

ARQUES

Q1 2010

KEY FIGURES

EURM	01/01/2010 – 03/31/2010	01/01/2009 – 03/31/2009
Consolidated revenues	266.9	1,232.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	24.0	-13.7
Earnings before interest and taxes (EBIT)	6.8	-37.5
Consolidated net profit/loss	1.0	-38.5
Free cash flow	-12.6	-31.2
Earnings per share (diluted) in EUR	0.05	-1.45

EURM	03/31/2010	12/31/2009
Total assets	669.7	658.0
Shareholders' equity	123.1	121.5
Equity ratio (%)	18.4	18.5

INFORMATION ON THE ARQUES SHARE

THE ARQUES SHARE	
WKN	515600
ISIN	DE0005156004
Stock market code	AQU
Reuters Xetra code	AQUG.DE
Bloomberg Xetra code	AQU GY
Stock type	No-par bearer shares
Share price indices	CDAX, Classic All Share, Prime All Share
Number of shares in issue	26,450,000
Capital stock (EUR)	26,450,000
Closing price on March 31 (EUR)	1.45
52-week high (EUR)*	2.38
52-week low (EUR)*	0.90

* at the reporting date

THE ARQUES INDUSTRIES AG BUSINESS MODEL

ARQUES focuses on a specific segment of the equity investment market, acquiring companies in situations of transition. Examples of such situations include classic turnaround candidates and subsidiaries that large corporations are looking to sell. Corporate spin-offs account for more than 80% of the companies acquired. As a general rule, these companies had been generating losses for some time before being acquired by ARQUES. In some cases, unsuccessful attempts had already been made to restructure the companies and restore them to economic health. In accordance with the ARQUES business model, such companies are generally purchased for less than their book value, and in some cases even for symbolic or negative purchase prices, before being sold again by ARQUES after being restructured.

ARQUES' goal is to hold a stable portfolio of 8 to 12 corporate groups, each with revenues of between EUR 50 million and EUR 500 million. The aim is to sustainably enhance the companies in a way that creates value. The holding periods for the companies are flexible; acquisitions and disposals are performed as opportunities arise. The target market is western Europe.

Given the difficult economic climate at the present time, ARQUES is concentrating exclusively on buying companies which offer a beneficial risk/reward ratio.

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

COMBINED MANAGEMENT REPORT OF ARQUES INDUSTRIES AG AT MARCH 31, 2010

Erholung der Weltwirtschaft erwartet, Besorgnis wegen hoher Staatsverschuldung nimmt zu

Even though the International Monetary Fund (IMF) is expressing increasing optimism about the development of the global economy, ever greater concerns were raised in the second quarter of 2010 regarding the possible consequences of high levels of debt in many national budgets. At present, the economy is receiving a boost from very low interest rates and limited inflation fears coupled with the positive effects of government stimulus packages and the need to make up for lost time following the global recession in 2008 and 2009. In line with this, the IMF predicts that the global economy will expand 4.2% this year. The emerging markets in particular can look forward to dynamic growth of 6.3%, with China and India leading the way with growth of 10.0% and 8.8%, respectively. At 2.3%, the forecasts for the industrialized western nations are much more restrained. The U.S. economy is expected to expand 3.1%, with the euro area only booking 1.0% as a whole. Germany's economic performance is forecast to fare slightly better, expanding 1.2%. The Japanese economy (1.9%) is benefiting from accelerating exports to other countries in Asia. Higher prices for raw materials could have a dampening effect. The price of oil, for instance, has risen 10% since the start of 2010. The IMF experts believe that the increase will total more than a fifth over the year as a whole. Sharp price rises are also forecast for most metals. The experts believe that the economic recovery is built on shaky foundations overall, as there is great uncertainty about the time after the stimulus packages expire. Banks will again have to write off large volumes of debt in 2010 and exercise restraint when it comes to extending new loans. This brake on the economy could be exacerbated by the end of the era of low interest rates predicted by many experts for the final quarter of 2010.

M&A markets fail to fulfill positive expectations in the first quarter of the year

The private equity industry is likely to face a year of transition in 2010. Although the gradual economic recovery will have a positive effect on M&A activity, banks are continuing to hold back massively on loan commitments. This trend was started by the very weak years for M&A in 2008 and 2009. In the first half of the year, this risk aversion will be reinforced by the uncertainty surrounding the consequences of the high levels of debt maintained by some industrialized western nations coupled with the unpredictable effects of large exchange rate fluctuations on transactions. As a result of all this, the M&A market in Europe suffered its weakest start to the year since 1995 in the first quarter of 2010. The volume of transactions fell by more than half, to USD 79 billion, compared with the already poor total for the equivalent period last year. Thus, the positive expectations muted at the start of the year failed to materialize. Nevertheless, the German Private Equity and Venture Capital Association (BVK) has expressed its optimism based on the results of a survey of its members. In the Private Equity Forecast 2010, around two thirds of the companies surveyed stated that they intended to invest more, which should also benefit M&A transactions. The management consultancies PricewaterhouseCoopers and McKinsey come to similar conclusions. Besides the reviving economy, the main argument concerns company valuations, which are apparently at the lowest level for 20 years in many sectors. Nevertheless, many companies are not likely to invest more heavily in strategic transactions before 2011, with the first positive signs visible in the second half of 2010. And following a promising start to the new year, the IPO side of the business has become much quieter again. The major price swings resulting from the uncertainties on the capital markets have played a decisive role here.

ARQUES Industries AG – Consolidated financial statements

Assets, financial position and earnings

The first three months of 2010 were typified by a slight improvement in the underlying economic conditions. In the first quarter of 2010, ARQUES generated a net profit for the quarter again for the first time in eight quarters during which it at times suffered high losses. This can be attributed to the portfolio streamlining carried out in 2009 together with the continuing optimization of the remaining portfolio. In particular, our two biggest subsidiaries – Gigaset and Anvis – recorded a strong operating performance.

