Annual Financial Statement 2013

QUADRAT
the fund company

acc. to par. 82 (4) stock exchange act

C-QUADRAT Investment AG

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C-QUADRAT Investment AG

CONSOLIDATED INCOME STATEMENT

for the period January 1, 2013 to December 31, 2013

	Notes	2013 *TEUR*	2012 *TEUR*
Fee and commission income	IV.1	68,477	45,596
Other operating income	IV.2	584	512
Operating income		**69,061**	**46,108**
Fee and commission expenses		-40,908	-32,519
Personnel expenses	IV.3	-10,150	-6,100
Other administrative expenses	IV.4	-8,163	-6,490
Other operating expenses	IV.5	-985	-2,837
Operating profit before depreciation		**8,855**	**-1,839**
Depreciation	IV.6	-1,914	-357
Operating profit		**6,941**	**-2,196**
Income from associates	IV.7	4,292	2,446
Financial revenue	IV.8	278	414
Finance expenses	IV.9	-291	-318
Profit before taxes		**11,220**	**345**
Taxes	IV.10	-1,683	-106
Net Profit for the period		**9,537**	**239**
thereof parent		9,411	239
thereof minorities		126	0
Earnings per share of the continued operation	IV.11	*EUR*	*EUR*
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company		2.20	0.06

C-QUADRAT Investment AG
STATEMENT OF COMPREHENSIVE INCOME
for the period January 1, 2013 to December 31, 2013

	Notes	2013 *TEUR*	2012 *TEUR*
Net Profit		**9,537**	**239**
Total income and expenses recognised directy in equity:			
Net-profit from financial assets held for sale		-198	29
Currency-conversion		-137	0
Taxes on income		49	-7
Other comprehensive income		**-285**	**22**
Total comprehensive income		**9,251**	**261**
thereof shareholder's equity		9,126	261
thereof minority interest		125	0

C-QUADRAT Investment AG
CONSOLIDATED BALANCE SHEET
as of December 31, 2013

ASSETS	Notes	31.12.2013 *TEUR*	31.12.2012 *TEUR*
Non-current assets			
Intangible Assets	V.1	16,142	17,488
Property, plant and equipment	V.1	1,327	965
Shares in associates	V.3	9,733	7,214
Financial investments	V.4	1,015	709
Deferred tax asset	V.13	1,448	2,592
Total non-current asstes		**29,665**	**28,968**
Current assets			
Receivables from customers	V.5	11,850	4,987
Financial investments	V.4	456	1,263
Other assets	V.6	962	768
Cash and cash equivalents	V.7	17,495	15,572
		30,763	22,590
Non-current assets, held for sale		0	25
Total current assets		**30,763**	**22,615**
Total assets		**60,428**	**51,583**
EQUITY and LIABILITIES			
Issued capital	V.8	4,363	4,363
Treasury shares		-1,647	-161
Add paid-in capital		18,326	18,326
Retained earnings		12,499	6,080
Other reserves		-344	-59
Equity attributable to shareholders of the parents		**33,197**	**28,549**
Minority interests		834	0
Total equity		**34,031**	**28,549**
Non-current liabilities			
Long-term financial liabilities	V.4	3,000	4,000
Non-current provisions	V.10	123	105
Other non-current liabilities	V.4	3,413	3,298
Deferred tax liabilities	V.13	2,887	3,198
		9,424	10,600
Current liabilities			
Short-term financial liabilities	V.4	1,000	1,046
Payables to customers	V.11	11,027	7,072
Other current liabilities	V.12	3,675	3,609
Other provisions	V.10	344	310
Income tax payable		927	397
		16,974	12,434
Total liabilities		**26,397**	**23,034**
Total equity and liabilities		**60,428**	**51,583**

C-QUADRAT Investment AG
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as of December 31, 2013

