

ARQUES

REPORT FOR THE 1ST HALF OF

2010

KEY FIGURES

EURM	01/01/2010 – 06/30/2010	01/01/2009 – 06/30/2009
Consolidated revenues	524.6	2,361.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	38.2	-16.0
Earnings before interest and taxes (EBIT)	1.3	-114.7
Consolidated net profit/loss	-8.1	-117.0
Free cash flow	2.7	-66.0
Earnings per share (basic/diluted) in EUR	-0.33	-4.37

EURM	06/30/2010	12/31/2009
Total assets	609.1	658.0
Shareholders' equity	115.0	121.5
Equity ratio (%)	18.9	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 on June 30, 2010	26,450,000
Capital stock on June 30, 2010 (EUR)	26,450,000
Closing price on June 30, 2010 (EUR)	1.08
52-week high (EUR)*	2.30
52-week low (EUR)*	0.90

* at the reporting date

FOREWORD BY THE EXECUTIVE BOARD

Dear shareholders, business partners and other interested persons:

ARQUES Industries AG underwent a far-reaching transformation in 2009 and in the first half of 2010. The company's equity investment portfolio was thoroughly streamlined, corporate and subsidiary structures were considerably slimmed down and the Group's operational control and managerial instruments were completely overhauled. As a result of these steps, a large number of risks assumed in the past were eliminated or at least substantially reduced. This process entailed deep and at times very painful cuts for everyone involved. We believe, however, that this most difficult period of the company's history is behind us.

Against the backdrop of a recovering economy, the measures initiated in 2009 yielded heartening results already in the first half of 2010. All the Group's subsidiaries are striving to generate positive operating results for the full year 2010; the budget targets for the first half of 2010 have been exceeded by considerable margins, in some cases. Above all, our most important subsidiaries Gigaset and Anvis showed a very promising development. Finally, the company sales in the last few months of the successfully restructured subsidiaries British School of Motoring, Autowindcreens, Fritz Berger and Golf House underscored ARQUES' expertise in this area.

Despite those successes, ARQUES still faces challenging tasks. Based on the performance in the first half of 2010, however, we are confident that these challenges will be mastered in the interests of the company and its shareholders.

The present report covers the business performance of our company in the first six months of 2010.

Sincerely yours,

The Executive Board of ARQUES Industries AG

Hans Gisbert Ulmke

Michael Hütten



COMBINED MANAGEMENT REPORT OF ARQUES INDUSTRIES AG AT JUNE 30, 2010

The business model of ARQUES Industries AG

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 goal is to sustainably develop these companies further 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.

ARQUES focuses exclusively on buying companies that 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 that 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 conducted by ARQUES.

General economic conditions and industry environment

Global economic recovery in the second quarter

The incipient recovery of the world economy continued in the second quarter of 2010, aided in particular by the monetary and fiscal policy measures of central banks. Accordingly, the International Monetary Fund (IMF) raised its full-year growth forecast to 4.6% (April 2010: 4.3%) during the course of the second quarter.

The global economy is currently receiving a positive boost from the growing volume of world trade, which is being driven by the dynamic growth of emerging-market countries (Asia, India and South America), which are expected to generate growth of 6.8% in 2010, according to the IMF. These countries are benefiting from stable foreign demand, coupled with strong domestic demand.

Although the euro zone nations benefited in the second quarter from the global economic upswing and from strong exports to Asia, the otherwise positive outlook is dimmed by the high level of public debt of many industrialized nations. For the full year 2010, the IMF anticipates only a moderate, 1% increase in economic growth. The unemployment rate has remained stable, averaging 10% in March. The European Central Bank also left its key lending rate unchanged at currently 1%.

Growing concerns about the trend of public finances in the euro zone weighed on the exchange rate with the dollar in the second quarter. Whereas the euro bought US\$ 1.44 at the beginning of the year, its value had fallen to US\$ 1.23 by the end of the second quarter.

According to the IMF, Germany's economy, like that of the euro zone, will likewise exhibit only moderately slow growth of 1.4 % in 2010, due in part to the recent turmoil in the financial markets provoked by the debt crisis in Europe.

1. Assets

At June 30, 2010, the total assets of the ARQUES Group amounted to EUR 609.1 million, that being EUR 48.8 million less than the corresponding figure at December 31, 2009.

The non-current assets of EUR 234.8 million were EUR 21.6 million less than the comparison figure, mainly as a result of depreciation and amortization in the amount of EUR 29.1 million and capital expenditures in the amount of approximately EUR 7.1 million, as well as the assets and liabilities of the Golf House Group, which were reclassified as held for sale and therefore presently separately, and the sold assets of the Fritz Berger Group.

Current assets amounted to EUR 374.3 million, including EUR 25.4 million in assets classified as held for sale.

At June 30, 2010, total liabilities amounted to EUR 494.2 million, that being EUR 42.3 million less than the corresponding figure at December 31, 2009 (EUR 536.5 million). Current liabilities represented 74.6% of total liabilities.

Current financial liabilities increased slightly by EUR 1.1 million to EUR 50.8 million in the first half of 2010. However, non-current financial liabilities declined by EUR 4.7 million in the first half.

At June 30, 2010, the company's equity amounted to EUR 115.0 million, as compared with EUR 121.5 million at December 31, 2009.

2. Financial position

In the first half of 2010, ARQUES generated a positive cash flow from operating activities in the amount of EUR 6.9 million (H1 2009: EUR -42.5 million). This development was positively influenced by the turnaround at Gigaset in 2010, while the restructuring measures at Gigaset in the year-ago period generated a negative effect.

The cash flow from investing activities amounted to EUR -4.2 million. That figure was positively influenced by the sale of shares in the joint venture Anvis Brazil (Vibracoustic do Brasil Industria e Comercio de Artefatos de Borracha Ltda.), in the amount of EUR 4.5 million. The cash outflows for the purchase of shares in companies, in the amount of EUR 1.0 million, related to the purchase of non-controlling interests.

The free cash flow amounted to EUR 2.7 million, as compared with EUR -66.0 million in the first half of last year.

The cash flow from financing activities in the amount of EUR -6.1 million resulted from the repayment of financial liabilities, after adjustment for deconsolidation effects (H1 2009: EUR 10.4 million).

3. Earnings

The ARQUES Group generated revenues of EUR 524.6 million in the first half of 2010, EUR 1,836.6 million less than the corresponding year-ago figure. This decrease resulted primarily from the sale in 2009 of companies in the IT and Service segments. The Communications and Automotive segments were the Group's biggest revenue contributors, generating revenues of EUR 242.6 million (H1 2009: EUR 263 million) and EUR 132.1 million (H1 2009: EUR 101.3 million), respectively.

At EUR 36 million, the other operating income was EUR 25.5 million less than the corresponding figure for the first half of 2009. The other operating income was mainly composed of income from the waiver of receivables, income from the sale of non-current assets, income from the reversal of provisions, rental income and income from exchange rate changes. At EUR 15.5 million, this latter effect represented a significant component of other operating income in the first half of 2010 (H1 2009: EUR 11.8 million).

The cost of purchased raw materials, merchandise, finished goods and purchased services amounted to EUR 312.7 million in the first half of 2010, 84.2% less than the corresponding year-ago figure of EUR 1,980.6 million. The decrease in purchased goods and services was related to the roughly 77.8% decline in revenues. The ratio of purchased goods and services to revenues declined from 83.9% to 59.6%, mainly as a result of the disposal of the IT and Service segments.

At EUR 116.2 million, the personnel expenses (wages, salaries, social security and pensions) of the first half of 2010 were more than half less than the corresponding year-ago figure of EUR 243.1 million. The lower amount of personnel expenses also reflected the portfolio adjustment measures.

The other operating expenses, which are composed of general administrative expenses, facility management expenses, shipping costs, consulting and marketing expenses, general operating expenses and value adjustments on receivables, amounted to EUR 110.9 million in the first half of 2010, that being substantially less than the corresponding year-ago figure of EUR 220.4 million, due to portfolio adjustments.

The net financial expenses of EUR -6.2 million were lower than the corresponding figure for the first half of 2009 by EUR 11 million.

The consolidated net loss after non-controlling interests amounted to EUR 8.7 million, which was substantially less than the net loss of EUR 115.4 million for the first half of 2009. The earnings per share (basic/diluted) came to EUR -0.33.

Report on the development of ARQUES' subsidiaries

Summary of subsidiaries of ARQUES Industries AG at the reporting date:

SUBSIDIARY	ACQUISITION DATE (SIGNING)	SECTOR
Anvis	September 2007	Automotive supplier
Carl Froh	April 2008	Steel processor/ automotive supplier
Gigaset Communications	August 2008	Telecommunications
Oxxynova	September 2006	Specialty chemicals
SM Electronic	November 2007	Consumer electronics retailer
van Netten	April 2007	Candy producer /industry
Wanfried Druck Kalden	March 2007	Packaging and label printing

Anvis

The Anvis Group is a primary developer and manufacturer of innovative functional solutions for the motion 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 of the international automotive industry that began in the second half of 2009 continued and even strengthened in the first half of 2010.

Sales volumes have risen sharply in many markets, most notably in Asia. The Anvis Group benefited from the consistently strong sales of its principal, export-driven customer VW, coupled with newly acquired orders and the general market revival. As a result, revenues were much higher than in the weak comparison period of 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. Against the backdrop of this positive development, success was achieved on the financial side as well. The management team was overhauled with the aim of further enhancing processes of all areas of the company and improving 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 the ongoing streamlining of production and administration processes is intended to lower costs and boost productivity. For the full year 2010,

the Anvis Group is seeking to generate revenue growth of around 20 percent, with a disproportionate increase in earnings over the previous year.

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 by several major automotive suppliers as an A-supplier for high-strength precision steel tubes with respect to quality, delivery performance and service.

Company situation, business developments, restructuring and development measures

Amid an environment characterized by brisk demand, the revenues generated by the Automotive business unit were in line with the budgeted figure at the end of June. In the Industry business unit, release order volumes in the project business have been delayed in some cases; as a result, order volumes will be shifted into the second half of 2010. In the early part of 2010, the Buildings and Transportation business unit suffered from the effects of the harsh winter; the revenues lost in this period have not been completely made up to date. All business units received positive signals in the form of development and trial orders placed by prestigious customers. For the first time since it was separated from the Ruukki Group, Carl Froh was represented with its own stand at the world's biggest industry trade fair, the "Tube 2010," in Düsseldorf in April 2010. As evidenced by the promising meetings held with customers and the numerous contacts established, the company's participation in the trade fair was a success; as a result, new orders totaling about EUR 5 million were placed by the end of April. Other qualified requests for quotes on business worth more than EUR 50 million are in the final stage of processing. The company has planned

innovation investments in connection with new orders. The goal is to further enhance product quality in the short to medium term and add new production areas in order to serve a wider share of the value chain. Moreover, the introduction of a new ERP system, which was completed on schedule in mid-year, will lead to more effective production planning and therefore to a further reduction in inventories of semi-finished and finished goods.

