-205%
Industrial Production	3.0	7.6	-61%
IT	25.6	0.2	>500%
Automotive	80.0	-4.2	>500%
Retail	27.7	12.5	121%
Specialty Chemistry	-10.0	30.3	-133%
Holding	-22.2	37.5	-159%
Service	-11.3	15.4	-173%
Group adjustment	0.0	0.4	-100%
Continuing operations	87.0	105.4	-17%
Discontinued operations	53.5	-5.2	>500%
Total	**140.5**	**100.2**	**40%**

The consolidated net profit for 2007 amounted to EUR 114.7 million, 4% higher than the year-ago figure of EUR 110.6 million. EUR 114.5 million of the consolidated net profit can be attributed to the shareholders of ARQUES Industries AG (PY EUR 112.6 million). The basic earnings per share decreased 4%, from EUR 4.64 in 2006 to EUR 4.46 in 2007. The diluted earnings per share, including the outstanding warrants, amounted to EUR 4.43, as compared with EUR 4.60 in the previous year.

The Executive and Supervisory Board proposed to retain the profits for the fiscal year 2007.

Multi-year earnings summary

EUR MILLION	2007	2006	2005	2004
Revenues	2,102.3	768.2	417.5	128.6
EBITDA	202.7	126.2	58.9	34.7
EBIT	140.5	100.2	46.1	31.0

EUR	2007	2006	2005	2004
Earnings per share (diluted)	4.43	4.60	2.19	1.86

Summary of earnings performance

ARQUES' earnings performance in fiscal year 2007 was affected primarily by the earnings effects of changes in the consolidation group and by the earnings structure of the newly acquired companies. The acquisition of high-volume trading companies like the Actebis Group substantially increased the total revenue volume. In absolute terms, the Group's consolidated earnings were likewise significantly higher than the year-ago figure, but the EBITDA margin was lower, falling from 16% in 2006 to 10% in 2007, due in particular to the lower profit margins that are customarily generated in the industries in which some of the newly acquired companies operate.

Assets

Analysis of asset structure

In the course of its business, ARQUES acquires and sells companies in a wide range of economic sectors and industries. Consequently, the Group's asset structure is highly volatile, being characterized by the extremely heterogeneous balance sheet structures of the subsidiaries contained in the current investment portfolio. The changes in the Group's asset structure from the previous year resulted mainly from the changes in the consolidation group during the year. The company acquisitions and sales are described in detail in the relevant sections of the notes to the financial statements.

In accordance with the fair value principle, the assets and liabilities of the acquired companies are remeasured at the acquisition date as part of the purchase price allocation process. In accordance with the relevant accounting standards, the differences between the fair values and the carrying amounts of the acquired assets and liabilities are recognized in the balance sheet and in the income statement.

The total assets of the ARQUES Group at December 31, 2007, amounted to EUR 1,830.8 million, that being almost three times higher than the corresponding year-ago figure of EUR 665.3 million. The non-current assets increased substantially from EUR 227.2 million to EUR 560.5 million at the balance sheet date of December 31, 2007. The biggest changes occurred in the intangible assets, which increased EUR 136.6 million to EUR 154.8 million, and in the property, plant and equipment, which increased EUR 209.8 million to EUR 362.4 million. At the balance sheet date, the intangible assets of the newly acquired companies amounted to EUR 136.7 million and the property, plant and equipment of the newly acquired companies, consisting mainly of land and buildings and production equipment, amounted to EUR 233.4 million. These increases accounted for the difference from the previous year.

The current assets increased from EUR 438.1 million in 2006 to EUR 1,270.4 million at the balance sheet date in 2007 above all as a result of the increase in inventories (PY EUR 114.1 million to EUR 437.8 million at December 31, 2007), the increase in trade receivables (PY EUR 138.8 million to 428.4 million at December 31, 2007), and the increase in other assets (PY EUR 55.2 million to EUR 228.9 million at December 31, 2007). The majority of the other assets are receivables from factoring. The increase in inventories can be attributed to the newly acquired companies (especially the Actebis Group), in the amount of EUR 309.5 million. The new companies' trade receivables amounted to EUR 320.3 million at December 31, 2007 and can also be largely attributed to the Actebis Group. At the balance sheet date, the company had EUR 84.5 million (PY EUR 92.0 million) in cash and cash equivalents at its disposal.

Of the Group's total assets, 31% (PY 34%) were non-current and 69% (PY 66%) were current assets.

The Group's assets are divided among the segments as follows:

SEGMENT ASSETS IN EUR MILLION	2007	2006	CHANGE
Steel	86.6	37.0	134%
Print	83.4	52.6	59%
Industrial Production	118.5	86.8	37%
IT	672.9	62.1	>500%
Automotive	429.5	28.8	>500%
Retail	99.1	25.8	285%
Special Chemistry	113.0	203.6	-45%
Holding	69.0	76.2	-9%
Service	109.5	78.2	40%
Group adjustment	-3.7	-3.5	5%
Total	**1,777.8**	**647.5**	**175%**

The IT and Automotive segments together account for 62% (PY 14%) of the Group's total assets.

The consolidated equity at December 31, 2007, amounted to EUR 398.1 million (PY EUR 274.8 million), indicative of an equity ratio of 22% (PY 41%). The decrease from the previous year resulted from the heightened financing needs for the newly acquired companies. The Group's financial liabilities rose substantially from EUR 49.7 million at year-end 2006 to EUR 339.5 million at year-end 2007. The trade payables represent the largest category of liabilities, accounting for EUR 581.5 million (PY EUR 144.5 million). Of the total liabilities, 79% (PY 70%) are current liabilities.

ARQUES actively pursues capital and asset management, with the goal of ensuring the continued operation of all the Group's subsidiaries while optimizing the ratio of equity and debt for the benefit of all stakeholders. For the most part, the capital structure is managed decentrally in the operating subsidiaries and business units. On the Group level, the capital management of the individual subsidiaries is monitored, supported and optimized when necessary as part of a periodic reporting process. The capital subjected to these capital management activities comprises all current and non-current liabilities, cash and cash equivalents and equity components. Decisions regarding dividend payments or capital measures are decided on a case-by-base basis with reference to the internal reporting system and in consultation with the subsidiaries.

Employees

The performance, commitment and identification of the employees of the ARQUES Group with the company's goals are the most important factors for the company's business success. The ARQUES Group had an average of 6,093 employees (PY 4,909) in fiscal year 2007. Of this number, 2,616 were hourly wage earners (PY 2,797), 3,284 were salaried employees (PY 1,866) and 193 were apprentice-trainees (PY 246). The employees of the companies acquired or sold in 2007 were counted pro rata temporis. At the balance sheet date, the Group had 12,319 employees (PY 4,645), including 6,412 hourly wage earners, 5,634 salaried employees and 273 apprentice-trainees.

Financial position

Aspects of the Group's liquidity

The cumulative after-tax earnings – not including the income from negative goodwill – of those Group companies for which income from the reversal of negative goodwill was recognized by virtue of being acquired in 2007 were negative, at EUR -22.0 million (PY EUR -7.0 million). This figure contains the primary start-up and restructuring losses that are normally incurred after the acquisition in accordance with the ARQUES business model (acquisition of loss-making companies).

The restructuring progress is reflected not least of all in the ability of the target company to generate positive cash flows or to not use all the available financial resources for restructuring purposes. When free cash flows are generated or if funds are otherwise available, the target company is able to repay the shareholder loans. This can occur significantly earlier, in some cases, than the ability to pay dividends, particularly when loss carry-forwards need to be worked off, as in the case when the restructuring phase is brief, but the loss history is long.

By this means, an amount of EUR 38.0 million (PY EUR 8.2 million) was repaid by the Group companies after successful restructuring in 2007. This amount was freely available to the Group.

Cash flow

The cash flows showed the following developments in 2007:

EUR MILLION	2007	2006
Cash flow from operating activities	42.2	2.1
Cash flow from investing activities	-67.0	34.3
Free cash flow	-24.8	36.4
Cash flow from financing activities	16.5	12.1

The cash flow from operating activities was affected mainly by the balance sheet items of inventory, trade receivables, and trade payables. Inventories and trade receivables increased by a total of EUR 785.4 million (PY EUR 168.8 million). These changes derived almost exclusively from the changes in the consolidation group of ARQUES Industries AG and were therefore cash-neutral. The trade payables (including other liabilities and other provisions) increased by EUR 680.4 million as a result of changes in the consolidation group.

The cash outflow from investing activities amounted to EUR 67.0 million in 2007 (PY EUR 34.3 million). This cash outflow resulted mainly from the payment of purchase prices totaling EUR 145.6 million for companies and corporate groups acquired in the past year. Fifteen companies and corporate groups with annualized revenues of around EUR 4,500 million were acquired for a total of EUR 218.7 million in 2007, together with the purchase price liabilities presented under the liabilities. In addition, an amount of EUR 30.7 million was expended for investments in property, plant and equipment. These amounts were offset by cash inflows from the sale of companies in the amount of EUR 108.2 million.

The cash inflow from financing activities amounted to EUR 16.5 million in 2007 (PY EUR 12.1 million). The largest constituent item of the cash flow from financing activities was the EUR 46.3 million proceeds from the capital increase in 2007. An amount of EUR 12.4 million was paid out as dividends in fiscal 2007. Furthermore, the Group purchased treasury shares in the amount of EUR 3.1 million and made leasing payments of EUR 15.0 million.

Key ratios of the Group's net assets, financial position and earnings

		2007 CON-TINUING	2007 DISCON-TINUED	2007 TOTAL	2006 CON-TINUING	2006 DISCON-TINUED	2006 TOTAL
Equity ratio	Equity / Total assets	n/a	n/a	21.7%	n/a	n/a	41.3%
Asset intensity	PP&E and intangible assets / Total assets	n/a	n/a	28.2%	n/a	n/a	25.7%
Debt structure	Current liabilities / Total liabilities	n/a	n/a	79.1%	n/a	n/a	69.7%
Percentage return on revenues	EBIT / Revenues	4.4%	43.5%	6.7%	18.8%	-9.1%	13.0%
Financing ratio	Systematic depreciation and amortization / Capital expenditures	51.6%	114.5%	52.6%	76.1%	270.2%	102.6%
Return on equity	Consolidated-net profit / Equity	15.6%	13.1%	28.8%	45.7%	-5.5%	40.2%
Return on total capital	Consolidated-net profit / Total assets	3.4%	2.9%	6.3%	18.9%	-2.3%	16.6%

Disclosures pursuant to Section 289 (4) and Section 315 (4) HGB

The subscribed capital of ARQUES Industries AG amounts to EUR 26,450,000 and is divided into 26,450,000 no-par bearer shares, each representing an imputed proportion of the company's share capital in the amount of EUR 1.00 per share.

To the knowledge of the Executive Board, there exist no restrictions on voting rights or share transfers.

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

There are no shares endowed with special features that would confer a right of control. Also, there are no arrangements pertaining to a coordinated exercise of voting rights held by employees.

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

Authorized capital

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

The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of existing shareholders in the following cases:

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

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

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

d) For fractional amounts.

Stock Buyback Authorization

The authorization granted to the company by the annual shareholders' meeting of May 30, 2006 to purchase and utilize company shares was superseded by a new authorization to purchase the company's shares which was granted by the annual shareholders' meeting of June 21, 2007. The previous authorization had not been utilized to date.

The annual shareholders' meeting of June 21, 2007, resolved the following authorization:

a) In accordance with Section 71 (1) (8) AktG, the company is authorized, in the time from June 21, 2007 until December 21, 2008, to purchase the company's own shares for purposes other than trading, in an amount representing up to 10% of the company's share capital at the time of the resolution. The shares are to be purchased on the stock exchange. The amount by which the purchase price (excluding incidental transaction costs) is higher or lower than the average unitary price of the shares in the XETRA closing auction (or comparable successor system) of the Frankfurt Stock Exchange in the three preceding trading days may not exceed 10%.

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

c) The Executive Board is further authorized to sell the purchased company shares by some other means than on the stock exchange and under exclusion of the shareholders' subscription right if such a sale would serve the purpose of (i) transferring them to third parties, in full or in part, as consideration for business combinations or for the (even indirect) acquisition of companies, investments in companies, operating assets, industrial property rights or license rights; (ii) avoiding fractional subscription rights; or (iii) satisfying the obligations under the subscription rights for shares (stock options) that will have been granted to members of the Executive Board and selected employees of the company by virtue of the authorization to grant subscription rights resolved by the annual shareholders' meeting of June 21, 2007. Insofar as shares are granted to members of the Executive Board, the responsibility lies exclusively with the Supervisory Board.

d) The Executive Board is further authorized, with the consent of the Supervisory Board, to retire the purchased company shares without need of further resolution by the annual shareholders' meeting.

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

There exist no indemnification agreements between the company and the members of its Executive Board as well as employees in the event of a takeover offer. Furthermore, the company has not entered into any agreements that would be subject to the condition precedent of a change of control resulting from a takeover offer.

Report on opportunities and risks

The future business development of the ARQUES Group entails certain opportunities and risks. The company's risk strategy involves exploiting the available opportunities and limiting their associated risks by implementing appropriate tools.

As an integral part of the company's business strategy, the risk policy of ARQUES Industries AG is designed to increase the value of the Group. In order to apply an appropriate risk strategy in every case, the risks and the related opportunities must be evaluated on a continuous, systematic basis. ARQUES is willing to assume appropriate, manageable and calculable risks when they can be expected to produce an appropriate increase in value.

The order in which the opportunities and risks are described below is not intended to imply any weighting or importance of the individual opportunities and risks or their probability of occurrence.

Opportunities of the ARQUES business model

The business model of ARQUES Industries AG involves acquiring companies in situations of transition and actively restructuring them. Once they have been made financially sound, they are either sold (trade sale, IPO) or kept over the long term. ARQUES strives for medium-term investment periods (3 to 5 years). Short-term involvement is generally not in the interest of the company. In all three phases – acquisition, restructuring, exit – ARQUES is presented with excellent business opportunities.

Acquisition

ARQUES has a specialized acquisition team with vast experience in taking over companies in difficult transitional situations. Thanks to the sophisticated network of contacts built up by the Acquisitions team, ARQUES always has information on a large number of attractive acquisition candidates and can therefore make investment choices drawing from a pool of 1,000 companies a year. ARQUES has also firmly established itself as a partner to large enterprises for spin-offs and further transactions are expected in this area. As an MDAX-listed company, moreover, ARQUES is appreciated as a serious, transparent and fair partner for transactions. The result is that ARQUES always has an adequate supply of acquisition offers. A unique, proven method of analysis and evaluation in selecting candidates is employed as a means of minimizing the acquisition risks.

Expanding the acquisition market through internationalization

ARQUES Industries AG has internationalized its business model, beginning with Spain, Austria and Switzerland. The result is not only a geographic and therefore quantitative expansion of its acquisitions market, but a strategic advantage as well - for example, through the operational development of subsidiaries on a European level. The vast experience of the acquisition team and the strong reputation of ARQUES have made it possible for ARQUES to now acquire companies with annual sales of more than EUR 1 billion, while ensuring an appropriately careful business analysis.

Restructuring

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

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

This restructuring model – with a subsidiary manager and Task Force – makes it possible for ARQUES Industries AG to restructure its subsidiaries quickly and soundly. ARQUES will continue to apply this concept in the future to successfully restructure its subsidiaries and continue to be perceived as an attractive employer to numerous management and restructuring experts because of the high degree of autonomy and the performance-based compensation it offers.

Exits

In accordance with its business model, which involves selling a revitalized subsidiary within three to five years of an acquisition, ARQUES created a new Executive Board division for exit activities in 2007, as a reflection of the increased activities in this area. Within this division, a team that currently consists of five members is exclusively devoted to selling the successfully restructured subsidiaries.

Company-related risks

Management risks

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

In selecting its investment targets, ARQUES concentrates, first of all, on companies that can be acquired at the lowest possible purchase price and have plenty of potential to increase in value. As such, the companies in question are often in a state of acute distress at the time of acquisition and there is great need for restructuring. Secondly, ARQUES is an established partner to large corporate groups that are looking to spin off their subsidiaries. In selecting acquisitions, the company does not focus on any specific industry. The success of ARQUES' business model depends to a large extent on the company's people who are responsible for the transaction, the departure of whom could have a lasting negative impact on the business performance of ARQUES Industries AG. They must first select companies that can be restructured fairly quickly and at reasonable cost. Thereafter, the responsible managers must continue to manage the company profitably after the restructuring. The company can only be financially successful when all these conditions are met. ARQUES deploys its own people to select, reorganize and manage the companies. "Its own people" means either permanent employees of the ARQUES Group or those working with the company on a permanent basis. In this regard, the ARQUES Group is fundamentally exposed to the risk that the management would make bad decisions. It could turn out, for example, that a purchased company cannot be successfully restructured or only at an inappropriately high cost (see the section entitled Acquisition risks). Or the restructuring could fail because of mistaken measures (see the section entitled Failure of restructuring).

Consequently, the business success of ARQUES is dependent also on the management skill and especially the business management expertise of these people. An expansion of the participation portfolio alone, be it planned or due to a lack of exit options, could constitute a situation in which the company would have to hire additional trained personnel. This could present difficulties, as ARQUES is reliant on highly trained personnel with practical experience for the business model to succeed. The reorganization of distressed companies in particular places high demands on the responsible managers. If ARQUES cannot succeed in recruiting sufficiently qualified personnel, it may not be possible to achieve the growth goal, in full or in part.

Depedence on persons in key positions

One of the main factors underpinning the company's long-term success is the wealth of experience gained in acquiring, restructuring, and selling companies by the members of the Executive Board: Dr. Michael Schumann (Executive Board Chairman since February 1, 2008), Mr. Felix Frohn-Bernau (board member in charge of Exits) and Bernd Schell (board member in charge of Operations since January 1, 2008). If one of these key persons would leave the company, it could prove impossible to find a suitable executive to continue successfully managing the company's business, potentially resulting in serious negative consequences for the further development of the ARQUES Group.

On May 1, 2007, Dr. Martin Vorderwülbecke, the former Vice Chairman of the Executive Board, succeeded the Executive Board Chairman Dr. Dr. Peter Löw, who chose not to renew his Executive Board contract for personal reasons. The position of Executive Board Chairman changed again at January 31, 2008, when Dr. Martin Vorderwülbecke terminated his contract prematurely at that date, for personal reasons. The Supervisory Board then appointed Dr. Michael Schumann, who had been the board member in charge of Acquisitions, as the new Executive Board Chairman of ARQUES Industries AG.

The ARQUES Supervisory Board had already appointed Mr. Felix Frohn-Bernau as the board member in charge of the newly created Exits division on March 29, 2007. Mr. Bernd Schell has been the board member in charge of Operations since January 1, 2008. In this position, he succeeded Mr. Markus Zöllner, who for personal reasons chose not to renew his expiring Executive Board contract. One of the company's most experienced executives, Bernd Schell has successfully restructured two companies for ARQUES since the beginning of 2004. Thus, the three-member ARQUES Executive Board is staffed with experienced executives. All three members signed a three-year contract upon being appointed to their positions.

Efficient controlling

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

Acquisition risks

The ARQUES Group specializes in the acquisition of companies in situations of transition (e.g., traditional turnaround candidates, corporate spin-offs, succession arrangements, technological change). In most cases, these companies will have been generating losses already for some time when they are acquired by ARQUES. Every year, about 200 companies from a total of about 1,000 make it to the short list. The ensuing due diligence process is conducted with the company's own employees from the departments of Analysis, Legal, Taxes and Finance.

Despite careful analysis, ARQUES is still subject to the risk of purchasing a company that cannot be restructured successfully or can only be done at an inappropriately high cost in terms of effort and resources (risk of unsuccessful acquisition). In such a case, ARQUES would seek to sell the company ahead of plan, with the result that those financial resources invested by ARQUES for the acquisition and financing of the subsidiary which were not recovered by the sale proceeds would have to be written off. Because ARQUES usually pays only a symbolic purchase price for a financially stressed company, the economic loss would be manageable in such cases.

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

Failure of restructuring

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

Risks of company sales

With regard to selling the restructured subsidiaries, the risk is that no buyer would be found for a given subsidiary. In that case, ARQUES would have to continue operating and developing the subsidiary, which would tie up management capacities. At the same time, it could be necessary, within the framework of strategic decisions, to venture into new markets, expand the offering of products and services or invest in new production units, which would make it necessary to invest additional financial resources in the subsidiary.

Economic and market-related risks

Economic risks

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

Industry risks

Industry risks are risks that affect a particular market, such as reduced demand for a certain chemical product which can be substituted with a cheaper product or the entry of new, aggressive competitors. Such risks generally only affect ARQUES subsidiaries in a specific market segment. The specific industry risk for ARQUES Industries AG as a holding company (e.g., recourse liability, contract risks, guarantees) is a different kind of risk.

With the exception of the contingent liabilities presented in the Notes, there are no legal grounds on which ARQUES would have to satisfy the liabilities of its subsidiaries. The contingent liabilities consist primarily of payment guarantees issued by ARQUES to secure the fulfillment of purchase price obligations in connection with the acquisition of companies.

Industry opportunities and risks facing the subsidiaries

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

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

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

The **ddp Group** was able to expand its customer base in 2007. In the core newspaper market alone, several new customers were attracted and the number of subscribed services for existing and new customers was expanded with merely one customer loss to the competitors reuters, AP, and AFP. Thus, the ddp Group strengthened its second-place position behind the market leader dpa.

Considering the stabile earnings development also expected for daily newspapers in 2008 and the further expansion of media internet portals, positive development in sales can be expected, to which new products such as the ddp children's news and the online tool "Leute Netz" will contribute. The sale of photographs will benefit in 2008 from the introduction of new distribution channels (Internet market places).

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

The **Jahnel-Kestermann Group** produces standard and specialty gears for use in a variety of industries that are very independent of one another in their development, including wind power, as well as maritime and other industrial applications. The major area of business growth is centered around applications in wind farms. A longer period of sustained growth at the international level is anticipated in this market segment. This assumption is supported by the current climate discussion. The international nature of the clientele (U.S.A., Canada, Germany, India, China, etc.) leads to a high distribution of risk. Increasing mass production is enhancing the pressure on margins in some segments, such as drive mechanisms for the wind industry. Jahnel-Kestermann has responded by consistently focusing on this type of mass production market. This approach is supported by investment in the appropriate machinery and systems. By outsourcing gear testing to Deutsche Montan Technologie GmbH, the company has been able to achieve quality and distribution advantages over its competitors, but there is a strong dependency on this service provider. There are potential environmental risks at the production facility in Bochum as a result of the long-standing production and operation of a hardening shop. However, no active cleanup projects are currently pending. There is a dependency on executives, especially in the areas of construction and development.

The **Golf House Group**, as a commercial enterprise, is primarily exposed to general fluctuations in consumer trends. The sport of golf is gaining mass appeal, so the risks are similar to those in the overall sports equipment market. The end consumer is very price-sensitive owing to the high degree of transparency. The supply pool is focused on a few suppliers, who as a result are very powerful. This is the reason for the further development of house brands. Typical for the industry in the area of personnel, business success is particularly dependent on the outlet managers. Periods of extreme weather, such as a long, snowy winter or a very hot summer, can impact customer buying patterns.

After the company successfully concluded the restructuring phase, further investments in the branch network and the online mail-order business are pending. For 2008, these pertain chiefly to the planned, new outlets in Berlin, Hamburg, and Bremen, signaling the phase of expansion. The outlets in Berlin and Hamburg will replace existing units, whereas a completely new location will be built in Bremen. The consistent reorientation is resulting in a permanent expansion of floor space and a considerable jump in sales revenues and earnings. Furthermore, all projects from 2007 which were successfully concluded contributed to the optimization of processes - essentially, the systematic integration of the logistic service provider and additional IT optimizations, such as the introduction of a CRM module in shipping. There are additional opportunities and potential for 2008 resulting from the positive experiences in the expansion of the business model by the wholesale function for Pro Shops and the issuance of licenses for the Golf House house brand.

The **Evotape Group** manufactures packaging and adhesive tape and various specialized tapes for the standard and premium segments. Evotape products are distributed worldwide. Customers include the makers of familiar brands of tape and other businesses, such as automobile manufacturers. Since adhesive tape is used in almost all areas, there is no focus on a particular industry. There is the risk of dependency on sales managers, owing to the close customer relationships with some major customers. There is also high dependency on individual suppliers with large market shares.

There is the risk of further price increases for raw materials, above all for crude oil derivatives and rubber. Additionally, it is still difficult to pass price increases on to customers. As a result of excess capacities, margin pressure and pressure from competition remain high. Evotape is expecting competition from Asia to increase. The difficult situation in the packaging tape segment increases the competition in the high-margin masking tape segment, into which an increasing number of market participants are pushing themselves. Increasing competition, as well as increasing downward pressure on sales and prices can be expected here. The strong increase in value of the euro resulted in margin losses in the U.S. and British markets. The property in Santi Cosma e Damiano shows some environmental contamination, which is currently being cleaned up by a specialty firm. When work is complete, the past environmental degradation will be cleaned up. In the meantime, contaminated portions of the roof have been successfully cleaned up and all environmental regulations have been satisfied.

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

The **Sommer Road Cargo Solutions Group** produces commercial vehicle superstructures, trailers, and semi-trailers for the German and European market at numerous locations in Europe. There is a certain dependency on major customers. The company is exposed to a great deal of price pressure in some segments through competition from other companies that focus on mass production with simplified solutions. In some areas, suppliers have oligopolies or even monopolies. This entails risks regarding the power of the supplier to set prices. Bottlenecks in raw materials and components resulted not only in higher prices, but also - in some cases - considerable lengthening of delivery lead times throughout the industry with short notice. Some suppliers, among them global players, are themselves affected by the delivery difficulties of their own suppliers. It was possible in some cases to pass on increased procurement costs to customers. There are no reports regarding noteworthy environmental risks. The decentralized structure of the production facilities leads to a particular dependency on the local executives. As part of restructuring, production in Bielefeld was discontinued in the second half of 2007. The resulting reduction in personnel carries the risk of supply delays and a higher rate of complaints. The fluctuation risk regarding administrative employees who should remain at the location is also temporarily increased. Overall, the success of the reorganization depends significantly on the success of the restructuring and redesign of the business processes and the employees involved therein. In addition to regular training of some employees, Sommer continues to be supported actively by employees of the ARQUES Task Force.

A production and plant concept successfully implemented in Germany, as well as in foreign production facilities led to an increase in production capacity. The intensification of sales activities and strategic partnerships in Eastern Europe and the CIS has already resulted in a significant increase in incoming orders. In particular, the Eastern European plants (Poland, Russia) have grown robustly. As a result of the high number of incoming orders and work on hand, similarly high growth rates can be expected for 2008 at these locations. Additionally, these plants are designed more for standard production, which considerably reduces the complexity of procurement, production, and sales.

The **tiscon Group** is an equity investment company currently operating with its subsidiaries COS Distribution, Avitos, TOPEDO, E-Logistics, Chikara, and tiscon Handelsgesellschaft GmbH with IT products in the retail and wholesale segments and is therefore subject to the typical industry risks. The IT distribution industry and IT customer business are characterized by stiff competition and a large number of market participants. In both market segments, there is also considerable price sensitivity, which has a negative impact on margins. tiscon and its current subsidiaries are responding to this environment with a “Buy & Build” strategy all over Europe in order to enter into additional market segments and create new markets. The export rate should also continue to increase as a result. There is a certain dependency on management and skilled employees with special IT and sales know-how. As a result of rapid further technological development which, however, is not distinguished by new technological developments, a successive deterioration in prices can be ascertained with respect to certain product groups (navigational devices, and plasma and LCD monitors), which, under certain circumstances, can negatively impact earnings when older products are sold off.

The companies of the tiscon Group have a broad customer and supplier structure at their disposal, so that there are no such dependencies. It was possible to considerably reduce costs in the subsidiaries, among other ways, through the optimization of work processes. At the same time, it was possible to attract new customers through further improvements in logistics as a result of the extension of daily delivery times and in sales, for instance, through close cooperation with specialist trading partners via a recently introduced E-Shop System, as well as through continued expansion of the product range. This resulted in a vigorous increase in sales revenues. tiscon will profit from the overall positive industry mood in the B2B and B2C segments as a result of the mostly concluded restructuring measures and continued optimization measures. Analogous to the takeover of additional new companies, the operational opportunities and risks of tiscon AG are also changing.

The greatest entrepreneurial challenge facing **Rohner** is the repositioning of the company; that is, the identification of and orientation towards high-margin niche markets in the pharmaceutical industry, as well as specialty chemicals with complex, multi-layer small-volume syntheses and building up a broader customer base and product range. The focus lies on market penetration and increasing volumes in high-margin segments. After successfully passing the audit conducted by the U.S. Food and Drug Administration in autumn 2007, Rohner can now enter the market as an “FDA-approved supplier”, whereby the opportunities increase considerably as a result of the positive image effect - especially in the global pharmaceuticals market. Rohner supports the expansion into the world’s largest pharmaceutical market through Rohner Inc., established in the United States in autumn. The weak dollar will slow the expansion slightly in the U.S. market. Nevertheless, currency exposure is not high.

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

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

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

The **Hottinger Maschinenbau Group** manufactures core casting equipment for foundries. The main customers are currently automobile manufacturers and independent foundries supplying the automobile manufacturers. This customer structure creates a dependency on the performance of the automotive industry and the business cycles of auto models. There is also a dependency on certain suppliers stipulated by customers based on company standards; thus, these suppliers take on virtual monopoly positions with the corresponding effect on purchase prices. The degree of complexity of the machines and projects requires the use of qualified technicians and engineers in sales, production, and construction. Therefore, Hottinger competes with numerous other employers regarding the acquisition of personnel. There are no environmental risks from residual pollution, nor any posed by the production process per se.

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

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

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

The **Fritz Berger Group**, as a commercial enterprise, is primarily exposed to general fluctuations in consumer trends. The camping and outdoor industry is also dependent in large measure on the weather. The position of Fritz Berger as a leading specialty mail-order business in this segment can be limited by market penetration of new competitors such as the manufacturers of camping trailers. At the same time, the expansion of activities of other distribution channels, such as discounter retailers, also led to reductions in sales. Tax increases for camping trailers and recreational vehicles, or a further rise in the price of gasoline - specifically, diesel fuel - an unfavorable pollution rating, as well as insecurities regarding future additional expenses fueled by the CO2 discussion could lead to a drop in sales of these vehicles and thus have an indirect negative effect on the purchase of accessories. Typical for the industry in the area of human resources, business success is particularly dependent on the branch managers.

The Fritz Berger Group was able to increase acceptance among existing customers and attract new customers through its new main catalog layout and redesigned website. The Fritz Berger customer card helped achieve greater brand loyalty. The "return to the brand" campaign yielded positive business results in the textile division, which should be further expanded, among other ways, through an Amazon shop. With regard to POA sales, new facilities should lead to an increase in sales, while the closing of outlets that are too small or unprofitable will optimize results. With the proper marketing, the company's 50 year anniversary should result in an increase in sales revenues in the mail-order and outlet business.

The **Farbendruck Weber Group** is one of the leading quality web offset printing companies in Switzerland. The web offset market in Switzerland is characterized by excess capacities and very strong competition among the various printing companies. The price level and market volume will continue to fall in the coming years. Over the medium term, prices will adjust to the level of the neighboring EU countries. The result will be a continued high investment pressure in the industry, as a company can only produce at competitive prices with modern machinery. Farbendruck Weber is meeting these challenges first by modernizing throughout the company. Farbendruck Weber will build on this to consistently expand its market position as a quality printer to attain a high degree of added value with correspondingly higher margins. As a result of the market effect described here, as well as the capital intensity, there is also investment pressure with the resulting financial, procurement, and production risks. The production of printing materials can potentially harm the environment.

Through extensive investment in its machinery, the Farbendruck Weber Group can maintain its leading role in the web offset printing market in Switzerland.

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

The production of DMT at Lülsdorf has been discontinued since February 2008. The assets are expected to be spun off to a new company. These restructuring measures will reduce the risks of excess capacities in the area of DMT production and secure the earnings position of the remaining sites in the long term. As a result of the costs related to these restructuring measures, the company still needs more liquidity which must be provided by banks or the shareholders. At the same time, Oxxynova is conducting a strategic analysis to determine to what extent existing production capacities can be used for new product developments, procedural changes, or for the entry into a new market. This involves a planning risk regarding technical realization, legality, financing, and acceptance of these new developments. If the introduction of new products would not be possible, additional costs would be incurred for the Lülsdorf location.

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

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

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

BEA TDL has initiated steps to profit from the investments in lignite mining in Germany and Kazakhstan. BEA Electrics is concentrating a high share of revenues from 2007 on infrastructure projects. Efforts are being made to secure corresponding compensation of revenues and earnings in business segments such as energy and environmental technology after completion of these projects. The companies will profit in 2008 through the expansion and internationalization of sales in growth markets.

Wanfried-Druck Kalden (WDK) produces folding boxes and labels. Its customers include large corporate groups in the food and beverage and consumer goods industries. The market segments labels and folding boxes are primarily characterized by medium-sized enterprises. There is strong competition among market participants with the risk of falling market prices. There is also high pressure to invest in new, more efficient machines. WDK has a relatively small customer base, so that the loss of one major customer would immediately have a sustained effect on revenues and earnings. The continuing concentration process among WDK's customers increases the pressure on the profit margin. Owing to the limited number of paper and box suppliers, there is a certain dependency on the procurement market. Price increases in this area can generally only be passed on to customers with a delay. Following the conclusion of WDK's investment program, the risks arising from higher payment obligations for leases will increase starting in 2008.

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

Oxiris is a manufacturer of antioxidants with its own production plants in Spain and England. The location in Spain specializes in the production of antioxidants that go directly into customers' products. Antioxidants are utilized to protect products from negative influences such as oxidation, brittleness, gumming, and changes in color or scent. Increasing competition from Asia in the chemicals industry has resulted in price and margin deterioration. Oxiris is responding to this development with consistent cost management and measures to optimize purchasing. There is the risk of further price increases for raw materials, above all for crude oil derivatives. At the same time, Oxiris is burdened by the current euro/U.S. dollar exchange rate.

Oxiris sees entrepreneurial opportunities in the area of biodiesel production, where the significance and utilization potential of antioxidants is growing. The chemical company will also participate in the growing need, especially in the United States, for the antioxidant butylated hydroxytoluene (BHT). Through planned, small investments in its plants, Oxiris will be able to increase both production capacity and efficiency.

The ARQUES Group has owned the Austrian fashion chain store **Schöps** since May 2007. As with every other trading firm in the retail fashion industry, Schöps is also subject to a basic uncertainty regarding further economic development and customer acceptance of new collections subject to fashion trends; thus, it is subject to intrinsic purchasing and inventory risks. Through concentration on modern, inexpensive, feminine product lines for fashion-conscious women between 25 and 55 and the exploitation of interesting niche markets, such as fashionable plus sizes and mothers (children's fashion), the company will occupy a clearer market position in the Austrian fashion landscape than was previously the case and attract a comparably loyal customer group. Additionally, the fashionably upgraded, high-quality collections offered at higher average price levels in a modern, emotionally pleasant store ambience should attract a new category of customers. This is supported by extensive marketing and PR measures. The product reorientation associated with the desired fundamental image change is subject to the initial risk that former regular customers will stay away before new customers are attracted, as well as to collections which are not yet accurately directed at the new customers as a result of insufficient data. According to experience, the necessary reorientation process in the product range will take about four seasons (i.e., two years), while a permanent image change will take around 3 - 5 years.

The investment resources required for the renovation and redesign of the outlets and store furnishings is subject to the general return-on-investment risk. There is a special dependency on management personnel in the areas of fashion, retail, and purchasing which is typical for the industry, as well as on the business success of the individual outlet managers. Schöps is also generally dependent on the ability of its suppliers to deliver. Delivery delays could negatively impact sales development and weaken the market position.

van Netten is a confectionary manufacturer based in Dortmund that supplies large business chains and discounters with private labels and trademarks. There are a few major customers with the associated dependencies. The loss of a major customer would have a sustained negative influence on van Netten's business development. The downward pressure on prices is high owing to strong competition. Furthermore, there is cost pressure as a result of the rising costs of energy, logistics, and raw materials. There is a certain dependency on employees with know-how in product development and sales. van Netten has a broad supplier base at its disposal, so there is hardly any dependency on individual suppliers.

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

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

The company has a customer base in more than 15 countries. Thus, its dependency on the demand and price situation of regional markets is limited. However, price cycles of the steel industry and especially the fluctuations of the automotive industry have an effect on payment practices, as well as on potential sales volumes in the long term. The payment default risk is low owing to the customer structure, since the majority of the customer base and sales volume is comprised of established companies in the respective industries. Capresa is responding to increasing global competition from low wage countries in particular with the product lines of its subsidiary Capremex in Mexico, as well as through higher demands on quality. Additionally, Capresa's customers appreciate that it is an independent company and not a subsidiary of a large steel manufacturer.

A greater dependency exists on suppliers, since market consolidation is increasing. There is the risk of further price increases for raw materials which cannot be completely passed on to customers, in particular when competitors can further increase their quality - especially considering that some suppliers are simultaneously competitors. The resulting potentially declining margin is therefore a risk, since there are only limited alternative procurement opportunities. In a few cases, suppliers are also customers. Unforeseeable geopolitical developments could also affect procurement prices.

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

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

Actebis offers more than 85,000 products from about 400 manufacturers and is equally well-positioned in breadth and depth to handle all ITC business. The Actebis Group receives a significant portion of products from a relatively small number of main suppliers, whose loss could significantly impact operations. However, there are long-term contractual relationships with these suppliers, so that the risk that one of these important business relationships would be terminated can be regarded as low. If Actebis would not be able to comply with precisely defined delivery schedules, this could lead to fines in individual cases. There is no guarantee that the current customer structure of the Actebis Group will not change considerably in the future or that the dependency on individual customers will not increase. The loss of one or more important customers could result in declining sales revenues and impact the Actebis Group's net assets, financial position and results of operations.

Whereas the prices for software and IT services are still largely stabile, the manufacturers of IT hardware have been in intense price competition for years. Despite increasing sales volumes, sales revenues from computer hardware and office technology in 2008 will foreseeably stagnate in 2008 as a result of the tendency of falling prices. A similar situation can also be observed in digital consumer electronics. Nevertheless, the sales volume growth of flat screen TVs in this segment, for example, will offset the falling prices. Actebis can partially insulate itself from these developments. In a consolidating market, Actebis is capable of increasing market share through crowding out competitors because it is a cost leader in many core processes of distribution. The strategic development of the producer portfolio and the associated development of buying customers offer the group further opportunities for growth.

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

Actebis Group will depend on its ability to attract and retain highly qualified employees.

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

A decisive opportunity for the Actebis Group is the planned IPO in 2008. This will make it possible to continue with the adopted consolidation strategy in the European distribution market. The Actebis Group will also promote consolidation in the European ITC distribution segment in the future through targeted acquisitions. One of the first distributors to unite the concepts of telecommunications and information technology under one roof was created by the acquisition of the telecommunications wholesaler NT Plus. Thus, as a corporate group, Actebis will have an opportunity to shape the European market for convergence solutions - the merging of IT and telecommunications. Systems and applications for data processing merge with networks that transmit speech, pictures, and data. If the Actebis Group's planned IPO is delayed, it will consequently remain in the ARQUES portfolio longer than planned.

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

The **ANVIS Group** (formerly Woco Michelin AVS), acquired in September 2007, is a primary developer and manufacturer of innovative functional solutions for motion stability, comfort, and safety, and primarily supplies the automotive industry. The company has its own locations and branches close to the automobile industry in Europe, Asia, and South Africa (joint venture). Accordingly, the company is subject to the general economic risks of the automotive industry. ANVIS has a relatively high dependency on the Volkswagen Group (approximately 30%, including secondary suppliers), as well as on Renault/Nissan and PSA (10% each), so that the loss of one major customer would negatively impact the development of revenues and earnings. The supplier structure is generally stabile; however, in the area of aluminum die casting, there is increasing downward pricing pressure owing to the scarcity of suppliers. The costs for raw materials and materials used in the production of anti-vibration systems are increasing for the entire industry. Any further increase in the price of raw materials and materials could only be partially passed on to the customers. In order to offset these increasing expenses, the ANVIS Group has introduced measures to increase productivity, optimize processes, and reduce labor costs, and has already partially implemented them. The location in Mexico is subject to the risk of the fluctuating euro/U.S. dollar exchange rate. There is a dependency on managerial employees in the areas of development, purchasing, and sales which is typical for the industry. The prevailing lack of skilled workers, above all in Germany, could slow the ANVIS Group's planned growth. The spin-off of the former joint venture from the corporate structure of the former owner into its own corporate structure, which must be newly formed, entails numerous risks. ANVIS must install instruments to prepare and control liquidity, enable the certification of processes, develop a dedicated IT structure, and establish a central corporate administration with the corresponding controlling bodies. If these processes should fail, it would have a negative impact on the operational development of the ANVIS Group.

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

The **Rohé Group**, which has belonged to the ARQUES Group since the third quarter, is an independent, internationally operating company based in Vienna. Rohé specializes in the construction, installation, and maintenance of hydraulic, electric, and electronic systems at gas stations and car washes. Rohé generates around half of its revenues in Western Europe, and the rest in Eastern Europe. The markets in Western Europe are generally characterized by predatory competition with the associated intense price pressure and profit margin shrinkage. In the growth markets of Eastern Europe, Rohé has taken up a leading position. Rohé generates more than two-thirds of its revenues from two major customers, with whom there are long-term contracts. The loss of a major customer would have a lasting negative impact on the Rohé Group's operational development. The group has a broad supplier base. The acquisition of raw materials and materials has also proven to be trouble-free.

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

There are entrepreneurial opportunities for the Rohé Group above all in the Eastern European growth markets. As an independent service provider for the gas station and car wash segment, Rohé can increase its market share thanks to its innovative products and high product quality. The company will also attract new customer groups through increased international sales activities and the expansion of operations and thus further improve the development of revenues and earnings.

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

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

The company will also expand its research and development activity to areas of application outside of the automotive industry, by means of which new customer groups can be attracted. Overall, Eurostyle expects to profit from the prevailing consolidation process in the automotive supplier sector.

SM Electronic offers satellite and antenna receivers (digital TV) under the brand name “Skymaster”, as well as electronic accessories, among other things, for the areas of audio, video, home cinema, car HiFi, navigation, and multimedia. The company, based in Stapelfeld near Hamburg, has a relatively broad customer base and supplies large specialty markets, warehouses, and trade chains in Germany and other European countries. The company has long-term contracts with its major customers. The German consumer electronics market is characterized by a high number of participants and strong downward pricing pressure. The majority of suppliers of SM Electronic come from the Far East and there are isolated quality issues with the delivered electronic products. There is a relatively high rate of return of products. Regarding purchasing, operations are subject to changes in the value of the U.S. dollar.

