

FINANCIAL
REPORT

for the 2nd quarter of
2005

“Creating value
through active
involvement”



Publisher Information

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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:

We are pleased to report on the record revenues and profits of the ARQUES Group in the second quarter and first half-year of 2005. The following consolidated financial figures are comparable to those of the equivalent periods last year only to a certain extent in light of the strong growth and the substantial changes within the consolidated group.

In the second quarter of 2005 the consolidated revenues amounted to €106.7 million, an increase of 538,9% compared with the equivalent period last year (Q2 2004: €16.7 million). The EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to €11.3 million, an increase of 352,0% (Q2 2004: €2.5 million), and the EBIT (earnings before interest and taxes) increased by 352,9% to €7.7 million (Q2 2004: €1.7 million). The consolidated quarterly surplus thus amounted to €19.7 million (Q2 2004: €1.6 million).

In the first half-year of 2005, consolidated revenues could be increased by 478,7% to €179.4 million (first half-year of 2004: €31.0 million). The EBITDA amounted to €15.2 million compared with €2.7 million in the equivalent period last year (+ 463.0%). The EBIT increased disproportionate by 741.7% to €10.1 million (first half-year of 2004: €1.2 million). Thereby a consolidated profit of €22.1 million could be obtained in the first half of the year (first half-year of 2004: €1.0 million). This consolidated profit contains a profit contribution to the value of €14.4 million from the so-called bargain purchase from the initial consolidation of the subsidiaries acquired in the second quarter of 2005. The result per share amounted to €10.75 (first half-year of 2004: € 0.66).

The first three new acquisitions in the financial year 2005 were closed within one week at the beginning of April: the printing specialist Johler Druck GmbH in Neumünster (acquired: April 5, 2005), SKS Stakusit Bautechnik GmbH, one of the leading suppliers of systems technology for window related products (acquired: April 7, 2005) and Jahnelt-Kestermann Getriebewerke GmbH & Co. KG (acquired: April 12, 2005) augmented the ARQUES portfolio.

74.9% of the shares in Golf House Direktversand GmbH, Germany's leading golf retailer, were acquired from the KarstadtQuelle Group on June 21, 2005. On June 30, 2005, ARQUES sold the Schierholz Translift Group, a specialised plant manufacturer, which had been taken over in August 2003 from the Swiss Swisslog Group, with a positive contribution to the result of €4 million. The fifth acquisition was the purchase of the Italian Evotape S.p.A. with effect of June 1, 2005. After these transactions, the annualised consolidated revenues now exceed the €400 million mark for the first time.

Further significant progress could be made within the ARQUES portfolio of participating interests:

- Besides the measures already initiated at teutonia Kinderwagenfabrik GmbH, new products such as the twin baby carriage, "Team alu", led to the most successful quarter in four years. The 2005 range was well received by, among others, a former sales partner in Spain, who will now be selling the teutonia product range again.
- The SKW Stahl-Metallurgie Group also profited in the second quarter of 2005 from the initiated cost reductions and the concentration on high margin products. SKW managed to free itself from the current stagnating tendency in the international steel markets.

- The sound insulation and sanitary specialist, E. Missel GmbH & Co. KG, continued its expansion strategy with a new sales partner in Switzerland. In addition, orders were received from Kuwait and Nigeria.
- ddp Deutscher Depeschendienst GmbH succeeded in obtaining new customers from different media sectors by means of the product campaign initiated by the ARQUES management. In March 2005, four months after the takeover by ARQUES, ddp showed a positive monthly result for the first time without consideration of one-time effects.
- The first restructuring phase could be completed within a very short time at SKS Stakusit Bautechnik GmbH who specialises in roller shutters and insects protection screens. Within merely two months, a complete production site was relocated, a severance plan agreed upon and the Working Capital optimised.
- After the acquisition of Colordruck Pforzheim GmbH & Co. KG in December 2004, ARQUES succeeded in expanding the printing segment through the acquisition of Jöhler Druck GmbH in April. In the context of an industry-bound concept, the potential synergy between the two complementary companies is to be raised. Sales, technical management and the management of

both companies were merged.

