

ARQUES

REPORT FOR THE 3RD QUARTER
AND FIRST NINE MONTHS OF

2010

KEY FIGURES

EURM	01/01/2010 – 09/30/2010	01/01/2009 – 09/30/2009
Consolidated revenues	764.2	3,190.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	39.2	-6.1
Earnings before interest and taxes (EBIT)	-8.7	-124.6
Consolidated net profit/loss	-21.4	-125.1
Free cash flow	-5.2	-75.9
Earnings per share (diluted, EUR)	-0.81	-4.74

EURM	09/30/2010	12/31/2009
Total assets	556.9	658.0
Shareholders' equity	101.6	121.5
Equity ratio (%)	18.2	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 September 30, 2010	26,450,000
Capital stock on September 30, 2010 (EUR)	26,450,000
Closing price on September 30, 2010 (EUR)	1.55
52-week high (EUR)*	2.43
52-week low (EUR)*	0.77

* as on November 15, 2010

FOREWORD BY THE EXECUTIVE BOARD

Dear shareholders, business partners and other interested persons:

With an eye to the future of ARQUES, you the owners of the company chose to elect a new Supervisory Board by a majority vote at the annual shareholder meeting on August 26, 2010. At its constitutive meeting, the Supervisory Board elected Dr. Peter Löw to act as its Chairman. The Supervisory Board then appointed Mr. Maik Brockmann to the Company's Executive Board on September 1, 2010.

In making use of the capital increase authorized at the extraordinary shareholder meeting on May 30, 2006 and the annual shareholders' meeting on August 5, 2009, the Executive Board and the Supervisory Board decided to increase the company's capital stock by offering a rights issue to the shareholders. The subscription price was EUR 1.10 per share. The ratio for the rights issue was set at 2:1, meaning that one new share could be acquired for every two old shares held. The shareholders had the opportunity to register their subscriptions or oversubscriptions during the subscription period that ran from September 23 to October 6, 2010. There was no public trading in subscription rights.

A very large number of shareholders made use of their subscription rights to request a sum of 9.7 million shares. The total requested in excess of the subscription rights was 29.2 million shares. The total number of shares available was 13,216,670. This means that the demand for new shares was much greater than the supply.

The capital increase was filed with the competent court of registration on October 27, 2010 and the new shares were admitted for trading on the stock market on October 29, 2010. The capital increase raised the company's capital stock to EUR 39,666,670.

On November 11, 2010, furthermore, the Executive Board of ARQUES Industries AG decided to issue a senior, unsecured convertible bond in a total nominal amount of up to EUR 23,800,002. The Supervisory Board of ARQUES has already adopted the decision of the Executive Board.

The convertible bond is being issued to further reinforce the company's liquidity.

The convertible bond is divided into up to 11,900,001 bearer partial debentures of equal rank in a nominal amount or with an issue amount of EUR 2.00 each. It attracts interest of 9% per annum and is convertible into up to 11,900,001 shares of company stock.

The period of the convertible bond commences on December 1, 2010 and ends on December 31, 2012.

Based on a comprehensive internal analysis of ARQUES Industries AG, a resolution will be put to the shareholders for approval at the extraordinary shareholder on December 20, 2010 calling for the business model to be changed.

This change is to be enacted to the effect that

- the company will no longer target the acquisition of companies and participating interests for the purposes of restructuring and resale in the future, and
- the company will concentrate on the "telecommunications systems" segment and dispose of the other subsidiaries currently held by the company that do not support the activities of the subsidiary that will be retained.

A further item on the agenda of the extraordinary shareholder meeting will concern the creation of a new authorized capital increase of up to EUR 19,833,335. This move is intended to give the company greater financial leeway, should it be required.

By taking these radical steps, we aim to take ARQUES Industries AG in a promising direction and we're relying on your support to do so.

Sincerely yours,

The Executive Board
of ARQUES Industries AG

MANAGEMENT REPORT OF ARQUES INDUSTRIES AG AT SEPTEMBER 30, 2010

The business model of ARQUES Industries AG

The business model pursued by ARQUES Industries AG in the third quarter is unchanged since the Report for the first half of 2010. Changes to the business model are planned, however. Please refer to the Foreword of the Executive Board for comments on the planned changes.

General economic conditions and industry environment

Germany sustains growth in Europe

Despite some positive developments and a lasting recovery in the third quarter of the year, the International Monetary Fund (IMF) remains skeptical when it comes to the outlook for the global economy.

The main concerns surround the incomplete reforms of the financial sector and the prospects for the future of countries with high levels of public debt. According to the IMF's forecasts, global growth will slow slightly from the 4.8 percent currently still projected for 2010 to 4.2 percent in 2011.

The IMF reduced its economic forecast for the United States this year by 0.7 percentage points to 2.6 percent. According to the IMF, private consumption in the U.S. has fallen tangibly, with shrinking household incomes and the relatively high level of unemployment dampening demand among Americans.

In contrast, Asian emerging markets continue to perform well. The IMF expects to again enjoy growth rates well in excess of six percent in 2010, once more driving the worldwide recovery.

Europe remains the problem child, even though the IMF believes that the risk of a double-digit recession has declined overall. In line with this view, the forecasts for 2010 have been raised by a moderate 0.7 percentage points to 1.7 percent and for 2011 by 0.2 percentage points to 1.5 percent. Nevertheless, the euro area will continue to lag behind the other developed economies in terms of economic growth.