Since no company transactions took place, the quarterly earnings are not affected by non-recurring effects like bargain purchase income; these effects totaled EUR 11.9 million in the first quarter of 2009.

The ARQUES portfolio comprised nine operating units at March 31, 2010. The companies of the SM Electronic Group are classified as held for sale, while the companies of the Fritz Berger Group and the Golf House Group (both from the Retail segment) were sold after the reporting date.

1. Assets

The total assets of the ARQUES Group amounted to EUR 669.7 million at March 31, 2010. This represents an increase of EUR 11.7 million compared with last year.

Non-current assets declined EUR 10.7 million to EUR 245.8 million. In addition, non-current assets totaling EUR 33.0 million were reclassified as held for sale in the first quarter and shown separately.

Current assets amount to EUR 423.9 million, of which EUR 33.0 million relates to assets held for sale. Current assets account for 63.3% of total assets.

Total liabilities amount to EUR 546.6 million, of which 76.8% are current. Compared with December 31, 2009, the Group's total liabilities have risen EUR 10.1 million.

Financial liabilities total EUR 87.8 million, of which 61.8% are current. This means that financial liabilities have remained practically unchanged compared with December 31, 2009.

The equity of the ARQUES Group amounted to EUR 123.1 million at March 31, 2010, which corresponds to an equity ratio of 18.4%.

2. Financial position

In the first three months of 2010, ARQUES generated a net cash outflow from operating activities of EUR 14.7 million (compared with a net cash outflow of EUR 20.9 million in the equivalent period last year). Above all else, the increase in working capital caused by the stronger order books had a negative effect in the first quarter of 2010.

The net cash inflow from investing activities totals EUR 1.3 million compared with an outflow of EUR 10.2 million in the equivalent period last year. The inflow results essentially from the sale of shares in a joint venture of the Anvis Group in the Automotive segment.

This puts the free cash outflow at EUR 13.4 million compared with EUR 31.2 million in the equivalent period last year.

The net cash inflow from financial activities totals EUR 0.8 million (prior year: cash outflow of EUR 8.4 million), resulting from the borrowing of short-term bridging loans.

Cash and cash equivalents declined EUR 12.5 million during the reporting period to total EUR 51.3 million at March 31, 2010.

3. Earnings

The ARQUES Group generated revenues of EUR 266.9 million in the first three months of 2010, which is 78.3% less than in the equivalent period last year. The decline in revenues can be attributed primarily to the discontinued IT and Service operations (revenues of EUR 931.8 million or EUR 53.9 million in the equivalent period last year).

Other operating income totals EUR 12.0 million, which is EUR 22.8 million less than in the equivalent period last year. The decline in other operating income results from the discontinued IT and Service operations. It is important to note, however, that the other operating income did not include any income from the reversal of negative goodwill in the first quarter of 2010.

The cost of purchased raw materials, merchandise, finished goods and sourced services amounts to EUR 157.4 million, which is 85.0% less than the year-ago figure. The percentage of revenues represented by purchased goods and services has fallen from 84.5% to 58.0% as a result of the discontinuation of IT and Service operations.

Personnel expenses (wages, salaries, social security and pension expenses) amount to EUR 59.8 million, which is less than half the prior-year total of EUR 134.9 million. This essentially results from the discontinuation of IT and Service operations.

Other operating expenses totaled EUR 47.8 million in the reporting period compared with EUR 106.4 million in the prior period. The change essentially results from the discontinuation of IT and Service operations. Furthermore, non-recurring effects of arising EUR 9.1 million from deconsolidations were included in the continuing operations in the prior period. Other operating expenses notably include general administrative expenses, shipping and freight costs, consulting and marketing expenses, rents and foreign exchange losses.

The EBITDA for the first three months of 2010 totaled EUR 24.0 million, compared with minus EUR 13.7 million in the equivalent period of 2009. The main reasons for the change are the strong performance in the Automotive and Communications segments.

Depreciation and amortization amounts to EUR 14.3 million. Impairment losses total EUR 2.9 million, relating to the Retail segment classified as a continuing operation. The impairment loss was recognized to reflect the gain likely to be realized on the disposal of the Fritz Berger Group.

At EUR 2.2 million, the net financial expenses have improved EUR 5.5 million compared with the equivalent period in 2009.

The consolidated net profit after minority interests totals EUR 1.4 million following on from a consolidated net loss of EUR 38.4 million recorded in the equivalent period last year.

This gives rise to earnings per share (basic/diluted) of EUR 0.05 after minus EUR 1.45 in the year-ago period.

The Group's subsidiaries

Anvis

The Anvis Group is a primary developer and manufacturer of innovative functional solutions for the motional stability, comfort and safety of motor vehicles. The Group's product line encompasses the complete process chain with respect to anti-vibration systems, from the initial idea to serial production. The Anvis Group serves the automotive industry from its own sites and branch offices throughout the world.

Company situation, business developments, restructuring and development measures

The recovery in the international automotive industry that started to appear in the second half of 2009 has continued in 2010. Sales volumes have risen sharply in many markets, most notably in Asia. The Anvis Group was able to benefit from the persistently strong sales position of its main, export-heavy customer, VW, coupled with newly acquired orders and the general market revival in the first quarter of 2010. As a result, revenues were much higher than in the weak equivalent period last year. Despite further restructuring expenses incurred at various production facilities, earnings have risen disproportionately. An ever greater impact is being felt from the measures aimed at boosting efficiency that were already initiated in 2009, including the optimization of plant utilization levels, production and storage processes and working capital costs. Against the backdrop of this positive development, success was achieved on the finance side as well. The management team has been reinforced in the areas of finance and restructuring, among others, with a view to further enhancing the processes in all company units and improve competitiveness.

Outlook

The Anvis Group will continue to systematically implement the restructuring measures that have been initiated and focus on reducing both indirect costs and the costs of purchased goods and services. Special attention will be paid to restructuring the facility in Decize, France, where ongoing streamlining of the production and administration processes is intended to help cut costs and boost productivity. The Anvis Group is looking to record revenue growth of around 20 percent with a disproportionate rise in earnings over 2010 as a whole.