- A comprehensive reorganisational wage agreement could be concluded with the trade union at the Bochum-based Jähnel-Kestermann Getriebewerke GmbH & Co. KG. This will have a lasting effect on the expenses and liquidity of the company.

Regarding the capital market, the announcement of a 15% higher, i.e. €1.15 dividend per share should be mentioned at the outset. This decision was taken at the Annual General Meeting on July 14, 2005. Furthermore, ARQUES received the admittance to the Prime Standard segment of the Frankfurt Stock Exchange at the end of June. Since June 28, 2005 the ARQUES shares have been listed in this market segment. On July 1, 2005, Dr. Stefan Gros was appointed new CFO of ARQUES Industries AG. Thus the Executive Board is now complete with Dr. Dr. Peter Löw (Chairman of the Board), Dr. Martin Vorderwülbecke (Acquisitions), Markus Zöllner (Operations) and Dr. Stefan Gros (Finance).

Increasing revenues are expected in the third quarter, primarily from the newly acquired subsidiaries. The existing portfolio of participating interests shows further positive operative development. Until the end of financial year 2005, the annualised revenue should exceed the previously announced €500 million mark.

Sincerely,

The Executive Board of ARQUES Industries Aktiengesellschaft



Dr. Dr. Peter Löw - Chairman



Dr. Martin Vorderwülbecke



Markus Zöllner



Dr. Stefan Gros

Quarterly Financial Statements

Income Statement for the first half-year of 2005

EUR '000	Jan. 1, 2005– Jun. 30, 2005	Jan. 1, 2004– Jun. 30, 2004	Apr. 1, 2005– Jun. 30, 2005	Apr. 1, 2004– Jun. 30, 2004
1. Revenues	179,364	30,962	106,708	16,740
2. Increase (decrease) in inventories of finished goods and work in progress	3,381	(56)	2,509	85
3. Other operating income	14,062	5,039	11,259	3,587
4. Cost of materials	122,664	14,864	72,583	7,485
5. Personnel expense	34,512	14,249	21,346	7,427
6. Other operating expenses	24,416	4,171	15,269	2,962
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	15,215	2,661	11,278	2,537
7. Depreciation and amortisation of intangible assets, property, plant and equipment, goodwill	5,080	1,473	3,600	826
Earnings before interest and taxes (EBIT)	10,135	1,188	7,678	1,711
8. Income from other non-current marketable securities and long-term loans	344	0	224	0
9. Other interest and similar income	110	0	75	0
10. Interest and similar expenses	499	41	320	5
11. Profit from ordinary activities	10,090	1,147	7,656	1,706
12. Minority interest in consolidated profit (loss)	323	(59)	194	(38)
13. Profit before income taxes	10,413	1,088	7,850	1,668
14. Income taxes	2,715	115	1,704	139
15. Profit after income taxes	7,697	973	6,145	1,529
16. Income from the reversal of negative goodwill arising from capital consolidation	14,411	66	13,538	55
17. Consolidated profit	22,108	1,039	19,683	1,584
18. Profit (loss) carried forward	40,389	3,260		
19. Consolidated net profit	62,497	4,299		

Consolidated Balance Sheet at June 30, 2005

ASSETS

EUR '000	Jun. 30, 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	1,506	2,406
2. Goodwill	7,434	(1,889)
3. Advances to suppliers	47	104
	<u>8,986</u>	<u>621</u>
II. Property, plant and equipment		
1. Land, equivalent rights to real property and buildings, including buildings on land not owned	35,487	28,766
2. Technical equipment and machinery	21,816	6,145
3. Other equipment, plant and office equipment	3,150	3,103
4. Advances to suppliers	955	637
	<u>61,408</u>	<u>38,651</u>
III. Investments		
1. Shares in affiliated companies	505	487
2. Shares in companies valued at equity	2,232	1,718
3. Long-term loans to affiliated companies	0	30
4. Other long-term loans	73	248
5. Non-current marketable securities	238	73
	<u>3,048</u>	<u>2,556</u>
	73,442	41,828
B. Current assets		
I. Inventories		
1. Raw materials and supplies	24,354	15,817
2. Work in progress	4,595	1,780
3. Finished goods and merchandise for resale	23,721	11,496
4. Advances to suppliers	0	3,231
	<u>52,671</u>	<u>32,324</u>
II. Receivables and other assets		
1. Trade accounts receivable	56,887	46,963
2. Other assets	10,745	5,551
	<u>67,631</u>	<u>52,514</u>
III. Cash on hand, cash in banks, and cheques	<u>20,417</u>	<u>12,860</u>
	140,719	97,698
C. Deferred tax assets	4,990	1,640
D. Prepaid expenses	1,138	543
Total assets	220,289	141,709

