

FINANCIAL
REPORT

for the first quarter of

2005

“Creating value
through active
involvement”



Publisher Information

Publisher

ARQUES Industries AG

Münchner Str. 15a

D-82319 Starnberg

Germany

Phone: +49 (0)8151 651 - 0

Fax: +49 (0)8151 651 - 500

info@arques.de ■ www.arques.de

Editorial staff

ARQUES Industries AG

Investor Relations &

Corporate Communications

Anke Lüdemann, CEFA/CIIA

luedemann@arques.de

Concept, Design, Production

ARQUES Industries AG

Task Force Marketing

Helmut Kremers

kremers@arques.de

Disclaimer

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

Introduction by the Executive Board

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

The ARQUES Group succeeded in repeating its strong performance again in the first quarter of 2005, recording a sharp rise in both revenues and profits. On account of the significant changes in the consolidated group, the figures for the first quarter of 2005 are only of limited use for comparisons with those for the first quarter of last year.

Consolidated revenues jumped by around 412% to EUR 72.7 million year-on-year (Q1 2004: EUR 14.2 million), notably as a result of the numerous company acquisitions. Compared with the fourth quarter of last year, which provides a more reliable comparison due to the rapid growth of the ARQUES Group, revenues rose by 14.0% (Q4 2004: EUR 63.7 million).

EBITDA increased to EUR 3.9 million (Q1 2004: EUR 0.1 million), EBIT totalled EUR 2.5 million (Q1 2004: negative earnings of EUR 0.5 million) and consolidated net income for the quarter totalled EUR 2.4 million (Q1 2004: loss of EUR 0.6 million). Thus earnings per share before minority interest reached EUR 1.13 (Q1 2004: EUR -0.35). We are currently preparing to apply for the ARQUES share to be listed on the Prime Standard segment of the Frankfurt Stock Exchange. The present figures for the first quarter of 2005 were therefore subject to a limited review by the Company's external auditor.

For the first time, the figures include the revenues and earnings of ARQUES subsidiary Colordruck Pforzheim GmbH & Co. KG which was only included in the consolidated

financial statements at December 31, 2004 with its balance sheet. The ddp Group has also been initially consolidated at January 1, 2005. The new acquisitions reported by ARQUES in 2005 - SKS Stakusit Bautechnik GmbH, Johler Druck GmbH and Jahnel-Kestermann Getriebewerke GmbH & Co. KG - did not take place until the second quarter of 2005 and are hence not included in the figures for the first quarter of 2005.

The first quarter was marked by the consolidation and integration of the companies acquired in the fourth quarter of 2004. The first stage of restructuring at E. Missel GmbH & Co. KG, the ddp Group and Colordruck Pforzheim was successfully completed. In line with the ARQUES strategy, the focus in the second phase of restructuring, which is now under way, will be on increasing revenues and refining the respective business models.

The restructuring measures at the other ARQUES subsidiaries also continued to be implemented at a rapid pace.

The remarkable market success of the SKW Stahl-Metallurgie Group continued unabated in the first quarter of 2005. Quarterly revenues rose to reach almost EUR 49 million, and net profit also climbed sharply. This development has three principal underlying causes. In part SKW benefited from the persistently strong demand in the steel market, driven primarily by the Far East. More important than this, though, was ARQUES' decision to step up product strategy. Thus less profitable operations have been spun off and the focus placed on high margin products. This made it possible to materially improve margins. At the

same time, more money has been invested in product development. This has resulted in a key product advantage being developed, in the form of the now-patented PAPCal process. SKW is now market leader in several lines of business, and even enjoys a near-monopoly in some. The restructuring measures largely completed in the first quarter of 2005 resulted in clear gains on the cost side, such that the company is budgeting for EBITDA to reach high single-digit millions of euros in 2005.

Pushchair manufacturer teutonia closed the first quarter of 2005 with positive EBITDA, even though we had expected it to report poorer results reflecting seasonal effects. The main reasons for this were intensified sales activities at the point of sale and a quality campaign, which included an extension of the guarantee period. The ARQUES Marketing Task Force drew up a new marketing plan, which also targets an upswing in demand for the rest of 2005. A sales platform was set up in South Korea at the same time.