Germany is currently having a positive influence on developments in Europe. The IMF has raised its projection for Germany this year by 1.9 percentage points to 3.3 percent and by 0.4 percentage points to 2.0

percent for 2011. According to the experts, Germany is weathering the consequences of the financial and euro crisis much better than its European neighbors.

Inflation in the euro area is predicted by the IMF to be 1.6 percent in 2010 and only 1.5 percent in 2011. This means that the forecast inflation rate will remain low.

The private equity market returns to normality

According to the German Private Equity and Venture Capital Association (BVK), private equity investments in Germany totaled EUR 2,243 million in the first six months of the year. This represents three times the amount recorded in the equivalent period last year.

Investments totaled EUR 673 million in Germany in the second quarter of the year. On account of the positive development in the year to date, the total amount invested in 2009 is already expected to be surpassed in the third quarter of this year.

At EUR 333 million, around half of the total investments made in the second quarter of 2010 involved majority stakes (buy-outs). Venture capital investments rose by approximately 22 percent to EUR 163 million, despite a decline in the number of companies funded from 280 to 246. Start-up finance accounted for a major share of the total. At 37 percent in the second quarter, the largest single portion of investments flowed into companies in the industrial goods sector. The consumer goods/retail industry attracted 13 percent of the investments and life sciences also 13 percent.

The IPO activities in the first quarter had an exit volume of EUR 775 million, which could not be repeated in the second quarter. Although the exit volume in the second quarter amounted to EUR 559 million, which was much higher than in the first two quarters of 2009, it was, at 48 percent of all transactions, overshadowed by sales to other private equity firms. IPOs were insignificant in the second quarter.

Important events in the third quarter

A new Supervisory Board was elected during the annual shareholder meeting on August 26, 2010. Shortly thereafter, all members of the Executive Board resigned their posts and the Supervisory Board appointed Maik Brockmann to act as the sole member of the Executive Board of ARQUES.

The shares held by ARQUES in Golf House were sold in July 2010.

Assets, financial position and earnings of the ARQUES Group

The EBITDA generated in the first half of 2010 could be stabilized in the third quarter of the year. By contrast, an EBITDA of almost EUR 10 million was reported for the equivalent period last year. In the first nine months of 2010, the EBITDA has improved EUR 45.2 million over the comparable period last year. This in part is the fruit of the restructuring measures carried out at Gigaset during 2009.

The positive trend is especially reflected in the positive development of free cash flow of EUR -5.2 million compared with the equivalent year-ago figure of EUR -75.9 million.

In the second quarter of 2010, ARQUES had already disposed of the camping accessories vendor Fritz Berger (part of the Retail segment), which was sold at a positive aggregate cash flow for the company following successful restructuring.

The Golf House Group (part of the Retail segment) was sold to a strategic investor in the third quarter of 2010.

Furthermore, the SM Electronic Group, Stapelfeld, was consolidated in accordance with the equity method for the first time in the third quarter.

At September 30, 2010 the ARQUES portfolio comprised only six subsidiaries. Among the group of continuing operations, the Gigaset Group in the Communications segment and the Anvis Group in the Automotive segment represent by far the most important subsidiaries.

At EUR 764.2 million, the revenues generated in the first nine months of 2010 were 76.0% less than the corresponding year-ago figure of EUR 3,190.6 million. The decrease resulted mainly from the discontinuation of the IT and Service segments.

At EUR 39.2 million, the EBITDA for the first nine months was positive, as compared with EUR -6.1 million in the equivalent period of 2009. The increase is mainly attributable to the successful restructuring at Gigaset.

Depreciation and amortization amounted to EUR 43.6 million (equivalent period in 2009: EUR 64.0 million), most of which related to the Gigaset Group. Impairments amounted to EUR 4.2 million (equivalent period in 2009: EUR 54.6 million), all of which related to the discontinued Retail segment. The higher level of impairments in the equivalent period of last year related to the disposal of the Actebis and Tiscon Group subsidiaries and the sale of Gigaset's Broadband division.

1. Assets

At September 30, 2010, the total assets of the ARQUES Group amounted to EUR 556.9 million, which is EUR 101.0 million less than the figure reported at December 31, 2009.

Non-current assets decreased by EUR 27.4 million to EUR 229.1 million. This results primarily from depreciation and amortization charges of EUR 43.6 million and capital expenditures of around EUR 25.9 million

Current assets amounted to EUR 327.8 million at September 30, 2010 after EUR 382.5 million at December 31, 2009.

At September 30, 2010, total liabilities amounted to EUR 455.3 million, which is EUR 81.2 million less than the figure at December 31, 2009 (EUR 536.5 million). Current liabilities account for 76.7% of total liabilities.

Current financial liabilities fell by EUR 9.5 million in the first nine months of 2010 to EUR 40.2 million, while non-current financial liabilities declined by EUR 5.0 million.

At September 30, 2010, the company's equity amounted to EUR 101.6 million after EUR 121.5 million at December 31, 2009.

2. Financial position

In the first nine months of 2010, ARQUES generated a positive cash flow from operating activities of EUR 0.1 million (equivalent period of 2009: EUR -70.0 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 -5.3 million. This figure was boosted by the sale of shares in the Anvis Brazil joint venture (Vibracoustic do Brasil Industria e Comercio de Artefatos de Borracha Ltda.) for EUR 4.5 million and the sale of a property for EUR 2.7 million. The cash outflows of EUR 1.0 million for the purchase of shares in companies relate to minority interests acquired.