Consolidated Balance Sheet at June 30, 2005

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR '000	Jun. 30, 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)	62,497	40,389
V. Minority interest	1,980	828
VI. Translation adjustment	408	(94)
	<u>76,912</u>	<u>53,150</u>
B. Provisions		
1. Provisions for pensions and similar obligations	11,598	4,598
2. Provisions for taxes	2,062	637
3. Provisions for deferred taxes	2,767	2,464
4. Other provisions	33,365	15,928
	<u>49,792</u>	<u>23,627</u>
C. Liabilities		
1. Short-term financial liabilities	21,102	12,093
2. Long-term financial liabilities	3,558	9,095
3. Advances received on orders	0	1,171
4. Trade accounts payable	50,553	36,665
5. Other liabilities	17,185	5,890
	<u>92,399</u>	<u>64,914</u>
D. Deferred income	1,187	18
Total shareholders' equity and liabilities	220,289	141,709

Statement of Changes in Shareholders' Equity

EUR '000	Subscribed capital	Additional paid-in capital	Retained earnings	Consolidated net profit	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 first half-year 2004				1,039				1,039
Capital increase	427	9,813						10,240
Other changes					(2,156)	67	(341)	(2,430)
June 30, 2004	2,027	9,905	95	4,299	0	461	(341)	16,446
January 1, 2005	2,027	9,905	95	40,389	0	828	(94)	53,150
Profit first half-year 2005				22,108				22,108
Other changes						1,152	502	1,654
June 30, 2005	2,027	9,905	95	62,497	0	1,980	408	76,912

Cash Flow Statement for the first half-year 2005

EUR '000	Jan. 1 – Jun. 30, 2005*
1. Earnings before taxes and bargain purchase	10,413
2. Depreciation/amortisation of property, plant and equipment and intangible assets	5,080
3. Change in provisions	(4,136)
4. Change in inventories	(7,563)
5. Change in receivables and other assets	(6,655)
6. Increase (decrease) in debt	15,637
7. Increase in short-term liabilities	4,902
8. Actual and latent income tax payments as well as changes to tax provisions (thereof € 911,000 non-cash effective latent taxes)	(2,383)
9. Other non-cash income and expenses	(64)
10. Net cash provided by operating activities	15,231
11. Net cash used by acquiring or sale of subsidiaries and changes in shareholdings**	(3,555)
12. Net cash used by acquiring subsidiaries and changes in shareholdings	(3,555)
13. Payments for capital spending on non-current assets	(2,807)
14. Net cash used in investing activities	(2,807)
15. Decrease in long-term debt	(731)
16. Net cash used in financing activities	(731)
17. Effect of exchange rates on cash and cash equivalents	(581)
18. Cash and cash equivalents at start of period	12,860
19. Change in cash and cash equivalents	7,557
20. Cash and cash equivalents at end of period	20,417

* 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.

** This figure includes payment for the acquisition of Johler Druck GmbH, Jahnel-Kestermann Getriebewerke GmbH & CO. KG, Golf House Direktversand GmbH as well as the Stakusit group plus cash or cash equivalents as well as payments from the sales the Schierholz Translift Group less cash as well as non-cash effective securities from the deconsolidation of the Schierholz Translift Group.