Carl Froh

Based in Sundern (in the Sauerland region of Germany), Carl Froh is a leading manufacturer of precision steel tubes and components built to customer specifications. The company produces low tolerance precision-welded steel tubes designed to meet special demands and develops comprehensive solutions for high quality components and modules for a diverse range of applications. Carl Froh has a broad customer base and is classed as an A-supplier for high-strength precision steel tubes by several major automotive suppliers in the fields of quality, delivery performance and service.

Company situation, business developments, restructuring and development measures

The Automotive unit has made a good start to fiscal year 2010, recording brisk demand. The Industry unit is experiencing delays in the call-down of volumes ordered for some projects. The Buildings and Transportation unit is suffering from the after-effects of the hard winter, although there is plenty of potential for improvement over the rest of the year. The company has earmarked investment in innovation to coincide with new orders. The goal is to enhance product quality in the short to medium term and add new production areas with a view to taking greater part in the value chain. Moreover, the introduction of a new ERP system will lead to more effective production planning and, by extension, to a further reduction in the inventories of semi-finished and finished goods.

Outlook

The in places considerable price rises for inputs announced by steelworks are giving rise to new challenges for the present fiscal year. The contracts concluded from steel raw materials will also have shorter durations in the future. Contracts running for no longer than one quarter are expected at present; annual framework agreements for deliveries of strip steel are harder to conclude at the present time.

Carl Froh is planning to expand in the medium term by implementing an extended product strategy and acquiring new orders in the Industry unit, notably for high-grade special products and components.

Gigaset Communications

The business of Gigaset Communications is focused on the design, development, production and distribution of high quality home communication products under the Siemens Gigaset brand. The product portfolio includes fixed-line telephones and voice-over-IP models. Gigaset Communications is one of the biggest manufacturers of cordless phones worldwide and the clear European market leader for DECT phones. The main production facility is in Bocholt, Germany, where Gigaset's products are manufactured according to the highest quality and environmental standards.

Company situation, business developments, restructuring and development measures

Gigaset Communications recorded significantly wider margins in the first quarter of 2010 compared with last year, even though total revenues fell sharply during the same period. The improvement in margin quality can be attributed primarily to the disposal of the loss-making broadband/WiMAX activities in July 2009 and home media operations in October 2009. Concentrating on the core "Voice" business (telephony) by disposing of non-core activities forms a key part of the restructuring plan and is yielding major successes. In addition, Gigaset Communications exceeded the revenue and margin targets set in the budget by a large margin in the first quarter. This increase is mainly attributable to strong sales in Europe. Another positive factor for earnings that took effect in the first quarter of 2010 stems from the much lower personnel expenses resulting from the restructuring exercise carried out in 2009. As in the prior year, the strict cost management that the ARQUES Task Force has implemented since the acquisition of Gigaset Communications is again making a strong contribution to earnings.

The negotiations with Siemens to extend the licensing rights to the Gigaset brand through to September 30, 2011 were brought to a successful conclusion in 2009. This facilitates a well-structured, slow transition to the single Gigaset brand. The measures required to carry out the changeover were already initiated in 2009. A change in the corporate design was completed in the first quarter of 2010. Gigaset now has its own new, dynamic branding. The focus is on the Gigaset brand complete with new logo, which underscores the company's claim for premium quality in a clear, strong visual form. The new branding encompasses a new corporate design that is reflected at the point of sale (POS) in the form of revamped materials like packaging, advertising motifs and brochures. In addition, a new homepage has been set up at www.gigaset.com.

A first-class portfolio featuring innovative technologies, authentic materials and a clear, identifiable design – developed and produced in Germany to the very highest quality and environmental standards – form the basis for the brand logic. The highlight of the first quarter was the launch of the new DECT flagship and smallest Gigaset phone in the world – the Gigaset SL400/SL400A. More phone per square inch than ever before, with ever possible telephony convenience crammed into the smallest space possible. The premium and also functional product design, coupled with a fresh menu and sound concept, also persuaded the iF Commission and the Chicago Ahtenaem to give the phone an "iF designaward" and a "Good Design Award," respectively. Furthermore, the corded Gigaset DX600A ISDN, with which Gigaset opens up whole new fields of ISDN telephony, will be available in stores from May 2010. With an elegant design and innovative features, the table-top phone perfectly meets the growing demands of the self-employed, home office workers and private users.

A new management team for the sales, restructuring, project management, IT and HR activities was appointed at Gigaset Communications GmbH with effect from February 15, 2010.

Outlook

As a result of the disposal of non-core business activities completed in 2009, Gigaset expects its revenues to decline in 2010. Concentrating on the profitable "Voice" business will simultaneously lead to a relative increase in the sales margin. Moreover, the restructuring measures that have been implemented to date will have a strong impact on earnings in 2010 and the full-year potential of these measures will be tapped for the first time. The further optimization measures initiated in 2009 are being continued in 2010. On the sales side, this primarily concerns the concentration on the core "Voice" operations together with expansion in regional target markets. Targeted growth is expected to stem from product innovations together with an expansion of international operations, most notably in North America, India and Russia. In addition, Gigaset plans to more actively address the SME segment in the future in parallel to its private customer operations. Beyond this, the measures aimed at enhancing margin quality by reducing production costs and implementing further cost-cutting and simplification measures will be systematically continued. Additional staff-restructuring measures are planned with a view to accelerating the adjustments to match the structures and processes of a mid-sized organization. To this end, initial talks are being conducted with employee representatives.

The company expects to record revenues of around EUR 500 million and an operating profit of EUR 45-50 million before restructuring expenses in fiscal year 2010.