	Equity attributable to equity holder of the parent							
	Issued capital	Treasury shares	capital	earnings	Other reserves	equity	Minority interest	Total equity
	TEUR	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*
01.01.2012	**4,363**	**-2,109**	**17,948**	**10,082**	**-81**	**30,203**	**0**	**30,203**
Treasury shares	0	1,948	0	0	0	1,948	0	1,948
Change in paid-in capital	0	0	378	0	0	378	0	378
Dividends	0	0	0	-4,240	0	-4,240	0	-4,240
Total comprehensive income	0	0	0	239	22	261	0	261
31.12.2012	**4,363**	**-161**	**18,326**	**6,080**	**-59**	**28,549**	**0**	**28,549**
01.01.2013	**4,363**	**-161**	**18,326**	**6,080**	**-59**	**28,549**	**0**	**28,549**
Treasury shares	0	-1,468	0	0	0	-1,486	0	-1,486
Change in paid-in capital	0	0		-385	0	-385	709	324
Dividends	0	0	0	-2,607		-2,607	0	-2,607
Total comprehensive income	0	0	0	9,411	-285	9,126	125	9,251
31.12.2013	**4,363**	**-1,647**	**18,326**	**12,498**	**-344**	**33,197**	**834**	**34,031**

C-QUADRAT Investment AG
CONSOLIDATED CASH FLOW STATEMENT
for the period January 1, 2013 to December 31, 2013

	Notes	2013 *TEUR*	2012 *TEUR*
Net Profit		**9,537**	**239**
Taxes		1,683	106
Financial result		13	-96
Income from associates		-4,292	-2,446
Depreciation of intangible assets, property, plant and equipment		1,914	357
Depreciation receivables		0	2,013
Increase/decrease in long term provisions		18	15
Income/loss from the disposal of fixed and financial assets		-79	-14
Increase/decrease from disposal of fixed and financial assets		0	-18
Increase/decrease in receivables and other assets		-7,057	-2,714
Increase/decrease in other provisions		34	79
Increase/decrease in trade payables		4,137	2,029
Income tax paid		-208	-9
Cash flow from operating activities	VI	**5,701**	**-443**
Purchase of property, plant and equipment and intangible assets		-1,022	-496
Payments made for acquisitions of associates		-613	-26
Net payments made for the acquisition of subsidiaries		222	-7,419
Payments made for the investments in financial assets		-1,333	0
Proceeds from sale of assets		100	19
		0	328
Proceeds from sale of associated company		125	100
Net payments made for the acquisition of subsidiaries		31	0
Proceeds from sale of financial assets		1,674	2,237
Interest received		65	306
Dividends received		2,385	2,340
Cash flow from investing activities	VI	**1,635**	**-2,612**
Proceeds from increase of capital			
Dividends paid		-2,607	-4,240
Interest paid		-171	0
Payment of finance lease liabilities		0	5,046
		-1,486	-1,394
Repayments of borrowings		-1,046	0
Cash flow from financing activities	VI	**-5,310**	**-588**
Effects form currency conversion		**-103**	**0**
Net increase in cash and cash equivalents	VI	**1,923**	**-3,644**
Cash and cash equivalents at beginning of period		15,572	19,216
Cash and cash equivalents at end of period	VI	**17,495**	**15,572**

C-QUADRAT INVESTMENT AG and subsidiary and associated companies

2013

Company	Domicile	Issued Captial	Currency	Equity holding	Type of consolidation
C-QUADRAT Investment AG	A-Wien	4,363,200	EUR	100.00%	FC
C-QUADRAT Kapitalanlage AG	A-Wien	2,700,000	EUR	100.00%	FC
Absolute Portfolio Management GmbH	A-Wien	125,000	EUR	74.90%	FC
C-QUADRAT Deutschland GmbH	D-Frankfurt	50,000	EUR	100.00%	FC
BCM Luxemburg SA	LU-Luxemburg	50,000	EUR	100.00%	FC
BCM UK Ltd.	GB-London	663,807	GBP	100.00%	FC
BCM Bluestar Ltd.	GB-London	800,001	GBP	100.00%	FC
BCM & Partners LLP	GB-London	1,688,306	GBP	100.00%	FC
BCM & Partners SA	CH-Genf	100,000	CHF	100.00%	FC
BCM & Partners (Cayman)	Cayman Islands	50,000	USD	100.00%	FC
C-QUADRAT Ampega Asset Management Armenia LLC	Armenien	650,000,000	AMD	74.90%	FC
ARTS Asset Management GmbH	A-Wien	125,000	EUR	45.00%	EQ
Ampega C-QUADRAT Fondsmarketing GmbH	D-Frankfurt	25,000	EUR	50.00%	EQ
QC Partners GmbH	D-Frankfurt	25,000	EUR	50.01%	EQ