The free cash flow amounted to EUR -5.2 million compared with EUR -75.9 million in the first nine months of last year.

The cash flow from financing activities amounting to EUR -15.6 million (equivalent period of 2009: EUR -5.9 million) resulted from the repayment of financial liabilities after adjustment for deconsolidation effects. The largest part of the repayments, amounting to EUR -10.5 million, is attributable to the Holding segment as a result of the repayment of credit facilities.

3. Earnings

The ARQUES Group generated revenues of EUR 764.2 million in the first nine months of 2010, which is EUR 2,426.4 million less than in the equivalent period last year. This decline results primarily from the companies in the IT and Service segments that were sold in 2009. The Communications and Automotive segments made the biggest contributions to consolidated revenues with totals of EUR 364.9 million (equivalent period of 2009: EUR 386.2 million) and EUR 194.1 million (equivalent period of 2009: EUR 155.8 million), respectively.

At 2010 EUR 43.3 million, other operating income in the first nine months was down EUR 32.9 million on the year-ago total. Other operating income mainly comprises 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 16.5 million (equivalent period of 2009: EUR 14.6 million), this latter effect represented a significant component of other operating income.

The cost of purchased raw materials, merchandise, finished goods and purchased services amounted to EUR 468.5 million in the first nine months of 2010, 82.3% less than the year-ago figure of EUR 2,652.4 million. The decrease in purchased goods and services was in line with the 76.0% fall in revenues. The ratio of purchased goods and services

to revenues declined from 83.1% to 61.2%, mainly as a result of the disposal of the IT and Service segments.

At EUR 168.6 million, the personnel expenses (wages, salaries, social security and pensions) in the first nine months of 2010 were around half lower than the total of EUR 333.5 million recorded for the equivalent period last year. The adjustments to the portfolio also resulted in lower personnel expenses.

Other operating expenses, which comprise general administrative expenses, facility management expenses, shipping costs, consulting and marketing expenses, general operating expenses and value adjustments on receivables, amounted to EUR 155.3 million in the reporting period. This total is much less than the EUR 296.4 million reported for the equivalent period last year on account of portfolio adjustments.

The net financial expenses of EUR 8.9 million in the first nine months of 2010 improved by EUR 11.2 million over the reported for the equivalent period of 2009.

The consolidated net loss amounted to EUR 21.4 million, which is much lower than the net loss of EUR 125.1 million recorded in the equivalent period last year. The earnings per share (basic/diluted) came to EUR -0.81.

Report on the development of ARQUES' subsidiaries

Summary of subsidiaries of ARQUES Industries AG at of 30. October 2010:

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
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 in the international automotive industry seen in the first half of 2010 continued in the third quarter of the year.

Despite the non-renewal of government subsidies schemes in many countries, sales figures have held up well, with demand picking up pace in China in particular. As in the first half of 2010, the Anvis Group has been able to profit from the persistently strong sales of its principal, export-driven customer, VW, and the generally strong market environment. Revenues have risen sharply, reaching the highest monthly level this year in September. Earnings have risen despite the plant shutdown in August due to vacation and higher prices for materials. Coupled with other measures, these results helped to improve the company's finances.

Outlook

Management is continuing to implement the measures initiated to boost profitability and transparency and to streamline the structure. Special efforts are being made to counter the rise in the cost of materials.

For 2010 as a whole, the Anvis Group is seeking to generate revenue growth of more than 20 percent together with a disproportionate increase in earnings.

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

The Automotive business unit has had a good year to date, putting it ahead of budget in terms of revenues as of the end of September. In the Industry business unit, release order volumes in the project business have been delayed in some cases. The Buildings and Transportation business unit has not yet made up the revenues lost in the first half of the year as a result of the hard winter.

Counter-measures, including the optimization of production processes and internal structures, have already been implemented. Carl Froh has modern production facilities that are completely state-of-the-art. Capital spending will focus on expanding these facilities to enable it to handle the newly booked, additional orders and on rationalization. The company intends to use leasing models to finance the investments.

Investments with a volume of around EUR 1.7 million will be made in 2010. The total includes around EUR 0.7 million for a new Rattunde saw, EUR 0.6 million for the new ERP system and EUR 0.1 million for a stamping machine.

Carl Froh is planning to make investments of around EUR 1.4 million in 2011, in order to meet the requirements of new customer projects, among other things.

A new ERP system was rolled out as planned in mid-2010. This will lead to more effective production planning and shorter throughput times. The complete roll-out is scheduled for the end of 2010.

Outlook

An easing of conditions on the purchasing side is in sight with regard to the development of input material prices, after these had risen in the first quarters of the year (pre-financing problem at Carl Froh). Prices are expected to at least stabilize at the levels seen in the third quarter. Also, the terms of supply contracts for steel materials will be shorter in the future. A majority of the raw material suppliers (Vale, BHP Billiton, Rio Tinto, which together account for around 70% of the world market) are looking to conclude quarterly agreements, and where possibly monthly agreements, in the future.

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, notably for high-grade special products and components.

Gigaset Communications

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

Company situation, business developments, restructuring and development measures

Gigaset Communications achieved significantly wider profit margins in the first three quarters 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. It is also important to mention that the personnel expenses are much lower than in the equivalent year-ago period, resulting from the restructuring measures carried out during 2009.

On the revenues side, Gigaset Communications slightly exceeded its **budgeted targets** at the end of the third quarter. Strong sales in Europe were the main reason for this.