There is the dependency on managerial employees in the areas of purchasing and sales, which is typical for the industry. Since the former owners openly considered closing the company, there is a high fluctuation of employees. In addition, there is a predominantly high fluctuation of incoming orders.

SM Electronic sees great entrepreneurial opportunities in the optimization of the product range and reorientation of its foreign operations. It will be able to considerably improve its cost structure through the optimization of internal processes, the modernization of IT, and centralization of services.

Industry risks of ARQUES Industries AG

In its function as a holding company for the restructuring of subsidiaries, ARQUES Industries AG is also exposed to industry-specific risks. It is quite conceivable, for example, that the emergence of new competitors would lead to increased demand, driving up the cost of purchasing companies. However, this risk is to be considered low on account of the breadth of the buying market as a result of the crisis situation in many industries.

Financing risks

ARQUES Industries AG continually optimizes its Group financing and limits its financing risks in order to preserve the Group's financial independence. The need for financing fundamentally exposes the Group to the risk that the agreed terms of financing would be changed by the financing partner to the detriment of ARQUES Industries AG and the Group would have to accept these changes as a result of liquidity constraints. The financing risks are covered by the risk management system.

Interest rate, currency and liquidity risks

Within the ARQUES Group, income is generated in foreign currencies. The associated foreign currency risks are generally hedged by means of currency-matched financing of the international activities in question. Changes in capital market interest rates could lead to changes in the market value of fixed-income securities and uncertificated receivables and in the plan assets used to fund the pension obligations. Thus, ARQUES holds only liquid securities with short to medium-term maturities, as a rule. In individual cases, the Group conducts customary banking transactions to hedge its interest rate risks.

The interest rate, currency and liquidty risks are usually managed by the individual subsidiaries on location, after consultation with the Corporate Finance Department. When needed, derivative financial instruments are used within the Group, to hedge operating transactions. Thus, the Group does not engage in purely speculative transactions. The Group's liquidity is managed centrally by ARQUES Industries AG. For more information on this subject, please refer to our extensive comments about IFRS 7 in the notes to the consolidated financial statements. ARQUES Industries AG itself did not employ any financial instruments, either in the past fiscal year or in the preceding fiscal year.

Liquidity of the subsidiaries

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

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

These liquidity risks are managed and the liquidity planning and financing structure are usually reviewed by the subsidiaries on location, after consultation with the Corporate Finance Department.

Tax risks

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

Risk management

In the ARQUES Group, risk management is performed as part of groupwide controlling. Weekly reports on the current status of the subsidiaries are presented to the Executive Board. In connection with the monthly financial reports, an actual vs. budget comparison is carried out, and if necessary the budget and current forecast are adjusted accordingly. Providing timely information to the Executive Board and the subsidiary manager makes it possible to formulate and implement necessary actions on short notice.

The risk management system also includes regular site visits by members of the Executive Board to all subsidiaries in order to obtain information on the latest developments. Subsidiaries with international operations hold several management-level meetings each year. Increasing the size of the ARQUES Task Force also makes it possible to intervene quickly and forcefully should a subsidiary get into financial difficulty. The ARQUES business model, under which the local subsidiary manager holds an equity interest in the company that is being restructured, ensures that the subsidiary's interests are aligned with ARQUES' interests, thus helping to minimize risks.

The Cognos software program has been implemented as a groupwide controlling instrument. This program gives the management direct access to processed data on the individual subsidiaries and sub-groups. It also enables the local managers to conduct consolidations within their sub-groups and thus to keep a closer eye on the financial position and results of operations of their companies.

An experienced internal auditor monitors the ongoing implementation and operation of the computer-guided, systematic risk management system known as "Arq-Risk," besides performing internal auditing duties.

Other significant events in fiscal year 2007

At its meeting of March 29, 2007, the Supervisory Board of ARQUES Industries AG resolved to expand the Executive Board by adding a new Exits division and appointed Mr. Felix Frohn-Bernau to head this division on the Executive Board with effect from April 1, 2007.

Effective May 1, 2007, Dr. Martin Vorderwülbecke, who had been the Vice Chairman of the Executive Board until that time, took over Chairman post from Dr. Peter Löw. After five years, Dr. Löw chose not to renew his expiring employment contract.

In October 2007, Mr. Markus Zöllner, who had been the Executive Board member in charge of Operations within the ARQUES Group since January 2005, announced his intention to not renew his employment contract, which was to expire at the end of fiscal year 2007. At the same time, Mr. Bernd Schell, who had been working in the subsidiaries management area of the ARQUES Group since the beginning of 2004, was appointed by the Supervisory Board to succeed Mr. Markus Zöllner as the Executive Board member in charge of Operations, with effect from January 1, 2008.

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

Governing bodies of the company

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

Compensation of the Executive Board

The responsibilities and contributions of the respective Executive Board member are taken into account in setting the compensation. The compensation granted in fiscal year 2007 consisted of a fixed annual salary and success-dependent components. The variable components consist of bonus agreements for the Executive Board members Mr. Markus Zöllner, Dr. Michael Schumann and Mr. Felix Frohn-Bernau, which are tied to the capital appreciation of a virtual share portfolio (and thus dependent on the company's success) and to the fulfillment of certain goals established for each Executive Board division (and thus dependent on the success of that division).

In 2006, the Supervisory Board had offered a success-dependent variable compensation also to the Executive Board members Dr. Dr. Peter Löw and Dr. Martin Vorderwülbecke. However, the Executive Board members Dr. Dr. Löw and Dr. Vorderwülbecke expressly and voluntarily opted not to enter into such a stock option agreement. Dr. Vorderwülbecke received a payment of EUR 500,000 when taking over the post of Executive Board Chairman. In the compensation breakdown (see below), this bonus was classified as a "success-dependent" compensation component.

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

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

The basis for calculating the variable compensation with respect to the "virtual share portfolio" for Markus Zöllner, Dr. Michael Schumann and Felix Frohn-Bernau is a specific number of shares in ARQUES Industries AG ("virtual stock portfolio") valuated at a specific share price ("initial value"). The amount of variable compensation is calculated in each case from the possible appreciation of the virtual share portfolio over a specific period – that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual stock portfolio valuated at the rate on the valuation date and its initial value ("capital appreciation") yields the amount of variable compensation. The general policy is to pay out the capital appreciation in shares converted at the rate on the valuation date, but the company – represented by the Supervisory Board – reserves the right to instead pay out the capital appreciation in cash. If shares are granted, a contractually stipulated portion of those shares will be subject to a 12-month holding period.

The virtual share portfolio for Mr. Zöllner comprised 125,000 shares. The valuation date for 70,000 of those shares was January 31, 2007 and the valuation date for the other 55,000 shares was September 30, 2007. The grant dates were May 30, 2006 and November 23, 2006.

The share portfolio for Mr. Zöllner was valued at EUR 1,146,358.62 on the valuation date in September 2007 and at EUR 557,900.00 on the valuation date in January 2007.

The virtual share portfolio for Dr. Schumann comprises 125,000 shares. The valuation dates for all shares are January 31, 2008 and June 30, 2009 (the initial value used to calculate the capital appreciation at June 30, 2009 being the value of the virtual share portfolio at the share price of January 31, 2008). The grant date was October 12, 2006.

With regard to the first tranche of 125,000 shares due on January 31, 2008 (with an earned proportion of 94% according to IFRS), the fair value of the virtual share portfolio for Dr. Schumann was EUR 1,678,125 at the balance sheet date. With respect to the second tranche of 125,000 shares due June 30, 2009 (with an earned proportion of 45% according to IFRS), it was EUR 256,250.

The virtual share portfolio for Mr. Frohn-Bernau comprises 125,000 shares. The valuation date for all shares is March 31, 2009. At the grant date of May 15, 2007, the fair value of the virtual share portfolio for Mr. Frohn-Bernau was EUR 910,000. At the balance sheet date, the fair value of the virtual share portfolio for Mr. Frohn-Bernau (with an earned proportion of 35% according to IFRS) was EUR 374,782.61.

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

Mr. Zöllner received a bonus for the sale of operating subsidiaries ("share deals") or for the sale of significant assets by the subsidiaries ("asset deals"). The amount of this bonus was determined on the basis of the collected sale proceeds. The due date and payment of the bonus were determined with reference to the actual receipt of the sale proceeds.

Dr. Schumann received a bonus for calendar year 2007 on the basis of the cumulative annual revenues of the acquired subsidiaries. Only those acquisitions of companies with annual revenues in excess of EUR 10 million were eligible for the bonus. As a result of Dr. Schumann's appointment as the Chairman of the company's Executive Board effective February 1, 2008, the previous employment contract was annulled, along with the bonus scheme described above. The new employment contract features a bonus scheme according to which the bonus is measured on the basis of the fiscal year net profit stated in the consolidated financial statements.

Mr. Frohn-Bernau receives a bonus for the sale of operating subsidiaries of the ARQUES Group or significant assets of the subsidiaries ("asset deals"). The amount of this bonus is determined on the basis of the "net return" of the subsidiary sold. The net return is equal to the actually received cash sale price for the share of the subsidiary sold by ARQUES, regardless of whether such payment was received in exchange for equity shares, loan receivables or other significant assets (asset deal), less the payments made by the ARQUES Group for liquidity support purposes, repayment of which was not requested prior to the conclusion of the sale (e.g., purchase price, capital injections).

The following compensation was set for the individual Executive Board members in fiscal year 2007:

FIGURES IN EUR FISCAL YEAR 2007		CASH COMPENSATION	CASH VALUE OF VEHICLE CONTRIBUTION	VIRTUAL STOCK PORTFOLIO	BONUS	TOTAL
Dr. Dr. Peter Löw	Expense, including provisions (IFRS)	80,000	1,680	0	0	81,680
(until 04/30/2007)	Expense, incl. provisions (German Commercial Code)	80,000	1,680	0	0	81,680
	Cash compensation	80,000	1,680	0	0	81,680
Dr. Martin	Expense, including provisions (IFRS)	320,000	8,202	0	500,000	828,202
Vorderwülbecke	Expense, incl. provisions (German Commercial Code)	320,000	8,202	0	500,000	828,202
(until 01/31/2008)	Cash compensation	320,000	8,202	0	500,000	828,202
Markus Zöllner	Expense, including provisions (IFRS)	240,000	0	1,407,301	587,788	2,235,089
(until 12/31/2007)	Expense, incl. provisions (German Commercial Code)	240,000	0	1,299,254	587,788	2,127,042
	Cash compensation	240,000	0	1,704,259	587,788	2,532,047
Dr. Michael	Expense, including provisions (IFRS)	158,400	6,487	1,857,266	1,374,994	3,397,147
Schumann	Expense, incl. provisions (German Commercial Code)	158,400	6,487	1,371,136	1,374,994	2,911,017
	Cash compensation	158,400	6,487	0	584,088	748,975
Felix Frohn-Bernau	Expense, including provisions (IFRS)	118,800	5,854	563,256	315,031	1,002,941
(since 04/01/2007)	Expense, incl. provisions (German Commercial Code)	118,800	5,854	510,287	315,031	949,972
	Cash compensation	118,800	5,854	215,000	315,031	654,685
TOTAL	**Expense, including provisions (IFRS)**	**917,200**	**22,223**	**3,827,823**	**2,777,813**	**7,545,059**
	Expense, incl. provisions (German Commercial Code)	**917,200**	**22,223**	**3,180,677**	**2,777,813**	**6,897,913**
	Cash compensation	**917,200**	**22,223**	**1,919,259**	**1,986,907**	**4,845,589**

The Executive Board Compensation table shows the compensation expenses and the actual cash payments made to the Executive Board members. The latter figures were determined with reference to the bonus disbursed in fiscal year 2007, and not the bonus for which a provision was established, and to the payments under the stock options, and not the value of the stock options at the balance sheet date.

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

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

Members of the Executive Board – Dr. Dr. Peter Löw (member/Chairman of the Executive Board until April 30, 2007), Dr. Martin Vorderwülbecke, Markus Zöllner, and Felix Frohn-Bernau – have each acquired minority interests in ARQUES Objekt1 AG, a domestic company in which ARQUES indirectly holds a majority interest, amounting to 2% of the capital stock at par value for a purchase price of EUR 2 thousand.

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

Compensation of the Supervisory Board

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

The corresponding compensation of the members of the Supervisory Board of ARQUES Industries AG in fiscal year 2007 is presented in the table below:

EUR	PAID OUT	PROVISION	TOTAL EXPENSES
Dr. Georg Obermeier (Chairman since 06/21/2007)	6,666.69	12,000.00	**18,666.69**
Bernhard Riedel	14,792.66	-	**14,792.66**
Dr. Rudolf Falter	6,666.69	8,000.00	**14,666.69**
Dr. Gerd Fischer	6,666.69	8,000.00	**14,666.69**
Prof. Dr. Michael Judis (Chairman until 06/21/2007)	10,840.00	8,000.00	**18,840.00**
Franz Graf von Meran (since 06/21/2007)	-	8,000.00	**8,000.00**
Matthias Spindler (until 06/21/2007)	6,666.67	-	**6,666.67**
TOTAL	**52,299.40**	**44,000.00**	**96,299.40**

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

Shareholdings of Executive Board and Supervisory Board members

At the balance sheet date, the shareholdings of the members of the ARQUES Executive Board represented approximately 0.86% of the shares outstanding. Of this total percentage, Dr. Martin Vorderwülbecke held shares representing approximately 0.34% and Mr. Markus Zöllner shares representing approximately 0.52% of the shares outstanding.

At the balance sheet date, the Supervisory Board members Dr. Gerhard Fischer and Dr. Rudolf Falter held shares representing approximately 0.015% and 0.002% of the shares outstanding, respectively.

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

EXECUTIVE BOARD	NUMBER OF SHARES 12/31/2007	NUMBER OF SHARES AT BALANCE SHEET DATE	NUMBER OF OPTIONS 12/31/2007	NUMBER OF OPTIONS AT BALANCE SHEET DATE
Dr. Martin Vorderwülbecke (CEO, until 01/31/2008)	90,000	n/a	-	n/a
Markus Zöllner (COO, until 12/31/2008)	136,880	n/a	-	n/a
Dr. Michael Schumann Executive Board Member, (CEO since 02/01/2008)	-	-	-	-
Felix Frohn-Bernau (Executive Board Member, Exit)	-	3,000	-	-
Bernd Schell (COO, since 01/01/2008)	550	550	-	-
SUPERVISORY BOARD				
Dr. Georg Obermeier (Chairman since 06/21/2007)	-	-	-	-
Bernhard Riedel (Deputy Chairman)	-	-	-	-
Prof. Dr. Michael Judis (Chairman until 06/21/2007)	-	5,000	-	-
Dr. Gerhard Fischer	4,000	-	-	-
Dr. Rudolf Falter	500	500	-	-
Franz Graf von Meran (since 06/21/2007)	-	1,500	-	-

Disclosures regarding stock option rights and similar incentive systems

The board members do not currently hold options on the ARQUES share.

Please refer to the comments in the Compensation Report for more information on the virtual share portfolios of the Executive Board members Mr. Zöllner, Dr. Schumann and Mr. Frohn-Bernau.

Events after the balance sheet date

A further change occurred in the composition of the Executive Board of ARQUES Industries AG at the beginning of fiscal year 2008. On January 17, 2008, Dr. Martin Vorderwülbecke asked the Supervisory Board to terminate his Executive Board employment contract by mutual agreement, effective January 31, 2008. The Supervisory Board then appointed Dr. Michael Schumann as the Chairman of the Executive Board of ARQUES Industries AG effective February 1, 2008.

As of February 1, 2008, therefore, the Executive Board of ARQUES Industries was composed of Dr. Michael Schumann (Chairman and board member in charge of Acquisitions), Mr. Bernd Schell (board member in charge of Operations) and Mr. Felix Frohn-Bernau (board member in charge of Exits).

It was decided at the beginning of 2008 to close the English site in Knottingley. On February 29, 2008, Oxiris announced the commencement of the 30-day period, during which a solution will be sought in co-operation with the employees of the site, as is customary under English labor law.

On February 22, 2008, ARQUES sold the operating business of the building supplies vendor Missel at a profit to the globally active KOLEKTOR Group from Slovenia under the terms of an asset deal. A detailed description of this sale can be found in Note 26 (Non-current assets and liabilities held for sale).

With effect at March 14, 2008, ARQUES acquired the remaining 49% of the equity in Richard Schöps & Co. AG. In this connection, the seller, Fashion Holding GmbH, Vienna, was released from its obligations towards Schöps. Under the terms of the transaction, moreover, shareholder loans were converted into additional paid-in capital and the company's equity base was strengthened by means of a capital contribution to the additional paid-in capital reserve.

On March 23, 2008, ARQUES reached an agreement with the Ludwigshafen-based Raschig Group regarding the sale of the Spanish chemicals company Oxiris Chemicals S.A. The transaction, which is still subject to the approval of the competent cartel authorities, is to be completed in the second quarter of 2008.

Forecast Report (Outlook)

Credit crisis to weigh on the global economy in 2008 and 2009

At the start of 2008, the forecasts for the development of the global economy in 2008 and 2009 were fraught with considerable uncertainties. These forecasts were based on the hard-to-predict effects of the U.S. housing crisis on the national economies and corporations around the world. Experts are predicting an array of different scenarios, ranging from recession in the United States, with serious delayed effects for the global economy, to more optimistic forecasts, based on the assumption that the global economy is strong enough to withstand these risks. For the most part, the most important economic research institutions are predicting robust growth for the world economy in 2008 and 2009. But by the start of 2008, the experts had reduced their forecasts considerably. In its World Economic Update published at the end of January 2008, the International Monetary Fund (IMF) predicted global economic growth of only 4.1%, as compared with a more optimistic projection in the October report, which was 30 basis points higher. This adjustment reflects the dampening effects of the housing crisis on the U.S. economy in particular, which is expected to slow down considerably in 2008. Thus, the forecasts for U.S. GDP growth have been scaled back from 1.9% to only 1.5%. At the end of 2007, the experts had likewise significantly reduced their forecasts for economic growth in the euro zone in 2008, from 2.1% to 1.6%. Germany's economic output is expected to expand at about that rate, while Japan's economy is expected to expand by 1.5%. Even the emerging economies are expected to suffer from the consequences of the crisis in the financial markets, albeit to a limited extent. Nonetheless, these economies are expected to be the guarantors of solid global economic growth in 2008 as well. According to the projections of the Organization for Economic Cooperation and Development (OECD), China's gross domestic product is expected to expand at a rate of 10.7% and India's economy at a rate of 8.6%. The IMF economists are predicting a 4.6% increase in the economic output of countries in the region of Central and Eastern Europe, with Russia likely experiencing a higher-than-average growth rate.

With regard to 2009, the economic experts are still extremely cautious with their projections. The Organization for Economic Cooperation and Development OECD anticipates continued economic growth in 2009 as the effects of the financial markets crisis begin to wane somewhat. The OECD is predicting economic growth of 2.2% in the United States and more than 2.0% in the euro zone. According to the OECD, Germany's GDP is expected to expand at a rate of 1.6% and Japan's GDP at a rate of 1.8%. As for the emerging markets, the dynamic growth trend observed in recent years is expected to continue. The OECD experts are predicting economic growth rates of 10.1% in China and 8.4% in India.

Industry outlook

Equity investment market to be crimped by credit crisis

Industry experts predict that the Mergers & Acquisitions (M&A) market will experience a significant slowdown in 2008, mainly as a result of the uncertainties regarding the eventual effects of the credit crisis. At any rate, banks can be expected cut back drastically their lending to financial investors. As a result, not only the number of M&A deals, but also the average size of transactions will likely be much smaller. The deals that will be arranged will likely be small to medium-sized transactions in terms of their volumes. According to preliminary rough estimates, the total volume of M&A transactions will be about 20% less than the previous year. Within this general category, private equity-driven transactions will likely experience the greatest fall-off. As a result, strategic investors can be expected to represent the bulk of counterparties on the buyers' side. According to experts, the weak U.S. dollar will probably stimulate demand among European investors for transactions in the U.S. market. As for the industry outlook in 2009, no reliable forecasts have yet been made.

Outlook for ARQUES Industries AG

As a management holding company, ARQUES Industries AG generates income primarily from consulting services. In past years, this income has been substantially less than the company's personnel expenses, and the same can be expected also for 2008 and 2009. The company's future earnings performance will depend in large part on the profits realized on the sale of subsidiaries, on the repayment of loans purchased for less than face value and increasiggly also on the dividend policies of the subsidiaries, which can be influenced by ARQUES within the limits of the legal possibilities. The ability to realize profits on the sale of subsidiaries will also depend on the various macroeconomic and microeconomic developments, over which the company can exert only limited nifluence. Based on the foregoing, the Executive Board is confident of being able to generate fiscal year net profits in 2008 and 2009 that are at least on the level of the net profit reported for 2007.

Outlook for the ARQUES Group

The further positive development of the ARQUES Group will depend on the earnings peformance of the subsidiaries, on the proceeds from the sale of successfully restructured subsidiaries and from the income that ARQUES can generate on the acquisition of companies (bargain purchases).

As can be expected from the ARQUES business model, the newly acquired companies usually generate substantially negative earnings in the first year of their consolidation within the ARQUES Group. The fact that the companies acquired before 2007 are generating positive earnings as a group attests to the restructuring expertise of ARQUES Industries AG. Thus, we anticipate that the companies included in the existing portfolio of subsidiaries (base portfolio) will continue to exhibit EBIT and EBITDA improvements in 2008. Based on the current planning, these companies can be expected to generate even higher earnings in 2009.

Based on our positive assessments of the progress of restructuring measures and the already achieved profitability of the companies in our investment porftolio, we believe that we will be able to sell additional subsidiaries even amidst a problematic market environment because the buyers are usually strategic investors. Therefore, successful company sales will play an increasingly important role in the earnings performance of ARQUES Industries AG. In view of the two company sales that have already been effected in fiscal year 2008, among other factors, ARQUES is confident of being able to bring about additional exits in 2008 and 2009 and thereby generate significant profit contributions.

Furthermore, ARQUES believes that it will be able to generate significant gains on its acquisitions in the future, including the related income from the reversal of negative goodwill. Because the company's business model is geared to the acquisition of companies in crisis situations, at purchase prices that are less than the value of net assets acquired in such transactions, these acquisition gains are an integral element of the business model. The exact amount of income to be recognized in every case is usually not revealed until the purchase price allocation and therefore cannot be predicted with certainty prior to the acquisition. With regard to the company's future acquisitions, we will be focusing on companies with annual revenues of more than EUR 30 million. At the same time, we will intensify our contacts with large European corporations, in order to strengthen our position as a partner to these large corporations as they seek to spin off their subsidiaries or business activities. Because the acquisition pipeline is well filled, we anticipate active acquisitions in the current fiscal year and next year as well.

Furthermore, we intend to continue the expansion of our European offices in Austria, Spain and Switzerland. By means of this internationalization strategy, ARQUES intends to boost its familiarity especially in the neighboring countries of Europe, which will yield positive benefits with regard to the acquisition and sale of portfolio companies. Please refer to the preceding sections for more information about the development of individual subsidiaries.

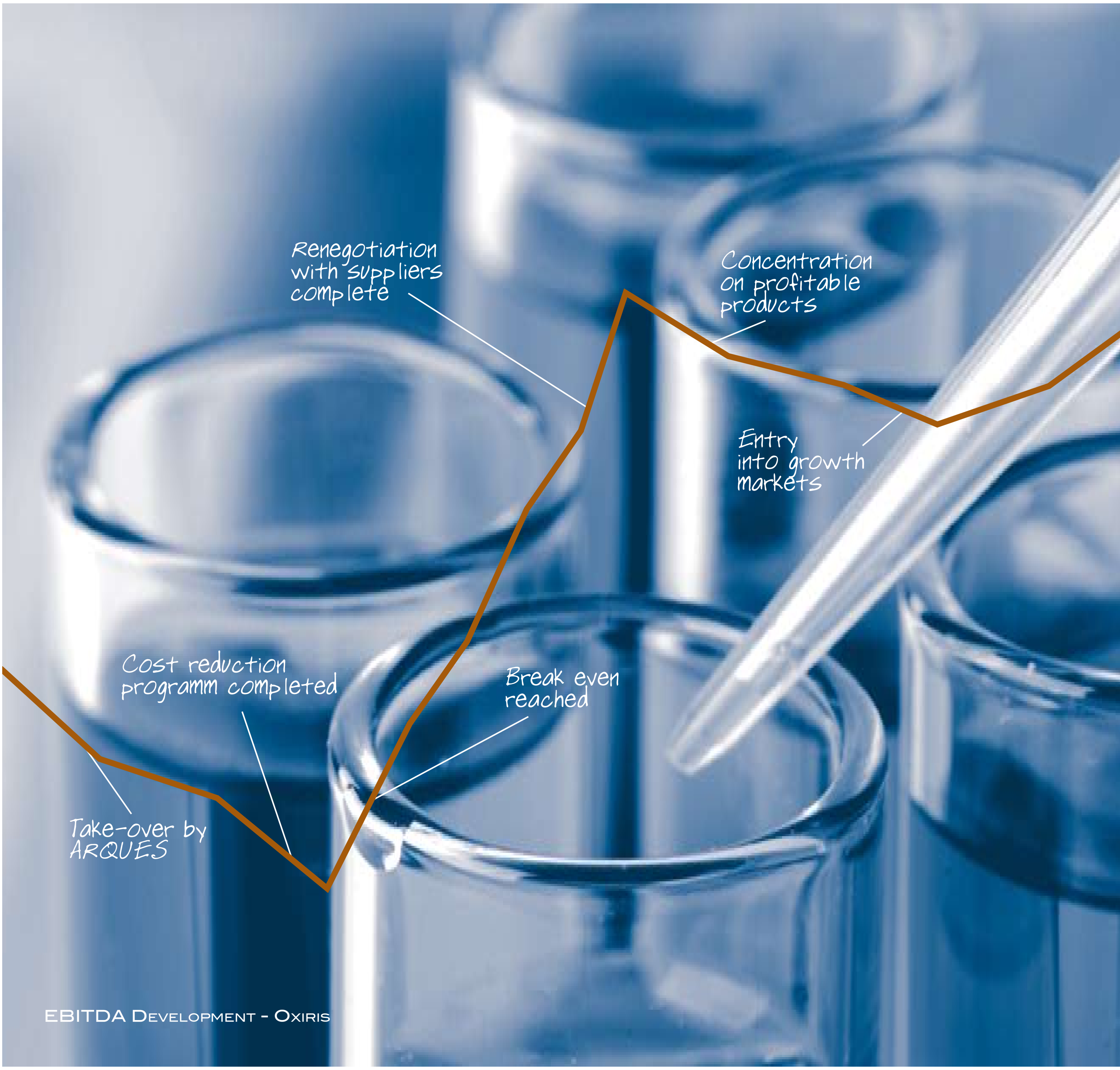
Strong balance sheet takes precedence

As a basic rule, ARQUES strives to generate significant free cash flows in order to advance the company's futher expansion. The additional free cash flows so generated would then be applied to further improve the balance sheet structure. The management believes that the company's balance sheet at the end of 2007 is sufficiently strong to finance from its won resources the transactions that are currently being planned and those to be effected in the near future. The dividend policy to be practiced in the future will also depend very much on the company's success with acquisitions and exits and on the possible restructuring expenses in the area of operations. As a basic rule, ARQUES strives to distribute an apporpriate dividend to all its shareholders, so that they can participate in the company's success. On the other hand, if the company would be faced with an opportunity to engage in more extensive acquisitions, it may be more advisable to apply the available funds to finance such transactions.

The future development of cash flows and the balance sheet structure will depend primarily on the acquisitions and exits to be effected in the future. Consequently, it is very difficult to set exact, reliable targets.

The Executive Board of ARQUES Industries AG

Dr. Michael Schumann | Felix Frohn-Bernau | Bernd Schell



EBITDA Development - Oxiris

2007

"Our speed and unwavering commitment are the keys to our success. We not only develop solutions, but also implement them immediately. Because every one of us thinks like an entrepreneur, we take an interest in every detail of the day-to-day business.

At Oxiris, we had to act especially fast. If we had not immediately established a strict cost management system covering all expenditures, from office supplies to natural gas consumption, the company would have lost money every day of the week at first."

Leonhard Řezníček
Vice President
Operations

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for January 1 to December 31, 2007

EUR'000	NOTE	2007 CONTINUING OPERATIONS
Revenues	1	1,979,333
Change in inventories of finished and unfinished goods		6,486
Other internal production capitalized	2	3,576
Other operating income	3	261,148
Purchased goods and services	4	-1,600,804
Personnel expenses	5	-250,426
Other operating expenses	6	-251,694
EBITDA[1]		**147,619**
Depreciation and amortization		-44,179
Impairment losses	7	-16,433
EBIT[2]		**87,007**
Income/expenses of non-current financial assets accounted for by the equity method	8	-10,904
Other interest and similar income	9	3,707
Interest and similar expenses	9	-15,571
Financial result		**-22,768**
Income from ordinary activities		**64,239**
Income taxes	10	-4,241
Consolidated profit for the year	42	**59,998**
Minority interests	11	-2,263
Shareholders of ARQUES Industries AG		**62,261**
Earnings per share[3]	12	
- Basic earnings per share in EUR		2.43
- Diluted earnings per share in EUR		2.41

1 EBITDA: Earnings from ordinary activities before interest, taxes, depreciation, amortization and impairment losses. EBITDA is an earnings indicator that has not been definitively defined according to International Accounting Standards.

2 Earnings from ordinary activities before interest and taxes. EBIT is an earnings indicator that has not been definitively defined according to International Accounting Standards.

3 EPS figures include the effects of the capital increase in 2007 and the stock split in 2006.

DISCONTINUED OPERATIONS	TOTAL	2006 CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
122,964	2,102,297	423,531	344,672	768,203
3,603	10,089	-60	-1,376	-1,436
0	3,576	2,118	899	3,017
47,512	308,660	158,638	11,303	169,941
-97,109	-1,697,913	-278,819	-243,451	-522,270
-8,661	-259,087	-108,669	-59,730	-168,399
-13,278	-264,972	-76,232	-46,583	-122,815
55,031	**202,650**	**120,507**	**5,734**	**126,241**
-1,499	-45,678	-14,388	-10,960	-25,348
0	-16,433	-690	0	-690
53,532	**140,539**	**105,429**	**-5,226**	**100,203**
233	-10,671	0	716	716
548	4,255	709	434	1,143
-471	-16,042	-1,132	-3,285	-4,417
310	**-22,458**	**-423**	**-2,135**	**-2,558**
53,842	**118,081**	**105,006**	**-7,361**	**97,645**
885	-3,356	13,079	-148	12,931
54,727	**114,725**	**118,085**	**-7,509**	**110,576**
2,438	175	1,970	-3,945	-1,975
52,289	**114,550**	**116,115**	**-3,564**	**112,551**
2.03	4.46	4.78	-0.14	4.64
2.02	4.43	4.75	-0.15	4.60

Consolidated Balance Sheet at December 31, 2007

Assets

EUR`000	NOTE	12/31/2007	12/31/2006
Non-current assets			
Intangible assets	14	154,764	18,171
Property, plant and equipment	15	362,379	152,541
Investment property	16	250	2,119
Non-current financial assets accounted for by the equity method	17	4,564	17,762
Financial assets	18	3,784	9,751
Other non-current assets	19	219	88
Deferred tax assets	33	34,496	26,718
Total non-current assets		**560,456**	**227,150**
Current assets			
Inventories	20	437,780	114,095
Receivables from percentage of completion	21	15,040	16,641
Trade receivables	22	428,390	138,783
Available-for-sale financial assets	23	1,418	65
Other assets	24	228,923	55,190
Tax refund claims		13,932	5,839
Cash and cash equivalents	25	84,540	92,006
		1,210,023	**422,619**
Non-current assets held for sale	26	60,359	15,514
Total current assets		**1,270,382**	**438,133**
Total assets		**1.830.838**	**665.283**

Equity and liabilities

EUR`000	NOTE	12/31/2007	12/31/2006
Equity	27		
Subscribed capital		26,357	24,267
Additional paid-in capital		72,473	31,444
Retained earnings		20,290	5,302
Accumulated other comprehensive income		272,333	186,413
		391,453	247,426
Minority interests		6,641	27,378
Total equity		**398,094**	**274,804**
Non-current liabilities			
Pension obligations	28	32,201	23,962
Provisions	29	31,214	17,991
Financial liabilities	30	81,906	11,661
Liabilities under finance leases	31	41,426	35,237
Other liabilities	32	53,192	500
Deferred taxes	33	59,486	29,049
Total non-current liabilities		**299,425**	**118,400**
Current liabilities			
Provisions	29	36,046	20,813
Financial liabilities	34	257,597	38,051
Trade payables	35	581,472	144,517
Tax liabilities	36	28,564	12,142
Other liabilities	37	221,097	56,556
		1,124,776	**272,079**
Liabilities related to assets held for sale	26	8,543	0
Total current liabilities		**1,133,319**	**272,079**
Total equity and liabilities		**1,830,838**	**665,283**

Statement of Changes in Consolidated Equity in the Fiscal

	EUR`000	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL
	December 31, 2005	**2,427**	**53,284**
1	**Appropriation to retained earnings**	**0**	**0**
2	Dividend payment 2006	0	0
3	Capital increase	21,840	-21,840
4	Change in minority interests from disposals	0	0
5	Other changes	0	0
6	**Total transactions with shareholders**	**21,840**	**-21,840**
7	Consolidated net profit 2006	0	0
8	Minority interests	0	0
9	Consolidated net profit after minority interests	0	0
10	Stock option program	0	0
11	Currency translation differences	0	0
12	Available-for-sale securities	0	0
13	Other changes	0	0
14	Total changes not recognized in the income statement	0	0
15	**Total net profit (9+14)**	**0**	**0**
	December 31, 2006	**24,267**	**31,444**
1	**Appropriation to retained earnings**	**0**	**0**
2	Dividend payment 2007	0	0
3	Capital increase	2,183	44,091
4	Changes in minority interests	0	0
5	Other changes	0	0
6	**Total transactions with shareholders**	**2,183**	**44,091**
7	Consolidated net profit 2007	0	0
8	Minority interests	0	0
9	Consolidated net profit after minority interests	0	0
10	Stock option program	0	0
11	Currency changes	0	0
12	Available-for-sale securities	0	0
13	Other changes	0	0
14	Total changes not recognized in the income statement	0	0
15	**Total net profit (9+14)**	**0**	**0**
16	**Treasury shares**	**-93**	**-3,062**
	December 31, 2007	**26,357**	**72,473**

Years 2006 and 2007

Profit reserves	Other cumulative shareholders' equity	Minority interests	Consolidated equity
4,866	**80,586**	**1,014**	**142,177**
436	**-436**	**0**	**0**
0	-4,975	0	-4,975
0	0	0	0
0	0	25,913	25,913
0	0	2,426	2,426
0	**-4,975**	**28,339**	**23,364**
0	112,551	0	112,551
0	0	-1,975	-1,975
0	112,551	-1,975	110,576
0	880	0	880
0	-2,262	0	-2,262
0	-4	0	-4
0	73	0	73
0	-1,313	0	-1,313
0	**111,238**	**-1,975**	**109,263**
5,302	**186,413**	**27,378**	**274,804**
14,988	**-14,988**	**0**	**0**
0	-12,376	0	-12,376
0	0	0	46,274
0	0	-20,912	-20,912
0	0	0	0
0	**-12,376**	**-20,912**	**12,986**
0	114,551	0	114,551
0	0	175	175
0	114,551	175	114,726
0	353	0	353
0	-1,373	0	-1,373
0	2	0	2
0	-249	0	-249
0	-1,267	0	-1,267
0	**113,284**	**175**	**113,459**
0	**0**	**0**	**-3,155**
20,290	**272,333**	**6,641**	**398,094**

Consolidated Cash Flow Statement for January 1 to December 31, 2007

EUR`000
Earnings before taxes (EBT)
Reversal of negative consolidation differences
Depreciation and amortization of PP&E and intangible assets
Increase(+)/ decrease (-) in pension provisions
Profit (-)/ loss (+) on the sale of property, plant and equipment
Profit (-)/ loss (+) on the sale of non-current financial assets
Profit (-)/ loss (+) on currency translation
Issuance of stock options
At-equity valuation result
Impairments and sales' losses on receivables towards Arquana
Other non-cash income and expenses
Dividends received
Net interest income/expenses
Interest received
Interest paid
Income taxes paid
Increase(-)/ decrease (+) in inventories
Increase(-)/ decrease (+) in trade receivables and other receivables
Increase(+)/ decrease (-) in trade payables, other liabilities and other provisions
Increase(+)/ decrease (-) in other balance sheet items
Cash inflow (+)/ outflow (-) from/for operating activities (net cash flow)
Purchase price paid for shares in companies
Cash acquired with the acquisition of shares
Cash transferred on the sale of shares
Proceeds from the sale of shares in companies
Cash inflows from the sale of non-current assets
Cash outflows for investments in non-current assets
Cash inflow (+)/ outflow (-) from/for investing activities
Free cash flow
Borrowing of current financial liabilities
Repayment of current financial liabilities
Borrowing of non-current financial liabilities
Repayment of non-current financial liabilities
Cash outflows for liabilities under finance leases
Capital increase of ARQUES Industries AG
Acquisition treasury stock
Dividend payment
Cash inflow (+)/ outflow (-) from/for financing activities
Net funds at the end of the prior period, measured at exchange rate 2006
Exchange rate differences
Net funds at the end of the prior period, measured at exchange rate 2007
Increase(+)/ decrease (-) in restricted cash
Change in net funds
Net funds at end of period

* Prior-year figures have been adjusted.

TOTAL 01/01/2007-12/31/2007	TOTAL 01/01/2006-12/31/2006*
118,081	97,645
-214,738	-92,770
62,111	26,038
-3,238	-439
7,176	-632
-39,130	-34,095
-2,126	-797
353	880
10,671	-716
25,899	
640	120
233	390
11,787	3,274
2,740	814
-9,798	-1,029
-6,213	-2,492
-10,371	6,561
12,159	963
65,109	-3,156
10,833	1,542
42,178	**2,101**
-145,560	-9,361
31,379	8,265
-35,920	-4,369
108,233	62,202
5,549	2,858
-30,695	-25,256
-67,014	**34,339**
-24,836	**36,440**
48,581	52,420
-65,727	-29,475
24,281	20,492
-6,433	-23,052
-14,968	-3,356
46,274	0
-3,155	0
-12,376	-4,975
16,477	**12,054**
88,016	38,347
138	0
88,154	38,347
-9,930	1,313
-8,359	48,494
69,865	**88,154**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Description of business activities

ARQUES Industries AG (hereinafter "ARQUES" or the "company") is a joint stock corporation under German law, has its head office and principal place of business at Münchner Str. 15a, D-82319 Starnberg, Germany, and is registered with Munich District Court under entry no. HRB 146.911.

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

The company's shares have been traded on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange since June 28, 2005 and have been included in the SDAX index since September 2005. In response to the greater market capitalization and liquidity of the ARQUES share, Deutsche Börse's index advisory committee decided to include the company in the MDAX index with effect from October 1, 2007.

Presentation of the consolidated financial statements

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

The presentation of the consolidated financial statements complies with the current regulations of IAS 1 in all areas.

The consolidated income statement uses the cost summary method. In accordance with IFRS, the income from the reversal of negative goodwill is presented as other operating income and is therefore included in the earnings before interest, taxes, depreciation and amortization (EBITDA).

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

Wherever possible and logical, the items of the consolidated balance sheet and consolidated income statement have been aggregated and adequately explained in the notes to the consolidated financial statements. Prior-year comparison figures are only presented for companies that were included in the consolidated group for the prior-year financial statements.

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), separate figures (including prior-year comparison figures) are presented for continuing and discontinued operations (or non-current assets held for sale) in the income statement and cash flow statement for 2007. Also, a combined total of both continuing and discontinued operations is presented in the income statement and cash flow statement. This presentation method was also chosen for the tables in the notes to the consolidated financial statements. Please note that the discontinued operations disclosed in the previous year's financial statements referred solely to the ARQUANA Group, whereas the disclosures for the previous year in the 2007 financial statements show the ARQUANA Group plus the SKW Group as discontinued operations. Unless otherwise noted, the comments in the text section of the notes to the consolidated financial statements refer to the combined presentation.

The notes to the consolidated financial statements of ARQUES generally serve to facilitate a comprehensive picture of the assets, financial position and results of operations of the company, together with its risks and opportunities, on the basis of the operational and strategic basis for decision-making available to management. In this regard, ARQUES makes a distinction between general information regarding the accounting, recognition and measurement, consolidation and presentation of the financial statements, on the one hand, and specific disclosures regarding individual items of the income statement and balance sheet.

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

Accounting principles

The consolidated financial statements of ARQUES for fiscal 2007 and the prior-year figures presented have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the Standard Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union (EU), together with the IFRSs as a whole and the German commercial regulations to be applied additionally in accordance with Section 315a (1) of the German Commercial Code. All the standards in effect and applicable to fiscal year 2007 have been observed. They help to provide a true and fair view of the assets, financial position and results of operations of the ARQUES Group.

The following new or revised standards have been applied for the first time:

In August 2005, the IASB published IFRS 7 (Financial Instruments: Disclosures), which was adopted by the EU in January 2006. This standard contains expanded disclosure obligations regarding the extent, significance and risks of financial instruments. Its application is mandatory for reporting periods beginning on or after January 1, 2007. The application of this standard has no effect on the recognition or measurement of financial instruments at ARQUES. The qualitative disclosures regarding the significance and risks of financial instruments are included in the general part of the notes to the consolidated financial statements, while the quantitative disclosures are contained in the notes to the specific items in question.

The amendment to IAS 1 (Presentation of Financial Statements), which was also published in August 2005 by the IASB and adopted by the EU in January 2006, requires additional disclosures regarding the company's capital management for reporting periods beginning on or after January 1, 2007. Capital management at ARQUES is described in the general part of the notes to the consolidated financial statements. The application of this standard had no effect on the recognition or measurement of capital items.

IFRIC Interpretation 7 (Applying the Restatement Approach Under IAS 29 Financial Reporting in Hyperinflationary Economies) published by the IFRIC in November 2005 was adopted by the EU in May 2006. Its application is mandatory for reporting periods beginning on or after March 1, 2006. IFRIC 7 clarifies the application of IAS 29 when hyperinflation is identified for the first time. Under this clarification, the regulations set out in IAS 29 should be applied as though the economy in question had always been hyperinflationary. The application of IFRIC 7 had no effect on the consolidated financial statements of ARQUES.

IFRIC Interpretation 8 (Scope of IFRS 2) published in January 2006 was adopted by the EU in September 2006. Its application is mandatory for reporting periods beginning on or after May 1, 2006. IFRIC 8 clarifies that IFRS 2 (Share-based Payment) applies to arrangements under which the consideration received for the equity instruments issued by the company cannot be explicitly identified. ARQUES has not issued any equity instruments as defined in IFRIC 8. The application of the standard had no effect on the consolidated financial statements of ARQUES.