The Schierholz Translift Group closed the first quarter of 2005 with slightly negative EBITDA, which can be attributed primarily to seasonal effects. Integrated management of all five production facilities was introduced in February, and the last remaining management position was filled when a second managing director, David Moore, was hired at Digitron Translift UK. Emphasis was also placed on intensifying sales activities under the lead-management of the ARQUES Sales Task Force, which bore fruit notably in March 2005.

Revenues are expected to continue growing during the second quarter of 2005, driven primarily by the companies SKS Stakusit Bautechnik GmbH, Johler Druck GmbH and Jahnel-Kestermann Getriebewerke GmbH & Co. KG acquired in April 2005. Further restructuring of the existing subsidiaries is also projected to enhance operating results.

Sincerely,

The Executive Board of ARQUES Industries Aktiengesellschaft

Dr. Martin Vorderwülbecke

Dr. Dr. Peter Löw
Chairman

Markus Zöllner

Quarterly Financial Statements

Income Statement for the first quarter of 2005

EUR '000	Jan. 1 - Mar. 31, 2005	Jan. 1 - Mar. 31, 2004
1. Revenues	72,656	14,222
2. Increase (decrease) in inventories of finished goods and work in progress	873	(141)
3. Other operating income	2,803	1,452
4. Cost of materials	50,081	7,379
5. Personnel expense	13,166	6,821
6. Other operating expenses	9,147	1,209
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3,937	124
7. Depreciation and amortisation of intangible assets, property, plant and equipment, goodwill	1,480	647
Earnings before interest and taxes (EBIT)	2,457	(523)
8. Income from other non-current marketable securities and long-term loans	120	0
9. Other interest and similar income	35	
10. Interest and similar expenses	179	22
11. Profit (loss) from ordinary activities	2,434	(545)
12. Minority interest in consolidated profit (loss)	129	(21)
13. Profit (loss) before income taxes	2,563	(566)
14. Income taxes	1,011	0
15. Profit (loss) after income taxes	1,552	(566)
16. Income from the reversal of negative goodwill arising from capital consolidation	873	0
17. Consolidated profit (loss) for the year	2,425	(566)
18. Profit (loss) carried forward	40,389	3,260
19. Consolidated net profit (loss)	42,814	2,694

Consolidated Balance Sheet at March 31, 2005

ASSETS

EUR '000	March 31, 2005	Dec. 31, 2004
A. Non-current assets		
I. Intangible assets		
1. Franchises, operating licences, intellectual property and similar rights and assets, and licences under such rights and assets	2,651	2,406
2. Goodwill	(1,006)	(1,889)
3. Advances to suppliers	44	104
	<u>1,689</u>	<u>621</u>
II. Property, plant and equipment		
1. Land, equivalent rights to real property and buildings, including buildings on land not owned	28,438	28,766
2. Technical equipment and machinery	6,405	6,145
3. Other equipment, plant and office equipment	2,666	3,103
4. Advances to suppliers	505	637
	<u>38,014</u>	<u>38,651</u>
III. Investments		
1. Shares in affiliated companies	185	487
2. Shares in companies valued at equity	1,839	1,718
3. Long-term loans to affiliated companies	30	30
4. Other long-term loans	932	248
5. Non-current marketable securities	73	73
	<u>3,059</u>	<u>2,556</u>
	42,761	41,828
B. Current assets		
I. Inventories		
1. Raw materials and supplies	16,412	15,817
2. Work in progress	1,869	1,780
3. Finished goods and merchandise for resale	12,118	11,496
4. Advances to suppliers	3,322	3,231
	<u>33,721</u>	<u>32,324</u>
II. Receivables and other assets		
1. Trade accounts receivable	45,630	46,963
2. Other assets	5,154	5,551
	<u>50,784</u>	<u>52,514</u>
III. Cash on hand, cash in banks, and cheques	<u>15,118</u>	<u>12,860</u>
	99,622	97,698
C. Deferred tax assets	1,449	1,640
D. Prepaid expenses	893	543
Total assets	144,725	141,709