Gigaset Communications was well ahead of the EBITDA targets set in the budget at the reporting date. This positive earnings effect is mostly down to the savings yielded by strict cost management.

The negotiations with Siemens to extend the brand licensing rights to September 30, 2011 were brought to a successful conclusion in 2009. This will facilitate a thoroughly structured, gradual transition to Gigaset as a stand-alone brand. The measures required to prepare for the changeover were already initiated 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. This aspiration is also evident in the product innovations and enhancements rolled out during the current year.

In the **cordless phone** segment, the highlight of the first quarter was the launch of the new DECT flagship and smallest Gigaset phone in the world, the Gigaset SL400/SL400A. This compact device offers more phone per square inch than ever before, with every possible telephony convenience crammed into the smallest possible space. 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. In addition, Gigaset has rolled out further cordless-phone innovations during 2010. The new Gigaset E500/E500A is a particularly user-friendly family phone with large, illuminated keys, a big display with large lettering, hands-free functionality and easy-to-operate speed dial buttons, combining elegant design with top user convenience. The new Gigaset C300/C300A DECT phone is setting new standards in the low-price segment with a color display, energy-saving and low-emission operation, functional design and many other features. The new Gigaset A600/A600A comes equipped with ECO-DECT and now also offers a color display, hands-free functionality and text messaging in an entry-level cordless phone.

Gigaset has also rolled out new **corded products** during the current year. With the corded Gigaset DX600A ISDN, Gigaset has opened new possibilities in ISDN telephony. 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. The new Gigaset DL500A business phone is an attractive premium model analog for use in home offices. Technical precision and high quality materials reflect this phone's aspirations. Up to six DECT handsets can be connected, which means it is possible to make calls flexibly from any room.

Gigaset Communications has also unveiled the all-in-one Gigaset DX800A, a new corded highlight for professional use in small firms and offices with three to six staff. With a range of uses for making calls by VoIP and fixed ISDN or analog lines, the DX800A represents a future-proof all-in-one solution that can grow with an enterprise as it expands.

The innovative Gigaset product portfolio and the proactive in-house development activities are key factors underpinning the company's success in a highly competitive market environment.

Effective February 15, 2010, a new management team for sales, restructuring, project management, IT and personnel was installed at Gigaset Communications GmbH. The composition of the management team has remained unchanged since that date.

Outlook

As a result of the disposal of non-voice business activities in 2009, Gigaset expects to generate lower revenues in 2010. 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. In addition, Gigaset has started to actively address the SME segment as a complement to its consumer activities. Aside from this, 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 accelerating the adjustments being made 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 set in during 2010, coupled with a general market recovery and much stronger demand for DMT. This positive development continued in the third quarter of 2010. In addition, customers have partially replenished their low stock levels, which on balance has led to much higher capacity utilization levels at Oxxynova. Although one customer withdrew from the market at the end of the first quarter, the associated loss of sales volumes was more than offset by gains with other customers. The efficiency-boosting measures that had already been introduced in 2009 and the continued practice of strict cost management have yielded positive effects, allowing for the company to develop well. Oxxynova thus succeeded in solidifying its market share at a high level in the reporting period. Gross operating profits and profit contributions were considerably higher than the corresponding year-ago figures and budget targets.

Furthermore, wide-ranging restructuring measures have been implemented at the Lülisdorf facility with a view to significantly improving the future cost situation for the company as a whole and helping to permanently stabilize the company's profit situation.

Outlook

For the fourth quarter and 2010 as a whole, the customers have now submitted secure, resilient purchasing plans, even if future developments are still fraught with uncertainty as the global economy is not performing equally strongly everywhere. 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 fluctuations in quantities ordered. Oxxynova expects its sales to rise strongly over 2010 as a whole and its profits to be much better than in 2009. As in previous years, the company's development over the medium to long term will depend heavily on whether all its customers will remain as players in the market. Sales are forecast to decline slightly in the coming year due to the non-recurrence of various one-off factors.

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 streamlining of the product portfolio; the company's earnings were somewhat lower than in the equivalent period last year as a result. Gross operating profits could be improved proportionately, however, and 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 fruit gummy segment (mogul technology) and made investments aimed at harmonizing the powder pans. The recipes of some products in the core product range have been changed to use natural flavors and colors instead of artificial ingredients. Furthermore, personnel expenses were reduced and shipping costs cut by pooling deliveries.

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 plans to improve its earnings over the year as a whole.

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 start 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. Moreover, the customer portfolio was optimized and customers with negative margins eliminated. At the end of the third quarter of 2010, it was evident that implementation was proceeding according to plan and the initiated measures were having the desired effects. 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 for at least the next six months. Further price rises of almost 10% have been announced for January, and delivery times for both cardboard and paper remain very long. As a consequence, it is virtually impossible to generate new or additional business at short notice. To counter the effects on profits resulting from this mixed situation, it will be necessary to adjust prices on the sales side, pursue consistent 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 successes by the end of the first quarter of 2011.

Report on opportunities and risks

The future performance of the ARQUES Group is subject to opportunities and risks. The company's risk policy consists of exploiting available opportunities and limiting the associated risk by using appropriate instruments.

For more detailed information about the opportunities and risks of the ARQUES business model, ARQUES Industries AG, the companies that belong to the ARQUES Group, interest rate and currency risks, and economic and market opportunities and risks, please refer to the 2010 Half-yearly Report and 2009 Annual Report of ARQUES Industries AG.