IFRIC Interpretation 9 (Reassessment of Embedded Derivatives) published in March 2006 was adopted by the EU in September 2006. Its application is mandatory for reporting periods beginning on or after June 1, 2006. IFRIC 9 establishes the accounting treatment of financial instruments with embedded derivatives after initial recognition. The application of IFRIC 9 has no effect on the consolidated financial statements of ARQUES.

Application of IFRIC Interpretation 10 (Interim Financial Reporting and Impairment) published in July 2006 and adopted by the EU in June 2007 is mandatory for reporting periods beginning on or after November 1, 2006. It stipulates that interim reports should be prepared in accordance with the same accounting and valuation methods as the annual financial statements and that impairment losses recognized in goodwill and certain financial instruments in interim reports in accordance with IAS 36 and IAS 39 may not be reversed in later periods.

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

IFRS 8 (Operating Segments) was published by the IASB in November 2006 and adopted by the EU on November 14, 2007. Its application is mandatory for reporting periods beginning on or after January 1, 2009. In particular, IFRS 8 requires the application of the management approach for reporting on the economic development of the segments. Under IFRS 8, operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance. The segment information should be determined on the same basis as internal reports. ARQUES has decided not to apply IFRS 8 on a voluntary basis and has included a segment report compliant with IAS 14 in the present financial statements, with the primary report format featuring a breakdown by business segment and the secondary report format a breakdown by geographical region.

The amendments to IAS 1 (Presentation of Financial Statements), which were published in September 2007 but not yet adopted by the EU by the time the consolidated financial statements were prepared, essentially require the presentation of changes in equity that are not recognized in profit or loss and consistent titles for components of financial statements with a view to simplifying the analysis and comparability of financial statements. Application of the amendments to IAS 1 is mandatory for reporting periods beginning on or after January 1, 2009. The effects on the consolidated financial statements of ARQUES are limited to a modified presentation of components of the annual financial statements.

The amendment to IAS 23 (Borrowing Costs), which was published in March 2007 but not yet adopted by the EU at the time the consolidated financial statements were prepared, eliminates the option to immediately recognize as expense such borrowing costs directly attributable to qualifying assets which necessarily take a substantial period of time to get them ready for their intended use or sale. The amendments to IAS 23 are mandatory for reporting periods beginning on or after January 1, 2009.

IFRIC Interpretation 11 (IFRS 2: Group and Treasury Share Transactions) published in November 2006 provides guidance on the accounting treatment of Group-wide, share-based payments and transactions involving treasury shares. Its application is mandatory for reporting periods beginning on or after March 1, 2007.

IFRIC Interpretation 12 (Service Concession Arrangements), also published in November 2006, provides guidance on the recognition of rights and obligations arising from service concession arrangements in the view of existing IFRSs. Its application is mandatory for reporting periods beginning on or after January 1, 2008.

IFRIC Interpretation 13 (Customer Loyalty Programmes) published in June 2007 provides guidance on the recognition of loyalty award credits that customers receive when buying different goods and services. It clarifies that the sale transactions involve separate components. Application of IFRIC 13 is mandatory for reporting periods beginning on or after July 1, 2008.

IFRIC Interpretation 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) published in July 2007 provides general guidance on determining the upper limit of the defined benefit asset of a pension fund, which IAS 19 permits to be recognized as an asset. It also explains the effects of minimum funding regulations regarding the assets and liabilities related to pensions. Application of IFRIC 14 is mandatory for reporting periods beginning after July 1, 2008.

In January 2008, the IASB published the revised Standards IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements. The revised versions of both Standards have not yet been incorporated into European law by the European Union. The principal changes from the earlier versions can be summarized as follows:

- With regard to the accounting treatment of minority interests, the new version of IFRS 3 provides an option between measurement at fair value or measurement at the value of the parent company's share of the identifiable net assets.
- In the case of successive company acquisitions, the parent company's previous shares in the acquired company must be remeasured and the measurement difference recognized in income at the time when the parent company attains control over the subsidiary. Thereafter, the goodwill is measured as the difference between the remeasured carrying amount of the investment plus the purchase price payments for the acquisition of the new shares, on the one hand, and the net assets acquired, on the other hand.
- Changes in the percentage of equity held that are not accompanied by a loss of control must be recognized exclusively as equity transactions.
- In cases when the parent loses control over the subsidiary, the consolidated assets and liabilities must be eliminated from the balance sheet. As a new rule, the remaining investment in the former subsidiary (e.g., an investment accounted for at equity) must be measured at fair value upon initial recognition and any resulting differences must be recognized in income.

- Incidental acquisition costs must be recognized as expenses in the future.
- If adjustments are made to the acquisition costs as a result of future events (contingent consideration), which are to be recognized as liabilities at the acquisition date, it will no longer be possible to make adjustments to goodwill in subsequent periods.
- If the losses attributable to minority interests exceed the minority interests' share of equity in the subsidiary, they must be allocated to the minority interests despite the ensuring negative balance.
- According to the new version of IFRS 3, the effects of the effective settlement of business relationships that existed prior to the business combination (pre-existing relationships) may not be included in the determination of the consideration for the combination.
- Unlike the old version, the revised version of IFRS 3 sets out rules governing the recognition and measurement of rights that were granted to another company prior to the business combination and have been economically regained as a result of the combination (regained rights).

As before, business combinations of companies or divisions under common control are not covered in IFRS 3.

The new version of IFRS 3 must be applied prospectively to business combinations for which the acquisition date occurs in reporting periods that begin on or after July 1, 2009. An earlier application is allowed, but is limited to reporting periods that begin on or after June 30, 2007. The changes introduced in IAS 27 must be applied to fiscal years that begin on or after July 1, 2009. An earlier application is allowed. However, an earlier application of one of the two Standards presupposes the simultaneous earlier application of the other Standard, respectively.

ARQUES is currently reviewing the date of application of the changes of IFRS 3 and IAS 27 and the resulting effects on the presentation of the net assets, financial position, earnings and cash flows.

Also in January 2008, the IASB published changes to IFRS 2 Share-based Payment. The revised version of this Standard has not yet been incorporated into European law by the European Union. The changes relate primarily to the definition of vesting conditions and the rules governing the cancellation of a plan by another party besides the company.

The changes make it clear that the vesting conditions consist only of service conditions and performance conditions. The service conditions refer to specified time periods. The performance conditions, which in addition to the service conditions also contain certain performance goals, can also comprise market conditions.

As a result of the changed definition of vesting conditions, certain non-vesting conditions must also be taken into consideration in determining the fair value of the granted equity instrument. If the company or the other party are given an option as to whether a non-vesting condition is fulfilled, the non-fulfillment must be treated as a cancellation.

Furthermore, the implementation guidance was expanded by the addition of decision-making aids to help determine the nature of the vesting condition and the accounting consequences of that determination.

The changes must be applied retroactively to financial years that begin on or after January 1, 2009. Earlier application is allowed. If the changes are to be applied already prior to January 1, 2009, such application must be disclosed in the notes to the financial statements.

In February 2008, the IASB published changes to IAS 32 Financial Instruments: Disclosures and Presentation and IAS 1 Presentation of Financial Statements. The revised versions of both Standards have not yet been incorporated into European law by the European Union.

The changes relate mainly to the distinction between equity and debt. Under the new version, it is possible, under certain conditions, to classify callable instruments as equity. From the German perspective, the changes are relevant primarily to commercial partnerships, which had formerly been required to present their corporate law capital as liabilities, due to the partner's call rights. These changes are to be applied in financial years that begin on or after January 1, 2009. Earlier application is allowed. However, the incorporation of these changes into European law must first be awaited.

Those standards for which the date of obligatory application falls after the balance sheet date have not been applied in advance. Significant effects on the consolidated financial statements of ARQUES are not expected. The future application of IFRS 8 will only lead to a different presentation of the segments.

Scope and methods of consolidation

The present consolidated financial statements at December 31, 2007 include the separate financial statements of the parent company, ARQUES, and its subsidiaries, where appropriate together with special purpose entities.

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

Capital consolidation of the subsidiaries is carried out in accordance with IAS 27 (Consolidated and Separate Financial Statements) in conjunction with IFRS 3 (Business Combinations). Accordingly, the carrying amount of the investment is eliminated against the parent's share of equity in the subsidiary, which is remeasured at the date of acquisition (re-measurement method). The acquisition cost is measured as the fair value of the assets transferred, the equity instruments issued and the liabilities created or assumed on the date of exchange, plus the directly allocable transaction costs. For initial consolidation, the assets, liabilities and contingent liabilities that can be identified as part of a business combination are measured at fair value at the date of acquisition, without regard to any minority interests. The excess of the acquisition costs over the Group's share of the net assets measured at fair value is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the income statement after conducting an additional review.

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

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

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

Besides the parent company, 219 subsidiaries consisting of 106 domestic and 113 foreign companies were included in the consolidated financial statements of ARQUES at December 31, 2007. Of this number, the following companies are accounted for by the equity method:

- Vibracoustic do Brasil Industria e Comercio de Artefatos de Borracha Ltda.
- BEL-ANVIS ANTIVIBRATIONSSYSTEMS (Pty.) Ltd.
- ANVIS-Maxtech Inc.
- ANVIS Maxtech S.A. de C.V.
- Fulfilment Plus GmbH
- Bach Rohé AG

Compared with the previous year, 117 companies were newly added to the consolidation group and 21 companies were deconsolidated or sold in fiscal year 2007.

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

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

The list of shareholdings (§ 313 (4) German Commercial Code (HGB)) is presented as an annex at the back of the present report and has been filed with Munich District Court (Registry Court).

Foreign currencies

Functional currency and reporting currency

The items appearing in the financial statements of every Group company are measured on the basis of the currency used in the primary economic environment of that Group company (functional currency). This is normally the local currency, except for WOCO de Mexico S.A., the subsidiary of the Anvis Group based in Mexico, which uses the U.S. dollar as the functional currency and not the Mexican peso. The financial statements of the subsidiaries are translated into euros, which is the functional currency and reporting currency of the parent company, and hence the currency used in the consolidated financial statements.

Transactions and balances

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

Group companies

The profits and losses and balance sheet items of all Group companies whose functional currency (none of which being the currency of a hyperinflationary economy) differs from the (Group) reporting currency are translated into the (Group) reporting currency as follows:

- Assets and liabilities are translated at the exchange rate on the balance sheet date; however, equity is translated at the historical exchange rate.
- Income and expenses are translated at the average exchange rate for the period covered by the income statement.
- All currency translation differences are recognized as a separate item within equity.

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

The following table shows the exchange rates used to translate the key currencies listed (equivalent for one euro). Currencies for which no prior year exchange rates are given became relevant for the consolidated financial statements for the first time in fiscal 2007.

1 EURO		EXCHANGE RATE AT 12/31/2007	12/31/2006	AVERAGE EXCHANGE RATE 2007	2006
Azerbaijan *)	AZM	1.2450	n/a	1.2320	n/a
Bosnia *)	BAM	1.9560	n/a	1.9546	n/a
Bulgaria *)	BGN	1.9558	n/a	1.9558	n/a
Brazil *)	BRL	2.6130	n/a	2.6694	n/a
Belarus *)	BYR	3,168.8400	n/a	2,948.4135	n/a
Canada *)	CAD	1.4450	n/a	1.4689	n/a
Switzerland	CHF	1.6550	1.6069	1.6427	1.5731
China *)	CNY	10.7520	n/a	10.4186	n/a
Czech Republic	CZK	26.6280	27.4850	27.7583	28.3383
Denmark	DKK	7.4580	7.4560	7.4508	7.4591
Estonia *)	EEK	15.6466	n/a	15.6466	n/a
UK	GBP	0.7334	0.6715	0.6846	0.6818
Croatia *)	HRK	7.3470	n/a	7.3484	n/a
Hungary *)	HUF	253.7300	n/a	251.3233	n/a
India	INR	58.0820	58.2021	56.5989	56.8700
Japan	JPY	164.9300	156.9300	161.2392	146.0625
Korea	KRW	1,377.9600	1,224.8100	1,273.3333	1,198.1483
Lithuania *)	LTL	3.4528	n/a	3.4528	n/a
Latvia *)	LVL	0.6964	n/a	0.7001	n/a
Norway *)	NOK	7.9580	n/a	8.0183	n/a
Poland	PLN	3.5935	3.8310	3.7831	3.8951
Romania	RON	3.6077	3.3835	3.3379	3.5244
Serbia *)	RSD	81.3900	n/a	81.8569	n/a
Russia	RUB	35.9860	34.6800	35.0204	34.1124
Sweden *)	SEK	9.4415	n/a	9.2521	n/a
Slovakia *)	SKK	33.5830	n/a	33.7751	n/a
South Africa *)	ZAR	10.0300	n/a	9.6613	n/a
Ukraine	UAH	7.5720	6.9152	7.0726	6.5410
USA	USD	1.4721	1.3170	1.3706	1.2557

* Not a Group currency in fiscal 2006

B. SUMMARY OF PRINCIPAL ACCOUNTING AND VALUATION METHODS

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

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

Recognition of income and expenses

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

Construction contracts

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

Government grants

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

Net financial income/expenses

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

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

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

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

Income taxes

Current income tax expenses are calculated on the basis of the taxable income for the year. Taxable income differs from the profit presented in the income statement, as the former excludes expenses and income which will be taxable or tax-deductible in subsequent years or never at all. The Group's current income tax liability is calculated on the basis of the tax rates applicable or enacted at the balance sheet date.

German corporate income tax law called for a tax rate of 25% (plus solidarity surcharge of 5.5%) for fiscal 2007; the local trade tax charge for domestic Group companies ranges from 9.6% to 14.5%.

The country-specific income tax rates applicable for international Group companies varied between 4.2% and 41.0%.

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

Deferred tax assets and liabilities are recognized for all temporary differences between the values stated in the tax balance sheet and in the IFRS financial statements and for consolidation measures. The balance sheet-oriented liability method is applied. Deferred tax assets, including deferred tax assets on tax loss carry-forwards, are recognized where it is considered probable that they will be utilized.

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

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

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

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply to the period during which the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted in the individual countries at the balance sheet date. In Germany, enactment in the sense of IAS 12 is deemed to exist when the two chambers of parliament, Bundestag and Bundesrat have approved the tax law in question. The Bundestag approved the German Corporate Tax Reform Act 2008 on May 25, 2007, followed by the Bundesrat on July 6, 2007. Consequently, the effects of the law are already to be taken into account at the balance sheet date when measuring the deferred tax assets and liabilities. Among other things, the law calls for the rate of corporate income tax to be reduced to 15% and the deductibility of (local) trade tax from the taxable base for corporate income tax to be abolished. The group tax rate falls from 37% to 27% as a result.

Deferred tax assets and liabilities relating to items recognized directly in equity are disclosed in equity. Deferred tax assets and liabilities are offset if the Group has an enforceable claim to offset the current tax refund claims against current tax liabilities and these relate to income tax assets of the same taxable entity that are payable to the same tax authority.

Earnings per share

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

Intangible assets

Purchased intangible assets are capitalized at their acquisition cost and, where they have defined economic lives, amortized over their expected economic lives. The following estimated economic lives are assumed as standard in this context:

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

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

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

Internally generated intangible assets

Expenditures for research activities are recognized as costs. An internally generated intangible asset produced as a result of the Group's development activities is recognized as an asset only if the criteria of IAS 38 are met. If an internally generated intangible asset cannot be recognized according to the criteria set out in IAS 38, the development costs are recognized as expenses in the period in which they occur. Internally generated intangible assets are amortized over the period in which they are expected to generate economic benefits for the company. If the development work has not yet been completed at the balance sheet date, the capitalized assets are tested for impairment compliant with IAS 36; upon completion of the development phase, an impairment test is only conducted when there is any indication of impairment.

Customer relationships and favorable contracts

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

Goodwill

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

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

Property, plant and equipment

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

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

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

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

Investment property

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

Investments accounted for by the equity method

Interests in associated companies and joint ventures accounted for at equity are recognized under investments accounted for by the equity method. Associated companies are companies over which the Group exercises significant influence but which it does not control. Such a relationship is usually accompanied by 20% to 50% of the voting rights. A joint venture is a jointly controlled company that exists when the Group concludes legal agreements with one or more contractual parties regarding economic activities generally performed by companies controlled jointly by the parties to the agreement. Investments in associated companies and joint ventures are presented in accordance with the equity method. This means that differences arising on initial consolidation are treated in accordance with the same principles as full consolidation, which in turn causes investments accounted for using the equity method to be measured initially at cost. The Group's interest in associated companies and joint ventures includes the goodwill constituted upon acquisition, less cumulative impairments.

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

Unrealized profits and losses on transactions between Group companies and associated companies are eliminated in proportion to the Group's share of equity in the associated companies. In the event of unrealized losses, the transferred assets are tested for impairment. The accounting and valuation methods of the associated companies were adapted to match those of the Group to ensure uniform, Group-wide accounting and valuation methods.

Special purpose entities

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

a) Are the activities of the special purpose entity being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the special purpose entity's operations?

b) Does the Group have the decision-making powers to obtain the majority of the benefits of the activities of the special purpose entity?

c) Does the Group have rights to obtain the majority of the benefits of the special purpose entity and therefore may be exposed to risks incident to the activities of the special purpose entity?

d) Does the Group retain the majority of the residual or ownership risks or assets related to the special purpose entity or its assets in order to obtain benefits from its business activities?

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

Non-current assets held for sale

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

Impairment of non-financial assets

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

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

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

Leases

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

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

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

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

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

Inventories

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

Trade receivables

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

Factoring

Regarding the Actebis Group, ARQUES has assigned a portion of its trade receivables to financing companies (so-called factors). The company has entered into two factoring transactions providing for the sale of trade receivables up to an amount of EUR 280 million and EUR 30 million. In accordance with IAS 39, sold receivables are eliminated from the balance sheet only when significant portions of the risks associated with the receivables have been transferred to the buyer of the receivables. Under the existing contractual agreements, significant portions of the risk of customer insolvency (del credere risk) have been transferred to the buyers of the receivables as part of the factoring arrangement. ARQUES still bears a portion of the interest and del credere risk of these receivables and therefore recognizes the receivables in the amount of the remaining commitments ("continuing involvement"). These receivables are opposed by a liability measured in such a way that the net balance of assets and liabilities reflects the remaining claims or obligations. In accordance with the requirements of IAS 39, the sold receivables have been partially eliminated from the balance sheet on the balance sheet date although the portion that remains as the continuing involvement is low compared with the total amount of sold receivables. The purchase price retentions withheld initially by the factor as security are recognized separately under the category of other assets. They are due as soon as the customer's payment is received.

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

The Actebis Group and the factor have agreed on additional purchase price retentions to account for legal validity and revenue deduction risk, which have been recognized as other assets. Barring problems in the payment flows, these retentions will be due and payable after a period of limitation.
The purchase price is paid by the factor either when the factor receives payment of the receivables or at the request Actebis, against payment of interest; the unpaid portion of the purchase price is recognized as an other asset.

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

Receivables measured at fair value through profit and loss

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

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

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

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

Cash and cash equivalents

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

Financial assets

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

(A) Financial assets at fair value through profit or loss

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

(B) Loans and receivables

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

(C) Financial assets held to maturity

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

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

(D) Financial assets available for sale

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

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

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

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

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

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

Derivative financial instruments

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

Shareholders' equity

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

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

Provisions

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

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

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

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

Employee benefits

Pension obligations

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

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

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

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

Share-based payment

In fiscal 2005, ARQUES established a share-based payment plan for its executive officers. Under this plan, compensation is rendered through the issuance of company shares. This plan was continued in 2007. In accordance with IFRS 2, the fair value of the services rendered by the employees in exchange for the granting of options is recognized as an expense. The total cost, which is recognized as an expense over the vesting period, is measured as the fair value of the options granted. The fair value of the options is measured once by means of a Monte Carlo simulation at the respective grant dates. Non-market-based barriers to exercising options are reflected in the assumptions concerning the anticipated number of options to be exercised. The estimated number of options that can be exercised is reassessed at each balance sheet date, based on the Group's estimate of the number of shares that will become vested. The effects of any changes made to the original estimates are recognized in the income statement and by means of a corresponding adjustment in equity over the time remaining until the shares become vested.

Share purchases by subsidiary managers

In accordance with the "subsidiary manager" model practiced at ARQUES, the Company offers selected employees the chance to purchase shares in companies to be restructured. In most cases, the subsidiary manager will purchase such shares concurrently with ARQUES' acquisition of the company in question, but may also purchase shares at a later time. In accordance with IFRS 2, if the fair value of such dates at the grant date exceeds the purchase price paid by the subsidiary manager, the difference is recognized directly in equity. The value of the shares is determined with reference to the fair value of the corresponding company at the transfer date. If the transfer occurs concurrently with the share purchase, the purchase price is applied as the fair value.

Termination benefits

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

Profit-sharing and bonus plans

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

Liabilities

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

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

Segment reporting

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

In segment reporting, the Group's operating divisions are structured according to their principal activities (primary segmentation) and geographical characteristics (secondary segmentation). The primary segments of the ARQUES Group are the Steel, Print, Industrial Production, Specialty Chemistry, Holding, Automotive, IT, Retail and Service activities. The Automotive, Retail and IT segments were integrated for the first time in fiscal 2007 to reflect changes in the structure of the Group's subsidiaries. In its segment reporting, the Group complies with the accounting and valuation methods of the underlying IFRS consolidated financial statements. Intra-segment consolidations have been carried out. The segment depreciation and amortization refers to the intangible assets and the property, plant and equipment attributed to that segment.

The company prepares a separate segment report broken down by calendar year of purchase ("vintage years") in addition to the segment reports required under IFRS.

Litigation and claims for compensation of loss or damage

By virtue of their ordinary business activities, the companies of the ARQUES Group are currently involved, or may in the future be involved, in various litigation and administrative proceedings. Although the outcome of individual cases cannot be predicted with any certainty, given the general unpredictability of legal disputes, the management believes, based on the current status of information, that these cases will not have a seriously adverse effect on the Group's profitability, beyond the risks accounted for as liabilities or provisions in the financial statements.

Assumptions and estimates made for accounting and valuation purposes

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

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

Estimates made for the purposes of purchase price allocation

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

Estimates made when goodwill is tested for impairment

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

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

The recoverable amount is calculated as the present value of the future cash flows expected to result from the continued use by the strategic business unit, plus the value upon disposal at the end of the asset's useful life. The future cash flows are estimated on the basis of current business plans of ARQUES. The cost of capital at ARQUES is calculated as the weighted average cost of capital (WACC), based on each business unit's share of total capital. The cost of equity capital is determined as the expected return on capital for each business unit, based on information available in the capital markets. ARQUES uses the average cost of debt capital of each business unit, based on bonds with an average residual maturity of 10 years, to calculate the cost of debt capital.

Estimates made with regard to receivables measured at fair value

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

Income taxes

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

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

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

On account of the tax rules contained in the German Corporate Tax Reform Act 2008, tax loss carry-forwards of domestic companies are eliminated in the event of a change in majority shareholder. Consequently, the estimate of when a domestic company can probably be sold to a new shareholder restricts the time during which available tax loss carry-forwards can be used.

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

Provisions

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

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

When the consolidated financial statements were prepared, the underlying assumptions and estimates were not subject to any significant risks, meaning that, from today's perspective, it should not be necessary to make any significant adjustment in the subsequent year to the carrying amount of the assets and liabilities stated in the consolidated balance sheet.

Notes on financial instruments

Significance

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

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

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

Financial risk factors

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

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

Credit/default risk

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

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

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

An amount of EUR 197,103 thousand, representing 32% (PY EUR 43,516 thousand or 21%) of the Group's total loans and receivables in the amount of EUR 604,330 thousand (PY EUR 201,586 thousand) were insured at the balance sheet date. Trade credit insurance is used as a hedging instrument for most of the Group's receivables. Furthermore, security has been furnished in the form of letters of credit, customer deposits and bank guarantees.

The default risk equal to the carrying amount of the total loans and receivables (EUR 604,330 thousand, PY EUR 201,586 thousand) was reduced to a maximum default risk of EUR 407,227 thousand (PY EUR 158,570 thousand) by means of trade credit insurance, letters of credit and other credit improvements.

EUR'000	CARRYING AMOUNT	MAXIMUM DEFAULT RISK	SECURED PORTION	2007 IN %
Total	**604,330**	**407,227**	**197,103**	**32.0**
Trade receivables	428,390	260,756	167,634	28.0
Loans	3,784	3,784	0	0.0
Receivables from percentage of completion	15,040	15,040	0	0.0
Other receivables	157,116	127,647	29,469	4.0

EUR'000	CARRYING AMOUNT	MAXIMUM DEFAULT RISK	SECURED PORTION	2006 IN %
Total	**201,586**	**158,570**	**43,516**	**21.0**
Trade receivables	138,783	95,266	43,516	21.0
Loans	9,751	9,751	0	0.0
Receivables from percentage of completion	16,641	16,641	0	0.0
Other receivables	36,411	36,411	0	0.0

The other receivables contain receivables from factoring in the amount of EUR 115,892 thousand (PY EUR 5,103 thousand), short-term loan receivables in the amount of EUR 21,057 thousand (PY EUR 11,286 thousand), receivables from negative purchase prices in the amount of EUR 11,500 thousand (PY EUR 11,368 thousand), receivables from share sales in the amount of EUR 4,620 thousand (PY EUR 5,505 thousand) and receivables measured at fair value in the amount of EUR 4,047 thousand (PY EUR 3,149 thousand).

In the table below, the loans and receivables are broken down by region to reveal the risk concentrations:

EUR'000	2007	2006
Total	**604,330**	**201,586**
Germany	224,571	59,530
Europe –EU	332,706	103,274
Europe – Other	22,409	21,473
Rest of world	24,644	17,309

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

Liquidity risk

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

Therefore, an appropriately cautious approach to liquidity management entails the need to hold an adequate reserve of cash and marketable securities, the ability to borrow sufficient funds under committed lines of credit and the ability to issue securities in the market.

Considering the dynamic nature of the business environment in which the Group operates, the goal of the Corporate Finance Department is to preserve the necessary financing flexibility by maintaining unused credit lines to an adequate degree. The credit lines have been extended by various banks, either for an indefinite term or for 12 months at a time.

The Group's financial liabilities, broken down by term to maturity, are presented in the table below. The figures cited represent undiscounted cash flows:

EUR'000	2007 TOTAL	< YEAR	MATURITY 1-5 YEARS	> 5 YEARS	2006 TOTAL	< YEAR	MATURITY 1-5 YEARS	> 5 YEARS
Trade payables	**581,472**	581,472	0	0	**144,517**	144,517	0	0
Liabilities due to banks	**224,448**	169,641	26,067	28,740	**30,570**	23,136	2,580	4,854
Financial liabilities	**115,055**	87,956	24,016	3,083	**19,142**	14,915	2,773	1,454
Other liabilities	**82,863**	40,380	42,483	0	**0**	0	0	0
Total financial liabilities	**1,003,838**	**879,449**	**92,566**	**31,823**	**194,229**	**182,568**	**5,353**	**6,308**

The other liabilities contain purchase price payables in the amount of EUR 73,085 thousand, non-current, forfaited lease liabilities in the amount of EUR 4,983 thousand and bills of exchange in the amount of EUR 4,795 thousand.

Section 34 (Current financial liabilities) and Section 35 (Current trade payables) of the notes to the financial statements contain a more detailed description of the trade payables and financial liabilities in the maturity range of "less than one year."

Of the total Groupwide financial liabilities at the balance sheet date in the amount of EUR 1,003,838 thousand (PY EUR 194,229 thousand), EUR 165,189 thousand of 16.5% (PY EUR 6,290 thousand or 3.2%) were secured.

The assets pledged as security are presented in the table below:

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

EUR'000	LAND AND BUILDINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	INVENTORIES	TRADE RECEIVABLES	OTHER SECURITY	2006 IN %
Trade payables	0	0	0	642	0	0.3
Liabilities due to banks	4,259	0	929	460	0	2.9
Financial liabilities	0	0	0	0	0	0.0
Other liabilities	0	0	0	0	0	0.0
Total	**4,259**	**0**	**929**	**1,102**	**0**	**3.2**

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

In the table below, the financial liabilities are broken down by regions, revealing the following risk concentrations:

EUR'000	2007	2006
Total	**1,003,838**	**194,229**
Germany	335,964	81,890
Europe – EU	555,570	98,569
Europe – Other	97,416	1,139
Rest of world	14,888	12,631

Market price risk

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

The exchange rate risks are associated with the receivables, liabilities and debts denominated in foreign currencies, as well as the cash flows denominated in foreign currencies, resulting from anticipated transactions.

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

Foreign currency risk

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

Of the total group-wide financial instruments an amount of EUR 130,100 thousand (PY EUR 23,798 thousand) applies to financial assets denominated in foreign currencies and an amount of EUR 180,524 thousand (PY EUR 36,076 thousand) applies to financial liabilities denominated in foreign currencies. The risk concentrations by foreign currency are presented in the table below:

EUR'000	2007	2006
Carrying amount of financial assets	**604,330**	**201,586**
EUR (euros)	474,230	177,788
DKK (Danish krone)	70,354	186
USD (U.S. dollars)	12,785	7,911
CHF (Swiss francs)	12,875	10,614
RON (Romanian leu)	4,708	699
CNY (Chinese yuan)	4,190	0
NOK (Norwegian krone)	5,976	0
GBP (British pounds)	3,596	1,216
PLN (Polish zloty)	2,757	369
CZK (Czech koruna)	886	0
SEK (Swedish krone)	3,525	0
RUB (Russian rubles)	192	262
BGN (Bulgarian lev)	1,245	0
HUF (Hungarian forints)	1,294	0
Other	5,717	2,541

EUR'000	2007	2006
Carrying amount of financial liabilities	**1,003,838**	**194,229**
EUR (euro)	823,314	158,153
DKK (Danish krone)	86,908	410
USD (U.S. dollars)	54,298	11,294
CHF (Swiss francs)	18,613	18,670
RON (Rumanian leu)	3,564	3,004
CNY (Chinese yuan)	2,921	0
NOK (Norwegian krone)	1,068	0
GBP (British pounds)	1,305	0
PLN (Polish zloty)	1,978	1,290
CZK (Czech koruna)	2,671	0
SEK (Swedish krone)	12	0
RUB (Russian rubles)	2,649	8
BGN (Bulgarian lev)	515	0
HUF (Hungarian forints)	401	0
Other	3,621	1,400

The other currencies related mainly to the receivables and payables of production plants in Eastern Europe, the amount of which does not exceed EUR 1,000 thousand.

In connection with the presentation of market risks, IFRS 7 requires that sensitivity analyses be conducted to determine the effects of hypothetical changes in relevant risk variables on the company's earnings and equity. Besides currency risks, the ARQUES Group is also exposed to interest rate risks and price risks in the subsidiaries. The accounting period effects are determined by relating the hypothetical changes in the risk variables to the financial instruments held at the balance sheet date. In this regard, it is assumed that the portfolio of financial instruments at the balance sheet date is representative of the entire year.

At the balance sheet date, ARQUES Industries AG and its subsidiaries were exposed to currency risks, which are reflected in the balance sheet items of trade receivables, loans and other receivables, as well as trade payables, bank liabilities, loans and leasing liabilities.

Results of the currency sensitivity analysis:

If the euro had been 10% higher (lower) against the foreign currencies in which the ARQUES Group operates at December 31, 2007, the net assets stated in the functional currency would have been EUR 4,775 thousand (EUR 5,835 thousand) higher (lower) at the balance sheet date (or EUR 1,009 thousand (EUR 1,235 thousand) higher (lower) at December 31, 2006).
The hypothetical earnings effect (after tax) of EUR +4,775 thousand (EUR -5,835 thousand) (PY EUR +1,009 thousand (EUR -1,235 thousand)) resulted from the following currency sensitivities:

EUR/DKK:	EUR +1.504 thousand (EUR -1.839 thousand)	(PY EUR +20 thousand (EUR -25 thousand));
EUR/USD:	EUR +3.774 thousand (EUR -4.612 thousand)	(PY EUR +307 thousand (EUR -376 thousand));
EUR/CHF:	EUR +522 thousand (EUR -638 thousand)	(PY EUR +732 thousand (EUR -895 thousand));
EUR/RON:	EUR -104 thousand (EUR +127 thousand);	
EUR/CNY:	EUR -115 thousand (EUR +141 thousand);	
EUR/NOK:	EUR -446 thousand (EUR +545 thousand);	
EUR/GBP:	EUR -208 thousand (EUR +255 thousand)	(PY EUR -111 thousand (EUR +135 thousand));
EUR/PLN:	EUR -71 thousand (EUR +87 thousand)	(PY EUR +84 thousand (EUR -102 thousand));
EUR/CZK:	EUR +162 thousand (EUR -198 thousand);	
EUR/SEK:	EUR -319 thousand (EUR +390 thousand);	
EUR/RUB:	EUR +223 thousand (EUR -273 thousand)	(PY EUR -23 thousand (EUR +28 thousand));
EUR/BGN:	EUR -66 thousand (EUR +81 thousand) and	
EUR/HUF:	EUR -81 thousand (EUR +99 thousand).	

Interest rate risks

For purposes of presenting the interest rate risks, sensitivity analyses are conducted to determine the effect of changes in market interest rates on the interest income and interest expenses, on trading profits and trading losses and on the company's equity. The interest rate risk entails a fair value risk in the case of fixed-interest financial instruments and a cash flow risk in the case of variable-interest financial instruments.

The interest rate sensitivity analyses were conducted on the basis of the following assumptions:

For the most part, the interest-bearing receivables and liabilities are subject to fixed rates of interest. Changes in the market interest rates of fixed-interest, non-derivative financial instruments have an impact on the Group's net profit only when they are measured at fair value. Accordingly, all fixed-interest financial instruments measured at amortized cost are not subject to interest rate risks within the meaning of IFRS 7.

A sensitivity analysis according to IFRS 7 was conducted only for variable-interest financial liabilities and loan receivables designated at fair value. The result of this analysis is as follows. If the market interest rates at December 31, 2007 had been 100 basis points higher (lower), the Group's net profit would have been EUR 504 thousand (EUR 506 thousand) higher (lower).

The financial derivatives stated in the consolidated balance sheet consisted of only one interest rate cap in the amount of EUR 40 thousand and two interest rate swaps with a fair value of EUR 36 thousand, which were not included in the sensitivity analyses, however, for materiality reasons. There would have been a hypothetical earnings effect of less than EUR 10 thousand. The financial derivatives are not subject to the conditions of hedge accounting for hedging against interest rate-dependent changes in cash flows.

Other price risks

In connection with the presentation of market risks, IFRS 7 also requires disclosures to be made regarding the effects of hypothetical changes in risk variables on the prices of financial instruments. Stock market prices in particular are to be considered as a risk variable. At the balance sheet date, the ARQUES Group did not hold significant quantities of shares in other exchange-listed companies that were not fully consolidated

Classification

The table below shows the reconciliation of balance sheet items with the classes and categories according to IAS 39 and the corresponding carrying amounts and fair values of financial instruments:

Carrying amounts, stated amounts and fair values according to measurement categories

EUR'000	NOTE	MEASUREMENT CATEGORIES ACCORDING TO IAS 39	CARRYING AMOUNT 2007
Assets			
Non-current assets			
Financial assets	18	LaR	3,784
Other non-current assets	19	HtM, AfS[1)]	219
Current assets			
Receivables under construction contracts	21	LaR	15,040
Trade receivables	22	LaR	428,390
Available-for-sale financial assets	23	AfS	1,418
Other assets	24	LaR, FA-HfT, FA-FVO	157,192
Cash and cash equivalents	25	LaR	84,540
Equity and liabilities			
Non-current liabilities			
Financial liabilities	30	FL-AC	81,906
Liabilities under finance leases	31		41,426
Other liabilities	32	FL-AC	42,483
Current liabilities			
Current financial liabilities	34	FL-AC	257,597
Trade payables	35	FL-AC	581,472
Other liabilities	37	FL-AC	40,380
thereof aggregated by measurement categories according to IAS 39:			
Financial assets			
Loans and receivables (LaR)			684,823
Held-to-maturity financial investments (HtM)			106
Available-for-sale financial assets (AfS)			1,531
Financial assets held for trading (FA-HfT)			76
Financial assets designated at fair value (fair value option)			4,047
Financial liabilities			
Financial liabilities measured at amortized cost (FL-AC)			1,003,838

1) The available-for-sale financial assets (AfS) include unquoted equity instruments whose fair values could not be reliably measured, and which were therefore measured at amortized cost in the amount of EUR 113 thousand (PY EUR 88 thousand) at the balance sheet date.

FAIR VALUE 2007	STATED VALUE ACCORDING TO IAS 39			STATED VALUE BALANCE SHEET IAS 17
	AMORTIZED COST	FAIR VALUE RECOGNIZED IN EQUITY	FAIR VALUE RECOGNIZED IN INCOME	
3,784	3,784	0	0	0
219	219	0	0	0
15,040	15,040	0	0	0
428,390	428,390	0	0	0
1,418	0	1,418	0	0
157,192	153,069	0	4,123	0
84,540	84,540	0	0	0
81,906	81,906	0	0	0
41,426	-	-	-	41,426
42,483	42,483	0	0	0
257,597	257,597	0	0	0
581,472	581,472	0	0	0
40,380	40,380	0	0	0
684,823				
106				
1,531				
76				
4,047				
1,003,838				

EUR'000	NOTE	MEASUREMENT CATEGORIES ACCORDING TO IAS 39	CARRYING AMOUNT 2006
Assets			
Non-current assets			
Financial assets	18	LaR	9,751
Other non-current assets	19	AfS[1)]	88
Current assets			
Receivables under construction contracts	21	LaR	16,641
Trade receivables	22	LaR	138,783
Available-for-sale financial assets	23	AfS	65
Other assets	24	LaR, FA-FVO	36,411
Cash and cash equivalents	25	LaR	92,006
Equity and liabilities			
Non-current liabilities			
Financial liabilities	30	FL-AC	11,661
Liabilities under finance leases	31		35,237
Other liabilities	32	n.A.	0
Current liabilities			
Current financial liabilities	34	FL-AC	38,051
Trade payables	35	FL-AC	144,517
Other liabilities	37	n.A.	0
thereof aggregated by measurement categories according to IAS 39:			
Financial assets			
Loans and receivables (LaR)			290,443
Held-to-maturity financial investments (HtM)			0
Available-for-sale financial assets (AfS)			153
Financial assets held for trading (FA-HfT)			0
Financial assets designated at fair value (fair value option)			3,148
Financial liabilities			
Financial liabilities measured at amortized cost (FL-AC)			194,229

1) The available-for-sale financial assets (AfS) include unquoted equity instruments whose fair values could not be reliably measured, and which were therefore measured at amortized cost in the amount of EUR 113 thousand (PY EUR 88 thousand) at the balance sheet date.

FAIR VALUE 2006	STATED VALUE ACCORDING TO IAS 39			STATED VALUE BALANCE SHEET IAS 17
	AMORTIZED COST	FAIR VALUE RECOGNIZED IN EQUITY	FAIR VALUE RECOGNIZED IN INCOME	
9,751	9,751	0	0	0
88	88	0	0	0
16,641	16,641	0	0	0
138,783	138,783	0	0	0
65	0	65	0	0
36,411	33,262	0	3,149	0
92,006	92,006	0	0	0
11,661	11,661	0	0	0
35,237	0	0	0	35,237
0	0	0	0	0
38,051	38,051	0	0	0
144,517	144,517	0	0	0
0	0	0	0	0
290,443				
0				
153				
0				
3,148				
194,229				

The other assets contain derivative financial assets in the amount of EUR 76 thousand. Liabilities under finance leases are not covered by the scope of IAS 39 and are therefore shown separately.

The cash and cash equivalents, trade receivables and current financial assets are mostly due in the short term. Therefore, the carrying amounts of these items at the balance sheet date are approximately equal to their fair values.

The trade payables and current financial liabilities are all fully due within one year. Therefore, the nominal values or repayment amounts of these items are approximately equal to their fair values.

The fair values of the other non-current financial assets and liabilities due in more than one year are equal to the present values of the payments associated with the corresponding assets and liabilities, in consideration of the current interest rate parameters, which reflect the changes in terms as they relate to currencies, interest rates and counterparties. Because, however, most of the non-current financial instruments were stated in the balance sheet for the first time, due to the subsidiaries acquired in 2007, the fair values determined in connection with the purchase price allocations are approximately equal to the amortized costs at the balance sheet date.

Net gains or losses from financial instruments

EUR'000	FROM INTEREST RATES	FROM SUBSEQUENT MEASUREMENT			FROM DISPOSAL	NET GAINS OR LOSSES	
		AT FAIR VALUE	CURRENCY TRANSLATION	IMPAIR-MENTS		2007	2006
Financial assets							
Loans and receivables	3,401	-	-1,258	-19,395	-8,988	-26,240	6,038
Held to maturity	2	0	0	0	0	2	0
Available for sale	28	-24	0	-2,994	93	-2,897	-154
Held for trading	0	21	0	0	0	21	-20
Designated at fair value	0	4,047	0	0	0	4,047	3,149
Financial liabilities							
Measured at amortized cost	-13,816	0	-963	0	5	-14,774	-3,741

The interest from financial instruments is presented within the net interest income/expenses (see Section 9). This item includes interest income from loans and interest expenses from liabilities to banks and other financial liabilities.

The other components of the net gains or losses are presented in the other operating income/ expenses (see Sections 3 and 6).

The net gains or losses on loans and receivables resulted from changes in the impairment losses, interest income and interest expenses of loans extended, gains or losses from currency translation, gains on disposal and payment recoveries and reversals of impairment losses on loans and receivables that had originally been written down and an amount of EUR 4,047 thousand from the fair value valuation of receivables.

The net gains or losses on the financial liabilities measured at amortized cost resulted from interest expenses, currency translation differences and income from the waiver of receivables on the part of suppliers.

Income from the remeasurement of financial assets available for sale was recognized in equity in the amount of EUR 2 thousand (PY EUR -4 thousand).

The net gains and losses on financial assets held for trading include income and expenses from changes of the fair values of derivative financial assets in the amount of EUR 21 thousand (PY EUR -20 thousand).

Capital management

As a turnaround specialist, ARQUES is focused on the acquisition and the active restructuring of companies in transitional situations. In consideration of this fact, the primary goal of capital management is to protect the continued operating existence of all Group companies and to optimize the ratio of equity and debt for the benefit of all stakeholders. The capital structure is managed for the most part de-centrally in the operating subsidiaries and business units. On the Group level, the capital management of the individual subsidiaries is monitored, supported and optimized when necessary as part of a periodic reporting process. Decisions regarding dividend payments or capital measures are decided on a case-by-base basis with reference to the internal reporting system and in consultation with the subsidiaries.