Outlook

In the current financial year, the company faces new challenges in the form of the price increases for input materials, some of which substantial, that have been announced by steelmakers. Also, the terms of supply contracts for steel materials will be shorter in the future; for the time being, steel makers are only offering supply contracts with terms of one month or one quarter. In the segment of strip steel, prices are being quoted only on a short-term basis.

Carl Froh is planning to grow its business in the medium term by implementing an extended product strategy and acquiring new orders in the industry segment, notably for high-grade special products and components. For the full year 2010, the company expects to generate higher revenues than in 2009.

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 achieved significantly wider profit margins in the first half of 2010 compared with the year-ago period, although total revenues were considerably lower. The improvement in profit margin quality can be attributed primarily to the disposal of the loss-making broadband/WiMAX activities in July 2009 and the home media business in October 2009. Concentrating on the core "Voice" business (telephony) by disposing of non-core activities is a key part of the restructuring plan and is yielding important successes. Furthermore, the company exceeded the revenue and margin targets set in the budget in the first half. Another positive earnings effect in the first half of 2010 was represented by the substantially reduced level of personnel expenses compared

to the year-ago period, due to the restructuring measures conducted in 2009. Other important positive earnings effects resulted from the strict cost management implemented by the ARQUES Task Force since the acquisition of Gigaset Communications GmbH.

The negotiations with Siemens to extend the brand licensing rights to September 30, 2011 were brought to a successful conclusion in 2009. That will facilitate a thoroughly structured, gradual transition to Gigaset as a stand-alone brand. The necessary measures to prepare for the conversion were initiated already in 2009. A change of corporate design was implemented in the first quarter of 2010. Since that time, Gigaset has presented a new, differentiated and dynamic brand image to the market. The focus is on the Gigaset brand, accompanied by a new logo, which underscores the company's claim to premium quality with a clear, classic optical design. The new branding incorporates a new corporate design that is reflected at the point of sale (POS) in the form of revamped materials like packaging, advertising themes and brochures. In addition, a new website is being created 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 of 2010 was the launch of the new DECT flagship and smallest Gigaset phone in the world, the Gigaset SL400/SL400A. This compact device offers every convenience that telephone users can wish for. The high-class but also functional product design, combined with a fresh menu and sound concept, persuaded the iF Commission and the Chicago Athenaeum to give the phone an "iF designaward" and a "Good Design Award," respectively. Furthermore, the corded Gigaset DX600A ISDN, with which Gigaset opens up new possibilities for ISDN telephony, has been available in stores since May 2010. With an elegant design and innovative features, this table-top telephone perfectly meets the growing demands of independent professionals, home office workers and private users.

Effective February 15, 2010, a new management team for sales, restructuring, project management, IT and personnel was installed at Gigaset Communications GmbH.

Outlook

As a result of the disposal of non-voice business activities in 2009, Gigaset expects to generate lower revenues in 2010, compared with 2009. Furthermore, concentrating on the profitable "Voice" business will lead to a relative increase in the sales margin. Moreover, the restructuring measures that have been implemented to date will have a strong effect on earnings in 2010 and the full-year potential of those measures will be apparent for the first time. The other optimization measures initiated in 2009 are being continued in 2010. On the sales side, those measures mainly concern the focus on core "Voice" operations, coupled with expansion into regional target markets. Targeted growth is expected to result from product innovations and from the expansion of international operations, most notably in North America, India and Russia. In the future, Gigaset plans to more actively address the SME segment, as a complement to its consumer activities. Aside from that, the measures aimed at enhancing profit margin quality by reducing production costs and implementing further cost-cutting and simplification measures will be systematically continued. Additional personnel restructuring measures are planned with the goal of accelerating the adjustments to match the structures and processes of a mid-sized organization. To that end, initial talks are being held with employee representatives.

For the full year 2010, the company expects to generate revenues of around EUR 500 million and an operating profit of EUR 45-50 million before restructuring expenses.

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 begun in the third and fourth quarters of 2009, linked to a moderate general recovery of the market and much stronger demand for DMT. This positive trend continued in first and second quarters of 2010. In addition, customers have partially replenished their low inventory levels, which on balance has led to much higher capacity utilization at Oxxynova compared with the corresponding year-ago period. Although one customer withdrew from the market at the end of the first quarter, the associated loss of sales quantities was more than offset by gains with other customers. The efficiency-boosting measures that had already been initiated by the newly appointed management in 2009 and the continued practice of strict cost management have yielded positive effects, allowing for the

company's stable performance. Oxxynova succeeded in solidifying its market share on a high level in the first half. Gross operating profits and profit contributions were considerably higher than the corresponding year-ago figures and budget targets.

Outlook

The purchasing plans of customers for the full year 2010 and especially for the second half have become more concrete, although the continued path of recovery from the economic crisis is still fraught with considerable uncertainty. In view of this situation, the company intends to further pursue cost management and efficiency enhancement measures, especially in production, in order to be able to respond flexibly to any quantity fluctuations. Oxxynova expects that the general demand for DMT will stabilize, despite the tendency of placing orders on very short notice in some cases, thanks to the general economic recovery, with the result that the company's full-year revenues and earnings will both be higher than the corresponding prior-year figures.

SM Electronic

SM Electronic, which is based in Stapelfeld (near Hamburg), offers satellite and antenna receivers (digital TV) under the brand names Skymaster, Telefunken and Grundig, as well as electronic accessories in the areas of audio, video, home entertainment and multimedia, among others.

Company situation, business developments, restructuring and development measures

Thanks to the effects of restructuring measures that have already been implemented, SM Electronic reduced its losses compared to the year-ago period. Due to sales of new brands, revenues were about 20% higher than the year-ago figure and the profit contributions increased again. The company is undergoing a phase of reorientation and repositioning in the German-speaking market.

SM Electronic has stepped up its sales and marketing activities and reinforced the staff working in this area. The company is also speeding up the market introduction of newly developed and visually appealing terminal devices for satellite reception. In connection with these efforts, the company participated in the trade fair ANGA Cable held in Cologne in May of 2010 and will also be present at the Grundig and Telefunken stand at the IFA trade fair.

Outlook

SM Electronic will further expand its sales organization and intensify its sales and marketing activities.

It is planned to transfer 100% of the SM Electronic Group to the subsidiary manager in the second half of 2010.

van Netten

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

Company situation, business developments, restructuring and development measures

The revenues generated by van Netten in the reporting period were below the level of the year-ago quarter, due to the further streamlining of the product portfolio; on the other hand, the company's earnings were considerably improved. 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 smaller investments in various areas. The recipes of some remaining products in the core product range have been changed to use natural flavors and colors instead of artificial ingredients. Early in the year, van Netten acquired new customers for its exports, which have since listed both existing and new products for their respective domestic markets. Total costs were reduced further by optimizing processes, reducing waste disposal costs and lowering energy costs.

Outlook

The growing use of natural ingredients puts van Netten in a position to meet the changing customer demands in this field and reinforce customer loyalty. In consideration of this advantage, and the effects of restructuring measures that have already been implemented, the company expects to achieve a further improvement in its earnings, on slightly lower revenues, for the full year 2010.

Wanfried-Druck Kalden GmbH

Wanfried-Druck specializes in the production and printing of high quality packaging and labels. It produces beverage system packages, folding boxes and paper labels, for example. Wanfried-Druck's customers operate in the food and beverage industry and in non-food sectors.

Company situation, business developments, restructuring and development measures

Wanfried-Druck has been implementing a detailed restructuring plan since the beginning of the year. Above all, the plan entails measures aimed at optimizing the customer portfolio, a restructuring agreement with the Ver.di trade union, lower overheads and special restructuring contributions from both the owner and the company's main bank. At the end of the first half of 2010, it was evident that the implementation is proceeding according to plan and that the implemented measures are yielding the intended effects. The positive trend that could be observed already in the first quarter improved further in the second quarter of 2010. All earnings indicators were considerably higher than the respective year-ago figures and were in line with the corresponding budget targets.

Outlook

Basic operating conditions will remain difficult in 2010. Prices of input materials are rising by an average of 10% and the delivery times for cardboard and paper are 18 to 24 weeks. To counter these effects, it will be necessary to adjust prices on the sales side, pursue consequential contract negotiations and conduct even stricter planning in procurement, production and logistics. Assuming that these efforts succeed without deviation from the restructuring plan, the company expects to achieve the planned restructuring success by the end of the year.

Report on opportunities and risks

The ARQUES business model is geared to exploiting above-average business opportunities, which also entail particular risks in both the holding company and the subsidiaries.

ARQUES' risk policy is geared to exploiting available opportunities and limiting the associated risks on the basis of an integrated risk management process, using appropriate instruments.

Opportunities of the ARQUES business model

ARQUES acquires companies in situations of transition and deploys its team of in-house specialists from various fields to turn them into competitive and profitable companies. Once they have been made financially sound, these companies are sold again when the market situation is favorable. Short-term involvement without identifiable restructuring progress is, however, not in the interest of the company. In all three phases of the business model – acquisition, restructuring and exit – ARQUES is presented with tremendous business opportunities, which should essentially be realized at the end of the process in the form of a gain in the value of the company, or the difference between the purchase price and the sale price of the company. Furthermore, the operating results of the restructured companies also contribute to the success of the ARQUES Group.

Risks of the ARQUES business model

Risk is a fundamental aspect of all business activity. It comprises the danger that corporate objectives will not be achieved as a result of external or internal events, actions or decisions, and in extreme cases it poses a threat to the continued existence of the company as a going concern.

When selecting its investment targets, ARQUES generally concentrates on companies which can be acquired at the lowest possible purchase price, due to their poor operating performance, but which exhibit considerable potential for capital appreciation after being successfully restructured. As such, the companies in question are often in a state of acute distress at the time of acquisition and there is great need for re-

structuring. ARQUES also serves as a partner to large corporate groups that are looking to spin off peripheral activities and subsidiaries that no longer fit with their core business. At the time when such companies are acquired by ARQUES, moreover, their operating performance is generally well below the industry average and harbors both considerable restructuring potential and restructuring risk, as they have often not been optimally managed, due to the fact that they did not belong to the core business of their former owners. When selecting acquisitions, ARQUES does not focus on any specific industry, but searches out suitable acquisition candidates in nearly every industry.