Furthermore, the Group-wide risk management system at ARQUES is described in detail in the 2010 Half-yearly Report and the 2009 Annual Report of ARQUES Industries AG.

Financial risks

Liquidity of the Group companies

In some cases, recently acquired companies 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 flows, 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 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 the 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 and under the control of the Corporate Finance Department.

Debt and liquidity of the parent company

The debt of the parent company was systematically further reduced in fiscal 2009 and in the current year. As of September 30, 2010, the holding company only has 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 financial leeway of the holding company was expanded in October 2010 by making use of the authorized capital increase. The company will try to reinforce its financial position in the future by raising further equity capital or taking on debt on the capital market.

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

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 arbitration proceedings with Siemens AG in connection with the acquisition of Gigaset Communications GmbH. 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 promise to pay 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 proceedings, such an outcome could pose a risk to the continued existence of the company and Group as a going concern.

ARQUES is making every effort to promptly settle the differences of opinion with Siemens that form the object of the arbitration proceedings.

Summary of the situation of opportunities and risks

In addition to implementing a large number of cost reduction measures in the subsidiaries, including the introduction of short-time working and lay-offs, ARQUES reviewed its entire portfolio with the aim of identifying the subsidiaries which it would be too cost-intensive to restructure in times of global economic crisis. In the meantime, ARQUES has divested itself of these 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 essential 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 significantly by means of a significant staff downsizing and a drastic reduction of externally purchased services.

Parties have expressed a concrete interest in acquiring some portfolio companies, based on their positive operating performance, and negotiations are currently being conducted to this end.

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. 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.

Should the shareholders' meeting on December 20, 2010 accept the proposals of the Executive Board and the Supervisory Board to change the business model, the report on opportunities and risks will be modified to reflect the very different risk landscape.

Significant events after the reporting date

The capital increase of EUR 13,216,670 was filed with the competent court of registration on October 27, 2010 and the new shares were admitted for trading on the stock market on October 29, 2010. The capital increase raised the company's capital stock to EUR 39,666,670. ARQUES realized EUR 14,358,337 from the capital increase before deduction of the cost of the increase.

On November 11, 2010, furthermore, the Executive Board of ARQUES Industries AG decided to issue a senior, unsecured convertible bond in a total nominal amount of up to EUR 23,800,002. The Supervisory Board of ARQUES has already adopted the decision of the Executive Board.

Forecast report

Contrary to expectations regarding revenues, earnings and the financial position, investments and the development of liquidity described in the Report for the first half of 2010, there have been no significant changes.

Nevertheless, given developments over the last two years, especially in connection with the legal problems regarding individual subsidiaries, the Executive Board sees little opportunity to successfully pursue the company's present business model in its existing form. The Executive Board and the Supervisory Board therefore advocate concentrating on the "telecommunications systems" segment where the company is already operating successfully. The Executive Board considers this intended change to the business model to be so important that it has decided to present this strategy decision to the annual shareholder meeting on December 20, 2010 for approval.

Subject to the approval of the new business model by the annual shareholder meeting, the company will no longer concentrate on the acquisition of companies and participating interests for the purposes of restructuring and resale. Concentrating on the "telecommunications systems" segment will also mean that the other subsidiaries held by the company will be sold in the short to medium term and acquisitions only made to strengthen or advance the telecommunications systems segment.

Munich, November 18, 2010

ARQUES Industries AG

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for the period from January 1 to September 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 September 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 - 09/30/2010			01/01 - 09/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	717,646	46,574	764,220	689,405	2,501,241	3,190,646
	8,835	0	8,835	-7,335	1,371	-5,964
	15,261	0	15,261	14,434	938	15,372
	41,100	2,159	43,259	42,120	34,008	76,128
	-441,280	-27,186	-468,466	-417,797	-2,234,625	-2,652,422
	-158,554	-10,036	-168,590	-198,778	-134,672	-333,450
	-140,131	-15,218	-155,349	-162,440	-133,926	-296,366
	42,877	-3,707	39,170	-40,391	34,335	-6,056
	-43,335	-297	-43,632	-51,649	-12,302	-63,951
	0	-4,196	-4,196	-14,084	-40,535	-54,619
	-458	-8,200	-8,658	-106,124	-18,502	-124,626
	149	0	149	589	23	612
	443	12	455	1,037	1,099	2,136
	-9,561	16	-9,545	-13,037	-9,827	-22,864
	-8,969	28	-8,941	-11,411	-8,705	-20,116
	-9,427	-8,172	-17,599	-117,535	-27,207	-144,742
	-5,011	39	-4,972	18,824	-956	17,868
	-14,438	-8,133	-22,571	-98,711	-28,163	-126,874
	-84	-1,127	-1,211	-391	-1,382	-1,773
	-14,354	-7,006	-21,360	-98,320	-26,781	-125,101
	-0.54	-0.27	-0.81	-3.70	-1.04	-4.74
	-0.54	-0.27	-0.81	-3.70	-1.04	-4.74

	01/01 - 09/30/2010			01/01 - 09/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	-14,438	-8,133	-22,571	-98,711	-28,163	-126,874
	2,573	1	2,574	-1,616	3,075	1,459
	0	0	0	0	0	0
	0	0	0	0	0	0
	2,573	1	2,574	-1,616	3,075	1,459
	-11,865	-8,132	-19,997	-100,327	-25,088	-125,415
	-84	-1,127	-1,211	-391	-1,382	-1,773
	-11,781	-7,005	-18,786	-99,936	-23,706	-123,642