The managed capital comprises all current and non-current liabilities, cash and cash equivalents and equity components. The development of the capital structure over time and the associated changes in the dependence on external lenders are measured with the aid of the debt coefficient known as the gearing ratio. In light of its particular business model and the extraordinary capital demands resulting from the Group's expansion, not to mention the substantial changes in the consolidation group, the gearing ratio of ARQUES must be viewed differently from that of other companies. In most cases, it would make no sense to draw comparisons with companies operating in other industries.

Gearing ratio

EUR'000	2007	2006
Non-current liabilities	299,425	118,400
Current liabilities	1,133,319	272,079
Liabilities	**1,432,744**	**390,479**
Equity	**398,094**	**274,804**
Gearing ratio in percent	3.6	1.4

C. NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Revenues

The consolidated revenues are composed of the following:

EUR'000	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 TOTAL	2006 CONTINUING OPERATIONS	2006 DISCONTINUED OPERATIONS	2006 TOTAL
Revenues from sales of goods	1,892,862	122,964	2,015,826	399,338	344,672	744,010
Revenues from long-term construction contracts	15,037	0	15,037	9,941	0	9,941
Revenues from sales of services	71,434	0	71,434	14,252	0	14,252
Total	**1,979,333**	**122,964**	**2,102,297**	**423,531**	**344,672**	**768,203**

The total revenue of EUR 2,102,297 thousand comprises EUR 1,152,035 thousand from trading revenue and EUR 950,262 thousand from production revenue.

EUR 8,247 thousand of the total revenues from construction contracts are related to the companies of the Hottinger Group, EUR 6,743 thousand are related to the BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH, and EUR 47 thousand to the Rohé Group. The companies of the Sommer Group, which appeared within this item in the previous year, did not generate any revenues from construction contracts in 2007.

Total revenues from the sale of services include EUR 36,154 thousand from BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH (PY EUR 10,906 thousand from the months of November and December 2006) and EUR 35,280 thousand from the Rohé Group. tiscon AG, which appeared within this item in the previous year, did not sell any services in 2007. For the presentation of revenues according to regions and industry segments, please refer to the notes on segment reporting.

2. Other Internal Production Capitalized

The other internal production capitalized in the amount of EUR 3,576 thousand (PY EUR 3,017 thousand) resulted mainly from the capitalization of archive materials of the subsidiary ddp Deutscher Depeschendienst GmbH in the amount of EUR 2,600 thousand (PY EUR 2,040 thousand), as well as EUR 523 thousand for capitalized development expenses for tools, appliances and samples for the automotive industry of the ANVIS Group. EUR 0 was related to discontinued operations (PY EUR 899 thousand).

3. Other Operating Income

The other operating income is composed of the following:

EUR'000	2007 Continuing operations	2007 Discontinued operations	2007 Total	2006 Continuing operations	2006 Discontinued operations	2006 Total
Income from the reversal of negative goodwill	211,849	2,889	214,738	91,229	1,541	92,770
Income from the reversal of provisions	9,889	0	9,889	4,250	1,123	5,373
Income from costs charged to third parties	7,561	26	7,587	3,028	973	4,001
Income from de-consolidations and the sale of shares to minorities	6,989	44,022	51,011	33,991	0	33,991
Income from fair value valuation of receivables	4,047	0	4,047	3,149	0	3,149
Income from exchange rate changes	2,610	376	2,986	460	246	706
Income from the reversal of devaluation allowances	849	0	849	1,594	40	1,634
Compensation for loss or damage	756	0	756	639	1,223	1,862
Income from the charge-off of payables owed to suppliers	535	0	535	677	268	945
Government subsidies	457	0	457	350	0	350
Income from the sale of non-current assets	249	15	264	166	1,506	1,672
Income from the disposal of non-current financial assets	190	0	190	297	87	384
Other operating income	15,167	184	15,351	18,808	4,296	23,104
	261,148	**47,512**	**308,660**	**158,638**	**11,303**	**169,941**

In accordance with IFRS 3.56, income from the reversal of negative goodwill was recognized in the amount of EUR 214,738 thousand (PY EUR 92,770 thousand) when the fair values of the identifiable assets, liabilities, and contingent liabilities exceeded the cost of the merger. After additional review, any remaining excess must be recognized directly in profit or loss according to IFRS 3.56 (b).

The income from the reversal of negative goodwill related to the following acquisitions:

2007 / EUR'000 NAME OF THE ACQUIRED COMPANY	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
ANVIS Group	66,166	0	66,166
Eurostyle Group	39,476	0	39,479
SM Electronics Group	34,674	0	34,674
Van Netten Group	30,595	0	30,595
Actebis Group	25,435	0	25,435
Oxiris Group	11,186	0	11,186
BEA Group	3,495	0	3,495
SKW Group	0	2,889	2,889
Capresa Group	622	0	622
Other	200	0	200
Total	**211,849**	**2,889**	**214,738**

2006 / EUR'000 NAME OF THE ACQUIRED COMPANY	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Weber Group	20,442	0	20,442
Wanfried Group	0	210	210
Bachem Group	0	1,331	1,331
Hottinger Group	1,194	0	1,194
Georg Fischer Schwab Group	3,875	0	3,875
Rohner AG	20,924	0	20,924
Oxxynova Group	10,732	0	10,732
Fritz Berger Group	12,942	0	12,942
pwe-Verlag Gesellschaft für Medienpublikationen mbH	319	0	319
Salto Group	18,057	0	18,057
BEA Companies	481	0	481
COS Group	2,190	0	2,190
Other	73	0	73
Total	**91,229**	**1,541**	**92,770**

The income of the SKW Group in 2007 of EUR 2,889 thousand resulted from the acquisition of QUAB Chemicals Inc by the SKW Group. The SKW Group was deconsolidated in July 2007.

The income from the reversal of provisions related to the reversal of provisions for anticipated losses (EUR 4,760 thousand), environmental risks (EUR 2,523 thousand), warranties (EUR 549 thousand) and restructuring (EUR 404 thousand) as well as other provisions formed in the prior year and not entirely used.

Significant income from cost transfers in fiscal year 2007 related to incidental expenses from sales and marketing (EUR 2,900 thousand) and advertising subsidies (EUR 2,300 thousand) for the tiscon Group as well as costs for a storage tank (EUR 1,050 thousand) that were charged to the Oxxyvova Group.

The income from deconsolidation resulted essentially from the sale of shares of the SKW Group (EUR 44,022 thousand), the SKS Stakusit Group (EUR 4,088 thousand) and the teutonia Group (EUR 1,689 thousand). Furthermore, see note 41.

The income from the fair value valuation of receivables was fully recorded in the income statement because the companies involved belong to the consolidation group of ARQUES.

The government subsidies consist of investment grants awarded to Group companies.

4. Purchased Goods and Services

EUR'000	2007 Continuing operations	2007 Discontinued operations	2007 Total	2006 Continuing operations	2006 Discontinued operations	2006 Total
Raw materials and supplies	423,518	64,618	488,136	206,831	170,631	377,462
Purchased goods	1,076,030	30,308	1,106,338	43,298	48,901	92,199
Purchased services	58,768	1,495	60,263	19,477	14,602	34,079
Other	42,488	688	43,176	9,213	9,317	18,530
Total	**1,600,804**	**97,109**	**1,697,913**	**278,819**	**243,451**	**522,270**

The largest single contributions to the purchased goods and services originated from the Actebis Group with EUR 702,381 thousand, the tiscon Group with EUR 298,764 thousand (PY EUR 6,355 thousand), the Oxxynova Group with EUR 124,238 thousand, (PY EUR 42,688 thousand), the Evotape Group with EUR 54,625 (PY EUR 54,460 thousand), and the Jahnel-Kesterman Group with EUR 49,299 (PY EUR 22,250 thousand).

Costs for raw materials and supplies resulted essentially from the Oxxynova Group with EUR 94,365 thousand (PY EUR 40,627 thousand), the Sommer Group with EUR 45,343 thousand (PY EUR 32,952 thousand), Evotape Group with EUR 43,946 thousand (PY EUR 42,879 thousand) and the Jahnel-Kestermann Group with EUR 39,085 (PY EUR 17,520 thousand).

Costs for purchased goods resulted largely from the Actebis Group with EUR 701,245 thousand and the tiscon Group with EUR 297,959 thousand.

The purchased services related to BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH with EUR 9,573 thousand (PY EUR 3,144 thousand), the Rohé Group with EUR 8,823 thousand, the Jahnel-Kestermann Group with EUR 7,296 thousand (PY EUR 2,889 thousand) and the Austrian BEA Electrics Group with EUR 5,275 thousand.

Other costs include expenses for inventory management and general overheads.

5. Personnel Expenses

EUR'000	2007 Continuing operations	2007 Discontinued operations	2007 Total	2006 Continuing operations	2006 Discontinued operations	2006 Total
Wages and salaries	207,354	7,154	214,508	90,509	48,620	139,129
Social security, pension, and other benefit costs	43,072	1,507	44,579	18,160	11,110	29,270
Total	**250,426**	**8,661**	**259,087**	**108,669**	**59,730**	**168,399**

The largest individual amounts of personnel expenses originated from the Jahnel-Kestermann Group with EUR 18,062 thousand (PY EUR 12,814 thousand), the Oxxynova Group with EUR 15,438 thousand (PY EUR 3,514 thousand), the Sommer Group with EUR 16,767 thousand (PY EUR 13,312 thousand), the Actebis Group with EUR 15,915 thousand, and ARQUES Industries AG with EUR 15,211 thousand (PY EUR 3,660 thousand).

The wages and salaries include EUR 2,199 thousand in expenses for the recognition of share-based payments.

6. Other Operating Expenses

The other operating expenses are composed of the following:

EUR'000	2007 Continuing operations	2007 Discontinued operations	2007 Total	2006 Continuing operations	2006 Discontinued operations	2006 Total
Administrative expenses	40,696	2,058	42,754	21,244	7,235	28,479
Expenses for land/ buildings (including rental expenses)	39,167	1,240	40,407	13,218	3,105	16,323
Outgoing freight/ transport costs	38,091	5,648	43,739	12,128	12,176	24,304
Valuation allowances for receivables and losses from sale of receivables	30,063	13	30,076	4,767	461	5,228
Consulting expenses	22,574	384	22,958	8,001	3,854	11,855
Marketing and representation expenses	18,502	1,364	19,866	7,702	5,330	13,032
Maintenance of technical equipment, machines, operational and office equipment	17,379	0	17,379	3,837	3,238	7,075
Losses from deconsolidation	11,881	0	11,881	0	0	0
Losses on the disposal of non-current assets	7,403	37	7,440	908	772	1,680
Expenses resulting from exchange rate changes	4,603	509	5,112	709	794	1,503
Other operating expenses	21,335	2,025	23,360	3,718	9,618	13,336
Total	**251,694**	**13,278**	**264,972**	**76,232**	**46,583**	**122,815**

The administrative expenses consisted mainly of IT and communications expenses (EUR 7,183 thousand), travel expenses (EUR 6,783 thousand), vehicle expenses (EUR 4,545 thousand) and insurance premiums (EUR 4,349 thousand).

The stated expenses for land and buildings were mainly composed of rental expenses (EUR 17,336 thousand), costs of electricity, gas and water (EUR 16,777 thousand) as well as maintenance expenses for land and buildings (EUR 2,293 thousand).

The valuation allowance for doubtful accounts receivable and the losses from the sale of receivables include losses of EUR 9,831 thousand from the sale of the loans and interest receivables due from the ARQUANA Group as well as a valuation allowance for receivables of the AQUARNA Group in the amount of EUR 16,088 thousand.

The expenses for marketing and representation pertain to advertising (EUR 11,483 thousand), commissions and other agency fees (EUR 6,141 thousand) as well as other marketing costs (EUR 2,242 thousand).

The maintenance expenses consisted largely of the maintenance expenses (EUR 8,771 thousand) and repairs of machines (EUR 7,333 thousand), systems and technical equipment.

The losses resulting from the deconsolidation of the Salto Paper Group amounted to EUR 11,881 thousand.

The other operating expenses include EUR 5,028 thousand for the fulfillment of existing contractual obligations resulting from the continued usage of an operational site of the Oxxynova Group. Additionally, the item includes other tax expense in the amount of EUR 5,477 thousand.

7. Impairment Losses

The impairment losses amounting to EUR 16,433 thousand (PY EUR 690 thousand) consisted mainly of the writedown of EUR 8,017 thousand on the carrying amount of land and buildings within the Holding Company segment on the basis of independent expert appraisals, as the fair value was less than the carrying amount at the balance sheet date.

An impairment loss of EUR 5,206 thousand was recognized in the carrying amount of buildings and machinery of the Oxxynova Group because they are currently being converted and therefore require significant additional investments. In accordance with IAS 36, the future cash flows after successful conversion may not be taken into account for the purpose of determining the recoverable amount. Consequently, it will likely be necessary in future periods to reverse the impairment loss up to the amount of amortized cost after the conversion project has been completed.

An impairment loss amounting to EUR 1,789 thousand was recognized in the carrying amount of investment property held by ARQUES Industries AG.

The impairment losses also contain an impairment loss in the value of non-current assets held for sale amounting to EUR 1,315 thousand. This item relates to a property of the Oxiris Group in Knottingley (England). At the balance sheet date, the property was available for sale. The writedown was based on the selling price less costs to sell.

8. Net income/expenses from Non-current Financial Assets accounted for by the Equity Method

The net income/expenses from financial assets accounted for by the equity method were negative, at EUR -10,671 thousand (PY EUR 716 thousand):

EUR'000	2007
Joint Ventures	123
Associated Companies	- 10,794
Total	**- 10,671**

The net income/expenses from non-current financial assets accounted for by the equity method consisted essentially of the losses of ARQUANA International Print & Media AG amounting to EUR -11,027 thousand. Counteracting these expenses was the income from non-current financial assets amounting to EUR 356 thousand (PY EUR 716 thousand) in respect to Jamshedpur Injection Powder Ltd., Jamshedpur/India (EUR 233 thousand, 30.22% equity interest) and the two joint ventures of ANVIS AVS B.V. (50% equity interest in both cases) in Brazil (EUR 75 thousand) and South Africa (EUR 48 thousand).

Of this total, an amount of EUR -10,904 thousand related to continuing operations, while the remaining EUR 233 thousand (PY EUR 716 thousand) related to discontinued operations. The amount relating to the discontinued operations related to Jamshedpur Injection Powder Ltd. of the SKW Group.

9. Net Interest Income/Expenses

		2007			2006	
EUR'000	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Other interest and similar income	3,707	548	4,255	709	434	1,143
Interest and similar expenses	-15,571	-471	-16,042	-1,132	-3,285	-4,417
Net interest income/expenses	**-11,864**	**77**	**-11,787**	**-423**	**-2,851**	**-3,274**
Aggregated according to measurement category in accordance with IAS 39:						
Financial assets						
Loans and receivables (LaR)	2,853	548	3,401	774	351	1,125
Held to maturity (HtM)	2	-	2	-	-	-
Available for sale (AfS)	28	-	28	-154	-	-154
Held for trading	0	0	0	0	0	0
Designated at fair value	0	0	0	0	0	0
Financial liabilities						
Financial liabilities measured at amortized cost (FL-AC)	-13,380	-436	-13,816	-87	-3,245	-3,332
Held for trading	0	0	0	0	0	0

The other interest and similar income in the amount of EUR 4,255 thousand (PY EUR 1,143 thousand) resulted mainly from interest on loans extended, current account balances, and time deposits allocated to the category of loans and receivables (LaR), as well as interest income from financial instruments in the categories of held-to-maturity and available for sale. In addition, interest income in the amount of EUR 349 thousand resulted from trade receivables against which valuation allowances were charged.

Interest and similar income in the amount of EUR 16,042 thousand (PY EUR 4,417 thousand) is composed mainly of interest payments to banks for loans received which are assigned to the category of financial liabilities measured at amortized cost (FL-AC). Added to this were interest expenses from finance lease obligations in the amount of EUR -1,074 thousand and interest expenses from receivables under factoring arrangements, which reduced the net interest income/expenses in the category of loans and receivables (LaR) by EUR -824 thousand.

All interest income and interest expenses from the financial assets and financial liabilities were calculated using the effective interest method.

10. Income Taxes

The income tax expenses are composed of the following:

	2007			2006		
EUR'000	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Current tax expenses	-7,320	-2,073	-9,393	-566	-3,061	-3,627
Deferred tax expenses	3,079	2,958	6,037	13,645	2,913	16,558
Total income tax expenses / income	**-4,241**	**885**	**-3,356**	**13,079**	**-148**	**12,931**

The following reconciliation statement presents the differences between current income tax expenses and expected income tax expenses. The expected income tax expense is the result of earnings before taxes multiplied by the expected tax rate. The expected tax rate includes the statutory German corporate income tax, the solidarity surcharge, and the trade tax and comes to a total of 37%.

EUR'000	2007	2006
Earnings before taxes	118,081	97,645
Expected tax rate	37.00%	37.00%
Expected income tax expense	43,690	36,129
Effect of income from the recognition of negative goodwill	-79,453	-34,325
Valuation at equity	3,948	232
Tax rate changes	-1,123	-180
Income tax variances	753	-873
Tax-exempt income	-4,091	-10,241
Non-tax-deductible expenses	6,499	2,025
Change in the value adjustment for deferred tax assets and unrecognized deferred tax assets on tax loss carry-forwards	42,266	-2,127
Non-period current taxes	-1,474	-473
Tax credits	-8,320	-4,651
Other effects	661	1,553
Income tax expenses / income stated in the income statement	**3,356**	**-12,931**
Effective tax rate	2.84%	-13.24%

The tax-exempt income pertains mainly to gains from the sale of shares in deconsolidated companies.

Tax credits resulted mainly from tax-privileged dividend income from the Maltese financial holding company.

11. Minority interests

The consolidated net profit of EUR 114,725 thousand (PY EUR 110,576 thousand) includes EUR 175 thousand (PY EUR -1,975 thousand) in minority interests.

12. Earnings per Share

The basic and diluted earnings per ordinary share were calculated on the basis of the following data:

EUR'000	2007 CONTINUING OPERATIONS	2007 DISCONTINUED OPERATIONS	2007 TOTAL	2006 CONTINUING OPERATIONS	2006 DISCONTINUED OPERATIONS	2006 TOTAL
NET PROFIT						
Basis for the **basic earnings** per share (period net profit allocable to shareholders of the parent company)	62,261	52,289	114,550	116,115	-3,564	112,551
Effect of potential diluting shares	0	0	0	0	0	0
Basis for **diluted earnings** per share	62,261	52,289	114,550	116,115	-3,564	112,551
NUMBER OF SHARES OUTSTANDING						
Weighted average shares outstanding for the basic earnings per share	25,672,825	25,672,825	25,672,825	24,266,670	24,266,670	24,266,670
Effect of potential diluting shares: stock options	163,265	163,265	163,265	179,022	179,022	179,022
Weighted average shares outstanding for the diluted earnings per share	25,836,090	25,836,090	25,836,090	24,445,692	24,445,692	24,445,692
Basic earnings per share	**2,43**	**2,03**	**4,46**	**4,78**	**-0,14**	**4,64**
Diluted earnings per share	**2,41**	**2,02**	**4,43**	**4,75**	**-0,15**	**4,60**

13. Dividend proposal

In accordance with the resolution of the Annual Shareholders' Meeting on June 21, 2007, a dividend in the amount of EUR 12,376,002 was distributed to shareholders on June 21, 2007. That corresponds to EUR 0.51 per share.

The Executive and Supervisory Board proposed to retain the profits for the fiscal year 2007.

14. Intangible Assets

EUR'000	FRANCHISES, INDUSTRIAL PROPERTY RIGHTS, AND SIMILAR RIGHTS AND LICENSES	GOODWILL	OTHER INTANGIBLE ASSETS	ADVANCED PAYMENTS	TOTAL
Acquisition cost as of 01/01/2007	**17,371**	**2,692**	**4,777**	**1**	**24,841**
Companies added to consolidation group	91,090	0	24,286	1,569	116,945
Companies removed from consolidation group	-7,762	0	-951	-1	-8,714
Currency translation differences	-42	49	-5	0	2
Additions	3,884	39,940	3,520	803	48,147
Disposals	-2,040	-1,461	-429	-1	-3,931
Transfers	-2,127	-227	51	-37	-2,340
Balance on 12/31/2007	**100,374**	**40,993**	**31,249**	**2,334**	**174,950**
Amortization as of 01/01/2007	**-5,354**	**-582**	**-733**	**-1**	**-6,670**
Companies removed from consolidation group	3,047	0	10	1	3,058
Currency translation differences	23	0	-9	0	14
Impairment (IAS 36)	0	0	0	0	0
Additions	-14,229	-154	-2,535	0	-16,918
Disposals	155	154	1	0	310
Transfers	-5		25	0	20
Balance on 12/31/2007	**-16,363**	**-582**	**-3,241**	**0**	**-20,186**
Net carrying amount as of 12/31/2006	**12,017**	**2,110**	**4,044**	**0**	**18,171**
Net carrying amount as of 12/31/2007	**84,011**	**40,411**	**28,008**	**2,334**	**154,764**

EUR'000	FRANCHISES, INDUSTRIAL PROPERTY RIGHTS, AND SIMILAR RIGHTS AND LICENSES	GOODWILL	OTHER INTANGIBLE ASSETS	ADVANCED PAYMENTS	TOTAL
Acquisition cost as of 01/01/2006	**5,165**	**3,475**	**1,759**	**1**	**10,400**
Companies added to consolidation group	12,489	0	1	0	12,490
Companies removed from consolidation group	-1,314	-3,781	0	-6	-5,101
Currency translation differences	-7	0	-22	0	-29
Additions	1,418	3,695	3,007	56	8,176
Disposals	-401	-697	-1	0	-1,099
Transfers	21	0	33	-50	4
Balance on 12/31/2006	**17,371**	**2,692**	**4,777**	**1**	**24,841**
Amortization as of 01/01/2006	**-1,979**	**-46**	**-158**	**-1**	**-2,184**
Companies removed from consolidation group	396	0	0	0	396
Currency translation differences	4	0	0	0	4
Impairment (IAS 36)	0	-536	-30	0	-566
Additions	-4,089	0	-545	0	-4,634
Disposals	314	0	0	0	314
Transfers	0	0	0	0	0
Balance on 12/31/2006	**-5,354**	**-582**	**-733**	**-1**	**-6,670**
Net carrying amount as of 12/31/2005	**3,186**	**3,429**	**1,601**	**0**	**8,216**
Net carrying amount as of 12/31/2006	**12,017**	**2,110**	**4,044**	**0**	**18,171**

The intangible assets include customer bases capitalized as part of the purchase price allocation process, internally generated intangible assets, franchises, brand names, and other intangible assets.

The customer bases relate to the Actebis Group in the amount of EUR 31,441 thousand, the ANVIS Group in the amount of EUR 6,404 thousand, the Wanfried Group in the amount of EUR 3,520 thousand, the Rohé Group in the amount of EUR 3,513 thousand, to the BEA companies in the amount of EUR 2,807 thousand, the Capresa Group in the amount of EUR 2,524 thousand and finally the Eurostyle Group in the amount of EUR 2,097 thousand.

The internally generated intangible assets related mainly to the development expenses of the Eurostyle Group in the amount of EUR 14,966 thousand, the development expenses of the ANVIS Group in the amount of EUR 6,734 thousand, the image archive of the ddp Group in the amount of EUR 4,239 thousand (PY EUR 3,115 thousand), and an online shopping portal of the Actebis Group in the amount of EUR 1,721 thousand. In 2007, research and development expenses of EUR 2,447 thousand (PY 564 thousand) were recognized in income.

The franchises were acquired mainly for software. The franchises existing in the ARQUES Group are mainly related to the Actebis Group in the amount of EUR 4,775 thousand, the Van Netten Group in the amount of EUR 1,113 thousand to, the tiscon Group in the amount of EUR 1,065 thousand to, the Eurostyle Group in the amount of EUR 888 thousand to, the Jahnel-Kestermann Group in the amount of EUR 689 thousand, the ANVIS Group in the amount of EUR 594 thousand, the Capresa Group in the amount of EUR 234 thousand, the Wanfried Group in the amount of EUR 223 thousand, the Golf House Group in the amount of EUR 209 thousand, the Rohé Group in the amount of EUR 192 thousand, ARQUES Industries AG in the amount of EUR 160 thousand and the BEA companies in the amount of EUR 158 thousand.

The capitalized brand names relate to the Schöps Group ("Schöps") in the amount of EUR 4,956 thousand, the tiscon Group in the amount of EUR 1,214 thousand and the Rohé Group ("Rohé") in the amount of EUR 1,054 thousand. The brand names of the Schöps Group and the Rohé Group have unlimited useful lives. Both brand names are established names in their respective markets. With regard to the determination of the useful lives, the management decided, based on historical data and the management's estimations of future developments, to adopt indefinite useful lives. The factors considered in making this decision included the expected usage of the brand names, the typical product life cycles, possible commercial obsolescence, market competition, the respective market environment, the cost to maintain the names, legal or other restrictions regarding the usage of the assets or the dependence of the useful life on the company's other assets.

The other intangible assets capitalized in connection with the purchase price allocation process related to the ANVIS Group in the amount of EUR 5,593 thousand (mainly patents and advantageous contracts), the Eurostyle Group in the amount of EUR 1,748 thousand (mainly patents), the Schöps Group in the amount of EUR 1,722 thousand (mainly advantageous contracts), the Capresa Group in the amount of EUR 1,678 thousand (mainly advantageous contracts and orders on hand), as well as the Rohner Group, for the right to use a waste water treatment facility, in the amount of EUR 1,163 thousand (PY EUR 1,161 thousand).

Intangible assets are measured at amortized cost.

The goodwill related mainly to the NT plus Group (EUR 21,461 thousand), the Richard Schöps Group (EUR 5,027 thousand), the Wanfried Group (EUR 4,968 thousand), the Actebis Nordic Group (EUR 3,664 thousand), the ddp Group (EUR 1,578 thousand) (PY EUR 1,364 thousand), the Rohé Group (EUR 1,097 thousand), the Sommer Group (EUR 1,007 thousand), the Jahnel-Kestermann Group (EUR 583 thousand, PY EUR 83 thousand), the Fritz Berger Group (EUR 174 thousand), the tiscon Group (EUR 142 thousand), the Golf House Group (EUR 132 thousand), and the Evotape Group (EUR 100 thousand, PY EUR 100 thousand).

In order to meet the requirements of IFRS 3 in conjunction with IAS 36 and determine potential impairments to goodwill, ARQUES allocated goodwill to the cash-generating units in accordance with its internal reporting system and conducted an impairment test.

The goodwill of the NT Plus Group amounting to EUR 21,461 thousand and the goodwill of the Actebis Nordic Group amounting to EUR 3,664 thousand at the balance sheet date originated from the acquisition of those companies. The goodwill arising on the initial consolidation of the NT Plus Group and Actebis Nordic in the consolidated financial statements at December 31, 2007 was tested for impairments on December 31, 2007. The entire Actebis Group was chosen as a cash-generating unit for the allocation of goodwill within the meaning of IAS 36. The recoverable amount of the this Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 14.60%. The growth discount in accordance with this detailed plan was set at 1.25%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the Richard Schöps Group in the amount of EUR 5,027 thousand at the balance sheet date originated from the acquisition of the company. The Richard Schöps Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill was allocated. The recoverable amount of the Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 8.41%. The growth discount in accordance with this detailed plan was set at 1.0%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the Wanfried Group in the amount of EUR 4,968 thousand at the balance sheet date originated from the acquisition of the company. The Wanfried Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill was allocated. The recoverable amount of the Wanfried Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 8.91%. The growth discount in accordance with this detailed plan was set at 0.5%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the ddp Group amounts to EUR 1,578 thousand at the balance sheet date (PY EUR 1,364 thousand). The stated amount of goodwill represents the expected positive development in a favorable pictures market. The ddp Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill was allocated. The recoverable amount of the ddp Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 13.03%. The growth discount in accordance with this detailed plan was set at 1.5%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded its residual carrying amount.

The goodwill of the Rohé Group in the amount of EUR 1,097 thousand at the balance sheet date originated from the acquisition of the company. The Rohé Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill was allocated. The recoverable amount of the Rohé Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 9.48%. The growth discount in accordance with this detailed plan was set at 0.5%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the Sommer Group in the amount of EUR 1,007 thousand at the balance sheet date originated from the acquisition of the company. The Sommer Group represents the cash-generating unit within the meaning of IAS 36 to which goodwill was allocated. The recoverable amount of the Sommer Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 19.60%. The growth discount in accordance with this detailed plan was set at 1.0%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the Jahnel-Kestermann Group in the amount of EUR 583 thousand at the balance sheet date (PY EUR 83 thousand) originated from the acquisition of the company. The year-on-year change resulted from the purchase of additional shares in Jahnel-Kestermann Group's holding company. The Jahnel-Kestermann Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill acquired in 2006 was allocated. The recoverable amount of the Jahnel-Kestermann Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 12.84%. The growth discount in accordance with this detailed plan was set at 0.5%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the Fritz Berger Group in the amount of EUR 174 thousand at the balance sheet date originated from the acquisition of the company. The Fritz Berger Group represents the cash-generating unit within the meaning of IAS 36 to the which goodwill was allocated. The recoverable amount of the Berger Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 7.51%. The growth discount in accordance with this detailed plan was set at 1.0%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the tiscon Group in the amount of EUR 142 thousand at the balance sheet date originated from the acquisition of the company. The tiscon Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill was allocated. The recoverable amount of the tiscon Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 7.46%. The growth discount in accordance with this detailed plan was set at 1%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the Golf House Group in the amount EUR 132 thousand at the balance sheet date originated from the acquisition of the company. The Golf House Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill was allocated. The recoverable amount of the Golf House Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 8.34%. The growth discount in accordance with this detailed plan was set at 1.5%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The goodwill of the Evotape Group in the amount of EUR 100 thousand at the balance sheet date (PY EUR 100 thousand) originated from subsequently incurred acquisition costs. The Evotape Group represents the cash-generating unit within the meaning of IAS 36 to which the goodwill was allocated. The recoverable amount of the Evotape Group was calculated on the basis of a DCF model. The calculation was made using a 4-year cash flow plan. The applied discount rate before taxes was 9.96%. The growth discount in accordance with this detailed plan was set at 0.5%. According to the calculation, there was no need to recognize an impairment loss in goodwill because the value in use exceeded the residual carrying amount.

The item of companies removed from the consolidation group includes the acquisition and production costs and the accumulated depreciation of assets removed from the consolidation group in connection with the deconsolidation of the SKW Group, the SKS Group, the Salto Group, and the teutonia Group in 2007.

15. Property, Plant and Equipment

EUR'000	LAND, LEASEHOLD RIGHTS	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (EXCLUDING FINANCE LEASES)	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (FINANCE LEASES)
Acquisition cost as of 01/01/2007	**17,410**	**47,468**	**10,008**
Companies added to consolidation group	27,308	49,204	4,603
Companies removed from consolidation group	-4,156	-1,354	-284
Currency translation differences	27	-550	0
Additions	402	1,620	0
Disposals	-3,306	-2,803	0
Transfers	1,063	14,552	-9,725
Balance on 12/31/2007	**38,748**	**108,137**	**4,602**
Depreciation as of 01/01/2007	**-546**	**-3,310**	**-11**
Companies removed from consolidation group	589	226	19
Currency translation differences	88	10	0
Additions	-94	-4,281	-11
Impairment (IAS 36)	-4,312	-7,120	0
Transfers	0	292	0
Disposals	0	738	0
Balance on 12/31/2007	**-4,275**	**-13,445**	**-3**
Net carrying amount as of 12/31/2006	**16,864**	**44,158**	**9,997**
Net carrying amount as of 12/31/2007	**34,473**	**94,692**	**4,599**

TECHNICAL EQUIPMENT, PLANT AND MACHINERY (EXCL. FINANCE LEASES)	TECHNICAL EQUIPMENT, PLANT AND MACHINERY (FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (EXCL. FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (FINANCE LEASES)	ADVANCED PAYMENTS AND CON-STRUCTION IN PROGRESS	TOTAL
47,292	**25,287**	**14,034**	**3,481**	**4,021**	**169,001**
107,047	16,831	37,944	2,730	11,761	257,428
-21,322	-8,756	-3,962	0	-682	-40,516
-1,377	-599	-209	4	-109	-2,813
12,354	7,109	5,055	703	11,530	38,773
-9,464	-10,654	-2,970	-303	-1,258	-30,758
5,860	10,058	1,108	-495	-14,950	7,471
140,390	**39,276**	**51,000**	**6,120**	**10,313**	**398,586**
-6,244	**-954**	**-5,352**	**-43**	**0**	**-16,460**
8,730	265	2,218	0	0	12,047
919	30	100	-1	0	1,146
-14,273	-3,950	-5,485	-585	0	-28,679
-3,106	0	0	0	0	-14,538
694	8	-517	0	0	477
6,286	391	2,134	251	0	9,800
-6,994	**-4,210**	**-6,902**	**-378**	**0**	**-36,207**
41,048	**24,333**	**8,682**	**3,438**	**4,021**	**152,541**
133,396	**35,066**	**44,098**	**5,742**	**10,313**	**362,379**

EUR'000	LAND, LEASEHOLD RIGHTS	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (EXCLUDING FINANCE LEASES)	BUILDINGS, INCLUDING BUILDINGS ON NON-OWNED LAND (FINANCE LEASES)
Acquisition cost as of 01/01/2006	**21,813**	**44,529**	**8,469**
Companies added to consolidation group	8,759	40,889	9,726
Companies removed from consolidation group	-6,825	-17,167	-8,469
Currency translation differences	9	-45	0
Additions	297	2,085	0
Disposals	-4,214	-10,362	0
Transfers	-2,429	-12,461	282
Balance on 12/31/2006	**17,410**	**47,468**	**10,008**
Depreciation as of 01/01/2006	**-350**	**-2,766**	**-90**
Companies removed from consolidation group	0	2,244	90
Currency translation differences	0	7	0
Additions	-196	-3,706	-11
Impairment (IAS 36)	0	-38	0
Transfers	0	272	0
Disposals	0	677	0
Balance on 12/31/2006	**-546**	**-3,310**	**-11**
Net carrying amount as of 12/31/2005	**21,463**	**41,763**	**8,379**
Net carrying amount as of 12/31/2006	**16,864**	**44,158**	**9,997**

TECHNICAL EQUIPMENT, PLANT AND MACHINERY (EXCL. FINANCE LEASES)	TECHNICAL EQUIPMENT, PLANT AND MACHINERY (FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (EXCL. FINANCE LEASES)	OTHER EQUIPMENT, OPERATIONAL AND OFFICE EQUIPMENT (FINANCE LEASES)	ADVANCED PAYMENTS AND CON-STRUCTION IN PROGRESS	TOTAL
45,821	**14,384**	**7,758**	**0**	**1,091**	**143,865**
27,177	27,165	6,164	3,005	2,167	125,052
-25,572	-16,923	-2,035	-19	-1,025	-78,035
-1,107	-9	-158	0	-26	-1,336
5,122	1,285	2,106	495	5,150	16,540
-5,780	-668	-816	0	-67	-21,907
1,631	53	1,015	0	-3,269	-15,178
47,292	**25,287**	**14,034**	**3,481**	**4,021**	**169,001**
-4,272	**-2,287**	**-3,277**	**0**	**0**	**-13,042**
4,749	4,352	745	19	0	12,199
915	12	90	0	0	1,024
-11,020	-3,033	-2,607	-62	0	-20,635
-20	0	-66	0	0	-124
807	0	-807	0	0	272
2,597	2	570	0	0	3,846
-6,244	**-954**	**-5,352**	**-43**	**0**	**-16,460**
41,549	**12,097**	**4,481**	**0**	**1,091**	**130,823**
41,048	**24,333**	**8,682**	**3,438**	**4,021**	**152,541**

In conducting the impairment test for property, plant and equipment, it was discovered that the carrying amounts were above the recoverable amounts of those assets in all cases. Where appropriate, an impairment loss was recognized in the amount of the difference in accordance with IAS 36. As a result, the corresponding items were written down by EUR 9,332 thousand to the fair values confirmed by independent appraisers. The carrying amount of these assets prior to recognition of the impairment losses amounted to EUR 18,162 thousand.

An impairment loss of EUR 5,206 thousand was recognized in the carrying amount of buildings and machinery of the Oxxynova Group because they are currently being converted and therefore require significant additional investments. In accordance with IAS 36, the future cash flows after successful conversion may not be taken into account for the purpose of determining the recoverable amount. Consequently, it will likely be necessary in future periods to reverse the impairment loss up to the amount of amortized cost after the conversion project has been completed.The carrying amount of these assets prior to recognition of the impairment loss amounted to EUR 5,206 thousand.

The property, plant and equipment also included leased assets in the amount of EUR 45,407 thousand (PY EUR 37,768 thousand), for which the Group is considered to be the beneficial owner by virtue of the underlying contracts ("finance leases"). These leases related in particular to technical equipment, plant and machinery (EUR 35,066 thousand; PY EUR 24,333 thousand), buildings (EUR 4,599 thousand; PY EUR 9,997 thousand), as well as other equipment, operational and office equipment (EUR 5,742 thousand; PY EUR 3,438 thousand).

Of the total property, plant and equipment, an amount of EUR 75,949 thousand (PY EUR 4,259 thousand) has been pledged as collateral for non-current financial liabilities. The collateralized liabilities are primarily bank loans (EUR 35,039 thousand), and liabilities from purchase price payments (EUR 34,000 thousand). EUR 304 thousand has been pledged as collateral for liabilities under finance lease.

The item of companies removed from the consolidation group essentially includes the acquisition and production costs (EUR 25,974 thousand) and the accumulated depreciation of assets (EUR 11,023 thousand) removed from the consolidation group in connection with the deconsolidation of the SKW Group in 2007.

16. Investment Property

EUR'000	2007	2006
Acquisition costs as of 01/01	**2,330**	**2,420**
Additions	0	0
Change in consolidation group	0	0
Acquisitions	0	0
Disposals	0	-90
Balance as of 12/31	**2,330**	**2,330**
Depreciation as of 01/01	**-211**	**-132**
Additions	-1,869	-79
Change in consolidation group	0	0
Acquisitions	0	0
Disposals	0	0
Balance as of 12/31	**-2,080**	**-211**
Net carrying amount on 12/31	**250**	**2,119**

The investment property pertains to a developed parcel of land of ARQUES Industries AG in Burnhaupt le Haupt, France. The building is depreciated by the straight-line method over an economic life of 25 years. The revenues generated in 2007 amounted to EUR 38 thousand (PY EUR 60 thousand). The fair value of the investment property was reassessed in 2007 by expert appraisal based on future rental income. An impairment was recognized in the amount of EUR 1,789 thousand.

17. Non-current Financial Assets accounted for by the Equity Method

The development of the non-current financial assets accounted for by the equity method is presented below:

EUR'000	2007	2006
Balance at 1.1.	**17,762**	**3,603**
Addition	81	14,084
Addition to consolidation group	4,200	0
Disposal from consolidation group	- 3,733	0
Proportional share of net profit	656	716
Foreign exchange differences	- 2	- 195
Income tax	0	- 56
Collected dividend distribution	0	- 390
Depreciation	- 6,979	0
Disposal	- 4,427	0
Reclassification	- 2,994	0
Balance at 31.12.	**4,564**	**17,762**

The addition to the consolidation group in the year 2007 consisted of two companies of the ANVIS Group. The disposal from consolidation group in the year 2007 related to the deconsolidation of Jamshedpur Injection Powder Ltd. from the SKW Group.

The companies accounted for by the equity method generated a total net profit of EUR 656 thousand in fiscal year 2007, broken down as follows:

- ARQUANA International Print & Media AG EUR 300 thousand
- Jamshedpur Injection Powder Ltd. EUR 233 thousand
- ANVIS Brazil EUR 75 thousand
- ANVIS South Africa EUR 48 thousand

In August 2007, 29,9% of the shares in ARQUANA International Print & Media AG were sold. As a result, the carrying amount of these shares was written down to the stock market price at sale date. The writedown amounted to EUR 6,979 thousand. Furthermore, a loss of EUR 4,427 thousand was recognized on the disposal of the residual carrying amount.

18. Financial Assets

The financial assets include loans extended with a term of more than one year. All loans were measured at amortized cost. Due to the fact that the contractual terms are longer than one year, the fair values can differ from the carrying amounts. Because, however, these are long-term loans of subsidiaries acquired at the end of the year, the loans were posted nominally at fair value. Therefore, the fair value at the balance sheet date of December 31, 2007, is equal to the carrying amount.

The development of the loans extended as of December 31, 2007 can be presented as follows:

EUR'000	2007	2006
Acquisition costs as of 01/01	**9,751**	**1,013**
Changes in the consolidation group	3,354	-1,684
Additions	149	10,777
Disposals	-9,866	-355
Transfers	408	0
Currency differences	-38	0
Reversal of impairment loss	26	0
Balance on 12/31	**3,784**	**9,751**

The disposals in the amount of EUR 9,866 thousand pertain to the loan of the former subsidiary ARQUANA International Print & Media AG, which filed an application for insolvency proceedings on January 7, 2008.

Of the total loans extended, an amount of EUR 2,625 thousand pertains to the ANVIS Group, EUR 291 thousand to the Eurostyle Group, EUR 409 thousand to the Capresa Group, EUR 441 thousand to Wanfried Druck Kalden GmbH, and EUR 18 to ARQUES Sport Handelsgesellschaft mbH. All of these loans will be repaid in euros.

Based on the contractually agreed interest and principal payments, there were no indications at the balance sheet date that these payments will not be received when due.

In fiscal year 2007, the ARQUES Group received security deposits in the amount of EUR 224 thousand as security for the loans extended.

19. Other Non-current Assets

The other non-current assets include securities held to maturity in the amount of EUR 106 thousand, consisting of the unit shares of a DEKA fund that are used to secure the early partial retirement scheme (Altersteilzeit). Also included are the non-consolidated BEA companies and the Camping Outlet GmbH of the Fritz Berger Group.

20. Inventories

The inventories are broken down as follows:

EUR'000	2007	2006
Finished goods and trading stock	312,205	59,081
Semi-finished goods and services	59,834	11,180
Raw materials and supplies	57,828	43,066
Advance payments	7,913	768
Total	**437,780**	**114,095**

Inventories are measured at the lower of cost or net realizable value less costs to sell at the balance sheet date. The valuation adjustments contained within the purchased goods and services, mainly for slow-moving inventories and insufficient salability, amounted to EUR 11,678 thousand (PY EUR 4,171 thousand).