General economic risks

Economic risks

The current economic and market climate in every instance generally has an influence on the operational restructuring and development of the subsidiaries and represents a major factor affecting the best possible disposal of a successfully run company at the end of the holding period, following the completion of the basic restructuring steps.

Industry risks

Given the heterogeneous nature of the Group's portfolio, specific industry risks can take very different forms and have very different effects in the various ARQUES companies. Basically all industries are exposed to changes in commodity prices and the risk of new, aggressive competitors entering the market. In general, it can be noted that planning security has diminished in all the subsidiaries, in that customers are providing less concrete information on future unit sales quantities, placing their orders on shorter notice, delaying their purchase decisions and fundamentally re-examining their projects.

With regard to its investment portfolio, ARQUES pursues a strategy that is very much geared to a balanced mix of risks and opportunities. Accordingly, ARQUES has sold subsidiaries that were particularly risk-intensive, particularly in 2009. Those steps have significantly improved the Group's risk profile. If the economic climate would seriously deteriorate again, however, some of the current subsidiaries of the ARQUES Group might experience further order losses and revenue declines, along with the possible loss of important customers, which would have a correspondingly negative impact on the financial performance of the given subsidiary. ARQUES seeks to counter foreseeable further pressures on profit margins by implementing additional cost saving measures and capacity adjustments, including shortened working hours and the elimination of jobs. Furthermore, the capital expenditure programs announced by the subsidiaries would be scaled back or postponed in order to conserve liquidity.

The ARQUES business model calls for industry risk to be countered with appropriate operational measures on the level and under the responsibility of the respective subsidiaries.

On the level of the holding company, ARQUES has introduced even more stringent cost management, further streamlined its organizational structures and made appropriate workforce adjustments. These steps have made it possible to reduce the costs of the holding company according to plan.

Company-related risks

Acquisitions

The ARQUES Group specializes in the acquisition of companies in transitional situations (e.g., traditional turnaround candidates, corporate spin-offs, unresolved succession arrangements). In most cases, such companies had already been generating losses for some time when they were acquired by ARQUES. Despite careful analysis, ARQUES is still subject to the risk of purchasing a company that cannot be restructured successfully, or only at a high cost in terms of effort and resources (risk of unsuccessful acquisition). In such a case, ARQUES would have to sell the company ahead of plan, with the result that those financial resources invested by ARQUES for the acquisition and financing of the subsidiary which were not recovered by the sale proceeds would have to be written off. Because ARQUES usually pays only a symbolic purchase price for a distressed company, or at least a purchase price that is less than the book value of the company's assets, the economic loss would be manageable in such cases. In the case of acquisitions involving larger purchase prices, ARQUES is exposed to the risk of losing the entire amount of the purchase price, plus any further obligations that ARQUES may have assumed in connection with the acquisition.

If ARQUES would not be able to quickly sell a distressed subsidiary, that company could in the worst case become insolvent (see the section entitled "Restructuring" below).

Restructuring

The company's goal is always to achieve the fastest possible restructuring of the subsidiary in order to keep its liquidity needs, above all, and its operating losses as low as possible after the acquisition. That could fail if, for example, it becomes evident that the restructuring cost is too high, the market position of the given industry deteriorates or the management makes mistakes in the restructuring process. In the worst case, the subsidiary could become insolvent and ARQUES could, under certain circumstances, lose all the financial resources it had used to acquire and finance the subsidiary. If the company had secured bank loans to fund the acquisition and restructuring of the subsidiary, or if it had guaranteed such loans, it would be obligated to continue repaying these loans even after the subsidiary became insolvent. The costs accruing to ARQUES in connection with a subsidiary are generally allocated to that subsidiary. They include the company's costs for the subsidiary manager and other members of the Task Force provided by ARQUES. If the restructuring would fail, therefore, ARQUES would, in the worst

case, not be able to recover the financial resources and personnel expenses invested in the subsidiary.

Exits

With regard to selling restructured subsidiaries, the company is exposed to the risk that no buyer can be found. If the economy would worsen further, some of the previously achieved restructuring successes might be negated, the company might generate less operating income and could, in the worst case, require additional financial resources from ARQUES as the parent company. Furthermore, it could become necessary within the framework of strategic decisions to venture into new markets, expand the offering of products and services or invest in new production units, which would require the parent company to invest additional financial resources in the subsidiary.

Another risk associated with company sales is the possibility that the buyer would, after the sale is completed, seek to invoke any warranties issued by ARQUES as part of the purchase contract in order to lower the agreed purchase price.

Management and personnel risks

The success of the ARQUES business model depends on the people who are responsible for the transactions. ARQUES generally deploys its own people to acquire, restructure and manage the subsidiaries. "Own people" means either permanent employees of the ARQUES Group or those who work with the company on a permanent basis. The departure of employees who were heavily involved in projects or subsidiaries can imperil the success of the project or the further development of the subsidiary.

An important aspect related to personnel risks involves the company's ability to hire and retain qualified employees. As an exchange-listed company with good connections in the private equity sector, ARQUES enjoys a relatively high profile among people seeking jobs, enabling the company to select suitable candidates from a wide pool of applicants and cover its personnel requirements. When necessary, the company can resort to professional personnel consultants or tap the ARQUES network. Incentive programs to retain employees have also been put in place, as appropriate for the respective situation.

Information systems and reporting structure

Reliable, consistent and meaningful information systems and reporting structures are required to monitor and manage the corporate group and run the subsidiaries. ARQUES employs professional accounting, controlling, information and risk management systems and has instituted a regular system of subsidiary controlling and risk management throughout the Group. Appropriate IT support is provided around the clock to ensure that the systems are available at all times. The Executive Board is promptly informed of sustained developments in the subsidiaries on a regular basis.

It cannot be ruled out, however, that the information system could fail in specific cases, or would not be operated properly by the employees concerned, such that negative economic developments in a given subsidiary would not be detected in a timely manner.

Operational development of the Group companies

By reason of the operating activities of its subsidiaries, ARQUES will be directly affected by an economic downturn or financial crisis and the reduced availability of credit that would result in such cases. The currently weak economic conditions have made the company's restructuring and turnaround work much more difficult. Unforeseeable events could have an extremely negative impact on the performance of even those companies that have already made good progress in their restructuring efforts. That applies both to their operating performance and to the availability of financing in the form of credit lines, factoring and credit insurance. Those companies that have already optimized their costs will have less maneuvering room to make further cost reductions in the face of sharply reduced demand for their products and services.

Banks and trade credit insurers have become considerably more restrictive in their lending policies since the beginning of the financial crisis. This phenomenon has made debt financing much more difficult and also more expensive. The counter-measures taken include further improvements in working capital management, the restructuring of financing providers, the renegotiation of agreements with banks, customers and suppliers, and the introduction of alternative financing vehicles such as sale-and-lease-back transactions.

In some subsidiaries, moreover, the financial crisis and the resulting deterioration in general economic conditions led to unforeseeable order decreases and cancellations last year, as the customers of those subsidiaries were themselves unable to run their production facilities at full capacity and postponed new capital expenditures. The affected ARQUES subsidiaries responded to these developments by implementing capacity adjustments and cost reduction programs (including workforce adjustment measures and shortened work hours), as well as financial and intensive operational support from ARQUES. Moreover, the financial crisis has made it more difficult to sell companies, and the valuation multiples that can be realized have fallen considerably.

Financial risks

Liquidity of the Group companies

In some cases, recently acquired subsidiaries of the ARQUES Group find themselves in situations of strained liquidity and have additional liquidity needs. Those needs are satisfied by utilizing the restructuring contribution of the seller, selling assets that are not required for the subsidiary's operations, utilizing the subsidiary's own operating cash flow, borrowing additional funds or making use of funds provided directly by

ARQUES. Thus, one of the first restructuring tasks of the ARQUES Task Force is to free up cash for use by the subsidiary.

ARQUES manages the liquidity requirements of the subsidiaries by means of meticulous liquidity controlling. Like any other company, however, ARQUES is subject to the risk of unforeseen financing requirements during the course of the subsidiary's affiliation with the Group, whether because the general economic environment or industry situation suffers an extreme deterioration or because the subsidiary loses important customers, its suppliers run into critical bottlenecks, negotiations with trade unions and works councils are not successful, or for other reasons. As a result of such developments, it may not be possible to achieve the originally planned profitability improvements. Furthermore, it could happen that the subsidiary's previous financing partners use the acquisition by ARQUES as a pretense to discontinue the business relationship or impose unreasonable terms and conditions on a further cooperation. Such developments could entail the consequence that ARQUES would have to use its own resources to cover any liquidity shortfalls, due to the lack of other financing sources.

Considerably more restrictive policies on the part of trade credit insurers pose a liquidity risk for some of ARQUES' subsidiaries because the reduction or cancellation of trade credit insurance usually prompts the suppliers to shorten their payment terms considerably. Such a development would increase the subsidiary's need for liquidity. If the cumulative amount of liquidity needs would increase, the holding company might find it necessary to quickly sell other Group companies in order to concentrate available liquidity on the Group's core portfolio.

In general, such liquidity risks are managed and the liquidity planning and financing structures are reviewed by the subsidiaries themselves, in consultation with the Corporate Finance Department.

Debt and liquidity of the parent company

The debt of the parent company was systematically further reduced in financial year 2009. As of June 30, 2010, the holding company only has only a small amount of debt outstanding with external creditors. The remaining obligations are covered by manageable repayment agreements. The reduction of debt over the last two fiscal years has placed a major burden on the financial capabilities of the holding company, which has given rise to liquidity shortfalls in the past. The holding company will again face liquidity shortfalls in the coming months. Since it remains difficult to borrow additional funds, the holding company is currently applying a structured process to analyze whether it is necessary to sell subsidiaries in times of tight liquidity in order to bridge any liquidity shortfalls that would otherwise pose a risk to the continued existence of the company as a going concern. In such cases, particular care is given to examining the appropriateness of the purchase price compared

with the other opportunities and risks. In addition, the holding company avails itself of intragroup financing opportunities, which are becoming increasingly possible as the economic crisis eases. Debt-restructuring measures and deferral agreements are being implemented and employed as further ways of overcoming liquidity shortfalls. Although difficult to implement in the current environment, the holding company could also fundamentally resort to the option of raising financial resources by means of capital-raising activities, as by making use of the Authorized Capital approved by shareholders, for example.

Furthermore, the guarantees and commitments issued by the company in earlier years, either in connection with company acquisitions or afterwards, could have a negative effect on the holding company's business performance or continued existence as a going concern.