Consolidated Income Statement for the period from Juli 1 to September 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 Juli 1 to September 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

	07/01 - 09/30/2010			07/01 - 09/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	236,825	2,752	239,577	223,497	605,962	829,459
	2,351	0	2,351	-1,439	2	-1,437
	4,364	0	4,364	5,258	101	5,359
	6,811	493	7,304	9,699	4,940	14,639
	-153,586	-2,203	-155,789	-132,559	-539,214	-671,773
	-51,318	-1,066	-52,384	-53,766	-36,587	-90,353
	-42,777	-1,714	-44,491	-41,894	-34,051	-75,945
	2,670	-1,738	932	8,796	1,153	9,949
	-14,505	-12	-14,517	-17,444	-82	-17,526
	0	3,603	3,603	0	-2,398	-2,398
	-11,835	1,853	-9,982	-8,648	-1,327	-9,975
	43	0	43	409	8	417
	179	4	183	-480	636	156
	-2,913	-23	-2,936	-1,614	-1,858	-3,472
	-2,691	-19	-2,710	-1,685	-1,214	-2,899
	-14,526	1,834	-12,692	-10,333	-2,541	-12,874
	-1,794	42	-1,752	766	2,245	3,011
	-16,320	1,876	-14,444	-9,567	-296	-9,863
	-630	-1,125	-1,755	-206	1	-205
	-15,690	3,001	-12,689	-9,361	-297	-9,658
	-0.59	0.11	-0.48	-0.33	-0.04	-0.37
	-0.59	0.11	-0.48	-0.33	-0.04	-0.37

	07/01 - 09/30/2010			07/01 - 09/30/2009		
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	TOTAL
	-16,320	1,876	-14,444	-9,567	-296	-9,863
	42	-48	-6	345	-1,993	-1,648
	0	0	0	0	0	0
	0	0	0	0	0	0
	42	-48	-6	345	-1,993	-1,648
	-16,278	1,828	-14,450	-9,222	-2,289	-11,511
	-630	-1,125	-1,755	-206	1	-205
	-15,648	2,953	-12,695	-9,016	-2,290	-11,306

Consolidated Balance Sheet at September 30, 2010

ASSETS IN EUR'000	09/30/2010	12/31/2009
Non-current assets		
Intangible assets	57,780	60,181
Property, plant and equipment	162,696	184,599
Investment property	218	226
Non-current assets accounted for by the equity method	526	4,828
Financial assets	2,855	2,905
Other non-current assets	19	18
Deferred tax assets	4,972	3,693
Total non-current assets	229,066	256,450
Current assets		
Inventories	89,668	93,669
Receivables from percentage of completion	0	0
Trade receivables	125,901	131,283
Available-for-sale financial assets	888	636
Other assets	55,035	78,216
Tax refund claims	984	3,744
Cash and cash equivalents	55,363	74,915
	327,839	382,463
Assets held for sale	0	19,037
Total current assets	327,839	401,500
Total assets	556,905	657,950

Consolidated Balance Sheet at September 30, 2010

EQUITY AND LIABILITIES IN EUR'000	09/30/2010	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	-20,679	-1,920
	99,593	118,352
Non-controlling interest	2,044	3,109
Total equity	101,637	121,461
Non-current liabilities		
Pension obligations	33,131	32,285
Provisions	18,255	32,231
Financial liabilities	32,975	37,989
Liabilities under financial leases	2,237	2,782
Other liabilities	1,350	16,870
Deferred tax liabilities	17,999	17,944
Total non-current liabilities	105,947	140,101
Current liabilities		
Provisions	34,193	37,302
Financial liabilities	40,188	49,704
Liabilities under finance leases	1,543	1,666
Trade payables	142,067	180,398
Tax liabilities	8,190	7,864
Other liabilities	123,140	100,417
	349,321	377,351
Liabilities related to assets held for sale	0	19,037
Total current liabilities	349,321	396,388
Total equity and liabilities	556,905	657,950

Consolidated Statement of Changes in Equity at September 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
September 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	27	0	27
0	0	0	146	146
0	0	0	0	0
0	0	27	146	173
0	0	-21,360	0	-21,360
0	0	0	-1,211	-1,211
0	0	-21,360	-1,211	-22,571
0	0	0	0	0
0	0	2,574	0	2,574
0	0	0	0	0
0	0	0	0	0
0	0	2,574	0	2,574
0	0	-18,786	-1,211	-19,997
0	0	0	0	0
73,580	20,290	-20,679	2,044	101,637