Golf House

Golf House is the leading specialist retailer of golfing products and services in Germany, with a nationwide presence of 14 outlets. The product portfolio encompasses golf equipment such as clubs, bags and accessories, together with clothing and shoes from all the main manufacturers. The services offered include club fitting (which involves adjusting clubs to match the individual golfer), swing analysis and repairs. Golf House also operates a classical mail-order business and an online store.

Company situation, business developments, restructuring and development measures

Golf House increased its revenues around 3% in the first quarter of 2010 despite the difficult weather conditions and the temporary closure of many golf courses, thus expanding its market leadership. Both gross profit and operating profit increased at a disproportionately high rate as a proportion of revenues in the first quarter of 2010 as a result of better purchasing terms and improved stock levels. The outlet in Munich was renovated in February 2010 in line with the successful store concept, thus continuing the systematic realignment of the company.

Golf House attended trade fairs in Stuttgart, Hamburg and Munich, and concluded further cooperation deals. The 230-page spring/summer catalog was released in mid-March, with the webshop being replaced by new, modern software at the same time.

Outlook

Golf House was sold in July 2010.

Oxxynova

Oxxynova produces liquid dimethyl terephthalate (DMT), an input material used in polyester production. Among other things, DMT is used in the production of textile fibers, technical fibers, films, raw materials for paint and glue products, and technical plastics. Oxxynova is the biggest European producer of DMT for the free market.

Company situation, business developments, restructuring and development measures

A rebound from the lows of the economic crisis had already set in during the third and fourth quarters of 2009, coupled with a slight general recovery on the market and much livelier demand for DMT. This positive trend continued through the first quarter of 2010. In addition, customers have partially replenished their low levels of stock, which has led overall to a much higher level of capacity utilization at Oxxynova. Although one customer withdrew from the market at the end of the first quarter, the loss of sales volumes this entailed could be more than offset by gains with other customers. The efficiency-boosting measures that had already been initiated in 2009 and strict cost management have had the expected impact, making it possible for the company to enjoy a stable development. Oxxynova succeeded in reinforcing its market share at a high level during the reporting period. Both gross profit and earnings were well ahead of last year's figures and the budgeted totals.

In addition, wide-reaching restructuring measures have been implemented at the Lülisdorf facility, which will lead to a significant improvement in the cost situation in the future and help to further stabilize the earnings trend on a sustainable footing.

Outlook

There are still no definitive, resilient delivery plans for customers for 2010 as a whole or for the second half of the year in particular, as the further recovery from the economic crisis is still shrouded by great uncertainty. Against this backdrop, it is important to continue systematically implementing cost management and the measures aimed at boosting efficiency notably in production in order to be in a position to respond flexibly to any changes in volumes. Oxxynova believes that the general demand for DMT will rise constantly on the back of an incipient recovery of the economy as a whole, despite the placement of orders at very short notice, and that this will help to increase the company's revenues and earnings compared with the prior-year totals.

van Netten

van Netten is a manufacturer of innovative, high quality candies. Its principal customers include various retail customers in Germany and abroad. All products are manufactured at the production plant in Dortmund.

Company situation, business developments, restructuring and development measures

The revenues recorded by van Netten in the reporting period were below the level of the equivalent quarter last year on account of a further streamlining of the product portfolio, whereas earnings rose sharply. The operating result (EBITDA) was positive. On the production side, the long-established Dortmund-based company implemented further measures aimed at boosting productivity in the lozenges segments and made minor investments in various units. A new deputy department head was hired for product development. A switch has been made in the recipes of some products in the core range from artificial ingredients to natural flavors and colors. At the beginning of the year, van Netten succeeded in acquiring new customers for its exports, who listed both existing and new products for their respective domestic markets. Total costs were reduced further by optimizing processes, pooling deliveries and lowering energy costs.

Outlook

Making increasing use of natural ingredients puts van Netten in a position to meet the changing customer demands in this field and reinforce customer ties. Against this backdrop, and on the basis of the impact of restructuring measures that have already been implemented, the company is planning for earnings to improve again for the year as a whole on the back of a slight rise in revenues.

Wanfried-Druck Kalden GmbH

Wanfried-Druck specializes in the production and printing of high quality packaging and labels. Among other things, it produces beverage packaging, folding boxes, and paper labels. Wanfried-Druck's customers come from the foodstuffs and beverages industry as well as non-food sectors.

Company situation, business developments, restructuring and development measures

Wanfried-Druck has been implementing a detailed restructuring plan since the start of the year. Above all, this includes measures aimed at optimizing the customer portfolio, a restructuring agreement with the Verdi trade union, lower overheads and special contributions to restructuring from both the owner and the main bank. At the end of the first quarter of 2010, it was evident that implementation is running to plan and that the measures that have been initiated are taking effect. All earnings figures have risen considerably over last year and are on target.

Outlook

The underlying conditions remain difficult in 2010. The prices for inputs are rising by an average of 10% and delivery times for cardboard and paper total 18 to 24 weeks. To counter this, it is necessary to revise prices on the sales side, conduct systematic contract negotiations and apply even stricter planning for procurement, production and logistics. Assuming that this succeeds without deviation from the restructuring plan, the company expects the plan will come to fruition by the end of the year.

Report on opportunities and risks

The future performance of the ARQUES Group and its subsidiaries is subject to business opportunities and risks. The company's risk policy consists of exploiting available opportunities and limiting the associated risk on the basis of an integrated risk management process through the use of appropriate instruments.

The opportunities/risk situation has not changed for ARQUES compared with the description provided in the combined management report for 2009. For more detailed information about the opportunities and risks of the ARQUES business model, ARQUES Industries AG, the companies that belong to the ARQUES Group and economic and market opportunities and risks, please refer to the Annual Report of ARQUES Industries AG for 2009.

Significant events after the reporting date

In April 2010, the interest held by the company in the Fritz Berger Group, which is allocated to the Retail segment, was sold. The Fritz Berger Group contributed EUR 45,685 thousand to consolidated revenues and EUR 1,488 thousand to consolidated EBITDA in fiscal year 2009.