Consolidated Segment Report

	Industry	Services	Consolidation	Group
	Jan. 1 - Jun. 30, 2005 EUR '000	Jan. 1 - Jun. 30, 2005 EUR '000	Jan. 1 - Jun. 30, 2005 EUR '000	Jan. 1 - Jun. 30, 2005 EUR '000
Revenues per segment	179,233	789	(658)	179,364
of which: with other segments	0	658	(658)	0
EBIT	11,578	(1,443)	0	10,135
EBITDA	15,329	(114)	0	15,215
Financial profit (loss)	(1,051)	443	219	(389)
Depreciation and amortisation	(3,751)	(1,329)	0	(5,080)
Segment assets	223,335	20,012	(23,058)	220,289
Segment liabilities	121,818	1,591	(31,010)	92,399
Investments	2,778	29	0	2,807
Employees (annual average)	1,416	8	0	1,424

Notes to the financial statements at June 30, 2005

General information

ARQUES Industries Aktiengesellschaft has its registered office and principal place of business in Münchner Str. 15a, Starnberg, Germany and is registered with Munich District Court under entry number HRB 146.911. It 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 half-year of 2005 (January 1, 2005 to June 30, 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 June 30, 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 3.74 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 compared with the consolidated financial statements at December 31, 2004. Please refer to the 2004 Annual Report for more information.

The information for the first half-year of 2004 and 2005, as well as information for the first and second quarter 2005 shown below is only of limited use for comparison purposes due to the significant changes in the consolidated group.

Key figures of the ARQUES Industries Group:

		First half-year 2005	Second quarter 2005	First quarter 2005	First half-year 2004
Revenues	€'000	179,364	106,708	72,656	30,962
EBITDA	€'000	15,215	11,278	3,937	2,661
EBIT	€'000	10,135	7,678	2,457	1,188
Consolidated profit	€'000	22,108	19,683	2,425	1,039
Earnings per share*	€	10.75	9.78	1.13	0.66
Shareholders' equity	€'000	76,912		55,470	16,446
Equity capital ratio	%	34.9		38.3	34.9
Operating cash flow	€'000	15,231		5,939	
Average no. of employees	Total	1,424		1,092	

*diluted and undiluted before minority interest

Changes to the consolidated group

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

	Direct amount of holding
WS 3022 Vermögensverwaltung 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%
Arques Industrie Finanz GmbH, Starnberg	100.00%
SKS Stakusit Bautechnik GmbH, Duisburg	85.00%
SKS Stakusit Polska Sp.z.o.o., Wroclaw (PL)	100.00%
SKS Stakusit GUS GmbH, Moscow (GUS)	100.00%
SKS Stakusit RO SRL, Brasov (RO)	100.00%
SKS Stakusit Hellas-Rolladen und Balkonanlagen Einmangesellschaft mbH, Neamagnissja (G)	100.00%
Arques Wert Finanz GmbH, Starnberg	99.20%
Arques Industrie Invest GmbH, Starnberg	100.00%
Johler Druck GmbH, Neumünster	100.00%
WS 2018 Vermögensverwaltungs GmbH, Starnberg	100.00%
Jahnel-Holding GmbH, Bochum	90.00%
Jahnel-Kestermann Verwaltungsgesellschaft mbH, Bochum	90.00%
Jahnel-Kestermann Getriebewerke GmbH & Co. KG, Bochum	100.00%
Arques Finanz GmbH, Starnberg	100.00%
Arques Sport Handelsgesellschaft mbH, Essen	100.00%
GOLF HOUSE Direktversand GmbH, Hamburg	74.90%
Evotape S.p.A., San Pietro Mosezzo (I)	89.90%

As a result of the initial consolidation of the abovementioned companies, non-current assets increased by about €32 million, current assets by about €52 million. Liabilities increased by about €32 million. The newly consolidated companies contributed €29 million to the half-year revenues of the ARQUES Group totalling €179.4 million.

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.