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

EUR'000	01/01 – 06/03/2010	01/01 – 09/30/2009
Income/ expenses from ordinary activities	-17,599	-144,742
Reversal of negative goodwill	0	-9,731
Depreciation and amortization of PP&E and intangible assets	43,632	63,951
Impairments	4,196	54,619
Increase (+)/ decrease (-) in pension provisions	764	3,534
Profit (-)/ loss (+) on the sale of non-current assets	1,028	-500
Profit (-)/ loss (+) from deconsolidations	0	6,769
Profit (-)/ loss (+) from currency translation	4,143	-5,024
Issuance of stock options	27	565
Net changes from measurement at equity	-149	-612
Other non-cash income and expenses	-14,199	-16,581
Net interest income/ expenses	9,090	20,728
Interest received	375	555
Interest paid	-3,134	-11,524
Income taxes paid	-2,952	-8,383
Non-recurring proceeds from the factoring of receivables in connection with the financing of acquisitions	0	0
Increase (-)/ decrease (+) in inventories	-14,236	4,686
Increase (-)/ decrease (+) in trade receivables and other assets	24,745	-43,603
Increase (+)/ decrease (-) in trade payables, other liabilities and other provisions	-35,299	-7,280
Increase (+)/ decrease (-) in other line items of the statement of financial position	-309	22,588
Cash inflow (+)/ outflow(-) from operating activities (net cash flow)	123	-69,985
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	-421	51,627
Cash transferred in connection with the sale of shares	-854	-39,091
Cash inflows from the sale of non-current assets	7,481	1,784
Cash outflows for investments in non-current assets	-10,532	-21,159
Cash inflow (+)/ outflow (-) from investing activities	-5,307	-5,890
Free cash flow	-5,184	-75,875
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	-12,824	-14,512
Cash inflows from the borrowing of non-current financial liabilities	203	16,569
Repayment of non-current financial liabilities	-1,933	-4,834
Cash outflows related to liabilities under finance leases	-1,030	-3,088
Cash inflow (+)/outflow(-) from financing activities	-15,584	-5,865
Net funds at beginning of period	62,002	124,743
Changes caused by exchange rate differences	-1,367	-998
Net funds at beginning of period, measured at the exchange rate on the reporting date	63,369	125,741
Increase(-)/ decrease (+) in restricted cash	4,224	18,312
Change in net funds	-20,768	-81,740
Net funds at end of period	45,458	61,315
Restricted cash	9,905	15,199
Cash and cash equivalents	55,363	76,514
Cash and cash equivalents presented in the statement of financial position as assets held for sale	0	3,272
Statement of financial position	55,363	73,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2010

General information on accounting and valuation methods

The consolidated financial statements of ARQUES Industries AG at September 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 September 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 September 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 quarterly 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 on the one hand 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. On the other hand, amendments to IFRS 1 pertain to the retrospective application of IFRS in specific situations and ensure that companies will not incur disproportional cost when adopting IFRS. 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 quarterly financial statements.

The amendments to IFRS 2 Share-based Payment clarify the accounting treatment of transactions under which a subsidiary receives goods or services from employees or suppliers that are settled by the parent company or another group company. A company that receives goods or services as part of a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or 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. IFRS 3 states two options for accounting for non-controlling interest. The valuation of these interests should be either at fair value or at proportionate share of the net assets. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at the date the acquirer obtains control. The first-time application of these amendments is required in financial years that begin on or after July 1, 2009. They did not have any effects on the quarterly financial statements.

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 September 30, 2009. They had no effects on the quarterly 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 quarterly 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 quarterly 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 quarterly 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 quarterly financial statements.

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

ARQUES has applied the 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.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale. In 2010, all entities within the Retail Segment either have been disposed of or ARQUES has lost control over these entities. In accordance with IFRS 5, 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 IT segment as well as the Services segment had to be classified as discontinued operations for the comparison period.

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

EUR'000	01/01/ - 09/30/2010	01/01/ - 09/30/2009
Cash inflow (+)/ outflow (-) from operating activities	-4,386	-36,833
Cash inflow (+)/ outflow (-) from investing activities	-1,979	25,486
Cash inflow (+)/ outflow (-) from financing activities	-194	-6,447
Change in cash and cash equivalents	-6,559	-17,794

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.

Effective July 12, 2010, the Golf House Group (part of the Retail segment) was sold to a group of strategic investors. The transaction volume amounted to EUR 2.6 Mio. (sale of shares EUR 0.0 Mio. and redemption of intercompany loans EUR 2.6 Mio.). The sold assets amounted to EUR 7.1 million, including cash and cash equivalents of EUR 0.1 million, and the transferred liabilities amounted to EUR 4.9 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	343
Property, plant and equipment	991
Other assets	36,796
Total	38,130
Liabilities	
Provisions	4,088
Liabilities	28,847
Total	32,935

Segment report

EUR'000 01/01–09/30/2010	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	27,764	22,225	38,300	0
Continuing operations	27,764	22,225	38,300	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	27,764	22,225	38,300	0
Continuing operations	27,764	22,225	38,300	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Segment earnings/ EBITDA	-72	1,471	1,970	0
Continuing operations	-72	1,471	1,970	0
<i>Discontinued operations</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Depreciation and amortization	-2,239	-1,493	-2,447	0
Continuing operations	-2,239	-1,493	-2,447	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	-2,311	-22	-477	0
Continuing operations	-2,311	-22	-477	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				
Net loss				

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNICATIONS	HOLDING	SERVICE	ELIMINATION	CONSOLIDATED
194,079	46,574	70,313	364,923	42	0	0	764,220
194,079	0	70,313	364,923	42	0		716,646
0	46,574	0	0	0	0		46,574
0	0	0	0	1,153	0	-1,153	0
0	0	0	0	1,153	0	-1,153	0
0	0	0	0	0	0	0	0
194,079	46,574	70,313	364,923	1,195	0	-1,153	764,220
194,079	0	70,313	364,923	1,195	0	-1,153	716,646
0	46,574	0	0	0	0	0	46,574
10,140	-3,707	4,413	30,487	-5,534	0	0	39,170
10,140	0	4,413	30,487	-5,534	0	0	42,877
0	-3,707	0	0	0	0	0	-3,707
-9,135	-297	-1,220	-26,653	-149	0	0	-43,632
-9,135	0	-1,220	-26,653	-149	0	0	-43,335
0	-297	0	0	0	0	0	-297
0	-4,196	0	0	0	0	0	-4,196
0	0	0	0	0	0	0	0
0	-4,196	0	0	0	0	0	-4,196
1,008	-8,200	3,193	3,834	-5,683	0	0	-8,658
1,008	0	3,193	3,834	-5,683	0	0	-458
0	-8,200	0	0	0	0	0	-8,200
							149
							-9,090
							-17,599
							-4,972
							-22,571