The main contributors to the trading stock in the total amount of EUR 277,557 thousand were the Actebis Group, in the amount of EUR 234,148 thousand, and the tiscon Group, in the amount of EUR 16,150 thousand (PY EUR 13,843 thousand). Finished products in the amount of EUR 33,564 thousand were contributed mainly by the ANVIS Group (EUR 8,739 thousand), the Oxxynova Group (EUR 5,867 thousand; PY 4,312 thousand), the Eurostyle Group (EUR 5,628 thousand), the Rohner Group (EUR 3,320 thousand (PY 5,075 thousand)) and the Van Netten Group (EUR 2,111 thousand). The finished services in the amount of EUR 1,085 thousand related entirely to the Rohé Group,

The semi-finished goods related mainly to the Jahnel-Kestermann Group, in the amount of EUR 21,098 thousand, the Eurostyle Group in the amount of EUR 17,732 thousand, the ANVIS Group in the amount of EUR 7,900 thousand and the Sommer Group in the amount of EUR 3,479 (PY EUR 1,830 thousand).

The raw materials and supplies related mainly to the Automotive segment, in the amount of EUR 24,277 thousand (of which EUR 9,518 thousand related to the Sommer Group (PY EUR 6,139 thousand), EUR 9,175 thousand to the ANVIS Group and EUR 5,583 thousand to the Eurostyle Group), the Specialty Chemicals segment in the amount of EUR 13,604 thousand (of which EUR 9,797 thousand related to the Oxxynova Group (PY EUR 9,938 thousand), EUR 1,827 thousand to the Oxiris Group and EUR 1,980 thousand to the Rohner Group (PY EUR 1,771 thousand)), the Service segment in the amount of EUR 9,460 thousand (of which EUR 9,280 thousand related to the Rohé Group) and the Industrial Production segment in the amount of EUR 4,382 thousand (of which EUR 2,301 thousand related to the Evotape Group (PY EUR 2,647 thousand) and EUR 1,475 thousand to the Van Netten Group).

The advance payments are composed mainly of EUR 3,933 thousand (Eurostyle Group), EUR 1,257 thousand (tiscon Group), and EUR 760 thousand (Sommer Group) (PY EUR 389 thousand).

Inventories in the amount of EUR 3,442 thousand (PY EUR 929 thousand) have been pledged as security for liabilities to banks and inventories in the amount of EUR 5,889 thousand have been pledged as security for other non-financial liabilities.

21. Receivables under construction contracts

The receivables under construction contracts have been determined as follows:

EUR'000	2007	2006
Costs incurred, plus accumulated profit	15,040	16,641
Less invoices issued for down payments	0	0
Total	**15,040**	**16,641**
of which: future receivables under construction contracts	15,040	16,641
of which: payables under construction contracts	0	0

The receivables under construction contracts are related mainly to the Hottinger Group (EUR 8,247 thousand) as well as the BEA Group (EUR 6,743 thousand; PY EUR 8,897 thousand). Construction contracts are accounted for using the cost-to-cost method in connection with the percentage of completion method.

If the value of the work performed to date exceeds the advance payments, a receivable is recognized; in the reverse case, a payable is recognized. Provisions were established to account for anticipated losses under construction contracts.

22. Trade receivables

EUR'000	2007	2006
Receivables before valuation allowances	431,377	140,427
Valuation allowances	-2,987	-1,644
Carrying amount of receivables	**428,390**	**138,783**

The Actebis Group has assigned a portion of its trade receivables to financing companies (so-called factors). Receivables were sold at fiscal year-end in the amount of EUR 267,900. Due to the nature of the factoring contract, neither the risks nor the opportunities associated with the sold receivables can be completely assigned to one of the parties. In accordance with IAS 39, therefore, the company has recognized an amount of EUR 892 thousand as its "continuing involvement" in the sold receivables, composed of EUR 153 thousand for the residual interest rate risk and EUR 739 thousand for the del credere risk. Furthermore, a claim against the purchaser of the receivables resulting from the purchase price retention in the amount of EUR 660 thousand is presented within the trade receivables.

The valuation allowances for trade receivables have developed as follows:

EUR'000	2007	2006
01/01	**1,644**	**2,369**
Addition	2,661	1,896
Utilization	-30	0
Reversal	-547	-945
Reclassification	1	0
Changes in consolidation group	-742	-1,677
12/31	**2,987**	**1,644**

At the balance sheet date, valuation allowances had been charged against receivables amounting to EUR 85,349 thousand (PY EUR 6,530 thousand). The valuation allowances consisted of specific valuation allowances in the amount of EUR 1,474 thousand (PY EUR 1,621 thousand) and general valuation allowances in the amount of EUR 1,513 thousand (PY EUR 24 thousand).

The changes in the consolidation group in the total amount of EUR 742 thousand (PY EUR 1,677 thousand) resulted mainly from the sale of the SKS Stakusit Group (EUR 703 thousand), teutonia Kinderwagenfabrik GmbH (EUR 33 thousand), and the SKW Group (EUR 6 thousand) by ARQUES Industries AG.

The age structure of trade receivables at December 31, 2007 is presented in the table below:

EUR'000	2007	2006
Carrying amount	**428,390**	**138,783**
of which: neither written down nor past due at the balance sheet date	238,875	124,254
of which: written down at the balance sheet date	85,349	6,530
of which: not written down but past due at the balance sheet date, by the following lengths of time	104,166	7,999
up to 90 days past due	98,357	6,914
90 to 180 days past due	4,138	190
180 days to 1 year past due	1,433	459
more than 1 year past due	238	436

With respect to the trade receivables that were neither written down nor past due, there were no indications at the balance sheet date that the debtor will not meet its payment obligations.

Of the trade receivables stated in the balance sheet, an amount of EUR 5,416 thousand (PY EUR 642 thousand) was pledged as security for trade payables and an additional amount of EUR 12,444 thousand (PY EUR 460 thousand) was pledged as security for liabilities due to banks.

The ARQUES Group did not accept any security or other credit quality improvements as security for trade receivables or unpaid invoices in 2007.

The trade receivables related mostly to the Actebis Group, in the amount of EUR 163,240 thousand, the ANVIS Group in the amount of EUR 52,222 thousand, the Eurostyle Group in the amount of EUR 47,772 thousand, the Rohé Group in the amount of EUR 21,749 thousand, the Oxxynova Group in the amount of EUR 21,168 thousand (PY EUR 21,925 thousand), the tiscon Group in the amount of EUR 18,560 thousand (PY EUR 21,318 thousand) and Evotape S.p.A. in the amount of EUR 16,921 thousand (PY EUR 17,101 thousand).

As a result of the international activity of many of the subsidiaries of the ARQUES Group, the trade receivables at December 31, 2007 contained the following trade receivables denominated in foreign currencies, which have been translated to the Group currency (EUR) as shown in the table on the next page:

EUR'000	2007	2006
DKK (Danish krone)	70,354	186
CHF (Swiss franc)	12,830	10,568
USD (U.S. dollar)	12,785	7,911
NOK (Norwegian krone)	5,975	0
RON (Rumanian leu)	4,708	699
CNY (Chinese yuan)	4,190	0
GBP (British pound)	3,596	1,216
SEK (Swedish krone)	3,525	0
PLN (Polish zloty)	2,725	369
HUF (Hungarian forint)	1,293	0
BGN (Bulgarian lev)	1,245	0
CZK (Czech koruna)	886	0
RUB (Russian ruble)	192	262
Others	5,043	2,174
Total	**129,347**	**23,385**

All trade receivables owed at December 31, 2007 are due within one year.

23. Available-for-sale financial assets

The category of available-for-sale financial assets in the amount of EUR 1,418 thousand (PY EUR 65 thousand) represents the residual amount of financial assets that were not recognized in other measurement categories in accordance with IAS 39. The ARQUES Group presents only interest-bearing and non interest-bearing securities in this item.

Non-current securities available for sale related to the A. Rohé GmbH in the amount of EUR 717 thousand and to the BEA companies in the amount of EUR 632 thousand. Current securities available for sale in the amount of EUR 49 thousand related to Actebis Computerhandels GmbH.

Items within this position have been measured at fair value at the time of initial recognition and in subsequent periods. The result of the fair value measurement in the amount of EUR 2 thousand (PY EUR -4 thousand) was recognized directly in a separate item in equity, the revaluation reserve within other comprehensive income.

Premiums or discounts are recognized as net interest income/expenses over the term to maturity. At the balance sheet date, interest income was recognized in the amount of EUR 28 thousand (PY EUR -154 thousand).

When a non-current financial asset is sold, the cumulative amounts recognized in the revaluation reserve within other comprehensive income are reversed and recognized in the income statement. There were no financial assets of this nature sold in the year 2007.

In case of impairments, the revaluation reserve is reduced by the amount of the impairment and the corresponding amount is recognized in the income statement accordingly.

24. Other assets

The other assets are broken down as follows:

EUR'000	2007	2006
Receivables from factoring	115,892	5,103
Current loans	21,057	11.286
Tax receivables	16,471	11,114
Receivable for negative purchase prices	11,500	11,368
Refund claims due from suppliers	10,618	532
Amounts owed by former shareholders	8,000	0
Prepaid expenses	7,636	4,131
Receivables from share sales	4,620	5,505
Receivables measured at fair value	4,047	3,149
Other receivables	29,082	3,002
Total	**228,923**	**55,190**

The receivables from factoring amounting to EUR 115,892 at December 31, 2007 include the receivables of the Actebis Group (EUR 101,833 thousand) from the purchase price retention for the legal validity and revenue deduction risks and the receivables of the Actebis Group from the outstanding portion of the purchase price claim. Receivables from factoring also related to the Eurostyle Group (EUR 11,273 thousand) and the Evotape Group (EUR 2,786 thousand).

The current loans amounting to EUR 21,057 thousand related largely to the Eurostyle Group (EUR 19,864 thousand). Of this total, an amount of EUR 16,068 was subjected to valuation allowances.

The tax receivables stated in the balance sheet do not include income tax receivables as these have been listed separately. Included in the tax receivables presented here are VAT claims in the amount of EUR 12,562 thousand (PY EUR 10,675 thousand), relating mostly to the Actebis Group in the amount of EUR 3,522 thousand, the ANVIS Group in the amount of EUR 3,128 thousand, the Eurostyle Group in the amount of EUR 1,036, the Evotape Group (EUR 936 thousand; PY 3,425 thousand) and the Sommer Group (EUR 784 thousand; PY EUR 900 thousand).

The negative purchase price in the amount of EUR 11,500 thousand related entirely to the SM Electronic Group and results from the terms of the purchase agreement.

The refund claims due from suppliers in the total amount of EUR 10,618 thousand related to the Actebis Group in the amount of EUR 6,303 thousand, the tiscon Group in the amount of EUR 2,873 thousand and the SM Electronic Group in the amount of EUR 1,382 thousand. These claims resulted from the year-end rebates of manufacturers and suppliers that will be paid in the subsequent period.

The ANVIS Group has receivables of EUR 8,000 thousand due from the previous owners in connection with environmental measures.

The prepaid expenses related mainly to the SM Electronic Group in the amount of EUR 2,561 thousand, the tiscon Group in the amount of EUR 819 thousand (PY EUR 1,676 thousand), the Actebis Group in the amount of EUR 713 thousand, the Rohner Group in the amount of EUR 555 thousand (PY 712 thousand) and the ANVIS Group in the amount of EUR 544 thousand.

Receivables from the sale of shares in the amount of EUR 4,620 thousand related entirely to the SKS Group.

The receivables measured at fair value in the amount of EUR 4,047 thousand (PY EUR 3,149 thousand) consisted of receivables due from the SKW Group, which was deconsolidated at the balance sheet date, in relation to shareholder loans taken over at the acquisition date. No derivatives or comparable financial instruments for hedging credit risk were acquired or concluded. The gain from fair value measurement appears in full for the first time in the current financial statements because the affected companies had belonged to the ARQUES consolidation group prior to balance sheet date.

The other assets in the amount of EUR 29,082 thousand are broken down as follows:

Receivables of the Van Netten Group in the amount of EUR 1,493 thousand and receivables of the Hottinger Group in the amount of EUR 1.000 thousand are held as securities by banks and credit insurance institutions. Of the other receivables, an amount of EUR 1,620 thousand are presented as receivables from outsourcing by the ANVIS Group, whereas the Capresa Group has receivables of EUR 2,451 thousand resulting from moving costs. This category also includes receivables of EUR 1,810 thousand due from the previous owners of the tiscon Group and EUR 744 thousand due from the previous owners the Eurostyle Group.

The financial derivatives included within the other assets consisted exclusively of an interest rate cap with a fair value of EUR 40 thousand and two interest rate swaps with a fair value of EUR 36 thousand, which are not, however, subject to the conditions of hedge accounting for hedging cash flow variability due to interest rate changes.

25. Cash and Cash Equivalents

This item is composed of cash on hand and cash in banks that are available in less than three months, as well as other financial securities with an original term of less than three months. Of the total cash and cash equivalents, an amount of EUR 14,675 thousand (PY EUR 3,852 thousand) has been pledged as security for the contractual performance of projects and as loan security (restricted cash).

EUR'000	2007	2006
Short-term deposits	893	725
Cash on hand and cash in banks	68,972	87,429
Restricted cash	14,675	3,852
Total	**84,540**	**92,006**

26. Non-current Assets and Liabilities Held for Sale

The amounts presented in the balance sheet under "non-current assets held for sale" and "liabilities related to assets held for sale" refer to specific assets and liabilities of Missel GmbH & Co. KG and Oxiris Chemicals S.A., as well as other assets and liabilities held for sale.

In accordance with the provisions of IFRS 5, an item of property, plant and equipment must be reviewed in order to determine whether the fair value less the costs to make the sale is less than the carrying amount prior to reclassifying such an asset as held for sale. The assets listed below were measured at the lower of the fair value less the costs to sell and previous carrying amount. In the case of disposal groups, the fair value less the costs to sell is measured and compared with the carrying amount on an aggregated level.

Missel GmbH & Co. KG (part of the Industrial Production segment)

On February 22, 2008, ARQUES sold the operating business of its building supplier Missel GmbH & Co. KG to the globally active KOLEKTOR Group from Slovenia at a profit under the terms of an asset deal. The other assets and liabilities, including land and buildings in particular, will remain with the company. No impairment losses had to be recognized.

At December 31, 2007, the assets and liabilities of Missel GmbH & Co. KG that were sold in the first quarter of 2008 were as follows:

EUR'000	2007
Assets	
Non-current assets	2,936
Inventories	2,492
Current receivables	2,515
Cash in banks and securities	215
	8,158
Liabilities	
Current liabilities	**2,728**

Oxiris Chemicals S.A. (Part of the Specialty Chemicals segment)

The assets and liabilities of Oxiris Chemicals S.A., Spain, were aggregated as a disposal group and measured at fair value less the cost to sell. The sale is expected to be completed within the first half of 2008.

At December 31, 2007, the assets and liabilities of Oxiris Chemicals S.A. were composed of the following:

EUR'000	2007
Assets	
Fixed assets	6,471
Inventories	2,577
Current receivables	9,090
Cash in banks and securities	1,839
	19,977
Liabilities	
Current liabilities	**5,815**

Others

The assets held for sale thousand include the real estate of Oxiris Property Ltd., Great Britain (part of the Specialty Chemicals segment), in the amount of EUR 1,091. The fair value less the costs to sell was determined on the basis of the existing purchase agreement. The sale is expected to be completed within the first half of 2008.

The non-current assets held for sale include two properties in the amount of EUR 30,000 thousand at the balance sheet date which are leased by ARQUES to the Actebis Group. These include Actebis Peacock GmbH's operational and administrative building in Soest and a distribution center of Actebis Peacock GmbH in Bad Wünnenberg. Both properties are for sale and ARQUES is already in the advanced stages of negotiations with potential buyers. The sale proceeds were determined on the basis of purchase offers and purchase rice appraisals. No impairment losses had to be recognized. The sale is expected to be completed within the second half of 2008.

Additionally this item includes developed land in the amount of EUR 350 thousand no longer used for operations by the Actebis Group in Soest and classified as held-for-sale (part of the Retail segment). The sale proceeds were determined on the basis of the negotiated purchase price according to the purchase agreement. The sale was concluded in January 2008.

Furthermore, this item includes land and buildings owned by Capremex S.A. DE C.V., Mexico, (part of the Steel segment) in the amount of EUR 702 thousand, which are to be sold to the buyer according to the purchase agreement. However, the transaction was not been completed prior to the balance sheet date owing to bureaucratic requirements. The sale proceeds were determined on the basis of the negotiated purchase price according to the purchase agreement. No impairment losses had to be recognized. The sale is expected to be completed within the second half of 2008.

The remainder of the item in the amount of EUR 81 thousand pertains to machines of ANVIS DE MEXICO S.A. de C.V., (part of the Automotive segment) which are to be sold to the seller according to the terms of the transaction agreement relating to the acquisition of the ANVIS Group. The sale proceeds were determined on the basis of the expected purchase price on the basis of oral negotiations, which has not yet been finally determined. No impairment losses had to be recognized. The sale is expected to be completed within the second half of 2008.

The non-current assets held for sale are broken down among the subsidiaries as follows:

EUR'000	2007
Missel GmbH & Co. KG	8,158
Oxiris Chemicals S.A.	19,977
Oxiris Ltd. GB	1,091
Actebis	30,000
Actebis	350
Capremex S.A. DE C.V., Mexico	702
ANVIS de Mexico S.A. DE C.V.	81
Total	**60,359**

27. Shareholders' Equity

Subscribed capital

On May 25, 2007, the Company announced the placement of a capital increase on the basis of a resolution by the annual shareholders' meeting of May 30, 2006 (Agenda Item 7). The capital increase was executed on May 29, 2007. The share capital was increased from EUR 24,266,670 to EUR 26,450,000 through the issuance of 2,183,330 new shares, with no change in the number of no-par bearer shares. The capital increase took effect when it was recorded in the Commercial Register on May 30, 2007.

The nominal amount of the 92,881 treasury shares at the balance sheet date of December 31, 2007, was set off against the subscribed capital in accordance with IAS 32.

Additional paid-in capital

The additional paid-in capital was increased by the issue premium from the capital increase by EUR 44,091 thousand from EUR 31,444 thousand at December 31, 2006, to EUR 75,535 thousand at December 31, 2007. The additional paid-in capital also includes the costs of the capital increase in the amount of EUR 1,212 thousand less deferred taxes (EUR 327 thousand).

The amount of the acquisition costs exceeding the nominal amount of the treasury shares acquired was set off against the additional paid-in capital in accordance with IAS 32, with the result that the additional paid-in capital amounted to EUR 72,473 thousand at the balance sheet date of December 31, 2007.

Retained earnings

The retained earnings totaling EUR 20,290 thousand (PY EUR 5,302 thousand) include the statutory reserve of ARQUES Industries Aktiengesellschaft in the amount of EUR 94 thousand, as well as retained earnings in the amount of EUR 14,988 thousand which were allocated in accordance with the profit appropriation resolution dated June 21, 2007.

Minority interests

The adjustment entry for minority interests pertains mainly to the following segments: Automotive, IT, Retail, Industrial Production and Other. The changes are related to the newly acquired companies, changes in existing subsidiaries, as well as the derecognized minority interests of deconsolidated companies.

Authorized capital

The shareholders resolved to increase the Authorized Capital 2005/I at the annual shareholders' meeting of May 30, 2006. By the same resolution, the Executive Board was authorized to increase the share capital all at once or in partial amounts by a total of up to EUR 12,000,000 in the period up to May 30, 2011, with the approval of the Supervisory Board, by issuing new bearer shares in exchange for cash and/or in-kind contributions (Authorized Capital 2006/I). The subscription rights of existing shareholders can be excluded.

The issuance of 2,183,330 shares against the Authorized Capital 2006/I approved by the annual shareholders' meeting of May 30, 2006 took effect when it was recorded in the Commercial Register on May 30, 2007. At the balance sheet date, therefore, the Authorized Capital amounted to EUR 9,816,670, as compared with EUR 12,000,000 at the same date last year.

Stock options

ARQUES introduced a stock option program in fiscal year 2005. Under this program, options were granted in 2007 for a total of 412,500 shares (PY 535,000 shares) in ARQUES Industries AG in 10 different tranches which are recognized as equity-settled and two different tranches which are recognized as cash-settled. Unlike standard options, these stock options do not feature fixed exercise prices. Instead, the stock option beneficiary can request the delivery of a certain number of shares in ARQUES Industries AG on any one of up to three delivery and valuation dates. The number of shares to be delivered on a given delivery date is determined on the basis of the performance of the ARQUES share since the starting date (calculation for the first tranche) or the final valuation date (= final exercise date). If the share price development has been negative, no shares will be delivered. The stock options will expire if the employee leaves the Group before they become vested.

The valuation results for each equity-settled tranche are presented in the table below:

TRANCHE	GRANT DATE	INITIAL PRICE	DEIVERY DATE	FINAL PRICE	INTEREST RATE	VOLA-TILITY	FAIR VALUE
1	03/23/2007	17.55 EUR	06/30/2009	17.55 EUR	3.89%	47.68%	4.43 EUR
2	05/02/2007	22.70 EUR	06/30/2009	22.70 EUR	4.09%	48.56%	5.99 EUR
3	06/26/2007	20.00 EUR	06/30/2009	30.50 EUR	4.34%	44.91%	13.02 EUR
4	06/29/2007	30.79 EUR	06/30/2008	32.03 EUR	4.29%	43.67%	6.41 EUR
5	07/03/2007	30.00 EUR	06/30/2009	34.00 EUR	4.34%	43.06%	10.22 EUR
6	08/10/2007	31.50 EUR	08/31/2009	31.50 EUR	4.16%	44.79%	7.36 EUR
7 I	12/17/2007	23.76 EUR	12/31/2008	23.50 EUR	4.01%	56.80%	4.91 EUR
7 II	12/17/2007	23.76 EUR	12/31/2009	23.50 EUR	3.99%	49.40%	5.45 EUR
8 I	11/26/2007	25.00 EUR	04/30/2008	24.60 EUR	3.87%	63.18%	3.93 EUR
8 II	11/26/2007	25.00 EUR	04/30/2009	24.60 EUR	3.77%	50.54%	4.65 EUR
8 III	11/26/2007	25.00 EUR	04/30/2010	24.60 EUR	3.71%	47.35%	3.90 EUR
9	06/11/2007	24.00 EUR	07/31/2009	24.43 EUR	4.34%	43.56%	5.95 EUR
10	10/01/2007	31.37 EUR	09/30/2009	31.00 EUR	3.98%	47.14%	7.35 EUR

The valuation results for each cash-settled tranche are presented in the table below:

TRANCHE	GRANT DATE	INITIAL PRICE	DELIVERY DATE	FINAL PRICE	INTEREST RATE	VOLA-TILITY	FAIR VALUE GRANTED	FAIR VALUE AT THE BALANCE SHEET DATE
16 I / 2006	10/12/2006	10.00 EUR	01/31/2008	23.50 EUR	3.85%	46.79%	22.32 EUR	14.32 EUR
16 II / 2006	10/12/2006	--	06/30/2009	23.50 EUR	3.97%	50.24%	6.61 EUR	4.51 EUR
1 / 2007	05/15/2007	16.00 EUR	03/31/2009	23.50 EUR	3.97%	53.62%	7.28 EUR	8.62 EUR
2 I /2007	11/10/2007	--	12/31/2008	23.50 EUR	3.97%	55.66%	4.94 EUR	4.26 EUR
2 II /2007	11/10/2007	--	12/31/2009	23.50 EUR	3.97%	49.07%	5.76 EUR	4.95 EUR
2 III /2007	11/10/2007	--	12/31/2010	23.50 EUR	3.99%	50.23%	6.94 EUR	5.66 EUR

At the balance sheet date, 902,500 stock options (PY 854,000) were outstanding, of which 897,500 are not yet exercisable. The average weighted exercise price of the outstanding options at the balance sheet date was EUR 18.23 (PY EUR 10.50) . The stock options were measured by means of a Monte Carlo simulation. For this purpose, a simulation of the lognormal-distributed process for the price of the ARQUES share was conducted, in order to measure the share's performance between two valuation dates. The stock options granted are composed of up to three sub-options. In the simulation model, each sub-option is valued separately. The fair value of each subscription right is determined as the sum of the sub-options.

The value at each grant date of the equity-settled tranches was measured with reference to the following interest rates, which served as the basis for determining the required interest rate for each stock option calculation. (The interest rates were determined on the basis of the yield curve at each grant date. For this reason, the interest rates for a given delivery date vary in accordance with the different grant dates.):

TRANCHE	GRANT DATE	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
1	03/23/2007	3.99%	3.97%	3.96%	3.95%	3.95%
2	05/02/2007	4.16%	4.17%	4.18%	4.18%	4.19%
3	06/26/2007	4.36%	4.44%	4.50%	4.53%	4.56%
4	06/29/2007	4.39%	4.47%	4.52%	4.56%	4.57%
5	07/03/2007	4.38%	4.44%	4.48%	4.51%	4.52%
6	08/10/2007	4.26%	4.25%	4.26%	4.26%	4.28%
7 I	12/17/2007	4.09%	4.07%	4.07%	4.08%	4.12%
7 II	12/17/2007	4.09%	4.07%	4.07%	4.08%	4.12%
8 I	11/26/2007	3.89%	3.80%	3.76%	3.75%	3.78%
8 II	11/26/2007	3.89%	3.80%	3.76%	3.75%	3.78%
8 III	11/26/2007	3.89%	3.80%	3.76%	3.75%	3.78%
9	06/11/2007	4.34%	4.43%	4.48%	4.52%	4.54%
10	10/01/2007	4.03%	4.06%	4.09%	4.13%	4.16%

The value of the cash-settled tranches at the balance sheet date is based on the following interest rates that served as the base interest rate necessary for the calculation of each option:

TRANCHE	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS
16 I / 2006	4.05%	4.05%	4.07%	4.09%	4.13%
16 II / 2006	4.05%	4.05%	4.07%	4.09%	4.13%
1 / 2007	4.05%	4.05%	4.07%	4.09%	4.13%
2 I /2007	4.05%	4.05%	4.07%	4.09%	4.13%
2 II /2007	4.05%	4.05%	4.07%	4.09%	4.13%
2 III /2007	4.05%	4.05%	4.07%	4.09%	4.13%

The interest rates were calculated on the basis of the yield curves for German government bonds. For purposes of the Monte Carlo simulation, discrete dividends were assumed. The following dividend estimates were used in the calculation for the cash-settled tranches at the balance sheet date (for the equity-settled tranches, the dividends expected at each grant date were applied during the course of the year):

YEAR (PAYMENT)	2008	2009	2010
Dividends	1.05 EUR	1.53 EUR	1.80 EUR

The Executive and Supervisory Board proposed to retain the profits for the fiscal year 2007. A dividend less than the amounts presented above would lead to an increase in the value of the stock options and a dividend higher than the amounts presented above would lead to a decrease in the value of the stock options. However, the calculation is to be made on the basis of the information available at the grant date. Thus, the calculation was not adjusted but will be considered for the purpose of future calculations.

Traded options or similar products of ARQUES Industries AG did not exist when the expert opinion was drafted, for which reason an implied volatility could not be determined. The historical volatility applied for purposes of the calculation was based on daily closing prices. The life span of the stock options was applied as the period for determining the historical volatility. Because there were no special events that would have necessitated an adjustment, no such adjustment was made for individual days. By virtue of ARQUES' business model and growth strategy, the company's share can be expected to undergo considerable price fluctuations in the future as well, for which reason the volatilities applied for the calculation are considered to be good estimates.

ARQUES has the option of settling the claims of the stock option beneficiaries either in cash or with shares. ARQUES generally settles these claims with shares, with the exception of the tranches pertaining to the Executive Board.

A total of 294,000 stock options were exercised in 2007 (PY 115,000). The amount required to settle these claims was EUR 3,124 thousand (PY 691 thousand). The claims arising from equity-settled tranches were generally settled with shares. In a departure from the otherwise strictly followed practice of settlement in shares, ARQUES chose to settle one option program classified as equity-settled in cash, in accordance with the company's option in this respect. The expense of cash settlements totaled EUR 185 thousand. The equity-settled tranches were exercised in the following periods at the indicated average price in relation to the individual issue price: January EUR 16.81; April EUR 21.30; October EUR 29.50; and November EUR 26.92. A total of 53,473 shares were issued as settlement for these claims.

The option programs classified as cash-settled were settled in cash, the total disbursement for which amounted to EUR 1,919 thousand. The fair value of the cash-settled options at the balance sheet date was EUR 2,357 thousand. It is presented among the other liabilities.

There were 70,000 expired or forfeited options with an average exercise price of EUR 15.04 in fiscal year 2007.

In 2007, the Group recognized expenses totaling EUR 753 thousand (PY EUR 880 thousand) related to share-based payments settled with equity instruments. The average remaining term of the stock options from the first possible exercise date is 12 months for the equity-settled options and 21 months for the cash-settled options.

The stock options were included in the calculation of the diluted earnings per share.

28. Pension obligations

Provisions for pensions and similar obligations have been established for a total of 18 Group companies. The total amount of provisions in the amount of EUR 32,201 thousand (PY EUR 23,962 thousand) is related in particular to the following companies:

- the ANVIS Group, EUR 8,899 thousand,
- the Jahnel-Kestermann Group, EUR 6,728 thousand (PY EUR 6,748 thousand),
- Evotape S.p.A., EUR 3,934 thousand (PY EUR 4,640 thousand),
- the Oxxynova Group, EUR 3,571 thousand (PY EUR 3,565 thousand),
- the Weber Group, EUR 3,207 thousand (PY EUR 3,496 thousand) and
- the Wanfried Group, EUR 2,071 thousand.

The present value of vested pension benefits under the defined benefit plans of the companies of the ARQUES Group developed as follows in 2007:

EUR'000	2007	2006
Balance 01/01	**108,308**	**18,046**
Companies added to the consolidation group	14,213	93,842
Companies removed from the consolidation group	-6,085	-2,355
Current service cost	2,993	905
Subsequent service cost	253	1
Employee contributions	1,601	0
Interest expenses	3,505	760
Pension benefits paid	-8,801	-2,052
Plan adjustments	- 322	-980
Plan compensation	- 744	0
Actuarial gains/losses	-5,679	141
Foreign currency effects	-4,963	0
Balance as of 12/31	**104,279**	**108,308**

The amount of provisions for pension obligations was derived as follows:

EUR'000	2007	2006
Present value of vested pension benefits	104,279	108,308
- internally financed	102,591	86,691
- externally financed	1,688	21,617
Actuarial gains/losses not recognized	2,817	-3,151
Subsequent service cost not recognized	0	-18
Fair value of the plan assets	-75,026	-80,122
Unrecognized assets in accordance with IAS 19.58 (b)	101	0
Foreign currency effects	30	-1,055
Total pension obligations	**32,201**	**23,962**

The following items were reported under pension expenses in 2007:

EUR'000	2007	2006
Current service cost	2,993	905
Expected return from plan assets	-3,037	-421
Compounding of expected pension obligations	3,505	760
Amortization of actuarial gains/losses	909	110
Amortization of chargeable service cost	271	0
Effects of plan adjustments (plan adjustments/compensation)	-1,536	-231
Other effects	1,055	0
Effects of unrecognized assets in accordance with IAS 19.58 (b)	101	0
Total pension expenses	**4,261**	**1,123**

Pension expenses are recognized as personnel expenses under social security, pension and other benefit costs.

The actual income from plan assets is given as EUR 3,422 thousand.

The plan assets developed as follows:

EUR'000	2007	2006
Fair value of plan assets as of 01/01	80,122	1,938
Acquisitions	1,002	81,151
Divestitures	- 3,562	- 2,355
Expected return from plan assets	3,037	421
Actuarial gains/losses	-150	-151
Employer contributions	1,769	260
Employee contributions	2,781	260
Paid benefits	-7,757	-1,402
Foreign currency effects	-2,216	0
Fair value of plan assets as of 12/31	**75,026**	**80,122**

The plan assets included the following in 2007:

EUR'000	2007
Shares	22,496
Fixed–income securities	28,824
Spezialfonds investment accounts	3,166
Real estate and real estate investment trusts (REITs)	13,029
Financial instruments of the company	0
Assets used or held by the company	0
Other	7,511
Total	**75,026**

Additional information at December 31, 2007:

EUR'000	2007	2006
Present value of the obligation	104,279	108,308
Fair value of plan assets	75,026	80,122
Surplus (+) / deficit (-)	-29,253	-28,186
Experience-based adjustment of plan liabilities	31	-
Experience-based adjustment of plan assets	296	-

The expected contribution payments to existing pension plans in the subsequent year amount to EUR 3,789 thousand.

The current employer's contributions to the statutory pension insurance are recognized as operating expenses . They amounted to EUR 16,208 thousand (PY EUR 8,209 thousand) for the Group as a whole in 2007.

Payments for defined contribution plans amounted to EUR 1,324 thousand.

The calculation was based on the following actuarial assumptions:

IN %	2007	2006
Discount rate	3.0 – 5.6	3.0 - 4.5
Salary trend	1.0 – 3.0	1.0 - 3.0
Pension trend	1.5 – 2.0	1.2 - 2.0
Employee turnover	*	*

* depending on age

The expected return on plan assets ranges from 4.0% to 5.3%.

29. Provisions

EUR'000	BALANCE AS OF 01/01/2007	CHANGES IN THE CONSOLI-DATION GROUP	UTILI-ZATION	REVER-SAL	ADD-ITION	RE-CLASSIFI-CATION	COMPOUND-ING/DIS-COUNTING	CURRENCY EFFECT	BALANCE AS OF 12/31/2007
Restructuring	3,067	1,624	-2,484	-404	6,275	-199	0	-6	7,873
Environmental protection	8,281	10,356	-181	-2,523	18	0	0	-72	15,879
Warranties	2,734	3,869	-724	-549	1,349	-78	200	-2	6,799
Onerous contracts	10,327	5,424	-1,971	-4,760	5,373	373	68	-20	14,814
Personnel	4,874	2,391	-1,632	-102	1,459	-144	0	-4	6,842
Other	9,521	617	-3,089	-1,551	9,623	-657	605	-16	15,053
Total	**38,804**	**24,281**	**-10,081**	**-9,889**	**24,097**	**-705**	**873**	**-120**	**67,260**

The **restructuring provisions** pertain to social plans and severance payments (EUR 4,881 thousand; PY EUR 2,220 thousand), termination of rental and leasing contracts (EUR 7 thousand; PY EUR 300 thousand) and other restructuring costs (EUR 2,985 thousand; PY EUR 547 thousand).

The **provisions for environmental risks** were recognized for the cleanup of residual pollution on the operational land of the ANVIS Group (EUR 8,000 thousand), as well as for re-cultivation measures for waste dumps owned by the Rohner Group (EUR 7,879 thousand; PY EUR 8,281 thousand).

The **provisions for warranties** are related mainly to the Actebis Group (EUR 1,950 thousand), the Rohé Group (EUR 1,449 thousand), the BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH (EUR 570 thousand) and the Austrian BEA Electrics Group (EUR 322 thousand), the Jahnel-Kestermann Group (EUR 844 thousand; PY EUR 635 thousand), the Hottinger Group (EUR 342 thousand), and the tiscon Group (EUR 310 thousand; PY EUR 282 thousand).

The **provisions for onerous contracts** are predominantly related to unfavorable rental agreements, use and occupation contracts, and service contracts (the Oxxynova Group, EUR 5,134 thousand; PY EUR 4,643 thousand; the Fritz Berger Group, EUR 3,638 thousand; PY EUR 4,049 thousand), and the loss-free measurement of construction contracts (Eurostyle Group, EUR 995 thousand and SM Electronic, EUR 791 thousand).

The **provisions for personnel** pertain to the early partial retirement plan known as Altersteilzeit (EUR 3,986 thousand; PY EUR 3,908 thousand) and employee service anniversary bonuses (EUR 2,855 thousand; PY EUR 966 thousand).

In addition to numerous smaller transactions, the **other provisions** pertain in particular to commissions (EUR 4,274 thousand; PY EUR 734 thousand), the “continuing involvement” and the legal validity risk of receivables of the Actebis Group (EUR 1,552 thousand), customer bonuses (the tiscon Group, EUR 1,232 thousand; PY EUR 1,900 thousand), surcharges and supplementary compensation of SM Electronics (EUR 899 thousand), land transfer tax of the Sommer Group (EUR 625 thousand) and a possible additional purchase price payment of ARQUES Industrie Finanz GmbH (EUR 500 thousand).

The maturity structure of the provisions is presented below:

EUR'000	2007	2006
Non-current provisions	31,214	17,991
Current provisions	36,046	20,813
Total	**67,260**	**38,804**

The non-current provisions are related mainly to provisions for environmental risks (EUR 14,540 thousand; PY EUR 6,709 thousand), provisions for onerous contracts EUR 6,889 thousand; PY EUR 3,287 thousand) and provisions for early partial retirement plans (EUR 2,945 thousand; PY EUR 2,769 thousand) as well as provisions for warranties (EUR 2,834 thousand; PY EUR 2,265 thousand).

For information on the methods used to measure the value of provisions, please refer to the section entitled "Assumptions and estimates applied for accounting and valuation purposes."

30. Non-current financial liabilities

EUR'000	2007	2006
Liabilities to banks	54,807	7,434
Other financial liabilities	27,099	4,227
Total	**81,906**	**11,661**

The liabilities to banks in the amount of EUR 54,807 thousand (PY EUR 7,434 thousand) with a term of more than 12 months pertain to loans extended to the following Group companies:

EUR'000	2007	INTEREST
A. Rohé Holding Gesellschaft mbH	14,704	3 MM Euribor + 1.5%
Wanfried Druck Kalden GmbH	5,532	3.8% - 7.3%
BEA Electrics GmbH	5,500	5.3%
Van Netten GmbH	5,344	6.1%
Actebis Computerhandels GmbH	4,670	5%
E. Missel GmbH & Co. KG	3,694	3.6% - 3.7%
MöllerTech S.A.S.	2,976	6.6%
Calibrados de Precision S.A.	2,748	4.1% - 4.7%
MöllerTech Orense S.L.	2,572	3.5% - 5.2%
Other	7,067	

The "other" category includes additional liabilities due to banks from a total of 11 companies, the carrying amount of which, however, is less than EUR 2,000 thousand. The interest rates range from 0.23% to 6.97% in the case of fixed interest rates and from 3MM-Euribor +1 to 2.5 percentage points in the case of variable interest rates. The largest loan positions are distributed among Jahnel-Kestermann Getriebwerke GmbH & Co. KG, with a loan of EUR 1,700 thousand, A. Rohé GmbH with EUR 1,662 thousand and Sinas Beteiligungs GmbH & Co. Vermietungs KG with EUR 1,134 thousand.

The “other” category also includes loans in the amount of EUR 213 thousand in Russian rubles and EUR 171 thousand in Polish zlotys.

Of the total liabilities due to banks, EUR 26,067 thousand (PY EUR 2,581 thousand) have a remaining term between 1 and 5 years and EUR 28,740 thousand (PY EUR 4,853 thousand) have a remaining term of more than 5 years.

The other financial liabilities in the amount of EUR 27,099 thousand (PY EUR 4,227 thousand) pertain to a non-interest-bearing loan of EUR 8,536 thousand owed by Oxxynova GmbH & Co. KG to AML Leasing GmbH, variable interest-bearing loans of EUR 3,989 thousand owed by A. Rohé Holding Gesellschaft mbH to Boulogne Participations S.A. and variable interest-bearing loans of EUR 3,440 thousand owed by Rohé Deutschland GmbH to Merrill Lynch & Co., Inc., among others. A further fixed-interest loan of EUR 3,000 thousand was owed by tiscon AG (formerly tiscon AG Infosystems) and a fixed-interest loan of EUR 1,100 thousand was owed by Wanfried Druck Kalden GmbH to Haendler & Natermann GmbH. All loans are to be repaid in euros.

Of the total financial liabilities, EUR 24,016 thousand (PY EUR 2,773 thousand) have a remaining term of between 1 year and 5 years and EUR 3,083 thousand (PY EUR 1,454 thousand) have a remaining term of more than 5 years.

In some cases, after the addition of new subsidiaries, an attempt is made to negotiate an immediate repayment of the acquired financial liabilities with the banks. If the negotiations are successful, any penalties incurred for premature repayment are immediately recognized in profit or loss.
Transaction costs incurred in connection with the conclusion of new long-term financial liabilities are allocated over the term of the liability according to the effective interest method and are included in the recognized amount.

EUR 94,461 thousand (PY EUR 5,648 thousand) of the liabilities to banks and EUR 9,695 thousand of the other financial liabilities are secured by land and buildings, other items of property, plant and equipment such as machines, inventories, trade receivables and other assets. A detailed presentation of the security furnished can be found in the notes on financial instruments under liquidity risk.

31. Liabilities under finance leases

Within the property, plant and equipment presented in the consolidated balance sheet, the items of buildings, technical equipment, plant and machinery and other equipment, operational and office equipment contain assets of which the Group is considered to be the beneficial owner by virtue of the underlying lease agreements (“finance leases”). The Group’s liabilities under finance leases for 2007 and 2006 are presented in the table below:

EUR'000	2007 NOMINAL VALUE	2007 DISCOUNT AMOUNT	2007 PRESENT VALUE	2006 NOMINAL VALUE	2006 DISCOUNT AMOUNT	2006 PRESENT VALUE
Due in up to 1 year	6,863	1,310	5,553	6,588	1,774	4,814
Due in 1 - 5 years	29,114	3,520	25,594	19,810	3,669	16,141
Due in more than 5 years	10,404	125	10, 279	17,490	3,208	14,282
Total	**46.381**	**4.955**	**41,426**	**43,888**	**8,651**	**35,237**

The liabilities under finance leases related mainly to the Weber Group, in the amount of EUR 16,169 thousand, the Eurostyle Group in the amount of EUR 10,288 thousand, the Van Netten Group in the amount of EUR 5,782 thousand and the Rohé Group in the amount of EUR 3,157.

The significant lease agreements include the following:

Two web offset printing machines leased by the Weber Group with remaining lease terms of 87 and 92 months as well as other machinery leasing with remaining lease terms of 65 to 74 months; building leases of the Eurostyle Group with remaining terms of 22 to 35 months as well as machinery and IT leasing with remaining lease terms of 6 to 80 months; a confectionary production line with a remaining lease term of ten months and a production facility with a remaining lease term of 48 months as well as other leased machinery witha remaining lease term of 10-68 months leased by the van Netten Group, and company premises and a building leased by the Rohé Group with a remaining term of 144 months as well as vehicle leasing with respective remaining terms of 48 to 60 months. The remaining lease terms are counted from the balance sheet date.

The financial lease obligations of the Jahnel-Kestermann Group in the amount of EUR 7,393 thousand are presented under trade payables because the supplier of the leased technical equipment also provides the financing. Liabilities under finance leases of the Actebis Group in the amount of EUR 120 thousand are also presented under this item.