Interest rate, currency and liquidity risks

ARQUES Industries AG continually optimizes its corporate finance system and limits its financing risk in order to preserve the Group's financial independence. The need for financing fundamentally exposes the Group to the risk that the agreed terms of financing would be changed by the financing partner to the detriment of ARQUES Industries AG, and that such changes would have to be accepted as a result of liquidity constraints or would themselves give rise to such constraints. Because the financial crisis has not yet been completely overcome, this risk has remained on a consistently high level. Financing risks are covered by the risk management system and are also monitored closely in connection with the liquidity management system.

The companies of the ARQUES Group generate income in foreign currencies. The associated foreign currency risks are generally hedged by means of currency-matched financing of international operations or other currency hedging transactions. Changes in capital market interest rates could lead to changes in the market value of fixed-income securities, uncertificated receivables and plan assets used to fund pension obligations. ARQUES conducts customary bank transactions to hedge its interest rate risks on a case-by-case basis.

To hedge its cash flow risk and protect the Group's liquidity, ARQUES employs various instruments to fund and protect its receivables, including factoring and credit default insurance, for example.

Interest rate, currency and liquidity risks are generally managed by the individual subsidiaries themselves, in consultation with the Corporate Finance Department.

ARQUES Industries AG itself did not employ any financial instruments in financial year 2010 or in financial year 2009.

Tax risks

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

Risks arising from contingent liabilities

Guarantees of the parent company

ARQUES Industries AG has issued guarantees for purchase price payments in the past. Furthermore, the parent company has issued guarantees or payment assurances in favor of its subsidiaries. If those guarantees and payment assurances, which are essentially deemed to be contingent liabilities from today's perspective, would be executed or claimed in close succession and in larger amounts, such a scenario could potentially pose a threat to the continued existence of the company as a going concern.

Legal disputes

In connection with its ordinary activities, ARQUES Industries AG is involved in, or may in the future be involved in various lawsuits and administrative proceedings, or such proceedings may be initiated or brought in the future. Although the outcome of individual proceedings cannot be predicted with certainty, given the imponderability generally associated with legal disputes, it is believed, based on current assessments, that these proceedings will not have a seriously adverse effect on the Group's financial performance, beyond the risks accounted for as liabilities or provisions in the present financial statements.

In July 2009, the European Commission imposed total fines of EUR 61.1 million in connection with its anti-trust investigations of various European companies operating in the calcium carbide sector. In that regard, a total fine of EUR 13.3 million was levied against SKW Stahl-Metallurgie Holding AG, ARQUES Industries AG and SKW Stahl-Metallurgie GmbH, with each of them bearing joint and several liability. ARQUES has filed an appeal against this ruling. Notwithstanding that appeal, however, ARQUES reached an agreement with the European Commission in October 2009 on the payment terms for the 50% of the total fine of EUR 6.65 million provisionally apportioned to ARQUES and subsequently concretized those payment terms by mutual agreement.

ARQUES is currently involved in an arbitration proceeding with Siemens AG in connection with the acquisition of Gigaset Communications

GmbH in 2008. Essentially, Siemens AG has claimed payment of a purchase price installment of EUR 15 million and demanded a ruling to the effect that ARQUES Industries AG is obligated to pay the second and third purchase price installments of EUR 15 million in each case. Furthermore, Siemens AG has demanded settlement of a payment commitment made to Gigaset by ARQUES for an original amount of EUR 19.6 million and demanded a ruling to the effect that ARQUES and not Gigaset is required to account for the purchase price for the shares in Gigaset. ARQUES, on the other hand, represents the legal position that Siemens AG is not entitled to demand the purchase price installment of EUR 15 million, that the currently valid payment commitment made to Gigaset that has not been demanded only totals EUR 6.6 million, and that the terms of the purchase agreement for the shares in Gigaset require Gigaset to account and be liable for the purchase price.

If, contrary to expectations, the claims of Siemens AG would be fully recognized in the arbitration proceeding, such an outcome could pose a risk to the continued existence of the company and the Group as a going concern.

Neither the duration nor the outcome of this process can be definitively predicted at the present time. Nevertheless, ARQUES continues to believe that its own legal position will prevail.

Report on the opportunities and risks of the subsidiaries

The subsidiaries of the ARQUES Group operate in different markets with different products. Within the ARQUES Group, therefore, industry-specific risks are diversified, although the current portfolio exhibits a concentration in the two sectors of consumer electronics (Gigaset) and automotive (Anvis, Carl Froh). The economic development of any subsidiary can be adversely impacted by a number of factors, including business cycle fluctuations or the rapid deterioration of the market situation in a given industry, leading in the worst case to the insolvency of a subsidiary operating in that industry. As a general rule, the specific risks applicable to each subsidiary are managed on a decentralized basis by the companies themselves.

In the following section, we discuss the industry-specific opportunities and risks facing the subsidiaries currently held by ARQUES Industries AG.

The Anvis Group is a primary developer and manufacturer of innovative functional solutions for the motion stability, comfort and safety of motor vehicles, primarily supplying the automotive industry. Accordingly, the company is exposed to the general economic risks of the automotive industry. Anvis maintains its own facilities and branches in Europe, the Americas, Asia and South Africa (50% joint venture in

the latter case). The joint venture in South America (Vibracoustic do Brasil Ltda based in Taubaté, Brazil) was sold with economic effect as of January 4, 2010.

Anvis is relatively dependent on the Volkswagen Group (VW, Audi, Seat and Skoda together represent about 40% of total revenues, including revenues with subcontractors), as well as the French automobile manufacturers Renault/Nissan and PSA (about 15% each), such that the loss of a major customer would have an extremely negative impact on the development of revenues and earnings. As a result of the strong recovery of the automotive industry and the considerable revenue increases with VW and PSA, the risk of order declines with these customers is currently very low. In fact, the Anvis Group can benefit strongly from the current market trend and secure long-term supply contracts of up to 12 years.

The supplier structure is generally stable, although past experience indicates a risk of delayed deliveries occurring two or three times a year. In exceptional cases, such delays could give rise to special freight costs and other costs associated with lost production by the customer. Anvis seeks to counter this uncertainty by identifying alternative suppliers and integrating them in its purchasing processes.

The costs of the raw materials and supplies used in the production of anti-vibration systems fluctuate in dependence on demand conditions and have increased sharply in recent times. The associated adverse impact on earnings has been mitigated in part by means of price negotiations with customers.

Anvis counters the economic risks affecting its customer industries and price risks by constantly seeking to strengthen its position with its customers by means of innovative and reliable products and services. To that end, the company places a high priority on research and development activities, with the goal to achieving innovation leadership in terms of the design, materials and manufacturing process of its core products. That helps both to mitigate the possible risks arising from technological progress and to influence the course of that progress.

As a general policy, the Anvis Group pursues measures in all its plants to continually increase productivity, optimize processes and reduce labor costs. However, the productivity of the plants in Decize (France) and in Mexico is still not satisfactory.

Anvis is exposed to exchange rate risks, which are mitigated in part, however, by means of local sourcing.

Anvis sees business opportunities in its international presence and its ability to participate in fast-growing markets like China, India and Russia. In addition, Anvis intends to step up its sales efforts in the U.S. market, which is currently in a state of upheaval. To that end, the company will take advantage of its good relationships with customers like VW and BMW. The company believes it can exploit further opportunities by restructuring its management, by making full use of the expertise of its specialists and skilled workers and by continually implementing process improvements in all areas of the company.

Based in Sundern, in the Sauerland region of Germany, Carl Froh is a manufacturer of precision tubes and components built to customer specifications. The company manufactures low-tolerance welded precision steel tubes designed to meet special demands. It also develops comprehensive solutions for premium-quality components and modules for a wide range of applications. By virtue of its locally rooted expertise, Carl Froh is capable of manufacturing welded and custom-rolled tubes that meet the highest quality standards. The steel processor has a broad customer base. It generates almost half its revenues with customers in the automotive industry and about 40% of its revenues with industrial customers.

On the purchasing side, Carl Froh exhibits the dependence on strip steel that is typical for this industry. The company is frequently not able to pass on higher steel prices to customers until after a certain delay. In the current financial year, the company faces new challenges in the form of the price increases for input materials, some of which substantial, that have been announced by steelmakers. Also, the terms of supply contracts for steel materials will be shorter in the future; for the time being, steel makers are only offering supply contracts with terms of one month or one quarter. In the segment of strip steel, prices are being quoted only on a short-term basis.

Carl Froh disposes of modern, state-of-the-art production equipment. The company plans to continually renew its production peripherals to ensure that its pre-production and post-production areas are also state of the art. In addition, Carl Froh is planning to make innovation investments in connection with new orders. Those measures are intended to further improve product quality in the short to medium term and tap new areas of production, so as to capture a larger share of the value chain.

The introduction of a new ERP system (abas), in conjunction with Babtec (quality assurance) and Zeus (payroll processing), which were installed as planned around the middle of this year, will lead to more efficient production planning and consequently to a further reduction in inventories of semi-finished and finished goods.

Other specific investments are needed to further reduce the risk of production down times. In support of these goals, the company provides regular training and continuing education courses to new and existing employees. Employee turnover at Carl Froh has been very low for years and the company can rely completely on its top performers in key positions. In the next few years, the company intends to rejuvenate the age structure of its workforce by sponsoring more vocational training programs for younger employees.

In 2010, the company plans to acquire aluminum purification equipment and invest in a surface water collection and purification plant.

In view of the currently strained financial position and liquidity situation of the company, the management has assigned the highest priority to preserving the company's financial equilibrium. The company has access to a stable factoring facility, which has been firmly committed through May 2011 and will cover the company's operational liquidity needs according to the anticipated, normal planning scenario. The optimization measures initiated in materials management will reduce the volume of tied-up resources in current assets; in addition, the company owns business assets that are not required for its operations and can exploit additional potential in the financing and usage of buildings, which can be used to generate liquidity. To strengthen the company's liquidity, the ARQUES Group disbursed two loans in the total amount of EUR 1.0 million in 2010 to cover the additional liquidity needs associated with the recovering economic conditions and to finance future growth.

If the normal planning scenario would not materialize, significant risks to the company's further development could arise in the form of an intensified price war in the market and difficulties in the financing of necessary capital expenditures related to specific orders.

The purchase price obligations of Carl Froh falling due in 2010 are secured by a letter of comfort issued by ARQUES Industries AG.