2012

Company	Domicile	Issued Captial	Currency	Equity holding	Type of consolidation
C-QUADRAT Investment AG	A-Wien	4,363,200	EUR	100.00%	FC
C-QUADRAT Kapitalanlage AG	A-Wien	2,700,000	EUR	100.00%	FC
Absolute Portfolio Management GmbH	A-Wien	125,000	EUR	100.00%	FC
C-QUADRAT Deutschland GmbH	D-Frankfurt	50,000	EUR	100.00%	FC
BCM Luxemburg SA	LU-Luxemburg	50,000	EUR	100.00%	FC
BCM UK Ltd.	GB-London	663,807	GBP	100.00%	FC
BCM Bluestar Ltd.	GB-London	800,001	GBP	100.00%	FC
BCM & Partners LLP	GB-London	1,688,306	GBP	100.00%	FC
BCM & Partners SA	CH-Genf	100,000	CHF	100.00%	FC
BCM & Partners (Cayman)	Cayman Islands	50,000	USD	100.00%	FC
ARTS Asset Management GmbH	A-Wien	125,000	EUR	45.00%	EQ
Ampega C-QUADRAT Fondsmarketing GmbH	D-Frankfurt	25,000	EUR	50.00%	EQ
Blitz F12-fünf-fünf GmbH	D-Frankfurt	25,000	EUR	50.01%	EQ
Best of Funds Fund Marketing AG	CH-Zug	30,000	CHF	30.00%	EQ

FC - fully consolidated
EQ - consolidated at equity

C-QUADRAT INVESTMENT AG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. CORPORATE INFORMATION

The C-QUADRAT Group, including its subsidiaries and interests, is a European independent asset manager. The company has owned its own investment trust company with bank license since 2003, has been listed since November 2006 in the Prime Standard segment of the Frankfurt Stock Exchange and since May 2008 in the Prime Market segment on the Vienna Stock Exchange. The core competencies of the company are the analysis and management of investment funds and the management and marketing of its own funds of funds, stockpicking funds as well as special mandates for institutional clients. These business operations mainly generate fee and commission revenue for the C-QUADRAT Group from the brokerage and asset management of the aforementioned products.

Due to C-QUADRAT's historical development, to date its business activities have focused on Austria and Germany. In 2012 C-QUADRAT expanded its business activities to include Luxembourg, the United Kingdom and Switzerland. In 2013 it launched operations in Armenia but will also steadily expand into further countries in Central and Eastern Europe (CEE countries).

The registered office of the Group parent company is located at Stubenring 2, 1010 Vienna, Austria. The company is registered in the Companies Register held at Vienna Commercial Court under registration number 55148a.

II. ACCOUNTING POLICIES

2.1. *Basis on which the consolidated financial statements were prepared*

The consolidated financial statements as of December 31, 2013 were prepared, in accordance with Directive 83/349 EEC (Consolidated Accounts Directive), on the basis of the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRIC), as applicable in the European Union (EU).

The present financial statements cover the period from January 1, 2013 to December 31, 2013 and consist of the consolidated income statement, the consolidated statement of income and accumulated earnings, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes to the consolidated financial statements.

The consolidated financial statements are prepared in EUR and presented as figures rounded to the nearest EUR thousand. Due to the use of automated aids to calculation, arithmetic differences may result when rounded amounts and percentages are totaled.

It is expected that the consolidated financial statements of the C-QUADRAT Group for the financial year ending December 31, 2013 will be released for publication on March 31, 2014 (the date on which the Management Board releases the statements to the Supervisory Board).