EUR'000 01/01–09/30/2009	STEEL	PRINT	INDUSTRIAL PRODUCTION	IT
Revenues				
External revenues	25,897	38,206	43,363	2,286,581
Continuing operations	25,897	38,206	43,363	0
<i>Discontinued operations</i>	0	0	0	2,286,581
Internal revenues	0	0	0	17
Continuing operations	0	0	0	0
<i>Discontinued operations</i>	0	0	0	17
Total revenues	25,897	38,206	43,363	2,286,598
Continuing operations	25,897	38,206	43,363	0
<i>Discontinued operations</i>	0	0	0	2,286,598
Segment earnings/ EBITDA	-1,307	3,115	1,574	31,315
Continuing operations	-1,307	3,115	1,574	0
<i>Discontinued operations</i>	0	0	0	31,315
Depreciation and amortization	-2,343	-3,180	-2,735	-9,727
Continuing operations	-2,343	-3,180	-2,735	0
<i>Discontinued operations</i>	0	0	0	-9,727
Impairments	0	0	0	-40,535
Continuing operations	0	0	0	0
<i>Discontinued operations</i>	0	0	0	-40,535
Segment earnings/ EBIT	-3,650	-65	-1,161	-18,947
Continuing operations	-3,650	-65	-1,161	0
<i>Discontinued operations</i>	0	0	0	-18,947
Income from financial assets accounted for by the equity method				
Net interest income/ expenses				
Profit before taxes				
Income tax expense				
Net loss				

Significant events after the reporting date

The Executive Board as well the Supervisory Boards have resolved to increase share capital by granting subscription rights to shareholders in October 2010. The issuance of 13,216,670 shares in the name of the holder using the capital authorized at the ordinary shareholder meetings on May 30, 2006 (9,816,670 "authorized capital 2006/I") as well as on August 5, 2009 (3,400,000 "authorized capital 2009"). The subscription right was determined at EUR 1.10 per share. The quota for the subscription right was 2:1. That is, 1 new share can be obtained for 2 old shares. Furthermore, the subscription period was determined by decision of the Executive Board with the consent of the Supervisory Board. The subscription period began on September 23, 2010 and ended on October 6, 2010. After the responsible Registry Court entered the capital increase in the Commercial Register on October 27, 2010, the shares were admitted to trading by the German stock exchange on October 29, 2010. As a result, the share capital of the company was increased to EUR 39,666,670.

On November 11, 2010, furthermore, the Executive Board of ARQUES Industries AG decided to issue a senior, unsecured convertible bond in a total nominal amount of up to EUR 23,800,002. The Supervisory Board of ARQUES has already adopted an authorization resolution indicating that it will approve the decision of the Executive Board.

The convertible bond is being issued to further reinforce the company's liquidity.

AUTOMOTIVE	RETAIL	SPECIALTY CHEMISTRY	COMMUNICATIONS	HOLDING	SERVICE	ELIMINATION	CONSOLIDATED
155,829	79,261	39,819	386,288	4	135,398	0	3,190,646
155,829	0	39,819	386,288	4	0	0	689,406
0	79,261	0	0	0	135,398	0	2,501,240
0	0	0	8,518	5,602	0	-14,137	0
0	0	0	8,518	5,602	0	-14,120	0
0	0	0	0	0	0	-17	0
155,829	79,261	39,819	394,806	5,606	135,398	-14,137	3,190,646
155,829	0	39,819	394,806	5,606	0	-14,120	689,406
0	79,261	0	0	0	135,398	-17	2,501,240
-1,722	-2,201	-6,446	-19,768	-15,838	5,222	0	-6,056
-1,722	0	-6,446	-19,768	-15,838	0	0	-40,392
0	-2,201	0	0	0	5,222	0	34,336
-9,858	-1,188	-1,285	-32,112	-136	-1,387	0	-63,951
-9,858	0	-1,285	-32,112	-136	0	0	-51,649
0	-1,188	0	0	0	-1,387	0	-12,302
-782	0	0	-11,991	-1,311	0	0	-54,619
-782	0	0	-11,991	-1,311	0	0	-14,084
0	0	0	0	0	0	0	-40,535
-12,362	-3,389	-7,731	-63,871	-17,285	3,835	0	-124,626
-12,362	0	-7,731	-63,871	-17,285	0	0	-106,125
0	-3,389	0	0	0	3,835	0	-18,501
							612
							-20,728
							-144,742
							17,868
							-126,874

The convertible bond is divided into up to 11,900,001 bearer partial debentures of equal rank in a nominal amount or with an issue amount of EUR 2.00 each. It attracts interest of 9% per annum and is convertible into up to 11,900,001 shares of company stock.

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

Munich, November 18, 2010

ARQUES Industries AG

The Executive Board

ARQUES



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