32. Non-current other liabilities

EUR'000	2007	2006
Purchase price liabilities	37,500	0
Forfaited rent receivables	4,983	0
Personnel related liabilities	4,314	0
Miscellaneous	6,395	500
Total	**53,192**	**500**

The purchase price liabilities pertain to the non-current portion of seller loans received in connection with company acquisitions. These seller loans within the Actebis Group resulted from the acquisition of Actebis Zentral, Actebis Nordic and the NT Plus Group. The forfaited rent receivables consisted of the sold future rent receivables of the special-purpose entity integrated with the NT Plus Group. Thus, the two first line items in the table above are financial liabilities. The “miscellaneous” item includes EUR 679 thousand for the non-current portion of the virtual share portfolio of the Executive Board of ARQUES Industries AG and EUR 208 thousand for variable purchase price liabilities.

33. Deferred tax assets and deferred tax liabilities

Deferred taxes result from the different values applied in the IFRS financial statements as compared with the tax financial statements of the Group companies and from consolidation measures.

The deferred tax liabilities and deferred tax assets are related to the items shown in the table on the next page:

EUR'000	2007	2006
Deferred tax assets		
Intangible assets	695	785
Property, plant and equipment	499	1,712
Financial assets	827	74
Inventories	3,840	328
Receivables and other current assets	306	899
Provisions	7,671	5,441
Liabilities	11,166	6,478
Tax loss carry-forwards	14,855	12,690
Total deferred tax assets	**39,859**	**28,407**
of which, current	14,587	6,006
of which, non-current	25,272	22,401
Deferred tax liabilities		
Intangible assets	19,668	1,814
Property, plant and equipment	24,729	15,988
Financial assets	680	261
Inventories	2,193	2,676
Receivables and other current assets	8,132	1,569
Non-current assets held for sale	240	2,336
Provisions	2,897	826
Liabilities	6,310	5,268
Total deferred tax liabilities	**64,849**	**30,738**
of which, current	13,909	7,589
of which, non-current	50,940	23,149
Net balance of deferred tax assets and liabilities	5,363	1,689
Deferred tax assets presented in the balance sheet	**34,496**	**26,718**
Deferred tax liabilities presented in the balance sheet	**59,486**	**29,049**

No deferred tax assets were recognized for partial amounts of existing corporate tax loss carry-forwards in the amount of EUR 265,693 thousand (PY EUR 77,261 thousand) and for partial amounts of trade tax loss carry-forwards in the amount of EUR 63,507 thousand (PY EUR 72,245 thousand). These loss carry-forwards are generally not subject to any limitations in time. It must be noted that for German companies, as a result of the Corporate Tax Reform Act of 2008, share transfers of 25% - 50% lead to a percentage reduction in existing loss carry-forwards, while share transfers in excess of 50% lead to a complete loss of existing loss carry-forwards.

In general, please refer to the remarks under the summary of basic accounting and valuation principles.

In connection with the capital increase in 2007, taxes of EUR 327 thousand were set off directly against the costs of the capital increase.

Deferred tax liabilities in the amount of EUR 433 thousand were recognized for temporary differences in connection with the subsidiaries. In the previous year, an amount of EUR 28 thousand was presented under this item.

Otherwise, no deferred tax liabilities were recognized for temporary differences amounting to EUR 4,673 thousand (PY EUR 2,795 thousand) in connection with shares in subsidiaries and associated companies.

For more information on this subject, please refer to our comments in Section 10.

34. Current financial liabilities

EUR'000	2007	2006
Liabilities to banks	169,641	23,136
Other current financial liabilities	87,956	14,915
Total	**257,597**	**38,051**

Based on the usual payment terms agreed with banks and other creditors, the due dates and the corresponding cash outflows of current financial liabilities are presented below:

EUR'000	2007	2006
Carrying amount	**257,597**	**38,051**
of which due within the following periods of time:		
< 30 days	106,495	1,152
30 - 90 days	71,271	11,425
90 - 180 days	29,453	6,962
180 days - 1 year	50,378	18,512

These liabilities are owed mainly by ARQUES Industries AG, in the amount of EUR 41,254 thousand (PY EUR 5,001 thousand), the Actebis Group in the amount of EUR 34,963 thousand, the Eurostyle Group in the amount of EUR 20,867 thousand, Richard Schöps & Co. AG in the amount of EUR 20,517, the ANVIS Group in the amount of EUR 21,377 thousand, the tiscon Group in the amount of EUR 7,116 thousand (PY EUR 5,210 thousand), the Weber Group in the amount of EUR 5,977 thousand (PY EUR 3,186 thousand) and Evotape S.p.A in the amount of EUR 5,342 thousand (PY EUR 2,567 thousand). The current liabilities to banks relate mainly to current account overdraft facilities bearing interest at rates ranging from 0.3% to 10.8% p.a.

The current liabilities to banks include EUR 23,498 thousand in liabilities denominated in Danish krone, EUR 3,128 thousand in loans in Swiss francs, EUR 852 thousand in liabilities in Russian rubles, EUR 438 thousand in U.S. dollars and EUR 76 thousand in other currencies.

The other current financial liabilities consist of loan liabilities owed to third parties by the Actebis Group in the amount of EUR 49,474 thousand, by the Eurostyle Group in the amount of EUR 31,304 thousand, by Richard Schoeps & Co. AG in the amount of EUR 2,605 thousand, by the Oxxynova Group in the amount of EUR 983 thousand (PY EUR 10,357 thousand), by the Golf House Group in the amount of EUR 469 thousand and by the Rohé Group in the amount of EUR 405 thousand.

The other current financial liabilities include EUR 49,484 thousand in Danish krone, EUR 231 thousand in Serbian dinar, EUR 60 thousand in Swiss francs and EUR 118 thousand in other currencies, all of which were converted to euros, as the Group currency.

35. Current trade payables

All trade payables (EUR 581,472 thousand, PY EUR 144,517 thousand) are due within one year. All liabilities are stated at face values or the repayment amounts, which are approximately equal to their fair values due to the short-term maturities. Thus, no current trade payables were discounted to present value.

Based on the usual payment terms agreed with suppliers and other business partners, the due dates and the related cash outflows are presented in the table below:

EUR'000	2007	2006
Carrying amount	**581,472**	**144,517**
of which, due within the following periods of time:		
< 30 days	451,015	60,334
30 - 90 days	109,061	82,192
90 - 180 days	15,431	104
180 days - 1 year	5,965	1,887

Trade payables of EUR 302,227 thousand are owed by the Actebis Group, EUR 55,910 thousand by the Eurostyle Group, EUR 29,143 thousand (PY EUR 24,544 thousand) by the tiscon Group and EUR 31,966 thousand by the ANVIS Group. An additional EUR 22,812 thousand (PY EUR 24,303 thousand) resulted from the operating business of the Oxxynova Group, EUR 21,835 thousand (PY EUR 10,627 thousand) from the Jahnel-Kestermann Group and EUR 16,248 thousand (PY EUR 20,172 thousand) from the Evotape Group.

Due to the international activities of many subsidiaries of the ARQUES Group, the trade payables include the following foreign currency items, which were translated to euros, as the Group's currency:

EUR'000	2007	2006
DKK (Danish krone)	13,925	239
CHF (Swiss francs)	9,970	12,528
USD (US dollars)	54,707	6,517
NOK (Norwegian krone)	1,068	0
RON (Romanian leu)	3,563	2,514
CNY (Renmimbi yuan)	2,921	0
GBP (British pounds)	1,305	0
SEK (Swedish krone)	12	0
PLN (Polish zlotys)	1,807	1,283
HUF (Hungarian forints)	400	0
BGN (Bulgarian lev)	515	0
CZK (Czech koruna)	2,671	0
RUB (Russian rubles)	1,584	7
Other	2,823	763

Trade payables of EUR 5,416 thousand (PY EUR 642 thousand) are secured by trade receivables and EUR 21,617 thousand by other security.

36. Tax liabilities

This item pertains solely to income tax liabilities. It mainly includes EUR 6,184 thousand in liabilities owed by the Actebis Group, EUR 3,053 thousand by the NT plus Group, EUR 1,850 thousand by the ANVIS Group and EUR 1,640 thousand by the Eurostyle Group. This item also includes an amount of EUR 6,705 thousand (PY EUR 5,141 thousand) in income tax liabilities owed by ARQUES Value Invest Ltd, Malta, which are opposed by EUR 5,911 thousand (PY EUR 4,542 thousand) in tax refund claims of ARQUES Mediterranean Invest Ltd, Malta.

37. Other current liabilities

EUR'000	2007	2006
Other taxes	44,435	5,452
Other personnel liabilities	41,525	11,818
Advance payments received	38,710	16,171
Purchase price liabilities	35,585	
Social security contributions	9,401	1,901
Liabilities for outstanding invoices	9,046	8,993
Amounts owed for bills of exchange	4,795	
Wages and salaries	2,985	3,445
Deferred income	1,260	1,205
Miscellaneous other liabilities	33.355	7,571
Total	**221,097**	**56,556**

The other personnel liabilities mainly include the following items and transactions:

- Vacation leave not yet taken at December 31, 2007: - ANVIS Group EUR 2,755 thousand, Actebis Group EUR 2,589 thousand, BEA Group EUR 860 thousand, BEA TDL EUR 815 thousand (PY EUR 767 thousand), Rohé Group EUR 1,081 thousand, Sommer Group EUR 633 thousand (PY EUR 450 thousand), Jahnel-Kestermann Group EUR 526 thousand (PY EUR 376 thousand), Oxxynova Group EUR 445 thousand (PY EUR 415 thousand), Weber Group EUR 419 thousand (PY EUR 415 thousand), Rohé Group EUR 283 thousand, Tiscon Group EUR 239 thousand, ARQUES Industries AG EUR 180 thousand, Fritz Berger Group EUR 167 (PY 172 thousand), ddp Group EUR 157 thousand and Van Netten Group EUR 148 thousand;

- Profit-based bonuses and other bonuses: Actebis Group EUR 5,652 thousand, ARQUES Industries AG EUR 1,403 thousand (PY EUR 618 thousand), Oxxynova Group EUR 976 thousand (PY EUR 1,092 thousand), Eurostyle Group EUR 833 thousand, ANVIS Group EUR 564 thousand, Rohner Group EUR 551 thousand (PY 445 thousand), Rohé Group EUR 490 thousand, Golf House Group EUR 485 (PY EUR 202 thousand), SM Electronic Group EUR 350 thousand, BEA Group EUR 223 thousand and Fritz Berger Group EUR 202 thousand (PY EUR 175 thousand);

- Compensation for flexible work schedules: Oxxynova Group EUR 539 thousand (PY EUR 440 thousand), Weber Group EUR 382 thousand (PY EUR 411 thousand), Austrian BEA Group EUR 237 thousand, Wanfried Group EUR 178 thousand, Van Netten Group EUR 133 thousand, Rohner Group EUR 69 thousand, Hottinger Group EUR 38 thousand, SM Electronic Group EUR 25 thousand as well as Jahnel-Kestermann Group EUR 8 thousand;

- The other personnel liabilities also include the severance payments prescribed by Austrian law at the BEA companies (EUR 1,995 thousand) and the Schöps Group (EUR 1,963 thousand). An amount of EUR 959 thousand at the Jahnel-Kestermann Group related to overtime hours (EUR 550 thousand) and to the obligations resulting from the collective wage agreement with the IG-Metall trade union (EUR 338 thousand).

The remaining other liabilities are composed of wage tax liabilities (EUR 4,439 thousand), credit balances in customer accounts (EUR 3.245 thousand), liabilities from the current portion of the virtual share portfolio of the Executive Board of ARQUES Industries AG (EUR 1,678 thousand), which are classified as cash-settled in accordance with IFRS 2, and liabilities from government subsidies of the ANVIS Group (EUR 166 thousand). Furthermore, this item includes interest liabilities in the amount of EUR 828 thousand, which are related mainly to the Actebis Group in the amount of EUR 345 thousand, the Rohé Group in the amount of EUR 281 thousand to, the tiscon Group in the amount of EUR 110 thousand to, and the Weber Group in the amount of EUR 36 thousand.

The stated items do not bear interest. Because the remaining terms to maturity are less than one year, the stated repayment amounts correspond to the fair values of these liabilities.

38. Business segments and geographical segments

As a turnaround specialist, ARQUES acquires companies in transitional situations in a wide range of industries. These industries form the basis for the primary segment reporting format. In view of the principal activities of the newly acquired corporate groups, it was necessary to form new segments and specify the segment assignments in fiscal year 2007. Compared to the previous year, new segments were formed for the Automotive, IT and Retail industries. The comparison values from fiscal 2006 were adjusted accordingly.

The primary business segments are outlined in the following:

a) The Steel segment includes companies that are active as primary or intermediate processors or suppliers in the steel industry environment. In fiscal year 2007, this segment included the Jahnel-Kestermann Group and (for the first time) the Capresa Group. The Sommer Group, which was assigned to the Steel segment in the previous year, is now presented in the Automotive segment.

b) The Print segment includes the printing companies of the Wanfried Group and the Weber Group.

c) The Industrial Production segment comprises all activities related to industrial production, which are characterized by relatively simple production processes (Missel Group, Hottinger Group, Evotape Group, Van Netten Group).

d) The new IT segment includes companies that trade and distribute products and services in the areas of information technology, telecommunications, and entertainment electronics. The Actebis and tiscon corporate groups acquired in 2007 are assigned to this new segment.

e) The Automotive segment includes companies operating in the area of automobile technology and the automotive supplier industry. This segment includes the ANVIS Group, the Eurostyle Group (formerly the operating companies of the Möller Group) and the Sommer Group.

f) The new Retail segment is composed of companies that distribute products and services directly to consumers (Richard Schöps Group, SM Electronic Group, GOLF House Group, Fritz Berger Group).

g) The Holding segment includes the activities of Group controlling and administration.

h) The Specialty Chemicals segment includes the subsidiaries that operate in the area of specialty chemicals (Rohner Group, Oxxynova Group, Oxiris Group).

i) All other Group activities that are not assigned to one of the above-mentioned segments are assigned to the Service segment (PY: Other segment).

As a rule, the transfer prices between the segments correspond to third-party prices. Administrative services are charged in the form of cost allocations.

The figures for the primary business segments in 2007 are presented below:

2007 EUR'000	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	**83,461**	**69,098**	**165,225**	**1,059,366**
of which, discontinued operations	0	0	0	0
Internal revenues	**0**	**40**	**3**	**2**
of which, discontinued operations	0	0	0	0
Total revenues	**83,461**	**69,138**	**165,228**	**1,059,368**
of which, discontinued operations	0	0	0	0
Segment profit or loss / EBIT	**177**	**-6,000**	**2,957**	**25,641**
of which, discontinued operations	0	0	0	0
Income from shares in associated companies				
Net financial income				
Profit before taxes				
Income tax expenses				
Net profit for the year				
Minority interests in net profit				
Consolidated net profit for the year				
Balance sheet assets				
Segment assets	86,647	83,423	118,545	672,921
Shares in associated companies	0	0	0	181
Unassigned assets				
Group assets				
Balance sheet liabilities				
Segment liabilities	68,571	40,077	52,929	573,578
Unassigned liabilities				
Group liabilities				
Other information				
Segment investments	6,122	15,712	8,427	28,629
Investment expenditures for acquisitions	11,476	10,684	41,707	67,453
Amortization, depreciation, and impairments	3,646	6,662	6,275	6,236

AUTOMOTIVE	RETAIL	SPECIALTY CHEMICALS	HOLDING	SERVICE	ELIMINATIONS	CONSOLIDATED
139,282	**92,669**	**342,166**	**29**	**151,001**	**0**	**2,102,297**
0	0	122,964	0	0		122,964
0	**0**	**0**	**3,549**	**351**	**-3,945**	**0**
0	0	0	0	0	0	0
139,282	**92,669**	**342,166**	**3,578**	**151,352**	**-3,945**	**2,102,297**
0	0	122,964	0	0	0	122,964
80,028	**27,695**	**43.490**	**-22,171**	**-11,278**	**0**	**140.539**
0	0	53.532	0	0	0	53.532
						-10,671
						-11,787
						118,081
						-3,356
						114,725
						-175
						114,550
429,517	99,090	113,016	68,964	109,456	-3,733	1,777,846
4,383	0	0	0	0	0	4,564
						48,428
						1,830,838
255,142	47,702	63,310	60,952	54,615	4,492	1,221,368
						211,376
						1,432.745
6,949	7,536	7,427	437	5,682	0	86,921
183,520	15,220	21,295	1	23,018	0	374,374
5,770	2,318	16,394	10,234	4,575	0	62,110

2006 EUR'000	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	**35,666**	**177,571**	**136,594**	**8,567**
of which, discontinued operations	0	158,844	0	0
Internal revenues	**0**	**184**	**5**	**0**
of which, discontinued operations	0	184	0	0
Total revenues	**35,666**	**177,755**	**136,599**	**8,567**
of which, discontinued operations	0	159,028	0	0
Segment profit or loss / EBIT	**-38**	**-8,760**	**7,616**	**226**
of which, discontinued operations	0	-14,491	0	0
Income from shares in associated companies				
Net financial income				
Profit before taxes				
Income tax expenses				
Net profit for the year				
Minority interests				
Consolidated net profit for the year				
Balance sheet assets				
Segment assets	36,968	52,586	86,792	62,133
Shares in associated companies	0	14,084	0	0
Group assets				
Balance sheet liabilities				
Segment liabilities	32,408	41,102	55,124	56,394
Group liabilities				
Other information				
Segment investments	4,313	8,325	1,943	18
Investment expenditures for acquisitions	0	72,463	3,722	0
Amortization, depreciation, and impairments	1,990	11,060	2,279	129

AUTOMOTIVE	RETAIL	SPECIALTY CHEMICALS	HOLDING	SERVICE	ELIMINATIONS	CONSOLIDATED
50,979	**48,306**	**252,821**	**-6**	**57,705**	**0**	**768,203**
0	0	185,828	0	0	0	344,672
0	**1**	**0**	**2,348**	**1,613**	**-4,151**	**0**
0	0	0	0	0	-184	0
50,979	**48,307**	**252,821**	**2,342**	**59,318**	**-4,151**	**768,203**
0	0	185,828	0	0	-184	344,672
-4,202	**12,528**	**39,550**	**37,504**	**15,423**	**356**	**100,203**
0	0	9,265	0	0	0	-5.226
						716
						-3,274
						97,645
						12,931
						110,576
						1,975
						112,551
28,754	25,766	203,638	76,197	78,229	-3,543	647,520
0	0	3,678	0	0	0	17,762
						665,282
16,836	25,624	106,221	20,978	33,544	2,247	390,478
						390,478
1,772	610	4,291	1,193	2,951	-700	24,716
0	0	32,827	0	28,530	0	137,542
2,320	1,117	4,300	234	1,919	0	25,348

The newly created IT segment is the Group's biggest revenue contributor, accounting for EUR 1,059,336 thousand or accounting for approximately 50% of consolidated revenues. The Actebis group generated approximately EUR 744,867 thousand of the revenues of the IT segment. The segment Specialty Chemicals segment, which comprises Rohner AG, the Oxxynova Group and the Oxiris Group contributed an amount of EUR 342,166 thousand to the Group's total revenues of EUR 2,102,297 thousand. The SKW Group, which had been included in this segment in the previous year, was sold and deconsolidated in fiscal year 2007. The revenues of the SKW Group are presented as revenues from discontinued operations in fiscal years 2006 and 2007, along with revenues of the Arquana Group.

Income from deconsolidations are shown in the respective segment.

The regional breakdown of revenues in fiscal year 2007 and the comparison year 2006 is presented in the table below:

		2007			2006	
EUR'000	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
Germany	1,300,739	15,374	1,316,113	182,870	120,268	303,138
Europe - European Union	437,539	39,332	476,871	114,006	116,743	230,749
Europe - other	115,034	2,577	117,611	84,152	9,968	94,120
Rest of world	126,021	65,681	191,702	42,503	97,693	140,196
Total	**1,979.333**	**122,964**	**2,102,297**	**423,531**	**344,672**	**768,203**

The additions to intangible assets and property, plant and equipment, as well as the segment assets at December 31, 2007 are presented in the table below:

EUR'000	2007	2006
Current investment expenditures		
Germany	61,738	17,297
European Union	18,326	2,745
Europe – other	4,982	1,493
Rest of world	1,875	3,181
Total	**86.921**	**24,716**
Acquisitions		
Germany	119,196	71,798
European Union	229,157	23
Europe – other	1,503	65,721
Rest of world	24,518	0
Total	**374,374**	**137,542**
Segment assets		
Germany	855,447	391,792
European Union	803,339	92,011
Europe - other	67,167	130,070
Rest of world	51,893	33,647
Total	**1,777,846**	**647,520**

39. Cash flow statement

The cash flow statement shows the changes in the cash funds of ARQUES in fiscal year 2007 and the comparison year 2006. In accordance with IAS 7, the cash flows were classified as resulting from operating activities, investing activities and financing activities. For reasons of transparency, the prior-year figures were adjusted to reflect the current structure. As a rule, the amounts deriving from the foreign subsidiaries have been translated to the reporting currency at the average exchange rates for the year in question. By contrast, the cash and cash equivalents have been translated at the exchange rate on the balance sheet date, as in the balance sheet. The effect of exchange rate differences on cash and cash equivalents is shown separately.

The development of the ARQUES Group is characterized by extreme growth, coupled with extensive investments in the equity shares of acquired companies. Therefore, three peculiarities must be taken into account when analyzing the cash flow statement. First, the changes resulting from additions to the consolidation group have been eliminated in the cash flow statement. If, for example, an acquired company would have inventories of EUR 5 million at the acquisition date, these inventories would have no effect on the cash flow statement. Only the changes occurring in the inventories subsequent to the initial consolidation (as when the inventories would be increased for the purpose of improving the supply availability, for example) are recognized for purposes of the cash flow statement. Second, ARQUES is compelled in most cases, by virtue of its business model, to provide cash funds to the newly acquired company immediately after the acquisition. For example, ARQUES might have paid only a symbolic purchase price for a given company, but subsequently has to inject fresh funds in order to finance the inventories or pay down excessively high trade payables. In the consolidated financial statements, these payments are not presented as investments, but as working capital accumulation, leading to a negative cash flow from operating activities in the cash flow statement. Nonetheless, these payments have a positive impact on the subsidiary in question.

The cash funds of EUR 69,865 thousand (PY EUR 88,154 thousand) are composed of checks, cash on hand and cash in banks. This amount is derived from the cash and cash equivalents presented in the balance sheet in the amount of EUR 84,540 thousand (PY EUR 92,006 thousand), less the amount of cash pledged as security for liabilities (restricted cash) in the amount of EUR 14,675 thousand (PY EUR 3,852 thousand) (see Note 25).

The ARQUES Group paid an amount of EUR 145,560 thousand for newly acquired equity shares in subsidiaries in fiscal year 2007. As part of these transactions, ARQUES acquired cash funds of EUR 31,379 thousand. On the sale of subsidiaries, ARQUES achieved a total sales price of EUR 108,233 thousand. The cash funds transferred in connection with the sale of subsidiaries amounted to EUR -35,920 thousand. As a result of the Group's growth-oriented business strategy, the net effect of company acquisitions and sales in 2007 was a decrease in cash funds of EUR 41,868 thousand.

The net cash flows attributed to the operating, investing and financing activities of discontinued operations in accordance with IFRS 5.33c are presented in the table below:

EUR'000	2007	2006
Cash flow from operating activities	-1,113	-13,379
Cash flow from investing activities	85,346	35,034
Cash flow from financing activities	830	4,834
Change in cash and cash equivalents	85,063	26,489

40. Notes on company acquisitions

The following business combinations completed in 2007 are material according to the definition of IFRS 3.68 and are therefore presented separately: the Van Netten Group, the Oxiris group, the ANVIS Group (formerly Woco Michelin AVS Group), the companies of the Actebis Group (ACTEBIS Zentral, NT plus Group, ACTEBIS Nordic) and the Eurostyle Group (formerly the Möller Group). The other company acquisitions are presented on an aggregated basis for materiality reasons.

ARQUES applied the following criteria in determining the materiality of business combinations:

1. The annualized revenues of the acquired company determined in accordance with IFRS are compared with the annualized consolidated group revenues at the acquisition date. If these represent 5.5% or more of the group revenues, the company or corporate group qualifies as material. The criterion was reduced from 7.5% in the previous year as a result of the acquisitions in the retail sales sector, for reasons of materiality.

2. If the positive EBIT of the acquired company determined in accordance with IFRS principles represented 7.5% or more of the total EBITs of those Group companies that generated a positive EBIT, the company or corporate group was considered to be material. For this purpose, any income from the reversal of negative goodwill was deducted from the EBIT.

3. If the negative EBIT of the acquired company determined in accordance with IFRS principles represented 7.5% or more of the total EBITs of those Group companies that generated a negative EBIT, the company or corporate group was considered to be material. For this purpose, any income from the reversal of negative goodwill was deducted from the EBIT.

4. If the assets of the acquired company determined in accordance with IFRS principles represented 5.5% or more of the consolidated total assets at the balance sheet date, the company or corporate group was considered to be material. The criterion was reduced from 7.5% in the previous year as a result of the acquisitions in the retail sales sector, for reasons of materiality.

If at least one of the aforementioned criteria was met, the company in question was considered to be material and was therefore presented separately within the disclosures required by IFRS 3. Purchased immaterial companies were not presented in the notes on company acquisitions.

For purposes of the purchase price allocation, assets were measured according to one of the three following methods, based on IDW RS HFA 16: the market price method, the net present value method or the cost method.

When the market price method is applied, the fair value of a given asset is determined with reference to current transactions involving comparable assets. This value is adjusted to reflect specific characteristics such as age, selling features, or the transaction environment. The market price method is applied in particular for measuring the value of property, plant and equipment, including buildings or machinery, for which an active market exists.

In most cases, intangible assets were acquired in connection with business combinations. Publicly accessible market prices are rarely available for these types of transactions. In most cases, it is not possible to identify knowledgeable, willing parties at any given time because the intangible assets are not generic, but have very special characteristics depending on the company in question.

When the net present value method was applied, the fair value was determined by applying a risk-adjusted discount rate to determine the present value of the future cash flows to be generated by the asset in question. Thus, the fair value is deemed equivalent to the present value of the expected future cash flows. The value determined in this way is based on management estimates and projections, which were based in turn on the current expectations and assumptions concerning the future performance of the asset in question and on the selection of an appropriate risk-adjusted discount rate.

The cost method is applied only for the purpose of determining the fair value as part of the purchase price allocation process. Under this method, management may consider those costs which would be required to produce an exact duplicate of the asset in question (reproduction cost method). Alternatively, management may consider the costs of producing an equivalent asset for the intended usage (replacement cost method). Management must also determine whether it is necessary to apply discounts to account for technical, physical, and/or economic obsolescence. Value depletion must be determined on the basis of the anticipated useful life based on economic criteria. If the economic life cannot be determined reliably, certain reference values may be considered as a means of determining the remaining usage potential of the asset in question – especially in the case of assets that have been completely depreciated.

van Netten Group

At the end of March 2007, ARQUES acquired 90% of the shares in the confectionary manufacturer van Netten, consisting of van Netten GmbH and its wholly-owned subsidiaries Sonnina Süßwaren GmbH and Sweets Project Verkaufsgesellschaft GmbH, within the scope of a share deal in accordance with the ARQUES subsidiary manager model.

The companies of the van Netten Group were included in the consolidated financial statements of ARQUES at March 31, 2007 on the basis of a provisional initial accounting. Since the changeover to IFRS accounting methods and the execution of the purchase price allocation are time-consuming, we applied the best possible information available at the time when the financial statements were prepared.

The purchase price for the acquired shares in van Netten GmbH was EUR 3, plus incidental expenses of EUR 30 thousand settled in cash. In addition, loans with a nominal value of EUR 35,994 thousand were acquired for a purchase price of EUR 4 and a claim of a supplier in the amount of EUR 1,805 thousand was acquired for a purchase price of EUR 1. These cash flows, plus the acquired assets and liabilities and the consideration of minority interests resulted in negative goodwill in the amount of EUR -30,595 thousand, which was recognized directly in income as other operating income.

The net losses of the acquired companies from the acquisition date to December 31, 2007, amounted to EUR -16,277 thousand. This figure includes material start-up and takeover losses, as well as restructuring losses, but does not include the other operating income from the reversal of negative goodwill. The revenues generated in the period from January 1, 2007 to the acquisition date amounted to EUR 13,670 thousand; the total revenues were EUR 50,250 thousand. The earnings contribution for the period from January 1, 2007 to the acquisition date was not determined because those results were not relevant to the consolidation. These amounts were not retroactively adjusted from January 1, 2007 because the calculated values of the preceding months were not comparable with those after the restructuring owing to the measures implemented in the meantime; thus, they would have led to distorted results.

The acquired assets and liabilities are presented in the table below:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	1,349	2,233
Land	2,882	6,574
Buildings	6,713	7,426
Technical equipment and machinery	20,546	22,686
Other assets	3,191	2,790
Financial assets	19	19
Deferred tax assets	347	2,619
Current assets		
Inventories	7,120	7,025
Trade receivables	1,225	1,225
Other assets	10,555	10,555
Cash and cash equivalents	15	15
Liabilities		
Provisions	-2,076	-2,183
Trade creditors	-17,794	-17,794
Other debt	-46,791	-46,791
Deferred tax liabilities	0	-4,195
Net assets		**-7,796**

The cash acquired amounted to EUR 15 thousand, which resulted in a total cash outflow of EUR 15 thousand.

No business units were sold or discontinued in connection with this business combination.

ANVIS group (formerly Woco Michelin AVS Group)

In September 2007, ARQUES acquired the shares of the international automotive supplier Woco Michelin AVS, which is based in Amsterdam, Netherlands (WOCO Michelin AVS B.V. and its wholly-owned subsidiaries WOCO Iberica S.A., WOCO Automotive Inc. (including the subsidiaries WOCO de Mexico S.A. de C.V. (99.99%), WOCO-Maxtech S.A. de C.V. (0.02%)), WOCO S.A.S., Woco Decize S.A.S. (including the subsidiaries Societe Immobiliere Decize S.N.C. (99.99%), WOCO AVS S.A.S. (100%)), WOCO AVS Rom S.R.L., Antivibrationstechnik s.r.o., Wuxi WOCO Tongyong Rubber Engineering Co. Ltd., as well as a 47% interest in WOCO-Maxtech Inc. (this company in turn owning a 99.98% interest in WOCO-Maxtech S.A. de C.V.), a 50% interest in Vibracoustic do Brasil Industria e Comercio de Artefatos de Borracha Ltda. and a 50% interest in BEL-WOCO Anti Vibration Systems (Pty.) Ltd.). A 90% interest was acquired in accordance with the ARQUES subsidiary manager model. These companies were included in the consolidated financial statements of ARQUES from September 28.

The Woco Michelin AVS Group was included in the consolidated financial statements on the basis of a provisional initial accounting. Since the changeover to IFRS accounting methods and the execution of the purchase price allocation are time-consuming, we applied the best possible information available at the time when the financial statements were prepared.

The purchase price for the acquired shares of the ANVIS group was EUR 30,317 thousand. As part of the transaction, loans with a nominal value of EUR 30,000 thousand were acquired for a purchase price equal to the nominal value. Of the total purchase price, EUR 15,022 thousand was settled in cash. The rest was paid by means of a seller loan. These cash flows, plus the acquired assets and liabilities and the consideration of for minority interests resulted in negative goodwill in the amount of EUR -66,166 thousand, which was recognized directly in income as other operating income.

The net losses of the acquired companies from the acquisition date to December 31, 2007 totaled EUR -3,106 thousand. This figure includes material start-up and takeover losses, as well as restructuring losses, but does not include the other operating income from the reversal of negative goodwill. The revenues generated in the period from January 1, 2007 to the acquisition date amounted to EUR 211,231 thousand; the total revenues were EUR 278,642 thousand. The earnings contribution for the period from January 1, 2007 to the acquisition date was not determined because those results were not relevant to the consolidation. These amounts were not retroactively adjusted from January 1, 2007 because the calculated values of the preceding months were not comparable with those after the restructuring owing to the measures implemented in the meantime; thus, they would have led to distorted results.

The acquired assets and liabilities are presented in the table below:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	9,445	22,650
Land	1,304	5,344
Buildings	9,748	11,443
Technical equipment and machinery	39,217	45,772
Other assets	9,599	9,644
Financial assets	7,054	7,054
Deferred tax assets	860	7,904
Current assets		
Inventories	29,888	30,067
Trade receivables	57,212	57,212
Other assets	45,690	48,279
Cash and cash equivalents	5,648	5,648
Liabilities		
Provisions	-36,885	-36,885
Trade creditors	-34,406	-34,406
Other debt	-68,745	-68,745
Deferred tax liabilities	0	-7,146
Net assets		**103,835**

The cash acquired amounted to EUR 5,648 thousand, which resulted in a total cash outflow of EUR 9,374 thousand.

No business units were sold or discontinued in connection with this business combination.

Actebis Zentral

On September 27, 2007, ARQUES acquired the shares of the regional companies of the wholesale IT distributor Actebis in Germany, Austria, France and the Netherlands from the Otto Group through its subsidiary Arques Capital GmbH. These companies are referred to hereinafter as Actebis Zentral. The companies were included in the consolidated financial statements of ARQUES for the first time as of September 30, 2007 because the acquisition occurred near the end of the month, as well as for reasons of materiality.

ARQUES acquired 100% of the shares in Actebis Peacock GmbH & Co. KG (including its wholly-owned subsidiaries Lange Wende Grundstücksverwaltungs GmbH, Grundstücksverwaltungsgesellschaft Soest mbH, Soest Grundstücksverwaltung GmbH & Co. KG, Peacock Grundstücks Holding GmbH, Peacock Grundstücks Service GmbH, the investment company Graf Zeppelin Str. Grundstücksverwaltungs GmbH, Graf Zeppelin Str. Grundstücksverwaltung GmbH & Co. KG), and 100% of the shares in the investment company Actebis Peacock mbH. In addition, 100% of the Austrian regional company Actebis Computerhandels GmbH was acquired, as well as 100% of the French companies Actebis S.A.S. and LAFI Logiciels Applications Formation S.A.S., and 100% of the Dutch company Actebis Computers B.V. Within the scope of the ARQUES subsidiary manager model, the subsidiary manager acquired an interest of 3.2%.

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

The purchase price for the acquired companies was EUR 110,755 thousand, EUR 85,000 thousand of which was settled immediately in cash. The rest of the purchase price is composed of a seller loan in the amount of EUR 25,145 thousand and incidental acquisition expenses in the amount of EUR 610 thousand. These cash flows, the purchase price liabilities assumed and the acquired assets and liabilities, plus the consideration for minority interests resulted in negative goodwill in the amount of EUR -25,435 thousand, which was recognized directly in income as other operating income.

The net profits of the acquired companies from the acquisition date to December 31, 2007 totaled EUR 5,663 thousand, which, however, does not include the other operating income from the reversal of negative goodwill. The revenues generated by the acquired companies in the period from January 1, 2007 to the acquisition date were EUR 1,868,517 thousand; the total revenues were EUR 2,613,384 thousand. The earnings after taxes of the acquired companies in the period from January 1, 2007 to the initial consolidation in the consolidated financial statements was EUR 22,809 thousand.

The acquired assets and liabilities are presented in the table opposite:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	1,646	31,697
Land	859	1,834
Buildings	1,870	1,870
Technical equipment and machinery	15,562	15,528
Deferred tax assets	1,420	714
Current assets		
Inventories	171,663	171,663
Trade receivables	76,762	76,762
Other assets	110,813	114,906
Cash and cash equivalents	7,022	7,022
Liabilities		
Provisions	-5,221	-5,221
Trade creditors	-207,953	-207,953
Other debt	-59,356	-59,183
Deferred tax liabilities	-752	-12,607
Net assets		**137,032**

The cash acquired amounted to EUR 7,022 thousand, which resulted in a total cash outflow of EUR 78,588 thousand.

No business units were sold or discontinued in connection with this business combination.

NT Plus Group

Effective December 31, 2007, ARQUES acquired 100% of the shares in NT plus AG through its subsidiary Actebis Peacock GmbH. The following subsidiaries of NT plus AG were acquired as part of the transaction: CPT Markenservice GmbH (100%); MFG Mobil-Funk GmbH (98.7%); Teleprofi Verwaltungs- und Beteiligungs GmbH (100%); and Teleprofi Kooperation GmbH & Co. KG (100%). In addition, a property leasing company was identified in accordance with SIC 12. Although NT plus AG is not the legal owner, this company is fully consolidated and was included in the valuation for purposes of the purchase price allocation, in accordance with the relevant provisions of IFRS. The company in question is SINAS Beteiligungs GmbH & Co. Vermietungs KG, based in Munich. All companies of the NT plus Group were included in the consolidated financial statements of ARQUES for the first time at December 31, 2007.

The NT plus Group was included in the consolidated financial statements on the basis of a provisional initial accounting. Since the changeover to IFRS accounting methods and the execution of the purchase price allocation are time-consuming, we applied the best possible information available at the time when the financial statements were prepared.

The purchase price for the acquired companies was EUR 37,011 thousand, EUR 19,000 thousand of which was settled immediately in cash. The rest of the purchase price is composed of a seller loan in the amount of EUR 17,999 thousand and incidental acquisition expenses in the amount of EUR 12 thousand. These cash flows, plus the purchase price liabilities assumed and the acquired assets and liabilities resulted in goodwill in the amount of EUR 21,461 thousand.

The consolidated revenues generated by the acquired companies in the period from January 1, 2007 to the acquisition date amounted to EUR 447,076 thousand. The consolidated earnings after taxes of the acquired companies in the period from January 1, 2007 to the acquisition date amounted to EUR 3,805 thousand.

The acquired assets and liabilities are presented in the table below:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	1,975	5,161
Land	713	661
Buildings	3,862	4,239
Technical equipment and machinery	2,502	2,502
Financial assets	220	220
Deferred tax assets	593	688
Current assets		
Inventories	24,303	24,303
Trade receivables	14,387	14,387
Other assets	21,651	21,651
Cash and cash equivalents	5,521	5,521
Liabilities		
Provisions	-2,606	-2,606
Trade creditors	-40,886	-40,886
Other debt	-19,543	-19,543
Deferred tax liabilities	-349	-1,454
Net assets		**14,844**

The cash acquired amounted to EUR 5,521 thousand, which resulted in a total cash outflow of EUR 13,491 thousand.

No business units were sold or discontinued in connection with this business combination.

Actebis Nordic

Also effective December 31, 2007, ARQUES acquired 100% of the shares of the Actebis companies in Denmark (Actebis Computer A/S; Taastrup), Sweden (Actebis Computer AB; Taastrup), and Norway (Actebis Computer A/S; Arendal), formerly belonging to the Otto Group, through its subsidiary Actebis GmbH. This group of acquired companies is referred to hereinafter as Actebis Nordic. All companies of Actebis Nordic were included in the consolidated financial statements of ARQUES for the first time at December 31, 2007.

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

The purchase price for the acquired companies was EUR 19,115 thousand, EUR 12,000 thousand of which was settled immediately in cash. As a result of timing restrictions, the cash outflow did not occur until January 2, 2008, for which reason the purchase price liability is still presented within Actebis GmbH. The rest of the purchase price is composed of a seller loan in the amount of EUR 7,000 thousand and incidental acquisition expenses in the amount of EUR 115 thousand. These cash flows, plus the purchase price liabilities assumed and the acquired assets and liabilities, as well as the consideration of minority interests, resulted in goodwill in the amount of EUR 3,664 thousand.

The revenues generated by the acquired companies in the period from January 1, 2007 to the acquisition date amounted to EUR 607,601 thousand. The consolidated earnings after taxes of the acquired companies in the period from January 1, 2007 to the acquisition date amounted to EUR 2,055 thousand.

The acquired assets and liabilities are presented in the table below:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	809	2,520
Technical equipment and machinery	1,017	1,017
Deferred tax assets	257	257
Current assets		
Inventories	50,063	50,063
Trade receivables	81,042	81,042
Other assets	2,109	2,109
Cash and cash equivalents	258	258
Liabilities		
Provisions	-231	-231
Trade creditors	-39,892	-39,892
Other debt	-81,119	-81,119
Deferred tax liabilities	-296	-690
Net assets		**15,334**

The cash acquired amounted to EUR 258 thousand, which resulted in a total cash inflow of EUR 258 thousand in 2007.

No business units were sold or discontinued in connection with this business combination.

Eurostyle Group (formerly the operating units of Möller Group)

In the fourth quarter of 2007, ARQUES acquired the Möller Group, consisting of MöllerTech Participaciones S.L., Perreiro de Aguiar, Spain (100% (MöllerTech S.A., Amurrio, Spain (100%); MöllerTech Orense S.L., Perreiro de Aguiar, Spain (100%))); MöllerTech S.A.S., Verriéres-le-Buisson, France (100%); MöllerTech Valenplast S.A.S., Verriéres-le-Buisson, France (100%); SCI St. Clément, Verriéres-le-Buisson, France (100%); MöllerTech Brasil Ltda., Jundiai, Brazil (100%). A 90% interest was acquired in accordance with the ARQUES subsidiary manager model. The companies were included in the consolidated financial statements of ARQUES at December 31, 2007.

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

The purchase price for the acquired shares was EUR 15,000 thousand in cash. The cash flows and the acquired assets and liabilities resulted in negative goodwill from the capital consolidation in the amount of EUR -39,476 thousand, which was recognized in other operating income directly in the income statement.

The revenues generated in the period from January 1, 2007 to the acquisition date amounted to EUR 236,924 thousand. The earnings contribution for the period from January 1, 2007 to the acquisition date was not determined because the those results were not relevant to the consolidation. These amounts were not retroactively adjusted from January 1, 2007 because the calculated values of the preceding months were not comparable with those after the structuring owing to the measures implemented in the meantime; thus, they would have led to distorted results.

The acquired assets and liabilities are presented in the table below:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	8,955	19,699
Land	2,544	3,361
Buildings	20,929	19,680
Technical equipment and machinery	37,218	39,603
Other assets	6,248	6,280
Financial assets	334	334
Deferred tax assets	1,688	5,994
Current assets		
Inventories	31,768	32,876
Trade receivables	47,772	47,772
Other assets	36,503	36,503
Cash and cash equivalents	3,487	3,487
Liabilities		
Provisions	-10,348	-10,348
Trade creditors	-63,235	-63,235
Other debt	-69,140	-72,449
Deferred tax liabilities	-6,657	-10,695
Net assets		**58,862**

The cash acquired amounted to EUR 3,487 thousand, which resulted in a total cash outflow of EUR 11,513 thousand.

No business units were sold or discontinued in connection with this business combination.

Other acquisitions in 2007

In January 2007, ARQUES acquired the QUAB business from Degussa Corporation, which is owned in turn by the RAG Group, through the exchange-listed SKW Group under the terms of an asset deal. The acquired company is SKW QUAB Chemicals Inc., U.S.A. The QUAB business was included in the consolidated financial statements of ARQUES as of January 16, 2007.