In the first half-year of 2005, the following companies were deconsolidated due to sale with a profit of €4 million:

- Schierholz Translift Schweiz AG, Obernau (CH)
- Louis Schierholz GmbH, Bremen
- Möck Immobilien Verwaltungs GmbH, Starnberg
- Möck Immobilien GmbH & Co. KG, Starnberg
- Digitron Translift Ltd., Redford (GB)
- Digitron Translift S.A.S., Marne la Vallée (F)

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 increase in the bargain purchase of the previous year of Colrodruck Group as well as the bargain purchase arising from the acquisition of Jöhler Druck GmbH, the Golf House Group, the Stakusit Group and sportart GmbH. Further information on the acquisition and sale 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 report

As in the Annual Report 2004, the segment report of the interim report for the first half-year 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 strong growth and the substantial changes in the consolidated group.

Second quarter 2005 (April 1, 2005 to June 30, 2005)

In the second quarter 2005, the total consolidated revenues could be increased by 538.9% to €106.7 million (Q2 2004: €16.7 million).

The EBITDA (earnings before interest, taxes, depreciation and amortisation) increased by 352,0% to €11.3 million (Q2 2004: €2.5

million.) and the EBIT (earnings before interest and taxes) increased by around 352,9% to €7.7 million (Q2 2004: €1.7 million). The consolidated quarterly profits thereby amounted to €19.7 million (Q2 2004: €1.6 million).

First half-year 2005 (January 1, 2005 to June 30, 2005)

Compared with the equivalent period last year the consolidated revenues could be increased in the first half-year 2005 by 487.7% to €179.4 million (first half-year 2004: €31.0 million). The EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to €15.2 million compared with €2.7 million in the first half-year 2004 (+ 463.0%). The EBIT (earnings before interest and taxes) increased by 741.7% to €10.1 million (first half-year 2004: €1.2 million).

The item "Income from the reversal of negative goodwill arising from capital consolidation" for the first half-year 2005 to the value of €14.4 million includes an adjustment to the bargain purchase of the Colrodruck Group in the previous year as well as the bargain purchase arising from the acquisition of Jöhler Druck GmbH, the Golf House Group, the Stakusit Group and sportart GmbH.

In total, the consolidated net profit of the half-year was €22,1 million (half-year 2004: €1.0 million) and hence earnings per share before minority interest amounted to €10.75 (half-year 2004: €0.66).

Notes to the consolidated balance sheet

Compared with the year-end 2004, the total consolidated assets rose by €78.6 million to €220.3 million (December 31, 2004: €141.7 million). A comparison with the consolidated balance sheet at December 31, 2004 is, however, only of limited use due to the changes within the consolidated group.

Notes to the assets side of the balance sheet

At the reporting date of June 30, 2005, property, plant and equipment amounted to €61.4 million (December 31, 2004: €38.7 million) and contains mainly company premises of €35.5 million (December 31, 2004: €28.8 million) as well as technical equipment and machinery of €21.8 million (December 31, 2004: € 6.1 million). Inventories totalling €52.7 million (December 31, 2004: €32.3 million) contain raw materials and supplies of €24.4 million (December 31, 2004: €15.8 million) and finished goods and merchandise of €23.7 million (December 31, 2004: €11.5 million) and unfinished goods and work in progress of €4.6 million (December 31, 2004: €1.8 million).

Trade accounts receivable as well as other assets amounted to €67.6 million (December 31, 2004: €52.5 million). €56.9 million was allotted to trade accounts receivable (December 31, 2004: €47.0 million) and €10.7 million to other assets (December 31, 2004: €5.6 million).

Cash and cash equivalents amounted to €20.4 million (December 31, 2004: €12.9 million).

Notes to the liabilities side of the consolidated balance sheet

Shareholders' equity improved to €76.9 million (December 31, 2004: €53.2 million) as a result of the net profit recorded for the half-year. At the reporting date of June 30, 2005, the equity capital ratio fell slightly to 34.9% compared with 37.5% at the end of the financial year 2004

Provisions increased to €49.8 million (December 31, 2004: €23.6 million). Liabilities amounted to €92.4 million (December 31, 2004: €64.9 million.) and include short-term financial liabilities of €21.1 million (December 31, 2004: €12.1 million.) and long-term financial liabilities of €3.6 million (December 31, 2004: €9.1 million). In addition, the liabilities include trade accounts payable of €50.6 million (December 31, 2004: €36.7 million) and other liabilities of €17.2 million (December 31, 2004: €5.9 million).