In June 2009, Carl Froh GmbH created property liens in favor of a bank in the amount of EUR 10 million as security for a loan extended to ARQUES. When the secured liability is repaid at the end of financial year 2010, at the latest, the property lien will be released, so that the security furnished by the company in favor of ARQUES will not be executed. In this connection, we point out that Carl Froh GmbH is dependent on ARQUES' ability to repay the secured liabilities; otherwise, its continued existence as a going concern would be threatened.

Gigaset Communications operates in the market for consumer terminal devices (telecommunications terminals), and specifically in the markets for cordless and analog telephones. Gigaset Communications holds a

very strong position in the retail segment by virtue of its strong brand name and its well-balanced product assortment. The company ranks fifth in the world in the market for DECT phones (Digital Enhanced Cordless Telecommunications, a leading cordless phone standard) and is the clear market leader in Western Europe.

The products of Gigaset Communications are widely used and appreciated by customers in the retail distribution sector by reason of the company's strong brand name and innovative product portfolio. In the final analysis, the company's very good market positioning reflects a high level of product acceptance. Because the company normally cooperates with such customers on the basis of steady, long-term relationships, the dependence on individual retailers and distributors is generally minor. When venturing into new markets, however, the company may be subject to greater dependence on individual customers at first. For its purchasing of raw materials and supplies, the company generally works with at least two suppliers. Gigaset Communications has established a supplier management center in Shanghai to manage and control its cooperation with suppliers in Asia. Gigaset seeks to avoid becoming dependent on individual suppliers with respect to prices, unit quantities and innovations by cultivating a broad supplier base. Nonetheless, the company is partially dependent on individual suppliers. Furthermore, a large number of components required for the company's production operations are purchased in the U.S. dollar zone, giving rise to currency risks. Such risks are limited primarily by means of forward currency contracts. Finally, there is a risk associated with the fact that Gigaset's production activities are concentrated at a single manufacturing facility in Bocholt. Trade dealings with foreign subsidiaries could possibly give rise to tax risks related to transfer pricing.

Gigaset Communications will be allowed to use the renowned Siemens brand name for its products until 2011. Thereafter, there is a risk that the loss of licensing rights to the Siemens brand name could have a negative impact on the company's brand familiarity and market position, especially in regions outside of Europe, due to the strong international competition that prevails in those regions. The company intends to engage in targeted PR and marketing activities to familiarize a broad swath of the public with the Gigaset brand name and thereby protect its market position. Furthermore, a detailed, planned transition from the Siemens Gigaset brand to the (stand-alone) Gigaset brand will be implemented in the period through 2011. An earlier transition to the new brand could become necessary if the licensor would cancel the brand licensing agreement on short notice due to a change of control in the shareholder structure.

The company counters the risk of receivables losses by carrying trade credit insurance, applying strict receivables management and operating an effective payment reminder system. Based on historical data, the

risk of receivables losses is considered to be low. A receivable related to the sale of the home media business in Spain is subject to the risk of a partial write-off by reason of a contractual clause. Gigaset Communications is subject to relatively pronounced seasonal liquidity fluctuations. The company has adequate cash, current receivables and assets to meet its current payment obligations. The company's ability to furnish collateral for new credit facilities is limited due to the necessity of obtaining the shareholders' consent. Furthermore, the rulings to be issued under pending arbitration proceedings could give rise to additional liquidity needs. Certain changes in the shareholder structure could render loans due and payable immediately and therefore also give rise to additional financing needs. Also, the company is basically subject to the risk of general price erosion for its product assortment and the risk that its market will shrink in the medium-term future.

Proactive management of R&D programs will help to cut costs and simultaneously accelerate technological progress in future-looking segments like Voice over IP telephony (VoIP).

Generally speaking, the positive development of the Gigaset Group over the next two fiscal years will depend on the company's ability to achieve its revenue, profit, cost-saving and liquidity targets. Existing factoring lines are to be continued in order to avoid expensive refinancing measures. The company's ability to extend its factoring lines is limited, due to the necessity of obtaining the shareholders' consent. The company's ability to reduce its personnel expenses will be influenced by the possible conclusion of a supplementary collective bargaining agreement in the future and by the implementation of additional restructuring measures. Furthermore, contractual risks related to earlier employee lay-offs exist to a minor extent.

Gigaset Communications sees business opportunities in developing regional growth markets (Asia) using the established Gigaset brand and making use of the existing worldwide distribution network. On the other hand, the company is exposed to the risk that the planned development of growth markets will not succeed as well as planned. The company possesses ample specialized expertise in research and development to meet the rising technological demands of the market and even to roll out innovative new products itself. Nonetheless, the company is generally subject to risks associated with delays in research and development projects, although these are to be considered low in the case of Gigaset. The company's patent portfolio is continuously monitored and further developed in order to protect against possible patent infringements. In its production operations, the company benefits from its well-established value chain and logistical operations, which are understood, especially in Europe, to be something that differentiates the company from its competitors that manufacture their products outside

of Europe, due to delivery time and flexibility considerations. Forecast models are employed to identify capacity utilization risks and take appropriate counter measures at an early stage.

Gigaset Communications sees additional business opportunities in pursuing partnerships with contract manufacturers. Under such partnerships, the products of other manufacturers would be sold or different products combined under the Gigaset brand or, over the next two years, also under the Siemens label.

Finally, the Bocholt production facility has been honored on many occasions for its efficient production processes.

Oxxynova GmbH produces dimethyl terephthalate (DMT), an input material used in polyester production. Polyesters are used primarily for the production of textile fibers and technical fibers, foils and films, and as a specialized plastic for the electronics and automotive industries.

Industry-specific risks consist primarily in the possibility that customers could substitute other products for DMT. Other risks arise from the fact that Oxxynova generates a large proportion of its unit sales with only a few large-scale customers and with customers in the automotive industry, and the fact that the company is dependent on a small number of suppliers. Furthermore, any deterioration in general or industry-specific demand could lead to massive declines in unit sales.

Oxxynova relocated its entire head office, including sales and administration functions, to Steyerberg at the end of 2008 and concentrated DMT production at the Steyerberg facility. DMT production had been discontinued at the Lülsdorf facility already at the beginning of 2008. These restructuring measures lowered the risk of excess capacity in the area of DMT production and secured the long-term profitability of the remaining facility. Because it was not possible to sell or find some other use for the Lülsdorf site, far-reaching restructuring measures were initiated, some of which have been implemented already, with the ultimate goal of dismantling the facility. The information currently available indicates that the dismantling costs would likely be covered by the proceeds from the sale of scrap. Unforeseeable problems with the final closure process could lead to liquidity burdens. The definite goal is for Oxxynova to concentrate exclusively on the production and marketing of DMT with the one major facility in Steyerberg.

Another fundamental risk is that customers whose revenues may not be fully eligible for credit insurance may run into economic difficulties, leading to defaults on payments. As is usual in this industry, there is a dependence on senior executives in marketing and production, due to their specific expertise in these areas.

The company is exposed to liquidity and financing risks as a result of the general economic conditions and the course of business in 2009. The options for borrowing additional funds are limited by the current financing structure. The loss of sale-and-lease-back, factoring and intra-group loans as funding possibilities, coupled with the reduction of supplier credit loans, could lead to risks that would threaten the company's continued existence as a going concern if it would prove impossible to close the ensuing funding gaps by other means. Based on the current financial plans, however, we believe that Oxxynova will be able to meet all its payment obligations when due in the future as well.

SM Electronic distributes satellites and antenna receivers (digital TV) under the "SKYMASTER" brand, as well as electronic accessories for audio, video, home cinema, car hi-fi, navigation and multimedia, among other applications. Based in Stapelfeld near Hamburg, the company has a relatively broad customer base and supplies large specialist outlets, department stores and retail chains in Germany and other European countries. The company is thus exposed to general fluctuations in consumer purchasing behavior. The company has long-term contracts with major customers. SM Electronic is constantly adding new lines and segments to its business activities with a view to enhancing the existing product and customer portfolio. The German consumer electronics market is characterized by a large number of participants and strong downward pressure on prices. On the products side, the high rate of product returns has been considerably reduced. The situation regarding purchasing remains unchanged, however, and the company is exposed to fluctuations in the exchange rate of the US-dollar.

The company has implemented succession and alternate representation arrangements to reduce personnel-related risks. The order management system has been optimized to even out load fluctuations in the operational area. Externally contracted services, which entailed a loss of control over cost, have been replaced with internally provided services.

SM Electronic believes that it can exploit considerable business opportunities by optimizing its product portfolio through the introduction of new brands and the reorientation of the international business.

van Netten is a confectionery manufacturer based in Dortmund that supplies large retail chains and discount retailers mainly with trade brand products. The company has a few major customers, giving rise to the associated dependencies. The loss of a major customer would have a sustained negative impact on van Netten's business development. The downward pressure on prices is high due to strong competition. Also, the rising cost of raw materials, including raw cocoa and gelatins, continues to put pressure on the company's cost structure. There is a certain dependence on employees with specialized expertise in product development and sales. van Netten has a broad supplier base, so there is hardly any dependence on individual suppliers.

The company has modern production and development equipment and is therefore capable of completely satisfying individual customer requests. Accordingly, van Netten is seeking to expand its existing customer relationships with newly developed confectionery, among other things, and to advance the internationalization of its operations. van Netten sees considerable opportunities for expansion primarily in its export markets, especially Eastern Europe.

Wanfried-Druck Kalden produces folding boxes and labels. Its customers include large corporate groups in the food, consumer goods and beverage industries. To that extent, the company is subject to the general fluctuations of consumer purchasing behavior. The market segments of labels and folding boxes are dominated by medium-sized enterprises. Consequently, the risks to future development exist primarily in the market and competitive environment, together with the ensuing pressure on margins. There is strong competition among market participants, with the attendant risk of declining market prices. There is also strong pressure to invest in new, more efficient machinery. Wanfried-Druck Kalden has a relatively small customer base of about 200 customers, so that the loss of one major customer would immediately have a lasting impact on revenues and earnings. The continuing concentration process among its customers is increasing the pressure on its profit margins. Owing to the limited number of paper and box suppliers, there is a certain dependence in the purchasing market. Price increases in this area can generally be passed on to customers only after a certain delay.

Wanfried-Druck has been implementing a detailed restructuring plan since the beginning of the year. Above all, the plan entails measures aimed at optimizing the customer portfolio, a restructuring agreement with the Ver.di trade union, lower overheads and special restructuring contributions from both the owner and the company's main bank. At the end of the first half of 2010, it was evident that the implementation is largely proceeding according to plan.

The shareholder has already done its part by contributing fresh funds to the additional paid-in capital reserve. Furthermore, the restructuring agreement with the trade union has been completely negotiated and the contributions of both the company's main bank and the German state of Hesse have been approved by the Hesse State Ministry of Finance.