On April 27, 2010, Siemens AG filed a further request for arbitration against ARQUES Industries AG. The purpose of the request for arbitration is to obtain a ruling that a call right held by ARQUES Industries AG for a minority interest of 19.8% held by Siemens AG does not exist (any more) and that ARQUES Industries AG consequently cannot demand the transfer of this minority interest from Siemens AG. ARQUES has obtained a legal opinion regarding this move which indicates that Siemens cannot prevent ARQUES from exercising the call right.

In July 2010, the interest held by the company in the Golf House Group, which is allocated to the Retail segment, was sold. The Golf House Group contributed EUR 26,400 thousand to consolidated revenues and minus EUR 297 thousand to consolidated EBITDA in fiscal year 2009.

Acting on a warrant issued by Munich District Court, staff of the public prosecutor's office searched the business premises of ARQUES Industries AG in Munich on July 7, 2010. The search forms part of preliminary proceedings against Michael Hütten, who is a member of the Executive Board of ARQUES Industries AG, on suspicion of breach of trust (Sections 266 I, II, 263 III No. 2 of the German Penal Code (StGB)) in connection with the withdrawal of a request for payment of EUR 19.6 million from ARQUES Industries AG in the fall of 2009 in his former capacity as managing director of Gigaset Communications GmbH. The Executive Board of ARQUES Industries AG considers the allegations against Mr. Hütten to be untenable and is cooperating with the authorities in order to help clarify the situation rapidly.

Outlook for the ARQUES Group

Expected revenues and earnings: operating breakeven targeted for 2010

Given the development to date of the operating activities of our subsidiaries we expect to at least record an operating profit (positive EBITDA) in 2010. The fact that we recorded a post-tax profit in the first quarter of 2010 for the first time since the fourth quarter of 2007 gives us good ground to believe that we can achieve this goal.

Expected financial position, investments, and liquidity development

As a result of the positive economic development of our subsidiaries, investments are increasingly being financed using internal cash flows and factoring. It remains difficult to obtain bank loans. Nevertheless, some of our subsidiaries have succeeded in gaining finance from banks and extending loan agreements. Consequently, we expect the liquidity situation of our subsidiaries to continue stabilizing.

Overall view of the Executive Board regarding the likely development of the company

The Executive Board of ARQUES Industries AG shares the view of the economic experts that the global economy will recover gradually. We expect this coupled with further restructuring measures to have a markedly positive effect on our operations. This provides opportunities to significantly revive our earnings and additionally improve the quality of our balance sheet. Nevertheless, the current year will, given the risks and imponderables regarding the sustainability of the recovery together with persistently restrictive lending policies on the part of banks, remain a challenging period of transition. It remains difficult to make reliable forecasts for the private equity industry. On this basis, the Executive Board believes the Group will stabilize in 2010. In addition, the Executive Board expects the path of profitable growth starting in 2010 to continue in 2011 and beyond.

Starnberg, July 13, 2010

ARQUES Industries AG

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for the period from January 1 to March 31, 2010

EUR'000
Revenues
Change in inventories of finished and unfinished goods
Other internal production capitalized
Other operating income
Purchased goods and services
Personnel expenses
Other operating expenses
EBITDA
Depreciation and amortization
Impairment losses
EBIT
Income/expenses from non-current assets accounted for by the equity method
Other interest and similar income
Interest and similar expenses
Net financial expenses
Income/expenses from ordinary activities
Income taxes
Consolidated net profit (prior year: net loss)
- thereof attributable to minority interests
- thereof attributable to shareholders of ARQUES Industries AG
Earnings per share
- Basic earnings per share, in EUR
- Diluted earnings per share, in EUR

Statement of Comprehensive Income for the period from January 1 to March 31, 2010

EUR'000
Consolidated net profit (prior year: net loss)
Currency translation differences
Change in market value of available-for-sale securities
Other income and expenses recognized directly in equity
Income and expenses recognized directly in equity
Total recognized income and expenses
thereof attributable to minority interests
thereof attributable to shareholders of ARQUES Industries AG

	01/01 - 03/31/2010			01/01 - 03/31/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	266,901	0	266,901	247,044	985,665	1,232,709
	5,075	0	5,075	-4,198	850	-3,348
	5,108	0	5,108	4,147	539	4,686
	11,999	0	11,999	11,965	22,882	34,847
	-157,427	0	-157,427	-151,143	-890,140	-1,041,283
	-59,858	0	-59,858	-88,269	-46,630	-134,899
	-47,759	0	-47,759	-62,784	-43,654	-106,438
	24,039	0	24,039	-43,238	29,512	-13,726
	-14,274	0	-14,274	-16,587	-5,868	-22,455
	-2,918	0	-2,918	-1,311	0	-1,311
	6,847	0	6,847	-61,136	23,644	-37,492
	114	0	114	-535	791	256
	419	0	419	1,086	241	1,327
	-2,737	0	-2,737	-4,793	-4,460	-9,253
	-2,204	0	-2,204	-4,242	-3,428	-7,670
	4,643	0	4,643	-65,378	20,216	-45,162
	-3,611	0	-3,611	8,278	-1,638	6,640
	1,032	0	1,032	-57,100	18,578	-38,522
	-377	0	-377	-68	-41	-109
	1,409	0	1,409	-57,032	18,619	-38,413
	0.05	0.00	0.05	-2.16	0.71	-1.45
	0.05	0.00	0.05	-2.16	0.71	-1.45

	01/01 - 03/31/2010			01/01 - 03/31/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	1,032	0	1,032	-57,100	18,578	-38,522
	553	0	553	-398	1,735	1,337
	0	0	0	0	0	0
	0	0	0	0	0	0
	553	0	553	-398	1,735	1,337
	1,585	0	1,585	-57,498	20,313	-37,185
	-377	0	-377	-68	-41	-109
	1,962	0	1,962	-57,430	20,354	-37,076