Consolidated Balance Sheet at March 31, 2005

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR '000

March 31, 2005

Dec. 31, 2004

A. Shareholders' equity

I. Subscribed capital	2,027	2,027
II. Additional paid-in capital	9,905	9,905
III. Retained earnings	95	95
IV. Consolidated net profit (loss)	42,814	40,389
V. Minority interest	671	828
VI. Translation adjustment	(41)	(94)
	<u>55,470</u>	<u>53,150</u>

B. Provisions

1. Provisions for pensions and similar obligations	4,624	4,598
2. Provisions for taxes	669	637
3. Provisions for deferred taxes	2,317	2,464
4. Other provisions	13,887	15,928
	<u>21,497</u>	<u>23,627</u>

C. Liabilities

1. Short-term financial liabilities	12,284	12,093
2. Long-term financial liabilities	6,488	9,095
3. Advances received on orders	0	1,171
4. Trade accounts payable	39,001	36,665
5. Other liabilities	8,698	5,890
	<u>66,471</u>	<u>64,914</u>

D. Deferred income	1,287	18
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Total shareholders' equity and liabilities

144,725

141,709

Statement of Changes in Shareholders' Equity

EUR '000	Subscribed capital	Additional paid-in capital	Retained earnings	Consolidated net profit (loss)	Difference resulting from capital consolidation	Minority interest	Translation adjustment	Consolidated shareholders' equity
January 1, 2004	1,600	92	95	3,260	2,156	394	0	7,597
Profit (loss) Q1 2004				(567)				(567)
Other changes			287		2,230	29		2,546
March 31, 2004	1,600	92	382	2,693	4,386	423	0	9,576
January 1, 2005	2,027	9,905	95	40,389	0	828	(94)	53,150
Profit (loss) Q1 2005				2,425				2,425
Other changes						(157)	53	(104)
March 31, 2005	2,027	9,905	95	42,814	0	671	(41)	55,470

Cash Flow Statement for the first quarter of 2005

EUR '000	Jan. 1 - Mar. 31, 2005*
1. Earnings before taxes	2,563
2. Depreciation/amortisation of property, plant and equipment, and intangible assets	1,480
3. Change in provisions	(2,130)
4. Change in inventories	(1,397)
5. Change in receivables and other assets	1,881
6. Increase in short-term liabilities	4,494
7. Income tax payments	(599)
8. Other non-cash income and expenses	(353)
9. Net cash provided by operating activities	5,939
10. Payments for the acquisition of consolidated companies	0
11. Other effects of initial consolidation and changes in shareholdings	135
12. Increase in cash and cash equivalents from initial consolidation	307
13. Net cash provided by acquiring subsidiaries and changes in shareholdings	442
14. Payments for capital spending on non-current assets	(1,569)
15. Proceeds from the disposal of non-current assets	0
16. Net cash used in investing activities	(1,569)
17. Capital contributions	0
18. Dividends paid	0
19. Decrease in long-term debt	(2,607)
20. Net cash used in financing activities	(2,607)
21. Effect of exchange rates on cash and cash equivalents	53
22. Cash and cash equivalents at start of period	12,860
23. Change in cash and cash equivalents	2,258
24. Cash and cash equivalents at end of period	15,118

*The figures for the corresponding quarter last year are not shown due to the significant changes in the consolidated group and the ensuing lack of comparability.

Consolidated Segment Report

	Industry	Services	Consolidation	Group
	Jan. 1 - Mar. 31, 2005 EUR '000	Jan. 1 - Mar. 31, 2005 EUR '000	Jan. 1 - Mar. 31, 2005 EUR '000	Jan. 1 - Mar. 31, 2005 EUR '000
Revenues per segment	75,523	341	(208)	72,656
of which: with other segments		208	(208)	0
EBIT	2,844	(387)	0	2,457
EBITDA	4,309	(372)	0	3,937
Financial profit (loss)	(89)	5	(59)	(143)
Depreciation and amortisation	(1,405)	(75)	0	(1,480)
Segment assets	143,411	16,904	(15,591)	144,725
Segment liabilities	94,097	511	(28,136)	66,471
Investments	1,566	399	(396)	1,569
Employees (annual average)	1,085	7	0	1,092

Notes to the quarterly financial statements at March 31, 2005

General information

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

Main accounting policies

The financial statements for the first quarter of 2005 (January 1 to March 31, 2005) have been prepared in accordance with the International Financial Reporting Standards (IFRS) compliant with the pronouncements of the International Accounting Standards Board (IASB). All the relevant standards have been observed, including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Company applied those standards applicable at March 31, 2005 or that could be applied early.