At the end of February 2007, ARQUES acquired 90% of the shares in Chikara Handels GmbH, Tiefenbach near Passau through the exchange-listed subsidiary tiscon AG. The company was included in the consolidated financial statements of ARQUES as of March 1, 2007.

At the end of March 2007, ARQUES acquired 85% of the shares in the Wanfried Group from ARQUANA International Print & Media AG, consisting of Wanfried Druck Kalden GmbH and its wholly-owned subsidiary Wanfried Packaging s.a.r.l. In July 2007, ARQUES acquired the remaining outstanding shares from ARQUANA International Print & Media AG so that the Wanfried Group is now wholly owned. The acquisition of the 85% interest is presented under the other company acquisitions. The acquisition of the remaining 15% produced only a change in the minority interests and additional goodwill. This company was included in the consolidated financial statements of ARQUES as of March 31, 2007.

At the end of March 2007, ARQUES acquired 51% of the shares in the Austrian fashion chain store Richard Schöps & Co. AG. through its Austrian subsidiary ARQUES Austria Invest AG, Vienna. All conditions of the purchase agreement were fulfilled at the end of April 2007, so that the company was included in the consolidated financial statements of ARQUES as of May 1, 2007.

In February 2007, ARQUES acquired the antioxidant business line of Degussa in a combined share and asset deal through its Spanish subsidiary ARQUES Iberia S.A., Madrid. In accordance with the ARQUES subsidiary manager model, 90% of the shares were acquired. The company Degussa Sant Celoni S.A. (Spain) was acquired as part of an asset deal and all significant assets and liabilities of Degussa Knottingley ltd. (England) were acquired as part of a share deal. The acquired company was renamed Oxiris and consists mainly of Oxiris Chemicals S.A. (Spain) and Oxiris Operational ltd. (England). The acquisition was completed at the beginning of May and the companies were consolidated as of May 1, 2007.

In April 2007, ARQUES acquired 100% of the shares in the Spanish primary steel processor Calibrados de Precisión, S.A. (Capresa) through its Spanish subsidiary ARQUES Iberia S.A., Madrid. The wholly-owned Mexican subsidiary Capremex S.A. de C.V. was also acquired. ARQUES assumed control over the company at the beginning of July, so that it was included in the consolidated financial statements of ARQUES as of June 1, 2007.

In August 2007, the shares in the Austrian SAG Group (90% of SAG Systemtechnik Austria and its wholly-owned subsidiary SAG Energietechnik GmbH) were acquired through ARQUES Industries AG, Vienna. A 90% interest was acquired in accordance with the ARQUES subsidiary manager model. The companies were included in the consolidated financial statements of ARQUES as of August 1, 2007.

In June 2007, ARQUES Austria acquired the Rohé Group and assumed control at the beginning of October 2007. The Rohé Group includes the following companies: A. Rohé GmbH, Vienna, Austria (100%); Rohé Deutschland GmbH, Heusenstamm, Germany (100%); Sask Tank GmbH, Eching-Dietersheim, Germany (85%); Rohé Bulgaria o.o.d., Sofia, Bulgaria (75% (Rohé Transport o.o.d., Mladost, Bulgaria (100%); Rohé Automatisation o.o.d., Iskar, Bulgaria (90%))); Rohé Romania s.r.l., Bucharest, Romania (75%); Rohé Polska s.p.z.o.o. Lomianki, Poland (100%); Rohè-CR spol s.r.o., Prague, Czech Republic (100%); Rohé Hungaria kft., Budapest, Hungary (100%); Rohé Slovensko s.r.o., Bratislava, Slovak Republic (100%); Rohé YU d.o.o., Belgrade, Serbia (90%); Rohé Hrvatska d.o.o., Zagreb, Croatia (100%); Rohé BH d.o.o. Sarajevo, Bosnia and Herzegovina (100%); Rohé Latvija SIA, Riga, Latvia (100%); Rohé Eesti Tanklatehnika OÜ, Tallinn, Estonia (100%); Rohé Lithuania, Kaunas Lithuania (100%); Rohé Belarus, Minsk, Belarus (100%) and Rohé Caspian AZ, Baku, Azerbaijan (100%). A 90% interest was acquired in accordance with the ARQUES subsidiary manager model. The companies were included in the consolidated financial statements of ARQUES as of October 3, 2007.

In December 2007, ARQUES acquired the company SM Electronic GmbH, Stapelfeld/Braak. In accordance with the ARQUES subsidiary manager model, 90% of the shares were acquired. The company was consolidated for the first time as of December 31, 2007.

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

The combined purchase prices for the acquired companies amounted to EUR 24,257 thousand, EUR 9,264 thousand of which was settled in cash. Shareholder loans in the amount of EUR 43,293 thousand were assumed in connection with the company acquisitions. After consideration of minority interests, the acquisition of the companies mentioned above resulted in negative goodwill in the amount of -EUR 52,866 thousand and positive goodwill in the amount of EUR 11,595 thousand.

The net losses of the acquired companies from the acquisition date to December 31, 2007, totaled EUR -7,790 thousand. This figure includes all material start-up and takeover losses, as well as restructuring losses, but does not include the other operating income from the reversal of negative goodwill. The revenues generated in the period from January 1, 2007 to the respective acquisition dates amounted to EUR 236,023 thousand; the total revenues for the year amounted to EUR 451,506 thousand. The earnings contribution for the period from January 1, 2007 to the respective acquisition dates was not determined because the those results were not relevant to the consolidation. These amounts were not retroactively adjusted from January 1, 2007 because the calculated values of the preceding months were not comparable with those after the restructuring owing to the measures implemented in the meantime; thus, they would have led to distorted results.

The acquired assets and liabilities are presented in the table opposite:

EUR'000	CARRYING AMOUNTS	FAIR VALUE
Non-current assets		
Intangible assets	4,690	33,658
Land	2,905	9,182
Buildings	9,177	9,655
Technical equipment and machinery	15,288	17,789
Other assets	14,646	13,919
Financial assets	1,887	1,887
Deferred tax assets	1,907	7,289
Current assets		
Inventories	52,330	52,524
Trade receivables	77,288	77,288
Other assets	29,197	29,344
Cash and cash equivalents	10,321	10,321
Liabilities		
Provisions	-31,686	-32,729
Trade creditors	-45,104	-45,104
Other debt	-140,121	-140,770
Deferred tax liabilities	-1,468	-16,401
Net assets		**27,853**

The cash acquired amounted to EUR 10,321 thousand, which resulted in a total cash inflow of EUR 1,057 thousand.

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

The disclosures prescribed by IFRS 3.70 (b) would be impracticable. As a result of the implemented restructuring measures, the company believes that the calculated values would lead to distorted results.

The newly acquired immaterial companies or immaterial business combinations in the form of assets deals have not been presented separately.

41. Notes on company sales

The following companies were sold in 2007:

- teutonia Kinderwagenfabrik GmbH
- SKW Stahl Metallurgie Holding AG
- Salto Paper AG
- SKS Stakusit Bautechnik GmbH

As a consequence of the sales of shares in teutonia Kinderwagenfabrik GmbH, the following companies were deconsolidated:

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

In the consolidated financial statements of ARQUES, the sale of teutonia at a sale price of EUR 8,456 thousand generated a deconsolidation profit of EUR 1,689 thousand, which is presented as other operating income. Immediately prior to the transaction, the company's equity base was strengthened and outstanding liabilities were paid off.

The following table provides an overview of the significant assets and liabilities transferred in connection with the company sale:

	EUR'000
Assets transferred	
Intangible assets	159
Property, plant and equipment	3,248
Inventories	2,548
Trade receivables	2,010
Other assets	1,733
Total assets	**9,698**
Liabilities transferred	
Pension obligations	451
Provisions	636
Current financial liabilities	9
Trade payables	849
Other debt	478
Total liabilities	**2,423**

Cash funds of EUR 929 thousand were transferred in connection with the company sale. Overall, the sale generated a cash inflow of EUR 7,527 thousand.

The sales of shares in the exchange-listed company SKW Stahl Metallurgie Holding AG resulted in the deconsolidation of the following companies:

- SKW Stahl-Metallurgie Holding AG
- SKW Stahl-Metallurgie GmbH
- SKW France S.A.S.
- AFFIVAL S.A.S.
- AFFIVAL Inc.
- AFFIVAL KK
- AFFIVAL Korea Co. Ltd.
- SKW QUAB Chemicals Inc.

In June 2007, ARQUES sold a tranche of 300,000 shares in the exchange-listed company SKW Stahl Metallurgie Holding AG. The placement generated proceeds of EUR 10,348 thousand and income of EUR 5,522 thousand, which is presented as other operating income. After this sale, ARQUES still held more than 50% of the shares in SKW Stahl Metallurgie Holding AG; thus, the company was not deconsolidated as of June 30, 2007.

In July 2007, ARQUES sold all remaining shares in the listed company SKW Stahl Metallurgie Holding AG. The shares were sold at a price of EUR 37 per share, generating proceeds of EUR 80,339 thousand. Including the deconsolidation effects from the transfer of net assets, the ARQUES Group recognized a profit of EUR 44,022 thousand from all the sales transactions related to SKW shares in 2007, which is presented as a deconsolidation gain within the other operating income. Additional income of EUR 4,047 thousand is presented within the other operating income. The income from the fair value measurement of receivables is presented in the full amount because the companies in question still belonged to the consolidation group of ARQUES.

The following table provides an overview of the significant assets and liabilities transferred in connection with the company sale:

	EUR'000
Assets transferred	
Intangible assets	5,618
Property, plant and equipment	14,951
Financial assets	4,124
Inventories	32,247
Trade receivables	35,038
Other assets	36,005
Total assets	**127,983**
Liabilities transferred	
Pension obligations	1,495
Provisions	1,187
Current financial liabilities	5,635
Non-current financial liabilities	7,248
Trade payables	24,572
Other debt	2,786
Total liabilities	**42,923**

Cash funds of EUR 29,276 were transferred in connection with the company sale. Overall, the sale generated a cash inflow of EUR 61,411 thousand.

The sale of shares in Salto Paper AG (formerly Papiermühle Wolfsheck) resulted in the deconsolidation of the following companies:

- Salto Paper AG
- Forest Asset Verwaltungs AG
- Wolfsheck Betriebs GmbH

In July 2007, ARQUES sold Salto Paper AG to a strategic investor for a sale price of EUR 91 thousand. The sale resulted in a loss of EUR 11,881 thousand.

The following table provides an overview of the significant assets and liabilities transferred in connection with the company sale:

	EUR'000
Assets transferred	
Intangible assets	13
Property, plant and equipment	4,612
Inventories	7,252
Trade receivables	11,824
Other assets	18,634
Total assets	**42,335**
Liabilities transferred	
Pension obligations	88
Provisions	10,209
Current financial liabilities	133
Non-current financial liabilities	5,629
Trade payables	11,987
Other debt	1,060
Total liabilities	**29,106**

Cash funds of EUR 3,198 were transferred in connection with the company sale. Overall, the sale generated a cash outflow of EUR 3,107 thousand.

The sales of shares in the SKS Stakusit Group resulted in the deconsolidation of the following companies:

- SKS Stakusit Bautechnik GmbH
- SKS Stakusit Polska Sp. Z.o.o.
- SKS Stakusit GUS GmbH
- SKS Stakusit RO SRL
- SKS Stakusit Hellas Rolladen & Balkonanlagen Einmann
- SKS Stakusit d.o.o. Belgrad
- SKS Stakusit Ukraine GmbH

At the end of July 2007, ARQUES sold all shares in the SKS Stakusit group, Duisburg, to a strategic investor. The shares were sold at a sale price of EUR 11,306 thousand, generating a profit of EUR 4,088 thousand. Immediately prior to the transaction, the company's equity base was strengthened and outstanding liabilities for shareholder loans were settled. In agreement with the buyer, moreover, cash funds of EUR 5,000 thousand were withdrawn from SKS Stakusit Bautechnik GmbH at the time of the sale.

The following table provides an overview of the significant assets and liabilities transferred in connection with the company sale:

	EUR'000
Assets transferred	
Intangible assets	21
Property, plant and equipment	5,644
Financial assets	41
Inventories	6,852
Trade receivables	4,413
Other assets	6,786
Total assets	**23,757**
Liabilities transferred	
Pension obligations	71
Provisions	2,010
Current financial liabilities	533
Non-current financial liabilities	4,921
Trade payables	2,853
Other debt	5,550
Total liabilities	**15,938**

Cash funds of EUR 2,526 were transferred in connection with the company sale. Overall, the sale generated a cash inflow of EUR 9,160 thousand.

The effects of the sales of shares in ARQUANA International Print & Media AG that have been recognized in income are summarized in the table below:

	EUR'000
Loans	
Losses on the sale of receivables due from Arquana	-9,831
Revaluation of receivables due from Arquana	-16,068
Shares	
At equity valuation	
At equity adjustment in 2007	381
Losses on sales	-4,427
Impairments	-6,979
Available for sale instruments	
Impairments of available-for-sale instruments	-2,994
Profit on the sale of available-for-sale instruments	93
Miscellaneous	
Cost of sale	-5,000
Overall effect in the income statement	**-44,825**

42. Disposal groups and discontinued operations

IFRS 5 prescribes special presentation requirements for assets and liabilities held for sale and for discontinued operations. For the sake of transparency and comparability, primary emphasis has been given to continuing operations in the ARQUES financial statements, while the information on discontinued operations has been presented on an aggregate basis for each applicable item of the balance sheet, income statement and cash flow statement.

Explanations of the disposal groups may be found in the section on Non-current assets held for sale.

Several company sales occurred in 2007, but only the SKW group qualifies as discontinued operations within the meaning of IFRS 5. All other company sales cannot be classified as discontinued operations and have therefore not been presented as such. For details on the company sales, please refer to the preceding section.

The expenses and income of the SKW group from the perspective of ARQUES are presented in the "discontinued operations" column of the income statement. For 2006, this column additionally contains the expenses and income of the ARQUANA Group from the perspective of ARQUES.

The cash flows attributable to discontinued operations are disclosed in Section 39 of the notes.

43. Other financial commitments

The other financial commitments at the balance sheet date of December 31, 2007 resulted from the non-terminable rental, leasing and service agreements entered into by the Group and its subsidiaries in the ordinary course of business. The sum of future payments under these agreements are broken down by maturity in the table below:

EUR'000	2007	2006
Rental and lease commitments, due		
- in less than one year	25,795	6,107
- in one to five years	56,949	18,345
- in more than five years	42,831	26,679
Other commitments, due		
- in less than one year	4,082	17,571
- in one to five years	6,824	127
- in more than five years	1,558	0
Total	**138,039**	**68,829**

The total rental and leasing commitments of EUR 125,575 thousand (PY EUR 51,131 thousand) resulted from rental and lease agreements for land and buildings in the amount of EUR 104,713 thousand (PY EUR 28,357 thousand), operating lease agreements for plant and equipment in the amount of EUR 10,582 thousand (PY EUR 18,047 thousand) and rental and lease agreements for other equipment, operational and office equipment in the amount of EUR 10,280 thousand (PY EUR 2,052 thousand). The increase in commitments under land and building leases/rental agreements can be attributed mainly to the Actebis Group.

The other financial commitments in the amount of EUR 12,464 thousand (PY EUR 17,698 thousand) resulted from maintenance and service agreements for plant and equipment, software and other equipment, operational and office equipment. A significant portion of the previous year's commitments resulted from the firm order obligation of the deconsolidated company, SKW Stahl-Metallurgie GmbH.

The firm investment obligation of EUR 69,484 thousand at the balance sheet date related mainly to investments in buildings, plant and equipment and operational equipment.

44. Contingent liabilities

The contingent liabilities at the balance sheet date of December 31, 2007 related to the following companies and matters:

In connection with the acquisition of 100% of the shares in **Oxxynova Holding GmbH, Mainsee 410. VV GmbH** committed itself to maintaining both locations for the next five years . This commitment is secured by the imposition of a contract penalty of initially EUR 15 million. The amount of the contract penalty was reduced to EUR 12 million at September 8, 2007 and will be reduced to zero in stages. In September 2008, it will be reduced by an additional EUR 3 million down to EUR 9 million. Degussa has agreed in writing to convert and retool the facility in Lülsdorf. It is currently planned, therefore, to continue using the locations, reducing the economic risk to that extent. Also in connection with the acquisition of 100% of the shares in Oxxynova Holding GmbH, ARQUES Industries AG issued a guarantee of up to EUR 10 million in favor of the seller to cover the anticipated liability for environmental pollution. This guarantee is limited to a term of five years after the purchase agreement takes legal effect. In the meantime, this risk has been covered by an insurance policy with a EUR 100 thousand deductible.

ARQUES Industries AG issued a guarantee for a maximum amount of EUR 2 million in connection with the release from encumbrances required for the planned sale of the operational properties of **Missel GmbH & Co. KG**, as consideration for the redemption of an existing land charge in the nominal amount of EUR 2 million and in agreement with the land charge holder. The background for this security transaction is the release from the statutory risk of secondary liability of the outgoing general partner for the duration of five years that was negotiated with the seller as a condition for the acquisition of Missel GmbH & Co. KG. The risk is considered to be minor because no matters relevant to the secondary liability have arisen, now approximately three years after the transaction.

As is customary for the industry, the seller of the **Eurostyle Group** has issued contract performance guarantees, in the total amount of EUR 19.4 million to major customers (automobile manufacturers) and suppliers in the form of surety bonds, guaranties and letters of comfort. These guarantees were assumed by ARQUES Industries AG as a result of the acquisition of the Eurostyle Group. The guarantees in favor of customers amount to EUR 3.5 million and the guarantees in favor of suppliers amount to EUR 0.08 million. Owing to the Eurostyle Group's modern equipment and earnings capacity, the risk of enforcement of these guarantees is considered to be very low.

In addition, ARQUES is subject to contingent liabilities from guarantees issued in connection with the operating activities of the subsidiaries, in the amount of EUR 18.0 million, and from the surety bonds and letters of comfort attributable to the subsidiaries, in the amount of EUR 12.8 million.

45. Disclosures in accordance with Section 264b HGB

The following domestic subsidiaries organized as unincorporated partnerships within the meaning of Section 264a HGB (German Commercial Code) have to some extent exercised the exemption options according to Section 264b HGB:

- Soest Grundstücksverwaltung GmbH & Co.KG
- Graf Zeppelin Str. Grundstücksverwaltung GmbH & Co KG
- Teleprofi Kooperation GmbH & Co. KG
- Hottinger GmbH & Co. KG
- Arques Immobilien GmbH & Co. KG
- Arques Immobilien Wert GmbH & Co. KG
- Oxxynova GmbH & Co. KG
- Missel GmbH & Co. KG
- Jahnel-Kestermann Getriebewerke GmbH & Co. KG

46. Executive Board and Supervisory Board of ARQUES Industries AG

The following individuals were members of the Executive Board in 2007 and in the time until the financial statements were prepared:

- **Dr. Dr. Peter Löw**, Businessman, Starnberg (Chairman of the Executive Board until April 30, 2007)
- **Dr. Martin Vorderwülbecke**, Lawyer, Munich (Vice Chairman until May 1, 2007; Chairman from May 1, 2007 until January 31, 2008)
- **Markus Zöllner**, Industrial Engineer, Bichl (Responsible for Operations until December 31, 2007)
- **Dr. Michael Schumann**, Dipl.-Kaufmann (Graduate Business Degree) (Responsible for Acquisitions; Chairman of the Executive Board since February 01, 2008)
- **Felix Frohn-Bernau**, Lawyer, Munich (Responsible for Exits since April 1, 2007)
- **Bernd Schell**, Dipl.- Betriebswirt (Graduate Business Degree) (Responsible for Operations since January 1, 2008)

The other executive responsibilities of the Executive Board members mainly include positions as managing directors or on the executive boards or supervisory boards of affiliated companies or subsidiaries of ARQUES Industries AG. Individually, the members of the Executive Board served on the following supervisory and executive boards in 2007 and in the time until the financial statements were prepared:

Dr. Dr. Peter Löw

Company	Head Office	Starting date in FY 2007	Ending date in FY 2007
Supervisory Board (inside the Group)			
ARQUES Industries AG (Chairman)	Vienna, Austria		11/30/2007
Arques Industries Capital AG (Chairman)	Starnberg		12/20/2007
“Imandros” Vermögensverwaltungs-AG (Chairman); now Imandros Vermögensverwaltungs-GmbH	Starnberg		07/26/2007
MDI Mediterranean Direct Invest AG	Starnberg		12/21/2007
ddp media holding AG (Chairman)	Starnberg		06/27/2007
XERIUS AG	Starnberg		08/21/2007
Zugspitze 66. VV AG (Chairman)	Munich		12/21/2007
Supervisory Board (outside the Group)			
High Definition Industries AG	Munich		06/04/2007
Internet Communities AG	Starnberg		11/12/2007
TEK AG	Munich		09/20/2007
The Growth Group AG	Starnberg		
Xstudy SE (Chairman)	Munich		

Dr. Martin Vorderwülbecke

Company	Head Office	Starting date in FY 2007	Ending date in FY 2007
Supervisory Board (inside the Group)			
ARQUANA International Print & Media AG (Chairman)	Starnberg		01/05/2007
ARQUES Industries AG (Vice Chairman)	Vienna, Austria		
ddp media holding AG	Starnberg	06/27/2007	01/31/2008
MDI Mediterranean Direct Invest AG	Starnberg		01/31/2008
SOMMER Holding AG (Chairman)	Bielefeld		01/30/2008
tiscon AG (Chairman)	Neu-Ulm		
SKW Stahl-Metallurgie Holding AG (Vice Chairman)	Unterneukirchen		
XERIUS AG	Starnberg		02/08/2008
Evotape S.p.a.	San Pietro Mosezzo, Italy		02/08/2008
ARQUES Austria Invest AG (Vice Chairman)	Vienna, Austria		
Supervisory Board (outside the Group)			
TEK Consulting AG	Karlsruhe	03/30/2007	11/19/2007

Markus Zöllner

COMPANY	HEAD OFFICE	STARTING DATE IN FY 2007	ENDING DATE IN FY 2007
Supervisory Board (inside the Group)			
ANVIS Netherlands B.V.	Amsterdam, Netherlands	09/28/2007	02/04/2008
ARQUANA International Print & Media AG	Starnberg		09/07/2007
ARQUES Austria Invest AG	Vienna, Austria		11/30/2007
Arques Industrie Asset AG	Starnberg		12/21/2007
Arques Industrie Wertbeteiligungs AG	Starnberg		12/21/2007
ARQUES Industries AG	Vienna, Austria		11/30/2007
Arques Industries Capital AG	Starnberg		12/20/2007
ddp media holding AG	Starnberg	06/27/2007	12/21/2007
GOLF HOUSE Direktversand GmbH (Advisory Board member)	Hamburg		01/01/2008
MDI Mediterranean Direct Invest AG	Starnberg		12/21/2007
Richard Schöps & Co. AG	Vienna, Austria	05/02/2007	12/19/2007
SKW Stahl-Metallurgie Holding AG (Chairman)	Unterneukirchen		
SOMMER Holding AG	Bielefeld		12/21/2007
XERIUS AG (Chairman)	Starnberg		12/21/2007
Zugspitze 66. VV AG (Vice Chairman)	Munich		12/21/2007

Dr. Michael Schumann

COMPANY	HEAD OFFICE	STARTING DATE IN FY 2007	ENDING DATE IN FY 2007
Supervisory Board (inside the Group)			
ANVIS Netherlands B.V.	Amsterdam, Netherlands	09/28/2007	02/04/2008
Arques Industrie Asset AG (Chairman)	Starnberg		
Arques Industries Capital AG (Chairman)	Starnberg	04/20/2007	
Arques Industrie Wert Beteiligungs AG (Chairman)	Starnberg		
ddp media holding AG (Chairman)	Starnberg	06/27/2007	
GOLF HOUSE Direktversand GmbH (Advisory Board)	Hamburg		12/16/2007
“Imandros” Vermögensverwaltungs-AG, now Imandros Vermögensverwaltungs- GmbH	Starnberg		08/23/2007
MDI Mediterranean Direct Invest AG (Chairman)	Starnberg	01/31/2008	
SOMMER Holding AG (Chairman)	Bielefeld		
tiscon AG (Vice Chairman)	Linden		
Zugspitze 66. VV AG (Vice Chairman)	Munich		
Supervisory Board (outside the Group)			
Palfinger S.A. (Denmark)	Esbjerg (Denmark)		03/30/2007

Felix Frohn-Bernau

COMPANY	HEAD OFFICE	STARTING DATE IN FY 2007	ENDING DATE IN FY 2007
Supervisory Board (inside the Group)			
ANVIS Netherlands B.V.	Amsterdam, Netherlands	09/28/2007	02/04/2008
Arques Industrie Asset AG (Vice Chairman)	Starnberg		
Arques Industrie Wert Beteiligungs AG (Vice Chairman)	Starnberg		
Arques Industries Capital AG (Vice Chairman)	Starnberg	12/20/2007	
ARQUES Austria Invest AG (Chairman)	Vienna, Austria		
ddp media holding AG	Starnberg	01/31/2008	
Richard Schöps & Co. AG	Vienna, Austria	01/11/2008	
SOMMER Holding AG	Bielefeld	01/30/2008	
Xerius AG	Starnberg	08/21/2007	
Zugspitze 66. VV AG (Vice Chairman)	Munich	12/21/2007	
Supervisory Board (outside the Group)			
Dooyoo AG	Berlin		

Bernd Schell (Vorstand seit 1. Januar 2008)

COMPANY	HEAD OFFICE	STARTING DATE IN FY 2007	ENDING DATE IN FY 2007
Supervisory Board (inside the Group)			
ARQUES Austria Invest AG	Vienna, Austria	11/30/2007	
Arques Industrie Asset AG	Starnberg	12/21/2007	
Arques Industrie Wert Beteiligungs AG	Starnberg	12/21/2007	
ARQUES Industries AG (Chairman)	Vienna, Austria	11/30/2007	
Arques Industries Capital AG	Starnberg	12/20/2007	
ddp media holding AG (Vice Chairman)	Starnberg	12/21/2007	
GOLF HOUSE Direktversand GmbH (Beirat)	Hamburg	01/01/2008	
MDI Mediterranean Direct Invest AG (Vice Chairman)	Starnberg	12/21/2007	
NT plus AG (Vice Chairman)	Osnabrück	01/02/2008	
Richard Schöps & Co. AG	Vienna, Austria	01/11/2008	
SOMMER Holding AG (Vice Chairman)	Bielefeld	12/21/2007	
Xerius AG (Chairman)	Starnberg	12/21/2007	
Zugspitze 66. VV AG	Munich	12/21/2007	

The following individuals were members of the Supervisory Board in 2007:

- **Dipl.-Kfm. Dr. rer. pol. Georg Obermeier**, managing shareholder of Obermeier Consult GmbH, Munich; Chairman of the Supervisory Board since 06/21/2007
  Membership on other supervisory boards:
  Member of the Supervisory Board of Kühne & Nagel International AG, Schindellegi, Switzerland
  Member of the Supervisory Board of Billfinger Berger Industrial Services AG, Munich, and of SKW Stahl-Metallurgie Holding AG, Unterneukirchen, and of Energie-Control GmbH Österreichische Regulierungsbehörde für Strom & Gas, Vienna, Austria
  Member of the Advisory Board of Illbruck Elements GmbH, München-Unterföhring

- **Bernhard Riedel**, lawyer, Munich, Vice Chairman of the Supervisory Board
  Membership on other supervisory boards: none

- **Prof. Dr. jur. Michael Judis**, executive board member of Open Pictures AG and lawyer, Munich, Chairman of the Supervisory Board until June 21, 2007
  Membership on other Supervisory Boards: none

- **Dipl.-Kfm. Dr. jur. Rudolf Falter**, lawyer, tax consultant, executive board member of WTS Aktiengesellschaft Steuerberatungsgesellschaft, Raubling
  Membership on other supervisory boards: none

- **Dr. jur. Gerhard Fischer**, lawyer, Munich
  Membership on other Supervisory Boards:

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

- **Franz Graf von Meran**, businessman and banker, retired (since June 21, 2007)

Membership on other Supervisory Boards:
Vice Chairman of the Supervisory Board of ARQUANA International Print & Media AG (until September 7, 2007)
Member of the Supervisory Board of Continentale Krankenversicherung a.G., Dortmund; of Continentale Lebensversicherung a.G., Munich; of Continentale Sach-Versicherung AG, Dortmund, and of Deutsche Malteser GmbH, Cologne
Chairman of the Advisory Board of Langenscheidt KG, Munich;
Member of the Advisory Board of Graf v. Schaesberg BeteiligungsKG, Wegberg; of Graf v. Schaesberg Vermögensverwaltungs-KG, Wegberg, and of Graf v. Schaesberg Forstwirtschaft KG, Wegberg

- **Mathias Spindler**, real estate economist (EBS), Munich (until June 21, 2007), head of investment, Comfort München GmbH, Munich (until December 2007), managing director, IC Immobilien Consulting- und Anlagegesellschaft mbH (since Januar y2007)
  Membership on other Supervisory Boards: none

Alternate member in the event of departure of one of the aforementioned Supervisory Board members:

- **Dipl.-Kfm. Othmar Freiherr von Diemar**, managing owner of Othmar von Diemar Vermögensverwaltung + Beratung, Oberahr/Westerwald
  Other executive positions:
  Member of the Supervisory Board of Borussia Dortmund AG, Dortmund

47. Compensation of the governing boards of the company

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

Compensation of the Executive Board

The responsibilities and contributions of the respective Executive Board member are taken into account in setting the compensation. The compensation granted in fiscal year 2007 consisted of a fixed annual salary and success-dependent components. The variable components consist of bonus agreements for the Executive Board members Mr. Markus Zöllner, Dr. Michael Schumann and Mr. Felix Frohn-Bernau, which are tied to the capital appreciation of a virtual share portfolio (and thus dependent on the company's success) and to the fulfillment of certain goals established for each Executive Board division (and thus dependent on the success of that division).

In 2006, the Supervisory Board had offered a success-dependent variable compensation also to the Executive Board members Dr. Dr. Peter Löw and Dr. Martin Vorderwülbecke. However, the Executive Board members Dr. Dr. Löw and Dr. Vorderwülbecke expressly and voluntarily opted not to enter into such a stock option agreement. Dr. Vorderwülbecke received a bonus of EUR 500,000 for his willingness to take on the post of Executive Board Chairman. In the compensation breakdown (see below), this bonus was classified as a "success-dependent" compensation component.

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

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

The basis for calculating the variable compensation with respect to the "virtual share portfolio" for Markus Zöllner, Dr. Michael Schumann and Felix Frohn-Bernau is a specific number of shares in ARQUES Industries AG ("virtual stock portfolio") valued at a specific share price ("initial value"). The amount of variable compensation is calculated in each case from the possible appreciation of the virtual share portfolio over a specific period – that is, relative to a pre-determined future date ("valuation date"). The difference between the value of the virtual stock portfolio valued at the share price on the valuation date and its initial value ("capital appreciation") yields the amount of variable compensation. The general policy is to settle the capital appreciation in shares converted at the share price on the valuation date, but the company – represented by the Supervisory Board – reserves the right to settle the capital appreciation in cash instead. If shares are granted, a contractually stipulated portion of those shares will be subject to a 12-month holding period.

The virtual share portfolio for Mr. Zöllner comprises 125,000 shares. The valuation date for 70,000 of those shares was January 31, 2007 and the valuation date for the other 55,000 shares was September 30, 2007. The grant dates were May 30, 2006 and November 23, 2006.

The share portfolio for Mr. Zöllner was valued at EUR 1,146,358.62 on the valuation date in September 2007 and at EUR 557,900.00 on the valuation date in January 2007.

The virtual share portfolio for Dr. Schumann comprises 125,000 shares. The valuation dates for all shares are January 31, 2008 and June 30, 2009 (the initial value used to calculate the capital appreciation at June 30, 2009 being the value of the virtual share portfolio at the share price of January 31, 2008). The grant date was October 12, 2006.

With regard to the first tranche of 125,000 shares due on January 31, 2008 (with a vested proportion of 94% according to IFRS), the fair value of the virtual share portfolio for Dr. Schumann was EUR 1,678,125 at the balance sheet date. With respect to the second tranche of 125,000 shares due June 30, 2009 (with a vested proportion of 45% according to IFRS), it was EUR 256,250.

The virtual share portfolio for Mr. Frohn-Bernau comprises 125,000 shares. The valuation date for all shares is March 31, 2009. At the grant date of May 15, 2007, the fair value of the virtual share portfolio for Mr. Frohn-Bernau was EUR 910,000. At the balance sheet date, the fair value of the virtual share portfolio for Mr. Frohn-Bernau (with a vested proportion of 35% according to IFRS) was EUR 374,782.61.

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

Mr. Zöllner received a bonus for projects involving the sale of operating subsidiaries of the ARQUES Group ("share deals") or their significant assets ("asset deals"). The bonus is based on the collected sale proceedssignificant. The due date and payment of the bonus depend on the actual receipt of the sale proceeds.

In 2007, Dr. Schumann received a bonus equivalent to a percentage of the cumulative annual sales of newly acquired subsidiaries of the ARQUES Group. This bonus applied only to the acquisition of companies whose annual sales exceed EUR 10 million. Subsequent to his appointment as CEO of the company, his previous employment contract, including the bonus agreement, was was suspended. The new executive employment contract provides a bonus based on the consolidated net profit presented in the consolidated financial statements.

Mr. Frohn-Bernau received a bonus for projects involving the sale of operating subsidiaries of the ARQUES Group ("share deals") or their significant assets ("asset deals"). The bonus is calculated on the basis of the net return. The net return corresponds to the actually collected cash price, regardless of what was sold, whether shares, loans or significant assets (asset deal), net of any cash payments made and not recovered by the ARQUES Group prior to completion of the sale (e.g. purchase price, capital contributions).

The following compensation was set for the individual Executive Board members in fiscal year 2007:

2007 IN EUR		CASH COMPENSATION	MONETARY VALUE OF COMPANY CAR	VIRTUAL SHARE PORTFOLIO	SUCCESS-DEPENDENT BONUS	TOTAL
Dr. Dr. Peter Löw	Expense, including provisions	80,000	1,680	0	0	81,680
(until April 30, 2007)	Cash compensation	80,000	1,680	0	0	81,680
Dr. Martin Vorderwülbecke	Expense, including provisions	320,000	8,202	0	500,000	828,202
(until January 31, 2008)	Cash compensation	320,000	8,202	0	500,000	828,202
Markus Zöllner	Expense, including provisions	240,000	0	1,407,301	587,788	2,235,089
(until December 31, 2007)	Cash compensation	240,000	0	1,704,259	587,788	2,532,047
Dr. Michael Schumann	Expense, including provisions	158,400	6,487	1,857,266	1,374,994	3,397,147
(since October 5, 2006)	Cash compensation	158,400	6,487	0	584,088	748,975
Felix Frohn-Bernau	Expense, including provisions	118,800	5,854	563,256	315,031	1,002,941
(since April 1, 2007)	Cash compensation	118,800	5,854	215,000	315,031	654,685
Total	**Expense, including provisions**	**917,200**	**22,223**	**3,828,823**	**2,777,313**	**7,545,059**
	Cash compensation	**917,200**	**22,223**	**1,919,259**	**1,986,907**	**4,845,589**

The Executive Board Compensation table shows the compensation expenses and the actual cash payments made to the Executive Board members. The latter figures were determined with reference to the bonus disbursed in fiscal year 2007, and not the bonus for which a provision was established, and to the payments under the stock options, and not the value of the stock options at the balance sheet date.

The board members Dr. Martin Vorderülbecke, Markus Zöllner and Felix Frohn-Bernau each acquired, for a purchase price of EUR 1 thousand, minority interests equal to 2% of the share capital in excess of par value of the foreign company ARQUES Iberia S.A., in which ARQUES indirectly holds a majority interest.

The board members Dr. Dr. Peter Löw (member and Executive Board Chairman until April 30, 2007), Dr. Martin Vorderülbecke, Markus Zöllner and Felix Frohn-Bernau each acquired, for a purchase price of EUR 2 thousand, minority interests equal to 2% in excess of par value of the foreign company ARQUES AUSTRIA Invest AG, in which ARQUES indirectly holds a majority interest.

The board members Dr. Dr. Peter Löw (member and Executive Board Chairman until April 30, 2007), Dr. Martin Vorderülbecke, Markus Zöllner and Felix Frohn-Bernau each acquired, for a purchase price of EUR 2 thousand, minority interests equal to 2% of the share capital in the domestic cmopany ARQUES Objekt1 AG, in which ARQUES indirectly holds a majority interest.

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

Compensation of the Supervisory Board

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

The corresponding compensation of the members of the Supervisory Board of ARQUES Industries Aktiengesellschaft in fiscal year 2007 is presented in the table below:

EUR	SETTLED	PROVISION ESTABLISHED	TOTAL EXPENSE
Dr. Georg Obermeier (Chairman since June 21, 2007)	6,666.69	12,000.00	18,666.69
Bernhard Riedel	14,792.66	-	14,792.66
Dr. Rudolf Falter	6,666.69	8,000.00	14,666.69
Dr. Gerd Fischer	6,666.69	8,000.00	14,666.69
Prof. Dr. Michael Judis (Chairman until June 21, 2007)	10,840.00	8,000.00	18,840.00
Franz Graf von Meran (since June 21, 2007)	-	8,000.00	8,000.00
Matthias Spindler (until June 21, 2007)	6,666.67	-	6,666.67
TOTAL	**52,299.40**	**44,000.00**	**96,299.40**

Beyond the foregoing, no commitments have been extended for the event of termination of the board mandates.

No advances or loans have been granted to the members of the Executive Board or Supervisory Board. No payments were made to former members of the Executive Board or Supervisory Board.

48. Shareholdings of Executive Board and Supervisory Board members

At the balance sheet date, the shareholdings of the members of the ARQUES Executive Board represented approximately 0.86% of the shares outstanding. Of this total percentage, Dr. Martin Vorderwülbecke held shares representing approximately 0.34% and Mr. Markus Zöllner held shares representing approximately 0.52% of the shares outstanding.

At the balance sheet date, the Supervisory Board members Dr. Gerhard Fischer and Dr. Rudolf Falter held shares representing approximately 0.015% and 0.002% of the shares outstanding, respectively.

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

	NUMBER OF SHARES 12/31/2007	NUMBER OF SHARES AT 3/31/2008	NUMBER OF OPTIONS 12/31/2007	NUMBER OF OPTIONS AT 3/31/2008
Executive Board				
Dr. Martin Vorderwülbecke (Chairman of the Executive Board, until January 31, 2008)	90,000	n/a	-	n/a
Markus Zöllner (Board member in charge of Operations, until December 31, 2007)	136,880	n/a	-	n/a
Dr. Michael Schumann (Board member in charge of Acquisitions, Chairman of the Executive Board since February 1, 2008)	-	-	-	-
Felix Frohn-Bernau (Board member in charge of Exits)	-	3,000	-	-
Bernd Schell (Board member in charge of Operations, since January 1, 2008)	550	550	-	-
Supervisory Board				
Dr. Georg Obermeier (Chairman since June 21, 2007)	-	-	-	-
Bernhard Riedel (Vice Chairman)	-	-	-	-
Prof. Dr. Michael Judis (Chairman until June 21, 2007)	-	5,000	-	-
Dr. Gerhard Fischer	4,000	-	-	-
Dr. Rudolf Falter	500	500	-	-
Franz Graf von Meran (since June 21, 2007)	-	1,500	-	-

Disclosures regarding stock option rights and similar incentive systems

At the present time, no options on the ARQUES share have been extended to board members .

Please refer to the comments in the Compensation Report for more information on the virtual share portfolios of the Executive Board members Mr. Zöllner, Dr. Schumann and Mr. Frohn-Bernau.

49. Disclosures concerning relations with related parties

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

The companies listed below are considered related parties from the perspective of the ARQUES Group, according to the definition of IAS 24, because they have been or can be influenced by the active Executive Board members of the ARQUES Group.

Related parties include EMG Holding GmbH, Growth Group AG, and WS 3014 Vermögensverwaltung AG. No business relations were maintained with any other related parties (TDBW GmbH, TEK AG, Palais Sonenhof Executive AG) in 2007.

The following significant business transactions were conducted between the Group and related parties:

EUR'000	2007
Expenses for purchased services and cost allocation charges	
EMG Holding GmbH (consulting services and vehicle lease payments)	828
The Growth Group AG (consulting services)	114
TOTAL	**942**
Income from interest on extended loans	
WS 3014 Vermögensverwaltung AG (interest income)	4
TOTAL	**4**

The payments for consulting services and lease payments to EMG Holding GmbH consisted entirely of Executive Board compensation of the former Chairman of the Executive Board, Dr. Martin Vorderwülbecke. The consulting services charged by The Growth Group AG in 2007 were for marketing services, such as the organization of the company's annual shareholders' meeting and the conception of financial reports.

At the balance sheet date, receivables in the amount of EUR 126 thousand were due from WS 3014 Vermögensverwaltung AG in connection with loans and purchase agreements and payables in the amount of EUR 37 thousand were due to EMG Holding GmbH.

50. Professional fees for independent auditors

The professional fees (total compensation plus expenses, not including input tax) incurred in 2007 for the independent auditors within the meaning of Section 318 HGB (German Commercial Code) (including affiliated companies within the meaning of section 271(2) HGB) amounted to EUR 2,509 thousand (PY EUR 1,500 thousand). Of this amount, EUR 2,264 thousand (PY EUR 1,086 thousand) were for auditing fees, EUR 135 thousand (PY EUR 303 thousand) were for other consultation fees, EUR 107 thousand (PY EUR 36 thousand) were for tax consulting fees, and EUR 3 thousand (PY EUR 75 thousand) were for miscellaneous services. These figures only pertain to the Group companies based in Germany.

51. Employees

The Group had an average of 6,093 employees (PY 4,909 employees) in 2007. Of this number, 2,616 were hourly wage earners (PY 2,797 workers), 3,284 were salaried employees (PY 1,866 employees) and 193 were apprentice-trainees (PY 246 trainees). The employees of companies which were deconsolidated or included in the consolidation group for the first time in 2007 were counted on a pro rata temporis basis. At the balance sheet date, the company had 12,319 employees (PY 4,645 employees). Of this number, 6,412 were hourly wage earners, 5,634 were salaried employees and 273 were apprentice-trainees.

52. Declaration of Conformity with the German Corporate Governance Code

The Executive Board and Supervisory Board of ARQUES Industries Aktiengesellschaft issued the Declaration of Conformity in accordance with section 161 AktG (German Stock Corporation Act) of April 18, 2007. Furthermore, this declaration has been made permanently available to the shareholders at the company's website www.arques.de. The exceptions from the German Corporate Governance Code have been duly noted.