Consolidated Balance Sheet at March 31, 2010

ASSETS IN EUR'000	03/31/2010	12/31/2009
Non-current assets		
Intangible assets	59,954	60,181
Property, plant and equipment	178,770	184,599
Investment property	224	226
Non-current financial assets accounted for by the equity method	492	4,828
Financial assets	2,736	2,905
Other non-current assets	19	18
Deferred tax assets	3,589	3,693
Total non-current assets	245,784	256,450
Current assets		
Inventories	92,554	93,669
Receivables from percentage of completion	0	0
Trade receivables	133,936	131,283
Available-for-sale financial assets	692	636
Other assets	98,624	78,216
Tax refund claims	4,581	3,744
Cash and cash equivalents	60,531	74,915
	390,918	382,463
Assets held for sale	32,954	19,037
Total current assets	423,872	401,500
Total assets	669,656	657,950

Consolidated Balance Sheet at March 31, 2010

EQUITY AND LIABILITIES IN EUR'000	03/31/2010	12/31/2009
Equity		
Subscribed capital	26,402	26,402
Additional paid-in capital	73,580	73,580
Retained earnings	20,290	20,290
Accumulated other comprehensive income	53	-1,920
	120,325	118,352
Minority interest	2,732	3,109
Total equity	123,057	121,461
Non-current liabilities		
Pension obligations	32,731	32,285
Provisions	21,287	32,231
Financial liabilities	33,508	37,989
Liabilities under finance leases	3,567	2,782
Other liabilities	16,602	16,870
Deferred tax liabilities	19,052	17,944
Total non-current liabilities	126,747	140,101
Current liabilities		
Provisions	38,325	37,302
Financial liabilities	54,307	49,704
Liabilities under finance leases	636	1,666
Trade payables	173,508	180,398
Tax liabilities	9,446	7,864
Other liabilities	115,552	100,417
	391,774	377,351
Liabilities related to assets held for sale	28,078	19,037
Total current liabilities	419,852	396,388
Total equity and liabilities	669,656	657,950

Consolidated Statement of Changes in Equity at March 31, 2010

EUR'000	SUBSCRIBED CAPITAL
December 31, 2008	26,402
IFRS 3.61 et seq.	0
December 31, 2008	26,402
1 Appropriation to retained earnings	0
2 Transfer from additional paid-in capital	0
3 Stock option program	0
4 Changes in minority interests	0
5 Other changes	0
6 Total transactions with shareholders	0
7 Consolidated net loss 2009	0
8 Minority interests	0
9 Consolidated net loss after minority interests	0
10 Currency translation differences	0
11 Total changes not recognized in the income statement	0
12 Total net income (9+11)	0
13 Treasury shares	0
December 31, 2009	26,402
1 Appropriation to retained earnings	0
2 Transfer from additional paid-in capital	0
3 Stock option program	0
4 Changes in minority interests	0
5 Other changes	0
6 Total transactions with shareholders	0
7 Consolidated net profit Q1 2010	0
8 Minority interests	0
9 Consolidated net profit after minority interests	0
10 Currency translation differences	0
11 Total changes not recognized in the income statement	0
12 Total net income (9+11)	0
13 Treasury shares	0
March 31, 2010	26,402

ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	ADJUSTMENT ITEMS FOR MINORITY INTEREST	CONSOLIDATED EQUITY
73,580	20,290	133,256	9,464	262,992
0	0	3,406	0	3,406
73,580	20,290	136,662	9,464	266,398
0	0	0	0	0
0	0	0	0	0
0	0	607	0	607
0	0	4,015	1,284	5,299
0	0	0	0	0
0	0	4,622	1,284	5,906
0	0	-145,361	0	-145,361
0	0	0	-7,639	-7,639
0	0	-145,361	-7,639	-153,000
0	0	2,157	0	2,157
0	0	2,157	0	2,157
0	0	-143,204	-7,639	-150,843
0	0	0	0	0
73,580	20,290	-1,920	3,109	121,461
0	0	0	0	0
0	0	0	0	0
0	0	11	0	11
0	0	0	0	0
0	0	0	0	0
0	0	11	0	11
0	0	1,409	0	1,409
0	0	0	-377	-377
0	0	1,409	-377	1,032
0	0	553	0	553
0	0	553	0	553
0	0	1,962	-377	1,585
0	0	0	0	0
73,580	20,290	53	2,732	123,057

Consolidated Cash Flow Statement for the period from January 1 to March 31, 2010

EUR'000
Income/expenses from ordinary activities
Reversal of negative goodwill
Depreciation and amortization of PP&E and intangible assets
Impairments
Increase (+)/ decrease (-) in pension provisions
Profit (-)/ loss (+) on the sale of non-current assets
Profit (-)/ loss (+) from deconsolidations
Profit (-)/ loss (+) from currency translation
Issuance of stock options
Change from measurement at equity
Other non-cash income and expenses
Net interest expenses
Interest received
Interest paid
Income taxes paid
Non-recurring cash inflow from commencement of factoring in connection with the financing of acquisitions
Increase (-)/ decrease (+) in inventories
Increase (-)/ decrease (+) in trade receivables and other receivables
Increase (+)/ decrease (-) in trade payables, other liabilities and other provisions
Increase (+)/ decrease (-) in other balance sheet items
Cash inflow (+)/ outflow (-) from operating activities (net cash flow)
Cash outflows for the purchase of shares in companies
Cash acquired in connection with purchased shares in companies
Cash inflows from the sale of shares in companies
Cash transferred in connection with 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 investing activities
Free cash flow
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities
Cash inflows from the borrowing of non-current financial liabilities
Repayment of non-current financial liabilities
Cash outflows in connection with liabilities under finance leases
Purchases of treasury shares
Payments to minority interests
Cash inflow (+)/ outflow (-) from financing activities
Net funds at beginning of period
Exchange rate differences
Net funds at the start of period measured at prior year exchange rate
Increase (-)/ decrease (+) in restricted cash
Change in net funds
Net funds at end of period
Restricted cash
Cash and cash equivalents
Cash and cash equivalents presented as assets held for sale
Cash and cash equivalents presented in the balance sheet