The optimization of the customer portfolio, which entails controlled revenue decreases, is proceeding according to plan. By virtue of the company's very close and longstanding relationships with customers, it can be assumed that no further, serious revenue losses will ensue.

Nonetheless, the basic operating conditions will remain difficult in 2010. Due to scarcities in the raw material markets, the delivery times for cardboard and paper are continually lengthening and are now up to 18

weeks, while purchase prices are also rising. To counter these effects, it will be necessary to adjust prices on the sales side, pursue consequential contract negotiations and conduct even stricter planning in procurement, production and logistics. So far, Wanfried-Druck has managed to implement these measures effectively. Nonetheless, the achievement of these goals remains uncertain in many respects, so that profit losses could occur in isolated instances.

Assuming that the implementation of the restructuring plan proceeds in the second half of 2010 with the same degree of success as in the first half, it can be assumed that the planned restructuring success will be achieved and the company's development stabilized by the end of this year.

Group-wide systematic risk management

Risk management at ARQUES forms an integral part of corporate management and planning. The purpose of risk management is to help achieve the goals set as part of the business strategy by systematically and promptly identifying, recording, reporting and managing risks on all levels and in all units of the Group. That makes it possible to avoid developments that might jeopardize the company's continued existence as a going concern and to optimally exploit the available business opportunities.

The risk profile and the risk management process are defined, coordinated and monitored on the corporate level and implemented operationally in the holding company and in the individual subsidiaries. Risks are identified, systematically recorded and assessed, and measures defined, wherever the greatest expertise and assessment capability exists.

Uniform standards for risk recording, documentation and monitoring are applied throughout the corporate group, as documented in the ARQUES Risk Management Manual. The Corporate Risk Manager monitors compliance with the mandatory guidelines. The risk management process and the functional effectiveness of that process have been audited and provided with an unqualified certification by the independent auditors.

ARQUES employs a systematic, web-based risk management system known as ArqRisk to record all risks throughout the corporate group and to present the risks separately for each subsidiary or on aggregate for the entire Group. Thus, the system makes it possible to control and manage individual risks efficiently on the subsidiary level, while also providing an up-to-date, comprehensive picture of the Group's overall risk situation. Therefore, compliance with and monitoring of the risk strategy adopted for the ARQUES Group by the Executive Board is assured to the greatest extent possible.

The Corporate Risk Manager is tasked with constantly refining and improving the system, monitoring and coordinating the Group-wide risk management system and reporting to the management.

Besides training courses and seminars, the company provides checklists and what is known as the Risk Atlas as tools to assist in systematic risk identification. The Risk Atlas shows the areas to which risks can typically be allocated at ARQUES.

A 4x4 matrix is employed to assess risks on a quantitative basis with respect to the factors of probability of occurrence and the extent of loss or damage. The matrix is used to assess the possible impact on earnings of a negative event over a period of 12 months. Appropriate risk mitigation or risk avoidance measures and the name of the responsible manager in every case are recorded for each individual risk, along with the grounds for the given assessment. The extent of loss or damage is assessed on the basis of the measures implemented to date, but does not include planned measures. The classification results are presented in tabular format in a so-called risk map or illustrated in a portfolio.

Reports on the current situation of all subsidiaries are submitted to the Executive Board on a regular basis.

All risks are completely updated on a quarterly basis. Furthermore, the emergence of significant new risks or the actual occurrence of significant existing risks are documented and reported immediately to the Executive Board, regardless of the normal reporting schedule. The Executive Board, in turn, informs the company's Supervisory Board about the risk situation and risk management system at regular intervals.

The business responsibility for the risk management process lies with the operating units on the level of the subsidiaries. Accordingly, operational risk management is conducted within these companies. Moreover, each employee is responsible for identifying and managing risks within his or her immediate area of responsibility. The management of every subsidiary is responsible for coordinating and tracking risks. All risks and information deemed to be significant on the basis of risk management criteria must be reported immediately to the management, as well as the Group Executive Board and Corporate Risk Manager, when appropriate.

Other risk management activities include personal visits by members of the Executive Board to the subsidiaries on a regular basis in order to obtain a first-hand impression of their current developments and the attention given to risk considerations as part of the annual budgeting process. Furthermore, the ARQUES Task Force is available to assist with substantial and prompt intervention in the event of undesirable developments at individual subsidiaries. Finally, the ARQUES business

model, under which every subsidiary manager holds an equity stake in the company to be restructured under his leadership, assures that the subsidiary's interests are aligned with those of ARQUES.

In parallel to the risk management process, the Subsidiary Controlling department performs monthly actual vs. budget comparisons and adjusts the budget and current forecast figures promptly, as needed. Liquidity management is performed on the basis of weekly intervals. The timely provision of information to the Executive Board and the management of the subsidiaries makes it possible to devise and implement necessary counter-measures on short notice.

Qualifying comments

The internal control and risk management system makes it possible to fully record, process and assess company-related matters and present them in the consolidated financial statements. However, it is fundamentally not possible to completely exclude the possibility of personal discretionary decisions, deficient controls, other mistakes or other circumstances, any of which could possibly reduce the effectiveness of the control and risk management system employed by the company.

Summary of the situation of opportunities and risks

In addition to implementing a large number of concrete cost reduction measures in the subsidiaries, including the imposition of shortened work hours and lay-offs, ARQUES reviewed its entire portfolio with the aim of identifying those subsidiaries which would be too cost-intensive to restructure in times of a global economic crisis. In the meantime, ARQUES has divested itself of those subsidiaries. The remaining portfolio is continually reviewed with regard to the respective opportunity and risk profile. By means of the company sales, ARQUES was able to avoid having to provide additional financial assistance to those subsidiaries which would otherwise have been required from an economic perspective.

In response to the general economic conditions, ARQUES has initiated and largely implemented important steps to lower costs in the holding company as well. Thus, the holding company's fixed costs have been reduced considerably by means of a significant staff downsizing and a drastic reduction of externally purchased services.

Parties have expressed concrete interest in acquiring certain portfolio companies, based on their positive operating performance, and negotiations are being currently conducted on that subject.

Furthermore, ARQUES still has the option of reinforcing its equity base by issuing new shares from the Authorized Capital.

ARQUES Industries AG and the ARQUES Group are exposed to financial risks and risks arising from contingent liabilities that could pose a threat to their continued existence as a going concern.

In view of the measures that have already been implemented and those that have been planned, the Executive Board is currently of the opinion that the assumptions underlying the current business plan will come to fruition, such that the Group will have adequate financial resources to secure the continued existence of ARQUES Industries AG and the ARQUES Group, despite the risks described above. Apart from further debt-restructuring and intragroup financing measures, ARQUES assumes in its current business plan that additional subsidiaries can be sold, as necessary or expedient in order to completely stabilize the company and the Group and provide them with adequate financial resources so that they will be able to make targeted acquisitions of promising candidates in the future again. Therefore, the separate financial statements of the parent company and the consolidated financial statements of the Group have been prepared on the assumption of a going concern.

Significant events after the reporting date

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 26.4 million to consolidated revenues and EUR -0.3 million to consolidated EBITDA in fiscal 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.

Forecast report

Expected development of revenues and earnings: operating profit threshold targeted for 2010

Given the developments to date of the operating activities of our subsidiaries, we expect at least to generate a positive EBITDA for the full year 2010.

Expected changes in financial position, capital expenditures and liquidity development

As a result of the positive economic development of our subsidiaries, capital expenditures are increasingly being financed through internal cash flows and factoring. It remains difficult to obtain bank loans. Nevertheless, some of our subsidiaries have succeeded in obtaining new financing from banks or in having existing loan agreements extended. Consequently, we expect the liquidity situation of our subsidiaries to continue stabilizing.

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

The Executive Board of ARQUES Industries AG shares the view of economic experts that the global economy will gradually recover. We expect that this trend, coupled with further restructuring measures, will have a markedly positive effect on our operations, which will create opportunities to significantly improve our earnings and further improve the quality of our statement of financial position. However, given the risks and imponderables associated with the sustainability of the recovery, together with the persistently restrictive lending policies of banks, the current year will remain a challenging period of transition. It is still difficult to make reliable forecasts for the private equity industry.

On this basis, the Executive Board believes that the Group will stabilize in 2010. As for 2011 and beyond, the Executive Board anticipates an increasingly profitable development.

Starnberg, August 10, 2010

ARQUES Industries AG

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for the period from January 1 to June 30, 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
Impairments
EBIT
Income/ expenses from non-current assets accounted for by the equity method
Other interest and similar income
Interest and similar expenses
Net financial income/ expenses
Income/ expenses from ordinary activities
Income taxes
Consolidated net loss
thereof attributable to non-controlling 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 June 30, 2010

EUR'000
Consolidated net loss
Currency translation differences
Change in market value of available-for-sale securities
Other income and expenses recognized directly in equity
Total income and expenses recognized directly in equity
Total recognized income and expenses
thereof attributable to non-controlling interests
thereof attributable to shareholders of ARQUES Industries AG

	01/01 - 06/30/2010			01/01 - 06/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	480,821	43,822	524,643	465,909	1,895,278	2,361,187
	6,484	0	6,484	-5,896	1,369	-4,527
	10,897	0	10,897	9,176	837	10,013
	34,289	1,666	35,955	32,421	29,068	61,489
	-287,694	-24,983	-312,677	-285,239	-1,695,410	-1,980,649
	-107,236	-8,970	-116,206	-145,012	-98,085	-243,097
	-97,355	-13,503	-110,858	-120,545	-99,876	-220,421
	40,206	-1,968	38,238	-49,186	33,181	-16,005
	-28,830	-285	-29,115	-34,205	-12,220	-46,425
	0	-7,799	-7,799	-14,084	-38,137	-52,221
	11,376	-10,052	1,324	-97,475	-17,176	-114,651
	106	0	106	180	15	195
	264	8	272	1,517	463	1,980
	-6,648	39	-6,609	-11,423	-7,969	-19,392
	-6,278	47	-6,231	-9,726	-7,491	-17,217
	5,098	-10,005	-4,907	-107,201	-24,667	-131,868
	-3,217	-3	-3,220	18,057	-3,200	14,857
	1,881	-10,008	-8,127	-89,144	-27,867	-117,011
	547	-3	544	-185	-1,383	-1,568
	1,334	-10,005	-8,671	-88,959	-26,484	-115,443
	0.05	-0.38	-0.33	-3.37	-1.00	-4.37
	0.05	-0.38	-0.33	-3.37	-1.00	-4.37