53. Shareholder structure

The following notifications concerning the voting rights threshold limits in accordance with Sections 21 of the WpHG (German Securities Trading Act) were received in 2007 before the financial statements were prepared:

Dr. Dr. Peter Löw (Chairman of the Executive Board until April 30, 2007), Starnberg, notified us in accordance with Sections 41(4a) and 21 WpHG that his share of the voting rights was 14.14% (corresponding to 3,431,980 voting shares) as of January 20, 2007. His share of the voting rights changed to 1.78% (= 431,980 voting shares) according to a separate notification of February 23, 2007.

Oyster Asset Management S.A., Luxembourg, Luxembourg, notified us in accordance with Section 21 WpHG that it has owned a 3.50% share of the voting rights (corresponding to 850,000 voting shares) since February 19, 2007. That company's share of the voting rights changed to 1.55% (= 410,000 voting shares) according to a separate notification of July 17, 2007.

JPMorgan Chase & Co., New York, U.S.A. notified us in accordance with Section 21 WpHG that it has owned a 3.03% share of the voting rights (corresponding to 736,448 voting shares) since February 28, 2007. The voting rights are attributable to JPMorgan Chase & Co., New York, U.S.A. via JPMorgan Asset Management Holding Inc., New York, U.S.A. and others in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Chase & Co., New York, U.S.A., changed to 5.02% (= 1,218,542 voting shares) according to a separate notification of March 29, 2007. The voting rights are attributable to JPMorgan Chase & Co., New York, U.S.A. via JPMorgan Asset Management Holding Inc., New York, U.S.A. and others in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Chase & Co., New York, U.S.A., changed to 4.70% (= 1,141,566 voting shares) according to a separate notification on May 4, 2007. The voting rights are attributable to JPMorgan Chase & Co., New York, U.S.A. via JPMorgan Asset Management Holding Inc., New York, U.S.A., and others in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Chase & Co., New York, U.S.A., changed to 5.28% (= 1,396,629 voting shares) according to a separate notification of November 21, 2007. The voting rights are attributable to JPMorgan Chase & Co., New York, U.S.A. via JPMorgan Asset Management Holding Inc., New York, U.S.A., in the amount of 5.13% (= 1,358,110 voting shares) in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG. In addition, a 0.15% share of the voting rights (= 38,519 voting shares) is attributable to JPMorgan Chase & Co., New York, U.S.A., in accordance with Section 22 (1) (1) (1) WpHG.

The share of the voting rights of JPMorgan Chase & Co., New York, U.S.A., changed to 4.81% (= 1,272,170 voting shares) according to a separate notification of January 17, 2008. The voting rights are attributable to JPMorgan Chase & Co., New York, U.S.A. via JPMorgan Asset Management Holding Inc., New York, U.S.A., and others in the amount of 4.77% (= 1,261,943 voting shares) in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG. In addition, a 0.04% share of the voting rights (= 10,227 voting shares) is attributable to JPMorgan Chase & Co., New York, U.S.A., in accordance with Section 22 (1) (1) (1) WpHG.

The share of the voting rights of JPMorgan Chase & Co., New York, U.S.A., changed to 5.06% (= 1,338,547 voting shares) according to a separate notification of January 23, 2008. The voting rights are attributable to JPMorgan Chase & Co., New York, U.S.A. via JPMorgan Asset Management Holding Inc., New York, U.S.A., in the amount of 5.003% (= 1,323,260 voting shares) in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG. In addition, a 0.06% share of the voting rights (= 15,287 voting shares) is attributable to JPMorgan Chase & Co., New York, U.S.A., in accordance with Section 22 (1) (1) (1) WpHG.

The share of the voting rights of JPMorgan Chase & Co., New York, U.S.A., changed to 4.72% (= 1,247,755 voting shares) according to a separate notification of March 12, 2008. The voting rights are attributable to JPMorgan Chase & Co., New York, U.S.A., in the amount of 4.66% (= 1,232,552 voting shares) in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG. In addition, a 0.06% share of the voting rights (= 15,203 voting shares) is attributable to JPMorgan Chase & Co., New York, U.S.A., in accordance with Section 22 (1) (1) (1) WpHG.

JPMorgan Asset Management Holding Inc., New York, U.S.A. notified us in accordance with Section 21 WpHG that it has owned a 3.02% share of the voting rights (corresponding to 732,094 voting shares) since February 28, 2007. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, U.S.A., in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Asset Management Holding Inc., New York, U.S.A., changed to 5.15% (= 1,250,023 voting shares) according to a separate notification of March 30, 2007. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, U.S.A., via JPMorgan Asset Management UK Ltd., London, Great Britain, and others in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Asset Management Holding Inc., New York, U.S.A., changed to 4.63% (= 1,123,480 voting shares) according to a separate notification of May 4, 2007. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, U.S.A., via JPMorgan Asset Management UK Ltd., London, Great Britain, and others in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Asset Management Holding Inc., New York, U.S.A., changed to 5.13% (= 1,358,110 voting shares) according to a separate notification of November 21, 2007. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, U.S.A., via JPMorgan Asset Management UK Ltd., London, Great Britain, and others in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Asset Management Holding Inc., New York, U.S.A., changed to 4.76% (= 1,258,678 voting shares) according to a separate notification of January 17, 2008. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, U.S.A., via JPMorgan Asset Management UK Ltd., London, Great Britain, and others in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Asset Management Holding Inc., New York, U.S.A., changed to 5.003% (= 1,323,260 voting shares) according to a separate notification of January 23, 2008. The voting rights are attributable to JPMorgan Asset

Management Holding Inc., New York, U.S.A., via JPMorgan Asset Management UK Ltd., London, Great Britain, in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

The share of the voting rights of JPMorgan Asset Management Holding Inc., New York, U.S.A., changed to 4.66% (= 1,231,487 voting shares) according to a separate notification of March 12, 2008. The voting rights are attributable to JPMorgan Asset Management Holding Inc., New York, U.S.A., in accordance with Section 22 (1) (1) (1) and (6) in conjunction with (2) WpHG.

JPMorgan Asset Management UK Ltd., London, Great Britain, notified us in accordance with Section 21 WpHG that it has owned a 5.33% share of the voting rights (corresponding to 1,293,877 voting shares) since April 2, 2007. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, changed to 4.98% (= 1,208,410 voting shares) according to a separate notification of May 2, 2007. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, changed to 5.12% (= 1,354,134 voting shares) according to a separate notification of November 21, 2007. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, changed to 4.75% (= 1,257,525 voting shares) according to a separate notification of January 17, 2008. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, changed to 5.43% (= 1,437,543 voting shares) according to a separate notification of January 24, 2008. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, changed to 4.65% (= 1,230,334 voting shares) according to a separate notification of March 12, 2008. The voting rights are attributable to JPMorgan Asset Management UK Ltd., London, Great Britain, in accordance with Section 22 (1) (1) (6) WpHG.

The Baugur Group, Reykjavik, Iceland, notified us in accordance with Section 21 WpHG that it has owned a 3.206% share of the voting rights (corresponding to 848,175 voting shares) since May 29, 2007.

The share of the voting rights attributable to the Baugur Group, Reykjavik, Iceland, changed to 5.17% (= 1,366,991 voting shares) according to a separate notification of June 18, 2007.

The share of the voting rights attributable to the Baugur Group, Reykjavik, Iceland, changed to 4.84% (= 1,279,000 voting shares) according to a separate notification of October 3, 2007.

The share of the voting rights attributable to the Baugur Group, Reykjavik, Iceland, changed to 2.68% (= 708,988 voting shares) according to a separate notification of October 19, 2007.

INVESCO PLC, London, Great Britain, notified us in accordance with Section 21 WpHG that it has owned a 2.62% share in the voting rights (corresponding to 696,200 voting shares) since June 19, 2007. The voting rights are attributable to INVESCO PLC, London, Great Britain, in accordance with Section 22 (1) (1) (6) WpHG.

AQR Capital Management LLC, Greenwich, U.S.A., notified us in accordance with Section 21 WpHG that it has owned a 3.15% share of the voting rights (corresponding to 833,427 voting shares) since September 6, 2007. The voting rights are attributable to AQR Capital Management LLC, Greenwich, U.S.A., in accordance with Section 22 (1) (1) (6) WpHG.

The share of the voting rights changed to 2.99% (= 792,167 voting shares) according to a separate notification of February 6, 2008. The voting rights are attributable to AQR Capital Management LLC, Greenwich, U.S.A., in accordance with Section 22 (1) (1) (6) WpHG.

The following transactions were notified to the company in fiscal year 2007 in accordance with Section 15a WpHG:

PERSON OBLIGATED TO FILE A NOTIFICATION	POSITION	TRANSACTION DATE	TRANSACTION TYPE	SHARE PRICE IN EUR	NUMBER OF SHARES	VALUE IN EUR
Markus Zöllner	Executive Board, Operations	January 17, 2007	Sale	15.60	100,000	1,560,000.00
Dr. Dr. Peter Löw	Chairman of the Executive Board (until April 30, 2007)	January 18, 2007	Sale	14.40	1,850,000	26,640,000.00
Dr. Dr. Peter Löw	Chairman of the Executive Board (until April 30, 2007)	February 23, 2007	Sale	17.64	3,000,000	52,920,000.00
Dr. Martin Vorderwülbecke	Executive Board, (Chairman since May 1, 2007)	April 3, 2007	Purchase	18.88	80,000	1,510,400.00
Bernhard Riedel	Vice Chairman of the Supervisory Board	July 12, 2007	Sale	39.95	200	7,990.00
Dr. Gerhard Fischer	Member of the Supervisory Board	November 29, 2007	Purchase	27.13	4,000	108,520.00

The following reports according to Section 15a WpHG were received by the company in fiscal year 2007 before the financial statements were prepared (March 31, 2008):

PERSON OBLIGATED TO FILE A NOTIFICATION	POSITION	TRANSACTION DATE	TYPE OF FINANCIAL INSTRUMENT	TRANSAC-TION TYPE	SHARE PRICE IN EUR	NUMBER OF SHARES	VALUE IN EUR
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	Jan. 7, 2008	No-par bearer shares DE0005156004	Purchase	20.32	5,000	101,600.00
Felix Frohn-Bernau	Executive Board, Exit	Jan. 11, 2008	No-par bearer shares DE0005156004	Purchase	18.27	2,787	50,918.49
Felix Frohn-Bernau	Executive Board, Exit	Jan. 11, 2008	No-par bearer shares DE0005156004	Purchase	18.24	213	3,885.12
Prof. Dr. Michael Judis	Member of the Supervisory Board	Jan. 10, 2008	No-par bearer shares DE0005156004	Purchase	20.28	1,000	20,280.00
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	Jan. 23, 2008	Call-Warrant DE000DB2S581	Purchase	0.050	120,000	6,000.00
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	Jan. 23, 2008	Call-Warrant DE000CB8GLM6	Purchase	0.059609	140,400	8,369.10
Dr. Martin Vorderwülbecke	Chairman of the Executive Board	Jan. 23, 2008	Call-Warrant DE000CB7SBC5	Purchase	0.053757	74,000	3,978.02
Franz Graf von Meran	Member of the Supervisory Board	Jan. 24, 2008	No-par bearer shares DE0005156004	Purchase	14.42	1,500	21,630.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	Jan. 24, 2008	No-par bearer shares DE0005156004	Purchase	14.38	1,000	14,380.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	Jan. 25, 2008	No-par bearer shares DE0005156004	Purchase	15.50	1,000	15,500.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	Jan. 28, 2008	No-par bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Prof. Dr. Michael Judis	Member of the Supervisory Board	Jan. 29, 2008	No-par bearer shares DE0005156004	Purchase	14.00	1,000	14,000.00
Dr. Gerhard Fischer	Member of the Supervisory Board	Mar. 10, 2008	No-par bearer shares DE0005156004	Sale	10.67	4,000	42,680.00

54. Legal disputes and claims for damages

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

In connection with representations in the print media ARQUES Industries AG has filed for temporary injunctions in specific cases in order to effectively and permanently prevent the further publication of false statements on the basis of court orders. In addition, a claim for payment of professional fees has been filed against ARQUES Industries AG by a consulting firm.

55. Significant events subsequent to the balance sheet date

On January 17, 2008, Dr. Martin Vorderwülbecke, the Executive Board Chairman until that time, asked the Supervisory Board to terminate his executive board employment contract by mutual consent with effect from January 31, 2008. The Supervisory Board then appointed Dr. Michael Schumann as Chairman of the Executive Board of ARQUES Industries AG, effective February 1, 2008.

On February 22, 2008, ARQUES sold the operating activities of the building supplier Missel to the globally active KOLEKTOR Group from Slovenia under the terms of an asset deal. In addition to the purchase price of EUR 8.5 million, ARQUES earned an amount of approximately EUR 13 million on the Missel investment by withdrawing approximately EUR 3 million from the company and by keeping the real property.

Effective March 14, 2008, ARQUES acquired the remaining 49% of the equity of Richard Schöps & Co. AG. As a result, the seller, Fashion Holding GmbH, Vienna, was released from its obligations to Schöps. Additionally, as part of this transaction, shareholder loans were converted to additional paid-in capital and the equity base was strengthened by means of contributions to the company's additional paid-in capital.

On March 23, 2008, ARQUES and the Raschig Group, Ludwigshafen, reached an agreement regarding the sale of the subsidiary Oxiris Chemicals S.A., Spain. This transaction is subject to the approval of the antitrust authorities and is expected to be completed in the course of the first half of fiscal year 2008.

56. Release for publication of the consolidated financial statements

The annual financial statements of ARQUES Industries AG presented herein were released for publication by the Executive Board on March 31, 2008. The shareholders are entitled to amend the consolidated financial statements at the annual shareholders' meeting.

Note:

The audit of the present consolidated financial statements of ARQUES Industries AG has been completed. The auditor PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft will issue an unqualified opinion on March 31, 2008.

The Supervisory Board meeting called to adopt the annual financial statements and approve the consolidated financial statements has been set for April 15, 2008. The definitive Annual Report for 2007 will be published on April 15, 2008.

Report of the Executive Board

The Executive Board of ARQUES Industries AG is responsible for the information contained in the consolidated financial statements and the consolidated management report. This information has been reported in accordance with the accounting regulations of the International Accounting Standards Committee. The consolidated management report was drafted in accordance with the provisions of the German Commercial Code.

By means of implementing uniform Groupwide guidelines, using reliable software, selecting and training qualified personnel and continually optimizing the processes of the acquired companies, we are able to present a true and fair view of the company's business performance, its current situation and the opportunities and risks of the Group. To the necessary extent, appropriate and objective estimates were applied.

In accordance with the resolution of the annual shareholders' meeting, the Supervisory Board has engaged PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, to audit the consolidated financial statements of the Group in the capacity of independent auditors. The Supervisory Board discussed the consolidated financial statements and the consolidated management report with the auditors in the financial statements review meeting. The result of their review are presented in the Report of the Supervisory Board.

Responsibility statement

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

Starnberg, March 31, 2008

The Executive Board of ARQUES Industries AG

Dr. Michael Schumann Felix Frohn-Bernau Bernd Schell

Auditor's Report

We have audited the consolidated financial statements prepared by the ARQUES Industries Aktiengesellschaft, Starnberg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the ARQUES Industries Aktiengesellschaft, Starnberg, for the business year from January 1st, 2007 to December 31st, 2007. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB, supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 31st, 2008

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

(Franz Wagner) (ppa. Gregor Schwarzfischer)

Wirtschaftsprüfer Wirtschaftsprüfer

List of Shareholdings at December 31, 2007

GROUP PARENT COMPANY	LOCATION OF HEAD OFFICE	EQUITY SHARE (DIRECT)
ARQUES Industries AG		
Actebis GmbH (previously Arques Invest Consult GmbH)	Soest, Germany	96.80%
Actebis Peacock GmbH	Soest, Germany	
Beteiligungsgesellschaft Actebis Peacock mbH	Soest, Germany	
Actebis Computerhandels GmbH	Gross Enzersdorf, Austria	
Actebis S.A.S	Gennevilliers, France	
LAFI Logiciels Applications Formation S.A.S.	Gennevilliers, France	
Actebis Computers B.V.	Nieuwegein, Netherlands	
Lange Wende Grundstücksverwaltungs GmbH	Soest, Germany	
Grundstücksverwaltungsgesellschaft Soest mbH	Soest, Germany	
Soest Grundstücksverwaltung GmbH & Co.KG (merged with Lange Wende Grundstücksverwaltungs GmbH in 2008)	Soest, Germany	
Peacock Grundstücks Holding GmbH	Bad Wünnenberg-Haaren, Germany	
Peacock Grundstücks Service GmbH	Bad Wünnenberg-Haaren, Germany	
Beteiligungsgesellschaft Graf Zeppelin Str. Grundstücksverwaltungs mbH	Hamburg, Germany	
Graf Zeppelin Str. Grundstücksverwaltung GmbH & Co KG (merged with Peacock Grundstücks Service GmbH in 2008)	Hamburg, Germany	
NT Plus AG	Osnabrück, Germany	
CPT Markenservice GmbH	Osnabrück, Germany	
MFG Mobil-Funk GmbH	Osnabrück, Germany	
Teleprofi Verwaltungs- und Beteiligungs GmbH	Osnabrück, Germany	
Teleprofi Kooperation GmbH & Co. KG	Osnabrück, Germany	
SINAS Beteiligungs GmbH & Co. Vermietungs KG	Munich, Germany	
Actebis Computers A/S	Taastrup, Dänemark	
Actebis Computer AS	Arendal, Norwegen	
Actebis Computer AB	Taastrup, Denmark	
ARQUES Aktiva Verwaltung GmbH	Starnberg, Germany	100.00%
Arques Wert Industrie GmbH	Starnberg, Germany	
ANVIS Netherlands B.V.	Amsterdam, Netherlands	
ANVIS Automotive Spain S.A.	Soria, Spain	
ANVIS Automotive Inc.	Ontario, Canada	
ANVIS DE MEXICO S.A. de C.V.	El Marques, Mexico	
ANVIS France Epinal S.A.S.	Epinal, France	

EQUITY SHARE (INDIRECT)	CURRENCY ´000	EQUITY AT 12/31/07	PROFIT/LOSS 2007	AVE. NO. OF EMPLOYEES
	EUR	172,984	52,354	48
	EUR	28,033	-607	2
100.00%	EUR	51,268	22,245	942
100.00%	EUR	108	8	0
100.00%	EUR	4,761	-798	42
100.00%	EUR	34,277	4,230	202
100.00%	EUR	6,454	1,167	53
100.00%	EUR	1,735	-598	59
100.00%	EUR	5,113	0	0
100.00%	EUR	108	8	0
100.00%	EUR	10,276	5,276	0
100.00%	EUR	489	-11	0
100.00%	EUR	2,409	1,909	0
100.00%	EUR	52	1	0
100.00%	EUR	2,431	2,066	0
100.00%	EUR	13,565	4,627	299
100.00%	EUR	100	0	15
98.70%	EUR	185	27	0
100.00%	EUR	85	38	0
100.00%	EUR	127	5	0
0.00%	EUR	-824	34	0
100.00%	DKK	90,367	10,619	238
100.00%	NOK	10,915	2,800	12
100.00%	SEK	2,152	922	0
	EUR	0	0	0
90.00%	EUR	15,174	151	0
100.00%	EUR	65,584	-17,696	0
100.00%	EUR	16,049	2,238	175
100.00%	CAD	5,818	-134	0
99.99%	USD	-10,656	-7,645	319
100.00%	EUR	11,540	3,367	163

	LOCATION OF HEAD OFFICE	EQUITY SHARE (DIRECT)
ANVIS France Decize S.A.S.	Decize, France	
SOCIETE IMMOBILIERE DECIZE (SID) S.N.C.	St.-Léger-des-Vignes (Nièvre), France	
ANVIS AVS S.A.S.	Decize, France	
ANVIS Romania S.R.L.	Satu Mare, Rumania	
Anvis Czech Republic s.r.o.	Vsetin, Czech Republic	
WUXI WOCO-Tongyong Rubber Engineering Co. Ltd.	Jiangsu, China	
Arques Asset Invest GmbH	Starnberg, Germany	100.00%
Arques Asset Verwaltungs GmbH	Starnberg, Germany	100.00%
Hottinger Verwaltungsgesellschaft mbH	Mannheim, Germany	
Hottinger GmbH & Co.KG	Mannheim, Germany	
Grundstücksverwaltungsgesellschaft Wittener Straße mbH	Mannheim, Germany	
ARQUES Beteiligungsverwaltung GmbH	Starnberg, Germany	100.00%
ARQUES Wert Potenzial GmbH	Starnberg, Germany	
Arques Commercial GmbH	Starnberg, Germany	100.00%
ARQUES Consulting GmbH	Starnberg, Germany	100.00%
Arques Corporate Revitalization AG	Baar, Switzerland	80.00%
ARQUES Corporate Value GmbH	Starnberg, Germany	100.00%
ARQUES Management Potenzial GmbH	Starnberg, Germany	
ARQUES Equity GmbH	Starnberg, Germany	100.00%
ARQUES Equity Management GmbH	Starnberg, Germany	90.00%
SM Electronic GmbH	Stapelfeld/Braak, Germany	
Arques Finanz GmbH	Starnberg, Germany	100.00%
Arques Sport Handelsgesellschaft mbH	Starnberg, Germany	
GOLF HOUSE Direktversand GmbH	Hamburg, Germany	
Golf Extreme GmbH	Neumünster, Germany	
Arques Immobilien Verwaltungs GmbH	Starnberg, Germany	100.00%
Arques Immobilien GmbH & Co. KG	Starnberg, Germany	
Arques Immobilien Wert Beteiligungs GmbH	Starnberg, Germany	100.00%
Arques Immobilien Wert GmbH & Co. KG	Starnberg, Germany	
ARQUES Industries AG	Vienna, Austria	100.00%
ARQUES Lambda Creation GmbH	Vienna, Austria	
ANVIS Germany GmbH	Bad Soden, Germany	
ARQUES Asset Invest GmbH	Vienna, Austria	
Elbwiese 71. VV GmbH	Spremberg, Germany	
BEA Elektrotechnik und Automation Technische Dienste Lausitz GmbH	Dresden, Germany	
ARQUES Commercial GmbH	Vienna, Austria	

EQUITY SHARE (INDIRECT)	CURRENCY ´000	EQUITY AT 12/31/07	PROFIT/LOSS 2007	AVE. NO. OF EMPLOYEES
100.00%	EUR	46,526	-2,228	584
99.99%	EUR	2,079	1,019	0
100.00%	EUR	3,960	-715	58
100.00%	ROL	5,496	3,066	175
100.00%	CZK	186,733	89,598	244
100.00%	CNY	98,655	20,575	269
	EUR	17	-1	0
	EUR	491	-51	0
100.00%	EUR	37	-1	0
100.00%	EUR	2,917	212	0
100.00%	EUR	139	2	0
	EUR	24	-4	0
100.00%	EUR	20	-5	0
	EUR	25	-4	0
	EUR	19	-6	0
	CHF	-7	-107	1
	EUR	22	-6	0
100.00%	EUR	20	-5	0
	EUR	19	-6	0
	EUR	19	-6	0
100.00%	EUR	3,774	-17,628	184
	EUR	2,476	-8	0
100.00%	EUR	3,575	2	0
74.90%	EUR	-4,728	144	139
100.00%	EUR	3	-22	0
	EUR	22	-1	0
100.00%	EUR	5,740	-69	0
	EUR	22	-1	0
100.00%	EUR	30,067	62	0
	EUR	4,563	-675	4
100.00%	EUR	33	-2	0
100.00%	EUR	2,509	-1,417	110
100.00%	EUR	-95	-173	1
90.00%	EUR	1,830	52	0
100.00%	EUR	3,002	1,658	349
100.00%	EUR	95	-2	0

	LOCATION OF HEAD OFFICE	EQUITY SHARE (DIRECT)
IVMP-AG	Baar, Switzerland	
Rohner AG	Pratteln, Germany	
Rohner Inc.	New Jersey, USA	
ARQUES European Asset Management GmbH	Vienna, Austria	
Arques Iberia S.A.	Madrid, Spain	
Iversia Invest S.L.	Madrid, Spain	
Vastec Corporate S.L.	Madrid, Spain	
Oxiris Intellectual Property LTD (previously Arques Intelectual Property LTD)	Cardiff, UK	
Oxiris LTD (previously Arques Operational LTD)	Cardiff, UK	
Oxiris Property LTD (previously Arques Property LTD)	Cardiff, UK	
Oxiris Chemicals S.A.	Carretera, Spain	
Oxiris Chemicals GmbH (previously Arques Wert Industriebeteiligungs GmbH)	Ludwigshafen, Germany	
Desarollos Enterprise Line S.L.	Madrid, Spain	
Sodelica Markets S.L.	Madrid, Spain	
Calibrados de Precision S.A.	Barcelona, Spain	
Capremex S.A. DE C.V.	San Luis Potosi, Mexico	
ARQUES Austria Invest AG	Vienna, Austria	
MASTROC MANAGEMENT S.L.	Madrid, Spain	
NIKEN PLUS S.L.	Madrid, Spain	
MöllerTech Participaciones S.L.	Perreiro de Aguiar, Spain	
MöllerTech S.A.	Amurrio, Spain	
MöllerTech Orense S.L.	Perreiro de Aguiar, Spain	
MöllerTech S.A.S.	Verrières-le-Buisson, France	
MöllerTech Valenplast S.A.S.	Verrières-le-Buisson, France	
SCI St. Clement	Verrières-le-Buisson, France	
MöllerTech Brasil Ltda.	Jundiai, Brasilien	
Hottinger Holding GmbH	Vienna, Austria	
Hottinger Maschinenbau GmbH	Mannheim, Germany	
Hottinger North America Inc.	Bingham Farms, USA	
ARQUES Capital GmbH	Vienna, Austria	
Ariolan Consulting AG	Baar, Switzerland	
Hermes Investment AG (previously Partenaires Edelweiss S.A.)	Bienne Switzerland	
Farbendruck Weber AG	Brugg, Switzerland	
Gravor S.A.	Brugg, Switzerland	
Actual Sàrl	Bienne, Switzerland	

EQUITY SHARE (INDIRECT)	CURRENCY ´000	EQUITY AT 12/31/07	PROFIT/LOSS 2007	AVE. NO. OF EMPLOYEES
90.00%	CHF	26	-66	0 [1)]
100.00%	CHF	28,726	1,016	183 [1)]
100.00%	USD	-87	-88	1
100.00%	EUR	153	0	0
79.00%	EUR	-431	-490	1
90.00%	EUR	-9	-10	0
100.00%	EUR	-8	-10	0
100.00%	GBP	0	0	0
100.00%	GBP	1,323	1,323	96
100.00%	GBP	0	0	0
100.00%	EUR	5,776	3,391	54
100.00%	EUR	22	-1	0
100.00%	EUR	-80	-83	0
100.00%	EUR	2	-1	0
100.00%	EUR	-1,730	52,986	0
100.00%	USD	1,390	1,743	0
81.00%	EUR	52	-4	0
100.00%	EUR	1	-2	0
90.00%	EUR	-91	-94	0
100.00%	EUR	10,058	-21	0
100.00%	EUR	29,240	1,227	304
100.00%	EUR	10,392	1,597	180
100.00%	EUR	15,000	-11,050	916
100.00%	EUR	1,000	-410	281
100.00%	EUR	38	55	0
100.00%	BRL	19,563	4,218	178
90.00%	EUR	-13	-39	0
100.00%	EUR	188	-1,444	70
100.00%	USD	-125	-10	0
100.00%	EUR	24	-5	0
100.00%	CHF	579	612	0
99.98%	CHF	14,776	836	1
100.00%	CHF	13,797	-4,713	257
100.00%	CHF	1,010	255	23
100.00%	CHF	436	-36	21

	LOCATION OF HEAD OFFICE	EQUITY SHARE (DIRECT)
W.E.D. S.A. (in Liquidation)	Brugg, Switzerland	
ARQUES Wert Invest GmbH	Vienna, Austria	
ARQUES Süd Beteiligungs GmbH	Vienna, Austria	
Mainsee 410. VV GmbH	Frankfurt, Germany	
Oxxynova Holding GmbH	Marl, Germany	
Oxxynova Verwaltungs GmbH	Marl, Germany	
ARQUES Zeta Equity GmbH	Vienna, Austria	
ARQUES Eta Beteiligungsverwaltungs GmbH	Vienna, Austria	
ARQUES Theta Restructuring GmbH	Vienna, Austria	
ARQUES Ny Improvement GmbH	Vienna, Austria	
ARQUES My Sustainment GmbH	Vienna, Austria	
ARQUES Omikron Performance GmbH	Vienna, Austria	
ARQUES Xi Progress GmbH	Vienna, Austria	
Arques Industrie Asset AG	Starnberg, Germany	100.00%
Wanfried Druck Kalden GmbH	Wanfried, Germany	
Wanfried Packaging s.a.r.l	Paris, France	
Arques Industrie Finanz GmbH	Starnberg, Germany	100.00%
Arques Industrie Wert Beteiligungs AG	Starnberg, Germany	100.00%
Arques Industries Capital AG	Starnberg, Germany	100.00%
Arques Invest Beteiligungs GmbH	Starnberg, Germany	100.00%
Arques Invest GmbH	Starnberg, Germany	100.00%
Arques Invest Verwaltungsgesellschaft mbH	Starnberg, Germany	100.00%
ARQUES Management GmbH	Starnberg, Germany	100.00%
Arques Mediterranean Investments Ltd.	St. Julians, Malta	99.98%
Arques Value Investment Ltd.	St. Julians, Malta	
Arques Global Purchase Company Ltd.	St. Julians, Malta	
Arques Süd Beteiligungs GmbH	Starnberg, Germany	100.00%
Arques Objekt 1 GmbH	Starnberg, Germany	
Arques Iota Equity Management GmbH	Vienna, Austria	
A. Rohé Holding Gesellschaft mbH	Vienna, Austria	
A. Rohé GmbH	Vienna, Austria	
Rohé Germany GmbH	Heusenstamm, Germany	
Bach Rohé AG	Stallikon, Switzerland	
Saxs Tank GmbH	Eching-Dietersheim, Germany	
Rohé Bulgaria o.o.d.	Sofia, Bulgaria	
Rohé Transport o.o.d.	Mladost, Bulgaria	
Rohé Automatisation o.o.d.	Iskar, Bulgaria	

EQUITY SHARE (INDIRECT)	CURRENCY ´000	EQUITY AT 12/31/07	PROFIT/LOSS 2007	AVE. NO. OF EMPLOYEES
99.98%	CHF	0	0	0
100.00%	EUR	41	-3	0
90.00%	EUR	29	-3	0
100.00%	EUR	-4,266	-4,076	0
100.00%	EUR	14,788	21	212
100.00%	EUR	30	1	0
100.00%	EUR	32	-3	0
100.00%	EUR	32	-3	0
100.00%	EUR	32	-3	0
100.00%	EUR	33	-2	0
100.00%	EUR	33	-2	0
100.00%	EUR	33	-2	0
100.00%	EUR	33	-2	0
	EUR	-107	-8,080	0
100.00%	EUR	1,685	-1,625	191
100.00%	EUR	152	22	2
	EUR	11,302	1,001	0
	EUR	48	0	0
	EUR	42	1	0
	EUR	22	-1	0
	EUR	22	-1	0
	EUR	22	-1	0
	EUR	19	-6	0
	EUR	38,387	18,350	0
99.95%	EUR	25,999	12,453	2
99.95%	EUR	-13	0	0
	EUR	708	-5	0
81.00%	EUR	774	69	0
90.00%	EUR	466	-69	0
100.00%	EUR	-7,766	-7,766	9
100.00%	EUR	-2,392	-2,392	79
100.00%	EUR	2,058	2,058	200
50.00%	CHF	910	910	58
85.00%	EUR	880	880	64
75.00%	BGN	6,072	6,072	101
100.00%	BGN	597	597	65
90.00%	BGN	161	161	5

	LOCATION OF HEAD OFFICE	EQUITY SHARE (DIRECT)
Rohé Romania s.r.l.	Bukarest, Rumania	
Rohé Polska s.p.z.o.o.	Lomianki, Poland	
Rohé-CR spol s.r.o.	Prag, Czech Republic	
Rohé Hungaria kft.	Budapest, Hungary	
Rohé Slovensko s.r.o.	Bratislava, Slovakia	
Rohé YU d.o.o.	Belgrad, Serbia	
Rohé Hrvatska d.o.o.	Zagreb, Croatia	
Rohé BH d.o.o.	Sarajevo, Bosnia-Herzegovina	
Rohé Latvija SIA	Riga, Latvia	
Rohé Eesti Tanklatehnika OÜ	Talinn, Estonia	
Rohé Lithuania	Kaunas, Lithauenia	
Rohé Belarus	Minsk, Belarus	
Rohé Caspian AZ	Baku, Azerbaijan	
ARQUES Beta Beteiligungs GmbH	Vienna, Austria	
Richard Schöps & Co. AG	Vienna, Austria	
ARQUES Gamma Vermögensverwaltung GmbH	Vienna, Austria	
BEA Electrics GmbH (previously SAG Systemtechnik GmbH)	Vienna, Austria	
BEA Electrics Energietechnik GmbH (previously SAG Energietechnik GmbH)	Vienna, Austria	
ARQUES Epsilon Industriekapital GmbH	Vienna, Austria	
ARQUES Kappa Consult GmbH	Vienna, Austria	
ARQUES Serangano GmbH	Vienna, Austria	
ARQUES Syrato GmbH	Vienna, Austria	
ARQUES Zanobio GmbH	Vienna, Austria	
ARQUES Unternehmensstrukturierung GmbH	Starnberg, Germany	100.00%
ARQUES Finanz Potenzial GmbH	Starnberg, Germany	
ARQUES Value Development GmbH	Starnberg, Germany	100.00%
ARQUES Invest Potenzial GmbH	Starnberg, Germany	
Arques Wert Central GmbH	Starnberg, Germany	90.00%
Van Netten GmbH	Dortmund, Germany	
Sonnina Süsswaren GmbH	Dortmund, Germany	
Sweets Project Verkaufsgesellschaft GmbH	Dortmund, Germany	
ARQUES Wert Entwicklung GmbH	Starnberg, Germany	100.00%
ARQUES Kapital Potenzial GmbH	Starnberg, Germany	
Arques Wert Finanz GmbH	Starnberg, Germany	100.00%
ddp media holding AG (previously WS3022 Vermögensverwaltung AG)	Starnberg, Germany	100.00%
ddp Deutscher Depeschendienst GmbH	Berlin, Germany	

EQUITY SHARE (INDIRECT)	CURRENCY ´000	EQUITY AT 12/31/07	PROFIT/LOSS 2007	AVE. NO. OF EMPLOYEES
75.00%	ROL	21,914	21,914	124
100.00%	PLN	6,126	6,126	119
100.00%	CZK	54,943	54,943	85
100.00%	HUF	312,428	312,428	74
100.00%	SKK	9,144	9,144	12
90.00%	RSD	166,817	166,817	61
100.00%	HRK	446	446	17
100.00%	BAM	-704	-704	4
100.00%	LVL	280	280	20
100.00%	EEK	353	353	5
100.00%	LTL	669	669	14
100.00%	BYR	606,832	606,832	15
100.00%	AZM	178	178	8
100.00%	EUR	-214	-317	0
51.00%	EUR	-17,982	-13,479	689
90.00%	EUR	110	-23	0
100.00%	EUR	2,165	-95	120
100.00%	EUR	844	554	85
100.00%	EUR	31	-2	0
100.00%	EUR	32	-3	0
100.00%	EUR	33	-2	0
100.00%	EUR	33	-2	0
100.00%	EUR	33	-2	0
	EUR	22	-6	0
100.00%	EUR	20	-5	0
	EUR	22	-6	0
100.00%	EUR	20	-5	0
	EUR	3,621	-433	0
100.00%	EUR	-21,247	-15,802	287
100.00%	EUR	26	0	51
100.00%	EUR	51	0	0
	EUR	22	-6	0
100.00%	EUR	20	-5	0
	EUR	23	5	0
	EUR	5,600	21	1
100.00%	EUR	824	-21	122

	LOCATION OF HEAD OFFICE	EQUITY SHARE (DIRECT)
dfd Deutscher Fotodienst GmbH	Berlin, Germany	
colourpress.com A/S	Haderslev, Denmark	
Fritz Berger GmbH	Neumarkt, Germany	90.00%
Sport Berger Ausrüstung für Draußen und Unterwegs GmbH	Neumarkt, Germany	
Imandros Vermögensverwaltungs-GmbH (previously “Imandros” Vermögensverwaltungs-AG)	Starnberg, Germany	100.00%
Sommer Road Cargo Solutions GmbH & Co. KG (previously Sommer Vermögensgesellschaft GmbH & Co. KG)	Bielefeld, Germany	
Sommer Verwaltungs GmbH	Bielefeld, Germany	
Sommer France S.A.R.L.	Marmoutier, France	
Sommer Polska Sp.z.o.o.	Brzeznio, Poland	
ZAO Novtruck	Welikiy Novgorod, Russia	
Sokol Sp.z.o.o.	Brzeznio, Poland	
Fahrzeugwerk Laucha Beteiligungs GmbH	Laucha, Germany	
Sommer South East Europe SRL	Bragadiru, Rumania	
Sommer Holding AG	Bielefeld, Germany	
Sommer Maschinen GmbH	Bielefeld, Germany	
MDI Mediterranean Direct Invest AG	Starnberg, Germany	70.00%
Zugspitze 66. Vermögensverwaltungs AG	Munich, Germany	
Evotape S.p.A.	San Pietro Mosezzo, Italy	
Missel Verwaltungs GmbH (previously Arques Wert Consult GmbH)	Starnberg, Germany	100.00%
Missel Management GmbH (previously Arques Wert Invest GmbH)	Starnberg, Germany	100.00%
Missel GmbH & Co. KG (previously E.Missel GmbH & Co. KG)	Fellbach, Germany	
Schierholz Translift Holding GmbH	Starnberg, Germany	100.00%
Schierholz Translift Global Manufacturing & Finance AG	Baar, Switzerland	90.15%
tiscon AG (previously tiscon AG Infosystems)	Linden, Germany	59.07%
TOPEDO-IT Handels GmbH (previously WISTEC Consulting und Systemtechnologie GmbH)	Linden, Germany	
COS Distribution GmbH	Linden, Germany	
Avitos GmbH	Linden, Germany	
E-Logistics GmbH	Linden, Germany	
TOPEDO GmbH	Linden, Germany	
Chikara Handels GmbH	Tiefenbach, Germany	
tiscon Handelsgesellschaft mbH (previously ARQUES Alpha Value Development GmbH)	Vienna, Austria	
Troncone GmbH (previously Arques Invest Central GmbH)	Starnberg, Germany	100.00%
WS 2018 Vermögensverwaltungs GmbH	Starnberg, Germany	90.00%
Jahnel Holding GmbH	Bochum, Germany	

EQUITY SHARE (INDIRECT)	CURRENCY ´000	EQUITY AT 12/31/07	PROFIT/LOSS 2007	AVE. NO. OF EMPLOYEES
100.00%	EUR	2,351	141	22
75.20%	DKK	-1,553	247	4
	EUR	296	-838	217
100.00%	EUR	140	233	50
	EUR	18,831	188	0
100.00%	EUR	-5,580	-11,286	272 [1]
100.00%	EUR	55	1	0 [1]
100.00%	EUR	535	18	19 [1]
100.00%	PLN	498	-927	206 [1]
100.00%	RUR	113,020	53,324	201 [1]
100.00%	PLN	532	-69	0 [1]
100.00%	EUR	41	-6	0 [1]
100.00%	ROL	0	237	0 [1]
100.00%	EUR	-162	-3	0 [1]
100.00%	EUR	24	120	0 [1]
30.00%	EUR	315	-270	0
90.00%	EUR	12	-14	0
100.00%	EUR	3,849	-3,050	250
	EUR	6	-8	0 [1]
	EUR	1,097	1,121	0 [1]
90.00%	EUR	4,974	1,819	92 [1]
	EUR	21	0	0 [1]
3.28%	CHF	2,310	-73	0 [1]
	EUR	4,676	-107	2 [1]
100.00%	EUR	-1,716	-36	0 [1]
100.00%	EUR	2,470	-4,553	224 [1]
100.00%	EUR	21	-163	17 [1]
100.00%	EUR	12	-13	33 [1]
100.00%	EUR	-359	634	13 [1]
90.00%	EUR	703	-523	26
100.00%	EUR	39	5	6 [1]
	EUR	15	-6	0
	EUR	975	-7	0
100.00%	EUR	14	-1	0

	LOCATION OF HEAD OFFICE	EQUITY SHARE (DIRECT)
Jahnel-Kestermann Getriebewerke GmbH & Co. KG	Bochum, Germany	
JaKe Service GmbH (previously Arques Finanzverwaltung GmbH)	Starnberg, Germany	
Jahnel-Kestermann Service GmbH (previously Jahnel-Kestermann Verwaltungsgesellschaft mbH)	Bochum, Germany	
WS 5001 Limited	Birmingham, UK	100.00%
WS 5002 Limited	Birmingham, UK	100.00%
Xerius AG	Starnberg, Germany	79.21%
At-equity		
Vibracoustic do Brasil Industria e Comercio de Artefatos de Borracha Ltda.	Tabaté, Sao Paulo, Brasil	
BEL-Anvis ANTIVIBRATIONSSYSTEMS (Pty.) Ltd.	Port Elizabeth, South Africa	
ANVIS-Maxtech Inc.	Warren, USA	
ANVIS Maxtech S.A. de C.V.	El Marques, Mexico	
Fulfilment Plus GmbH	Staufenberg, Germany	
Non-consolidated companies		
BEA POLSKA Elektrotechnika i Automatyzacia Sp. z. o. o.	Wroclaw, Poland	
BEA BALKAN Elektrotechnik i Avtomatsazia EOOD	Sofia, Bulgaria	
Golf House Schweden A.B.	Stockholm, Sweden	
Camping Outlet GmbH	Bielefeld, Germany	

Note:

The values for equity, results and employees in the above list of shareholders are based on the unaudited values of the annual accounts at December 31. 2007

1) These accounts were based on the the IFRS accounts at December 31, 2007

2) Complete information at December 31, 2007 not available

EQUITY SHARE (INDIRECT)	CURRENCY ´000	EQUITY AT 12/31/07	PROFIT/LOSS 2007	AVE. NO. OF EMPLOYEES
100.00%	EUR	4,315	2,613	296
100.00%	EUR	-21	-45	14
100.00%	EUR	184	-11	0
	EUR	-7	-8	0
	EUR	-10	-10	0
	EUR	303	-15	0
50.00%	BRL	22,383	2,562	129
50.00%	ZAR	14,936	3,224	96
47.00%	USD	-1,047	-280	0 [2)]
100.00%	USD	-1,555	0	0 [2)]
49.00%	EUR	231	51	0 [2)]
100.00%	PLN			[2)]
100.00%	BGN			[2)]
100.00%	EUR			[2)]
100.00%	EUR			[2)]

2007

PUBLISHER INFORMATION

Publisher Information

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CREATING
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