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

The main accounting policies have been retained unchanged from the consolidated financial statements at December 31, 2004. Please refer to the 2004 Annual Report for more information.

The information for the first quarter of 2004 and 2005 shown below is only of limited use for comparison purposes due to the significant changes in the consolidated group.

		Q1 2005	Q1 2004
Revenues	€000	72,656	14,222
EBITDA	€000	3,937	124
EBIT	€000	2,457	(523)
Consolidated profit (loss)	€000	2,425	(566)
Earnings per share*	€	1.13	(0.35)
Shareholders' equity	€000	55,470	
Equity capital ratio	%	38.3	
Operating cash flow	€000	5,939	
Average no. of employees	Total	1,092	

*diluted and indiluted before minority interest

Changes to the consolidated group

The following changes have been made to the consolidated group in the first quarter of 2005 compared with year-end 2004 as a result of initial consolidations:

	Direct holding
WS 3022 Vermögensverwaltungs AG, Starnberg	99.01%
ddp Deutscher Depeschendienst GmbH, Berlin	100.00%
getaklik medien GmbH, Starnberg	100.00%
ddp ttx production GmbH, Berlin	100.00%
ddp Journalisten GmbH, Berlin	100.00%
sportart GmbH, Teltow	100.00%
ddp/vwd Wirtschaftsnachrichten GmbH, Berlin	50.10%

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

As a result of the initial consolidation of the ddp Group, non-current assets increased by EUR 0.9 million, current assets by EUR 1.5 million and liabilities by EUR 1.2 million. The ddp Group generated revenues of EUR 1.8 million in the first quarter of 2005 and negative EBITDA of EUR 0.3 million.

In addition, the companies of the Colordruck Group acquired towards the end of the 2004 financial year have been included in the consolidated financial statements with their revenues, earnings and expenses for the first time in the first quarter of 2005. The Colordruck Group generated revenues of EUR 6.4 million in the first quarter of 2005 and slightly positive EBITDA.

Subsidiaries with insignificant or inactive business operations which are insignificant when preparing a fair presentation of the financial position and financial performance of ARQUES Industries Aktiengesellschaft have again not been consolidated. They are carried at their respective cost or fair value in the consolidated financial statements.

For more information, please refer to the List of Participating Interests included with the consolidated financial statements at December 31, 2004.

Income from the reversal of negative goodwill arising from capital consolidation

Only the negative goodwill (bargain purchase) compliant with IFRS 3.56 (b) is disclosed in this item. This arises as part of initial consolidation when a reassessment of the identification and measurement of identifiable assets, liabilities and contingent liabilities of the company acquired and the measurement of the cost do not take up the entire negative goodwill arising upon capital consolidation.

This item includes an adjustment to the bargain purchase of the previous year as well as the bargain purchase arising from the acquisition of sportart GmbH, Teltow. Further information on the acquisition of participating interests is not disclosed in order to comply with protection-of-confidence clauses and existing contractual secrecy provisions with buyers and sellers.

Segment reporting

As at year-end 2004, the segment report for the first quarter of 2005 is structured in accordance with the structures of the

companies. ARQUES Industries Aktiengesellschaft essentially holds participating interests in production companies with worldwide activities. The production companies are assigned to the Industry segment. Other lines of business, notably the activities of the parent company, are assigned to the Services segment. Future changes to the segmentation cannot be excluded as ARQUES Industries Aktiengesellschaft invests in a wide range of business activities.

Financial position and financial performance

Notes to the income statement

A comparison with the figures for the previous year is only of limited use due to the major acquisition activities of the ARQUES Group. In the first quarter of 2005, the total revenues of the ARQUES Group climbed some 412.0% compared with the equivalent period last year, to EUR 72.7 million (Q1 2004: EUR 14.2 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 3.9 million (Q1 2004: EUR 0.1 million), earnings before interest and taxes (EBIT) totalled EUR 2.5 million (Q1 2004: EUR -0.5 million). Profit after taxes amounted to EUR 1.6 million compared with a loss of EUR 0.6 million in the equivalent period last year.