Explanation concerning the cash flow statement

The cash flow statement shows an operational cash flow of €15.2 million. The changes in the reserve of €7.6 million are essentially based on the rise in raw material inventory values within the SKW Group due to price increases on the procurement markets. In future, an optimised stockpiling will nevertheless overcompensate for the price increases.

The increase in the accounts receivable and other assets to the value of €6.7 million is also influenced by the excellent growth of the SKW Group, since the price increases on the raw material procurement markets can be passed on to the customers in full. The business of Jahnel Kestermann as well as Evotepe also contribute to the increase. A contrary effect arises as a result of the use of factoring at Colordruck.

The increase in the liabilities from trade accounts payable as well as the other liabilities to the value of €15.6 million is, in turn, marked by the excellent growth of the SKW Group as well as by the previously mentioned effects of increased prices.

Employees

The ARQUES Group employed an average of 1,424 people in the first half of 2005 (financial year 2004: 997). At the reporting date, the number of employees amounted to 2,048.

Employee shareholding programme

In the second quarter of 2005, a shareholding programme was introduced for ARQUES Group employees at management level in the form of stock options. By June 30, 2005, three employees were included in the programme, thereby having the right to receive no-par bearer shares at individually agreed upon time frames. Within the programme, a number of shares is fictitiously credited to a virtual account (Phantom Stocks) for each entitled holder and evaluated with the share quotation on an agreed output deadline.

The resulting value is then compared with the value of a predetermined delivery and evaluation deadline. In the case of an increase in value, the holder of the option can opt for a payout of this amount in the form of shares. Debiting the virtual account with depot losses is excluded in so far as the number of the Phantom Stocks remains constant. The times for delivery and performance assessments for employees usually occur annually over a total period of three years. The claims from the option arrangements are safeguarded against dilution of equity and are void without substitution in the case of early termination of the employment contract, in so far as claims have not yet arisen or have not been fulfilled.

Changes to the company's boards

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. Dr. Stefan Gros was appointed Chief Financial Officer of ARQUES Industries Aktiengesellschaft on July 1, 2005. Oliver Gorny left the Supervisory Board of ARQUES Industries Aktiengesellschaft on July 14, 2005 and Bernhard Riedel was appointed to the Supervisory Board.

Other substantial changes

The shares of ARQUES Industries Aktiengesellschaft are being traded in the regulated market (Prime Standard) of the Frankfurt Stock Exchange since June 28, 2005.

In a bookbuilding procedure a total of 200,000 new shares from

the approved capital of ARQUES Industries Aktiengesellschaft were issued on July 11, 2005

At the Annual General Meeting of ARQUES Industries Aktiengesellschaft held on July 14, 2005, the existing approved capital of the company (2004/I) was annulled and replaced by a new approved capital (2005/I). Thereby the Executive Board is authorised, with the approval of the Supervisory Board, to increase the capital stocks in the period up to June 30, 2010 from currently €2,226,667.00 at once or in partial amounts to a total not exceeding €1,000,000.00 by issuing new no-par bearer shares against contributions in cash and/or in kind (approved capital 2005/I).

In addition, the company was authorised to buy back its own shares, up to January 13, 2007, up to a volume of 4% of the current capital stock for purposes other than securities trading. The acquisition is carried out via the stock exchange. The purchase price may neither exceed nor fall below the average standard share price by more than 10% in XETRA closing auction on the Frankfurt Stock Exchange on the three preceding trading days.

Outlook

In the third quarter of 2005 we expect a positive profit development of the currently consolidated companies. For the financial year 2005, we forecast a revenue of €415.0 million, an EBITDA of €23.0 million and an EBIT of €16.0 million. This forecast can, however, change due to additional acquisitions or sales.

Starnberg, August 2005

ARQUES Industries Aktiengesellschaft

Dr. Dr. Peter Löw - Chairman

Dr. Stefan Gros

Dr. Martin Vorderwülbecke

Markus Zöllner

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

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

Dr. Dr. Peter Löw
Executive Board Chairman