	01/01 - 03/31/2010	01/01 - 03/31/2009
	4,643	-45,162
	0	-10,067
	14,274	22,455
	2,918	1,311
	528	376
	12	-281
	0	4,998
	820	-385
	11	352
	-114	-256
	-5,127	-5,704
	2,318	7,926
	5	639
	-646	-945
	-107	-2,615
	0	0
	-11,572	-43,317
	-27,193	-11,293
	3,836	57,608
	1,460	3,437
	-13,934	-20,923
	0	-80
	0	3,852
	0	15,157
	0	-25,344
	4,613	688
	-3,284	-4,502
	1,329	-10,229
	-12,605	-31,152
	1,283	30,241
	0	-37,467
	-220	0
	-245	-1,217
	0	0
	0	0
	818	-8,443
	62,229	125,741
	-1,140	0
	63,369	125,741
	4,149	7,197
	-11,787	-39,595
	54,591	93,343
	9,980	26,314
	64,571	119,657
	4,040	0
	60,531	119,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2010

General information on accounting and valuation methods

The consolidated financial statements of ARQUES Industries AG at March 31, 2010 and the prior-year comparison figures were prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and in accordance with the interpretations of those standards by the Standard Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as they are to be applied in the European Union, and in accordance with the IFRS in their entirety. Accordingly, the present unaudited interim report at March 31, 2010, which was not subjected to an auditor's review, was prepared in accordance with IAS 34. All standards that were in effect and obligatory as of March 31, 2010 were observed, leading to the presentation of a true and fair view of the assets, financial position and earnings of the ARQUES Group.

The notes to the consolidated financial statements for 2009 apply accordingly to the present interim report, especially with regard to the principal accounting and valuation methods employed.

In addition, the following revised and newly issued standards and interpretations of the IASB were to be applied as of fiscal year 2010:

- Amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards)
- Amendments to IFRS 2 (Share-based Payment)
- Amendments to IFRS 3 (Business Combinations)
- Amendments to IAS 27 (Consolidated and Separate Financial Statements)
- Amendments to IAS 39 (Financial Instruments: Recognition and Measurement) und IFRIC 9 (Reassessment of Embedded Derivatives)
- Amendments to IAS 39 (Financial Instruments: Recognition and Measurement)
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)
- IFRIC 17 (Distributions of Non-cash Assets to Owners)
- IFRIC 18 (Transfers of Assets from Customers)
- Improvements to IFRS

The amendments to IFRS 1: "First-time Adoption of International Financial Reporting Standards" relate solely to the formal structure of IFRS 1, with the general provisions separated from the specific ones. The new structure is intended to improve the clarity and applicability of IFRS 1. Entities were required to apply the amendments for annual periods beginning on or after January 1, 2010. They did not affect our quarterly financial statements.

The amendments to IFRS 2 "Share-based Payment" clarify the accounting treatment of transactions under which a subsidiary receives goods or services from employees or suppliers that are settled by the parent company or another group company. A company that receives goods or services as part of a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments to IFRS 2 also incorporate guidance in the Standard that was previously included in IFRIC 8 and IFRIC 11. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.

The amended IFRS 3 "Business Combinations" specifies the application of the purchase method for business combinations. Major changes relate to the measurement of minority interests, the recognition of business combinations achieved in stages and the treatment of conditional purchase price components and acquisition-related costs.

The amendments to IAS 27 "Consolidated and Separate Financial Statements" essentially specify the accounting treatment of transactions under which the company retains control as well as transactions under which it loses control. Transactions that do not lead to a loss of control are to be recognized directly in equity. Remaining interests are to be measured at fair value at the date of the loss of control. In the case of minority interests, it is permitted to disclose negative balances, which means that losses may be attributed without limit in proportion to the interest held in the future.

The amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives" clarify the accounting treatment of embedded derivatives if hybrid financial instruments are reclassified out of the "fair value through profit or loss" category. Entities were required to apply the amendments for annual periods beginning on or after June 30, 2009. They did not affect our quarterly financial statements.

The amendments to IAS 39 "Financial Instruments: Recognition and Measurement" clarify the inflation risk of a hedged item and the one-sided risk in a hedged item in relation to hedge accounting. Entities were required to apply the amendments for annual periods beginning on or after July 1, 2009. They did not affect our quarterly financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation": The purpose of the Interpretation is to clarify two issues relating to the application of IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" and arising in connection with the accounting treatment of foreign currency hedges within a company and its foreign operations. Entities were required to apply IFRIC 16 for annual periods beginning on or after July 1, 2009. It did not affect our quarterly financial statements.

IFRIC 17 "Distributions of Non-cash Assets to Owners": This Interpretation addresses issues on how an entity should measure distributions of assets other than cash when it pays dividends to its owners. Entities were required to apply IFRIC 17 for annual periods beginning on or after October 1, 2009. It did not affect our quarterly financial statements.

IFRIC 18 "Transfers of Assets from Customers": IFRIC 18 is particularly relevant for utilities (e. g., power utilities). It clarifies the accounting treatment of issues in which an entity receives assets from a customer and is then required to use those assets in order to either connect the customer to a network or to provide a customer with long-term access to goods or services (e. g., power, gas or water). Entities were required to apply IFRIC 18 for transfers of assets that occurred on or after July 1, 2009. It did not affect our quarterly financial statements.

In April 2009, the IASB published Improvements to IFRS standards. This is a collection of amendments to existing IFRS standards that are not urgent but still necessary. This is the second announcement published as part of the Annual Improvements Project containing amendments to twelve existing standards and interpretations. The amendments were incorporated into European law by the European Union in March 2010.

ARQUES has applied the listed amendments since January 1, 2010. The amendments have no material impact on the presentation of the assets, financial position and earnings of the ARQUES Group.