Income totalling EUR 0.9 million from the reversal of negative goodwill arising from capital consolidation includes changes in last year's bargain purchases as well as the bargain purchase arising from the acquisition of sportart GmbH.

All in all, consolidated net profit of the quarter totalled EUR 2.4 million (Q1 2004: loss of EUR 0.6 million) and hence diluted and undiluted earnings per share before minority interest amounted to EUR 1.13 (EUR -0.35).

Notes to the consolidated balance sheet

At the reporting date of March 31, 2005, total consolidated assets amounted to EUR 144.7 million (December 31, 2004: EUR 141.7 million). A comparison with the equivalent period last year is, however, only of limited use due to the acquisition of further subsidiaries.

Notes to the assets side of the balance sheet

Property, plant and equipment amounting to EUR 38.0 million (December 31, 2004: EUR 38.7 million) contains mainly company premises of EUR 28.4 million (December 31, 2004: EUR 28.8 million) and technical equipment and machinery of EUR 6.4 million (December 31, 2004: EUR 6.1 million).

Inventories totalling EUR 33.7 million (December 31, 2004: EUR 32.3 million) contain raw materials and supplies of EUR 16.4 million (December 31, 2004: EUR 15.8 million) and finished goods and merchandise for resale of EUR 12.1 million (December 31, 2004: EUR 11.5 million). Trade accounts receivable remained practically unchanged at EUR 45.6 million (December 31, 2004: EUR 47.0 million). Total receivables and other assets amounted to EUR 50.8 million (December 31, 2004: EUR 52.5 million).

Cash and cash equivalents rose 17.1% to EUR 15.1 million (December 31, 2004: EUR 12.9 million).

Notes to the liabilities side of the consolidated balance sheet

Shareholders' equity improved to EUR 55.5 million (December 31, 2004: EUR 53.2 million) as a result of the net profit recorded for the quarter. At the reporting date of March 31, 2005, the equity capital ratio amounted to 38.3% (December 31, 2004: 37.5%).

Provisions fell slightly, to EUR 21.5 million (December 31, 2004: EUR 23.6 million).

Liabilities amounted to EUR 66.5 million (December 31, 2004: EUR 64.9 million). The total includes short-term liabilities of EUR 12.3 million (December 31, 2004: EUR 12.1 million), long-term financial liabilities of EUR 6.5 million (December 31, 2004: EUR 9.1 million) and trade accounts payable of EUR 39.0 million (December 31, 2004: EUR 36.7 million).

Employees

The ARQUES Group employed an average of 1,092 people in the first quarter of 2005 (December 31, 2004: 997).

Changes on the Executive Board

Markus Zöllner joined the Executive Board of ARQUES Industries Aktiengesellschaft on January 1, 2005. Dr. Dirk Markus left the Executive Board on February 28, 2005. Apart from this, there were no changes to the Company's boards.

Significant events after March 31, 2005

A second-tier subsidiary of ARQUES Industries Aktiengesellschaft acquired 100% of the shares in Jöhler Druck GmbH on April 4, 2005. The SKS Stakusit Group was added to the ARQUES Group on April 5 when 85% of the shares in SKS Stakusit Bautechnik GmbH were acquired. Finally, the Company acquired 100% of the shares in Jahnel-Kestermann Getriebewerke GmbH & Co. KG on April 11, 2005.

Outlook

Revenues are expected to continue growing rapidly during the second quarter of 2005. This can be attributed primarily to the already completed acquisitions of SKS Stakusit Bautechnik GmbH, Jöhler Druck GmbH and Jahnel-Kestermann Getriebewerke GmbH & Co. KG. The possibility of further acquisitions being made in the second quarter is under consideration. Further improvements are also forecast at EBITDA level. Only at Jahnel-Kestermann are additional initial expenses expected.

Starnberg, March 24, 2005

The Executive Board of ARQUES Industries Aktiengesellschaft

Dr. Dr. Peter Löw (Chairman)

Dr. Martin Vorderwülbecke

Markus Zöllner