	01/01 - 06/30/2010			01/01 - 06/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	1,881	-10,008	-8,127	-89,144	-27,867	-117,011
	2,531	49	2,580	-1,961	5,068	3,107
	0	0	0	0	0	0
	0	0	0	0	0	0
	2,531	49	2,580	-1,961	5,068	3,107
	4,412	-9,959	-5,547	-91,105	-22,799	-113,904
	547	-3	544	-185	-1,383	-1,568
	3,865	-9,956	-6,091	-90,920	-21,416	-112,336

Consolidated Income Statement for the period from April 1 to June 30, 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
Impairments
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 loss
thereof attributable to non-controlling interests
thereof attributable to shareholders of ARQUES Industries AG
Earnings per common share
- Basic earnings per share, in EUR
- Diluted earnings per share, in EUR

Statement of Comprehensive Income for the period from April 1 to June 30, 2010

EUR'000
Consolidated net loss
Currency translation differences
Change in market value of available-for-sale securities
Other income and expenses recognized directly in equity
Total income and expenses recognized directly in equity
Total recognized income and expenses
thereof attributable to non-controlling interests
thereof attributable to shareholders of ARQUES Industries AG

	04/01 - 06/30/2010			04/01 - 06/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	236,059	21,683	257,742	238,760	889,718	1,128,478
	1,409	0	1,409	-1,698	519	-1,179
	5,789	0	5,789	5,029	298	5,327
	23,249	707	23,956	22,049	4,593	26,642
	-143,240	-12,010	-155,250	-146,732	-792,634	-939,366
	-52,276	-4,072	-56,348	-61,829	-46,369	-108,198
	-57,296	-5,803	-63,099	-65,201	-48,782	-113,983
	13,694	505	14,199	-9,622	7,343	-2,279
	-14,683	-158	-14,841	-18,000	-5,970	-23,970
	0	-4,881	-4,881	-12,773	-38,137	-50,910
	-989	-4,534	-5,523	-40,395	-36,764	-77,159
	-8	0	-8	-64	3	-61
	-153	6	-147	448	205	653
	-3,843	-29	-3,872	-6,793	-3,346	-10,139
	-4,004	-23	-4,027	-6,409	-3,138	-9,547
	-4,993	-4,557	-9,550	-46,804	-39,902	-86,706
	391	0	391	9,491	-1,274	8,217
	-4,602	-4,557	-9,159	-37,313	-41,176	-78,489
	253	669	922	-115	-1,344	-1,459
	-4,855	-5,226	-10,081	-37,198	-39,832	-77,030
	-0.18	-0.20	-0.38	-1.41	-1.51	-2.92
	-0.18	-0.20	-0.38	-1.41	-1.51	-2.92

	04/01 - 06/30/2010			04/01 - 06/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	-4,602	-4,557	-9,159	-37,313	-41,176	-78,489
	2,020	7	2,027	-1,561	3,331	1,770
	0	0	0	0	0	0
	0	0	0	0	0	0
	2,020	7	2,027	-1,561	3,331	1,770
	-2,582	-4,550	-7,132	-38,874	-37,845	-76,719
	253	669	922	-115	-1,344	-1,459
	-2,835	-5,219	-8,054	-38,759	-36,591	-75,260

Consolidated Balance Sheet at June 30, 2010

ASSETS IN EUR'000	06/30/2010	12/31/2009
Non-current assets		
Intangible assets	59,324	60,181
Property, plant and equipment	167,641	184,599
Investment property	221	226
Non-current assets accounted for by the equity method	483	4,828
Financial assets	2,855	2,905
Other non-current assets	21	18
Deferred tax assets	4,304	3,693
Total non-current assets	234,849	256,450
Current assets		
Inventories	93,532	93,669
Receivables from percentage of completion	0	0
Trade receivables	117,110	131,283
Available-for-sale financial assets	762	636
Other assets	63,964	78,216
Tax refund claims	4,199	3,744
Cash and cash equivalents	69,322	74,915
	348,889	382,463
Assets held for sale	25,408	19,037
Total current assets	374,297	401,500
Total assets	609,146	657,950

Consolidated Balance Sheet at June 30, 2010

EQUITY AND LIABILITIES IN EUR'000	06/30/2010	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	-7,988	-1,920
	112,284	118,352
Non-controlling interest	2,697	3,109
Total equity	114,981	121,461
Non-current liabilities		
Pension obligations	32,495	32,285
Provisions	22,664	32,231
Financial liabilities	33,312	37,989
Liabilities under financial leases	2,351	2,782
Other liabilities	16,397	16,870
Deferred tax liabilities	18,165	17,944
Total non-current liabilities	125,384	140,101
Current liabilities		
Provisions	33,617	37,302
Financial liabilities	50,787	49,704
Liabilities under finance leases	1,575	1,666
Trade payables	147,892	180,398
Tax liabilities	7,503	7,864
Other liabilities	102,387	100,417
	343,761	377,351
Liabilities related to assets held for sale	25,020	19,037
Total current liabilities	368,781	396,388
Total equity and liabilities	609,146	657,950

Consolidated Statement of Changes in Equity at June 30, 2010

EUR'000	SUBSCRIBED CAPITAL
December 31, 2008	26,402
IFRS 3.61ff.	0
December 31, 2008	26,402
1 Appropriation to retained earnings	0
2 Withdrawal from additional paid-in capital	0
3 Stock option program	0
4 Changes in non-controlling interests	0
5 Other changes	0
6 Total transactions with shareholders	0
7 Consolidated net loss 2009	0
8 Non-controlling interests	0
9 Consolidated net loss after non-controlling interests	0
10 Currency translation differences	0
11 Total changes not recognized in income	0
12 Total net income (9+11)	0
13 Treasury shares	0
December 31, 2009	26,402
1 Appropriation to retained earnings	0
2 Dividend payment 2009	0
3 Capital increase	0
4 Changes in non-controlling interests	0
5 Other changes	0
6 Total transactions with shareholders	0
7 Consolidated net loss 2010	0
8 Non-controlling interests	0
9 Consolidated net loss after non-controlling interests	0
10 Stock option program	0
11 Currency translation differences	0
12 AfS securities	0
13 Other changes	0
14 Total changes not recognized in income	0
15 Total net income (9+14)	0
16 Treasury shares	0
June 30, 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	23	0	23
0	0	0	-956	-956
0	0	0	0	0
0	0	23	-956	-933
0	0	-8,671	0	-8,671
0	0	0	544	544
0	0	-8,671	544	-8,127
0	0	0	0	0
0	0	2,580	0	2,580
0	0	0	0	0
0	0	0	0	0
0	0	2,580	0	2,580
0	0	-6,091	544	-5,547
0	0	0	0	0
73,580	20,290	-7,988	2,697	114,981

Consolidated Cash Flow Statement for the Period from January 1 to June 30, 2010

EUR'000	01/01 – 06/03/2010	01/01 – 06/30/2009
Income/ expenses from ordinary activities	-4,907	-131,868
Reversal of negative goodwill	0	-9,731
Depreciation and amortization of PP&E and intangible assets	29,115	46,425
Impairments	7,799	52,221
Increase (+)/ decrease (-) in pension provisions	128	2,219
Profit (-)/ loss (+) on the sale of non-current assets	1,337	-528
Profit (-)/ loss (+) from deconsolidations	0	7,074
Profit (-)/ loss (+) from currency translation	3,242	-5,524
Issuance of stock options	23	481
Net changes from measurement at equity	-106	-195
Other non-cash income and expenses	-10,983	-13,961
Net interest income/ expenses	6,337	17,412
Interest received	230	618
Interest paid	-2,665	-10,315
Income taxes paid	-2,275	-8,016
Increase (-)/ decrease (+) in inventories	-18,100	-10,162
Increase (-)/ decrease (+) in trade receivables and other assets	27,278	-25,328
Increase (+)/ decrease (-) in trade payables, other liabilities and other provisions	-31,191	23,539
Increase (+)/ decrease (-) in other line items of the statement of financial position	1,609	23,132
Cash inflow (+)/ outflow(-) from operating activities (net cash flow)	6,871	-42,509
Cash outflows for the purchase of shares in companies	-981	-563
Cash acquired in connection with purchased shares in companies	0	1,512
Cash inflows from the sale of shares in companies	-35	15,157
Cash transferred in connection with the sale of shares	-760	-27,104
Cash inflows from the sale of non-current assets	4,700	1,987
Cash outflows for investments in non-current assets	-7,131	-14,527
Cash inflow (+)/ outflow (-) from investing activities	-4,207	-23,538
Free cash flow	2,664	-66,047
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	-4,429	-27
Cash inflows from the borrowing of non-current financial liabilities	0	16,511
Repayment of non-current financial liabilities	-1,065	-3,488
Cash outflows related to liabilities under finance leases	-618	-2,611
Cash inflow (+)/outflow(-) from financing activities	-6,112	10,385
Net funds at beginning of period	60,784	123,424
Changes caused by exchange rate differences	-2,585	-2,317
Net funds at beginning of period, measured at the exchange rate on the reporting date	63,369	125,741
Increase(-)/ decrease (+) in restricted cash	4,652	16,734
Change in net funds	-3,448	-55,662
Net funds at end of period	61,989	86,813
Restricted cash	9,477	16,777
Cash and cash equivalents	71,465	103,590
Cash and cash equivalents presented in the statement of financial position as assets held for sale	2,143	12,477
Statement of financial position	69,322	91,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2010

General information on accounting and valuation methods

The consolidated financial statements of ARQUES Industries AG at June 30, 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 June 30, 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 June 30, 2010 were observed, leading to the presentation of a true and fair view of the financial position, changes in financial position and financial performance of the ARQUES Group.

The notes to the consolidated financial statements for 2009 apply accordingly to the present semiannual 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 financial year 2010:

- Amendments to IFRS 1 First-time Adoption of IFRS
- 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 and 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
- Collective standard "Improvements to IFRS"

The amendments to IFRS 1 First-time Adoption of IFRS pertain only to the formal structure of IFRS 1. In particular, the general provisions of the standard were presented separately from the specific provisions. The new structure is meant to improve the clarity and usability of IFRS 1. The first-time application of these amendments is required in financial years that begin on or after January 1, 2010. They did not have any effects on the semiannual 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 in cash. The amendments to IFRS 2 also incorporate guidance in the Standard that was previously included in IFRIC 8 and IFRIC 11. Therefore, 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 non-controlling interests, the recognition of business combinations achieved in stages and the treatment of contingent purchase price components and acquisition-related costs.