Consolidation principles

As the parent company of the C-QUADRAT Group, C-QUADRAT Investment AG prepares consolidated financial statements in accordance with the International Financial Reporting

Standards (IFRS). All subsidiaries under the direct or indirect control of the parent company are fully consolidated. The financial statements of the fully consolidated subsidiaries are prepared using uniform accounting policies and with the same balance sheet date as the financial statements of the parent company, and are included in the consolidated financial statements as of the balance sheet date of the parent company. The balance sheet date of the consolidated financial statements is the balance sheet date of the parent company.

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group gains control. They are deconsolidated as soon as the parent loses control.

The gain or loss and any component of other comprehensive income are attributed to holders of ordinary shares of the parent company and to the non-controlling interests, even if this leads to a negative balance for the non-controlling interests. If necessary, the subsidiaries' financial statements are adjusted in order to align their accounting methods with those of the Group.

Intragroup assets and liabilities, equity, income and expenses plus cash flows from transactions between Group companies are fully eliminated within the scope of consolidation.

A change in the interest held in a subsidiary without loss of control is accounted for as an equity transaction. If the parent company loses control of a subsidiary, the following steps will be implemented:

- Derecognition of the assets (including goodwill) and liabilities of the subsidiary,
- Derecognition of the carrying amount of the non-controlling interests in the former subsidiary,
- Derecognition of the cumulative exchange differences recognized in equity,
- Recognition of the fair value of the consideration received,
- Recognition of the fair value of the remaining interest,
- Recognition of the net income or deficit in the income statement,
- Reclassification of the components of other comprehensive income accounted for the parent company to the income statement or retained earnings, as would be necessary if the Group had sold the relevant assets or liabilities directly.

Non-controlling interests correspond to the share in profit/loss and net assets that is not attributable to the shareholders of the parent company. Non-controlling interests are disclosed separately in the consolidated statement of income and accumulated earnings and the consolidated balance sheet. In the consolidated balance sheet, disclosure of non-controlling interests is made under equity, but separate from the equity attributable to the shareholders of the parent company. An acquisition of interests in a subsidiary (without loss of control) is accounted for as an equity transaction. Neither goodwill nor profit or loss result from such transactions, therefore.

Companies over which the parent company exercises significant influence ("associates") are accounted for using the equity method. The same balance sheet date and the same accounting policies are applied to similar transactions and events in the associates and the Group.

2.2. *Changes in accounting policies*

The accounting policies applied are essentially the same as those used in the previous year, with the following exceptions:

In the financial year, the Group applied the new and revised IFRS and IAS standards and interpretations as listed below. Application of these new or revised standards and interpretations had the following effects on the consolidated financial statements.

On June 5, 2012 the EU adopted the amendment of **IAS 1** "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income". The amendments will become effective for reporting periods beginning after July 1, 2012. The amendment envisages a distinction within the statement of comprehensive income between items recognizable in profit or loss in subsequent periods and items not affecting profit or loss in subsequent periods. This amendment has been taken into consideration in the statement of comprehensive income.

The revised standard **IAS 19** was published on June 16, 2011 and is applicable retrospectively for financial years beginning on or after January 1, 2013. The EU adopted this revised standard on June 5, 2012. The adjustments made include basic changes – e.g. in relation to the calculation of the expected return on the plan assets and the elimination of the corridor method which provided for the deferral or smoothing of volatility resulting from pension commitments over a period of time – as well as mere clarifications and rewordings. Current actuarial gains/losses have been reclassified to the statement of comprehensive income due to the adoption of the revised standard. Since the Group has not applied the corridor method and does not have any plan assets, this amendment will not have any material effect on the consolidated financial statements.

On December 16, 2011 the IASB published amendments to **IFRS 7** which the EU adopted on December 13, 2012. The new regulations have led to additional disclosure rules in the consolidated financial statements in connection with the balancing of financial instruments. The application of this amendment has not had any material effect on the consolidated financial statements.

In May 2011 the IASB published **IFRS 13** "Fair Value Measurement", which is first applicable in a financial year beginning on or after January 1, 2013. The standard provides guidelines for fair value measurement and defines comprehensive quantitative and qualitative disclosures for fair value measurement. However, the standard does not cover the question of when assets or liabilities must or may be measured at fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new rules have entailed additional disclosure obligations. However, they have not had any further significant effect on the Group's financial position and financial performance.