Non-current disposal groups held for sale

In accordance with IFRS 5, non-current assets and liabilities are presented separately as "held for sale" in the balance sheet if they can be sold in their current condition and if the sale is highly probable. Assets classified as held for sale are measured at fair value less the costs to sell, if that is lower than the carrying amounts of the assets. In accordance with this classification, liabilities that are directly linked to held-for-sale assets are presented separately as liabilities held for sale in the balance sheet.

The assets and liabilities carried as held for sale at March 31, 2010 relate to the companies of the SM Electronic Group, Stapelfeld (Retail segment), and the companies of the Fritz Berger Group, Neumarkt i.d. Oberpfalz (Retail segment).

Segment report

EUR'000 Q1 2010	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	8,750	7,403	13,278	0
Continuing operations	8,750	7,403	13,278	0
Discontinued operations	0	0	0	0
Internal revenues	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	0	0	0	0
Total revenues	8,750	7,403	13,278	0
Continuing operations	8,750	7,403	13,278	0
Discontinued operations	0	0	0	0
Segment earnings/EBITDA	74	521	1,081	0
Continuing operations	74	521	1,081	0
Discontinued operations	0	0	0	0
Depreciation and amortization	-788	-520	-815	0
Continuing operations	-788	-520	-815	0
Discontinued operations	0	0	0	0
Impairments	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	0	0	0	0
Segment earnings/EBIT	-715	1	265	0
Continuing operations	-715	1	265	0
Discontinued operations	0	0	0	0
Income from non-current financial assets accounted for by the equity method				
Net interest income/expenses				
Earnings before taxes				
Income tax expenses				
Net profit				

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNICATIONS	HOLDING	SERVICE	ELIMINATIONS	CONSOLIDATED
62,453	22,139	23,725	129,135	18	0	0	266,901
62,453	22,139	23,725	129,135	18	0		266,901
0	0	0	0	0	0		0
0	0	0	0	450	0	-450	0
0	0	0	0	450	0	-450	0
0	0	0	0	0	0	0	0
62,453	22,139	23,725	129,135	468	0	-450	266,901
62,453	22,139	23,725	129,135	468	0	-450	266,901
0	0	0	0	0	0	0	0
5,504	-2,474	1,978	17,794	-439	0	0	24,039
5,504	-2,474	1,978	17,794	-439	0	0	24,039
0	0	0	0	0	0	0	0
-2,991	-127	-43	-8,952	-38	0	0	-14,274
-2,991	-127	-43	-8,952	-38	0	0	-14,274
0	0	0	0	0	0	0	0
0	-2,917	0	0	0	0	0	-2,917
0	-2,917	0	0	0	0	0	-2,917
0	0	0	0	0	0	0	0
2,516	-5,518	1,935	8,842	-479	0	0	6,847
2,516	-5,518	1,935	8,842	-479	0	0	6,847
0	0	0	0	0	0	0	0
							114
							-2,318
							4,643
							-3,611
							1,032

EUR'000 Q1 2009	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	9,334	8,008	15,347	931,753
Continuing operations	9,334	8,008	15,347	0
Discontinued operations	0	0	0	931,753
Internal revenues	0	0	0	9
Continuing operations	0	0	0	0
Discontinued operations	0	0	0	9
Total revenues	9,334	8,008	15,347	931,762
Continuing operations	9,334	8,008	15,347	0
Discontinued operations	0	0	0	931,762
Segment earnings/EBITDA	-821	-220	957	18,745
Continuing operations	-821	-220	957	0
Discontinued operations	0	0	0	18,745
Depreciation and amortization	-788	-550	-1,071	-4,818
Continuing operations	-788	-550	-1,071	0
Discontinued operations	0	0	0	-4,818
Impairments	0	0	0	0
Continuing operations	0	0	0	0
Discontinued operations	0	0	0	0
Segment earnings/EBIT	-1,608	-770	-114	13,927
Continuing operations	-1,608	-770	-114	0
Discontinued operations	0	0	0	13,927
Income from non-current financial assets accounted for by the equity method				
Net interest income/expense				
Earnings before taxes				
Income tax expenses				
Net loss				

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNICATIONS	HOLDING	SERVICE	ELIMINATIONS	CONSOLIDATED
48,723	19,895	10,864	134,869	4	53,912	0	1,232,709
48,723	19,895	10,864	134,869	4	0	0	247,044
0	0	0	0	0	53,912	0	985,665
0	0	0	5,333	2,200	0	-7,542	0
0	0	0	5,333	2,200	0	-7,533	0
0	0	0	0	0	0	-9	0
48,723	19,895	10,864	140,202	2,204	53,912	-7,542	1,232,709
48,723	19,895	10,864	140,202	2,204	0	-7,542	247,035
0	0	0	0	0	53,912	0	985,674
-8,178	-3,674	-7,578	-17,563	-6,161	10,767	0	-13,726
-8,178	-3,674	-7,578	-17,563	-6,161	0	0	-43,238
0	0	0	0	0	10,767	0	29,512
-2,521	-382	-239	-11,035	-1	-1,050	0	-22,455
-2,521	-382	-239	-11,035	-1	0	0	-16,587
0	0	0	0	0	-1,050	0	-5,868
0	0	0	0	-1,311	0	0	-1,311
0	0	0	0	-1,311	0	0	-1,311
0	0	0	0	0	0	0	0
-10,700	-4,056	-7,817	-28,598	-7,473	9,717	0	-37,492
-10,700	-4,056	-7,817	-28,598	-7,473	0	0	-61,136
0	0	0	0	0	9,717	0	23,644
							256
							-7,926
							-45,162
							6,640
							-38,522

Significant events after the reporting date

Events after the reporting date that could have a significant influence on the company's development are described in the section of the Management Report entitled "Significant events after the reporting date". Beyond the events described therein, no significant events after the reporting date are known.

Starnberg, July 13, 2010

ARQUES Industries AG

The Executive Board

ARQUES



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