The amendments to IAS 27 Consolidated and Separate Financial Statements mainly specify the accounting treatment of transactions under which the company retains control, as well as transactions under which it loses control of another company. 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 non-controlling 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 when hybrid financial instruments are reclassified out of the "fair value through profit and loss" category. The first-time application of these amendments is required in financial years that begin on or after June 30, 2009. They had no effects on the semiannual financial statements.

The amendments to IAS 39 Financial Instruments: Recognition and Measurement clarify the inflation risk of an underlying financial instrument and the unilateral risk of an underlying instrument for hedge accounting purposes. The first-time application of these amendments is required in financial years that begin on or after July 1, 2009. They had no effects on the semiannual financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation: The objective of this Interpretation is to clarify two issues arising in connection with the two Standards IAS 21 The Effects of Changes in Foreign Exchange Rates and IAS 39 Financial Instruments: Recognition and Measurement, having to do with the accounting treatment of hedges of currency risks within a company and its foreign operations. The first-time application of IFRIC 16 is required in financial years that begin on or after July 1, 2009. It had no effects on the semiannual financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners: This Interpretation addresses issues related to the measurement of non-cash assets distributed to owners as a form of profit distribution. The first-time application of IFRIC 17 is required in financial years that begin on or after October 1, 2009. It had no effects on the semiannual financial statements.

IFRIC 18 Transfers of Assets from Customers: IFRIC 18 is particularly relevant to utilities (e.g., energy utilities). The Interpretation clarifies the accounting treatment of assets which an enterprise receives from a customer, and must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (e.g., energy, natural gas or water). The first-time application of IFRIC 18 is required in financial years that begin on or after July 1, 2009. It had no effects on the semiannual 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 above-mentioned amendments since January 1, 2010. The amendments have no material effects on the presentation of the financial position, changes in financial position and financial performance of the ARQUES Group.

Non-current disposal groups held for sale and discontinued operations

In accordance with IFRS 5, non-current assets and liabilities are presented separately as "held for sale" in the statement of financial position 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 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 assets held for sale are presented separately as liabilities held for sale in the statement of financial position. Additional disclosures are provided for discontinued operations.

The assets and liabilities presented as held for sale at June 30, 2010 relate to the companies of the SM Electronic Group, Stapelfeld (Retail segment), and to the companies of the Golf House Group, Hamburg (Retail segment), because these companies meet the criteria of IFRS 5. Assets and liabilities were measured at the lower of their carrying amounts or their fair values less costs to sell.

At June 30, 2010, the assets and liabilities of the disposal group were composed as follows:

EUR'000	AMOUNT BEFORE IMPAIRMENT	IMPAIRMENT AS PER IFRS 5	AMOUNT AFTER IMPAIRMENT
Assets			
Intangible assets	770	-770	0
Property, plant and equipment	1,802	-1,802	0
Financial assets	0	0	0
Inventories	10,799	-4,002	6,797
Current receivables and other assets	24,373	-7,905	16,468
Cash and cash equivalents	2,143	0	2,143
Deferred tax assets	72	-72	0
Total	39,959	-14,551	25,408
Liabilities			
Interest-bearing liabilities	2,907	0	2,907
Provisions	1,054	0	1,054
Other liabilities	20,352	0	20,352
Deferred tax liabilities	707	0	707
Total	25,020	0	25,020

Because IFRS 5 prescribes that impairment losses be recognized on the basis of fair value less costs to sell, an impairment of EUR 14,551 thousand was recognized for the disposal group.

Because the Fritz Berger Group was sold in the second quarter of 2010 and also because all other companies of the Retail segment are being offered for sale, the Retail segment has been classified as a discontinued operation. In the consolidated income statement, the results of the Retail segment are presented as discontinued operations in all reporting and comparison periods.

The cash flows attributable to the discontinued operation are presented below:

EUR'000	01/01/ - 06/30/2010	01/01/ - 06/30/2009
Cash inflow (+)/ outflow (-) from operating activities	-2,969	-6,874
Cash inflow (+)/ outflow (-) from investing activities	-1,232	-10,955
Cash inflow (+)/ outflow (-) from financing activities	-194	235
Change in cash and cash equivalents	-4,395	-17,594

Changes in the consolidation group

Explanatory notes on company sales

Effective April 29, 2010, the Fritz Berger Group (part of the Retail segment) was sold to a strategic investor. The transaction volume amounted to EUR 4.3 million (sale of shares EUR 0.0 million and redemption of intercompany loans EUR 4.3 million). The sold assets amounted to EUR 12.8 million, including cash and cash equivalents of EUR 0.8 million, and the transferred liabilities amounted to EUR 8.5 million. In consideration of consolidation effects and other costs related to the transaction, the deconsolidation result amounted to EUR 0.0 million. It is presented within other operating expenses.

The assets sold and liabilities transferred are presented below in aggregated form:

EUR'000	
Assets	
Intangible assets	0
Property, plant and equipment	295
Other assets	12,544
Total	12,839
Liabilities	
Provisions	3,177
Liabilities	5,356
Total	8,533

Segment report

EUR'000 01/01-06/30/2010	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	18,307	14,545	26,158	0
Continuing operations	18,307	14,545	26,158	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Internal revenues	0	0	0	0
Continuing operations	0	0	0	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total revenues	18,307	14,545	26,158	0
Continuing operations	18,307	14,545	26,158	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Segment earnings/ EBITDA	-81	891	1,668	0
Continuing operations	-81	891	1,668	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Depreciation and amortization	-1,497	-1,021	-1,630	0
Continuing operations	-1,497	-1,021	-1,630	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Impairments	0	0	0	0
Continuing operations	0	0	0	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Segment earnings/ EBIT	-1,578	-130	38	0
Continuing operations	-1,578	-130	38	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Income from non-current financial assets accounted for by the equity method				
Net interest income/ expenses				
Profit/loss before taxes				
Income tax expenses				
Consolidated net loss				

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNICATIONS	HOLDING	SERVICE	ELIMINATION	CONSOLIDATED
132,125	43,822	47,064	242,586	36	0	0	524,643
132,125	0	47,064	242,586	36	0		480,821
0	43,822	0	0	0	0		43,822
0	0	0	0	858	0	-858	0
0	0	0	0	858	0	-858	0
0	0	0	0	0	0	0	0
132,125	43,822	47,064	242,586	894	0	-858	524,643
132,125	0	47,064	242,586	894	0	-858	480,821
0	43,822	0	0	0	0	0	43,822
11,665	-1,968	4,062	26,168	-4,167	0	0	38,238
11,665	0	4,062	26,168	-4,167	0	0	40,206
0	-1,968	0	0	0	0	0	-1,968
-6,092	-285	-812	-17,707	-71	0	0	-29,115
-6,092	0	-812	-17,707	-71	0	0	-28,830
0	-285	0	0	0	0	0	-285
0	-7,799	0	0	0	0	0	-7,799
0	0	0	0	0	0	0	0
0	-7,799	0	0	0	0	0	-7,799
5,573	-10,052	3,250	8,461	-4,238	0	0	1,324
5,573	0	3,250	8,461	-4,238	0	0	11,376
0	-10,052	0	0	0	0	0	-10,052
							106
							-6,337
							-4,907
							-3,220
							-8,127

EUR'000 01/01-06/30/2009	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	17,390	29,302	29,189	1,748,730
Continuing operations	17,390	29,302	29,189	0
Discontinued operations	0	0	0	1,748,730
Internal revenues	0	0	0	17
Continuing operations	0	0	0	0
Discontinued operations	0	0	0	17
Total revenues	17,390	29,302	29,189	1,748,747
Continuing operations	17,390	29,302	29,189	0
Discontinued operations	0	0	0	1,748,747
Segment earnings/ EBITDA	-1,243	2,108	880	26,952
Continuing operations	-1,243	2,108	880	-177
Discontinued operations	0	0	0	27,129
Depreciation and amortization	-1,565	-2,648	-1,940	-9,727
Continuing operations	-1,565	-2,648	-1,940	38,137
Discontinued operations	0	0	0	-47,864
Impairments	0	0	0	-38,137
Continuing operations	0	0	0	0
Discontinued operations	0	0	0	-38,137
Segment earnings/ EBIT	-2,809	-540	-1,059	-20,912
Continuing operations	-2,809	-540	-1,059	0
Discontinued operations	0	0	0	-20,912
Income from financial assets accounted for by the equity method				
Net interest income/ expenses				
Profit before taxes				
Income tax expense				
Consolidated net loss				

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNICATIONS	HOLDING	SERVICE	ELIMINATION	CONSOLIDATED
101,311	49,523	25,725	262,988	4	97,025	0	2,361,187
101,311	0	25,725	262,988	4	0	0	465,909
0	49,523	0	0	0	97,025	0	1,895,278
0	0	0	8,110	3,989	0	-12,116	0
0	0	0	8,110	3,989	0	-12,107	-8
0	0	0	0	0	0	-9	8
101,311	49,523	25,725	271,098	3,993	97,025	-12,116	2,361,187
101,311	0	25,725	271,098	3,993	0	-12,116	465,892
0	49,523	0	0	0	97,025	0	1,895,295
-2,839	-2,292	-7,388	-29,185	-11,520	8,522	0	-16,005
-2,839	-355	-7,388	-29,185	-11,520	0	0	-49,719
0	-1,937	0	0	0	8,522	0	33,714
-5,139	-771	-855	-21,968	-90	-1,722	0	-46,425
-5,139	0	-855	-21,968	-90	0	0	3,932
0	-771	0	0	0	-1,722	0	-50,357
-782	0	0	-11,991	-1,311	0	0	-52,221
-782	0	0	-11,991	-1,311	0	0	-14,084
0	0	0	0	0	0	0	-38,137
-8,761	-3,063	-8,243	-63,143	-12,921	6,800	0	-114,651
-8,761	-356	-8,243	-63,143	-12,921	0	0	-97,832
0	-2,707	0	0	0	6,800	0	-16,819
							195
							-17,412
							-131,868
							14,857
							-117,011

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" and under the section of the notes to the consolidated financial statements entitled "Changes to the consolidation group." Beyond the events described therein, no significant events after the reporting date are known.

Affirmation of the legal representatives

"We affirm, to the best of our knowledge and in accordance with the accounting principles to be applied, that the consolidated financial statements present a true and fair view of the financial position, changes in financial position and financial performance of the Group, and that the management report presents a true and fair view of the Group's business performance, including its operating results, and its situation and that it accurately describes the principal opportunities and risks associated with the Group's anticipated development."

Starnberg, August 10, 2010

ARQUES Industries AG

The Executive Board

ARQUES



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