Improvements to the IFRS cycle 2009-2011

On May 17, 2012 the IASB published its final amendments within the scope of its annual improvements which resulted from the matters discussed during this cycle. These amendments mainly affect five standards. The amendments will apply for reporting periods beginning on or after January 1, 2013; earlier adoption is permitted. The EU adopted the amendments on March 27, 2013. These improvements have not had any material effect on the consolidated financial statements.

Standard	Subject of amendment
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	• Permits the repeat application of IFRS 1 • Borrowing costs relating to qualifying assets for which the commencement date for capitalization is before the transition date
IAS 1 *Presentation of Financial Statements*	Clarification of requirements for comparative information
IAS 16 *Property, Plant and Equipment*	Classification of servicing equipment
IAS 32 *Financial Instruments: Presentation*	Clarification that income tax relating to distributions to holders of an equity instrument should be accounted for in accordance with IAS 12 *Income Taxes*

IAS 34 *Interim Financial Reporting*	Clarification of interim financial reporting of segment information for total assets, for enhanced consistency with the provisions in IFRS 8 *Operating Segments*

The following amendments of the IFRS standards have not had any effect on the Group's accounting policies or its financial position and financial performance.

On December 11, 2012 the EU adopted the interpretation IFRIC 20. This interpretation regulates capitalization of a non-current asset for costs arising during mining operations for the removal of mine waste materials. This interpretation is applicable to financial years beginning on or after January 1, 2013. This interpretation will not affect the consolidated financial statements.

Furthermore, on May 29, 2013, the IASB published amendments to IAS 36 (Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets) In the course of amending IFRS 13 (Fair Value Measurement), a new provision was added to IAS 36 requiring disclosure of the recoverable amount of every cash-generating unit for which the carrying amount is significant when compared to the entity's total carrying amount of goodwill or intangible assets. The amendment to IAS 36 thus weakens the disclosure obligations in this regard, insofar as such disclosure is required only for the cash-generating units for which material impairment losses were recognized or reversed during the year being reported on. This is the IASB's way of correcting the disclosures in the notes that had become too broad through application of IFRS 13. The amendment will apply for reporting years beginning on or after January 1, 2014. The EU adopted these amendments on December 19, 2013. The Group has voluntarily applied this amendment early. The application of this amendment has not had any material effect on the consolidated financial statements.

2.3. *Published standards and interpretations that are not yet mandatory and which have not been adopted early*

Further new and revised standards and interpretations have been adopted by the IASB that are not yet mandatory for the consolidated financial statements. These were not applied early by C-QUADRAT – if application was possible – and they will all be applied as from the dates on which the respective standards and interpretations become effective.

The following new and amended standards and interpretations are relevant for the consolidated financial statements of C-QUADRAT Investment AG:

On November 12, 2009, the IASB published the first part of phase I of **IFRS 9** (Financial Instruments: Classification and Measurement). This standard includes new rules on the classification and measurement of financial assets. Under these rules, depending on their characteristics and according to the applicable business model debt instruments are to be recognized either at amortized cost or in income at fair value. Equity instruments are always to be recognized at fair value. However, fluctuations in the value of equity instruments may be recognized in other comprehensive income due to the granted instrument-specific option which may be exercised at the time of the financial instrument's addition. On October 28, 2010 the IASB completed phase I of the project by publishing the second part of phase I with the rules on financial liabilities. These new rules prescribe that the existing classification and measurement rules for financial liabilities are to be maintained, with the following exceptions: Effects resulting from the change to the credit risk for financial liabilities which have been classified as measured in income at fair value are to be recognized directly in equity and derivative liabilities on non-quoted equity instruments may no longer be carried at amortized cost. The IASB has not yet determined a date for first-time application of IFRS 9. The possible effects of the new standard on the consolidated financial statements are still being analyzed. The EU has not yet adopted this standard.

On May 12, 2011 the IASB published the standard **IFRS 10** (Consolidated Financial Statements). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard

- defines the principle of control, and establishes control as the basis for consolidation
- sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee
- sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 is applicable to financial years beginning on or after January 1, 2014. The EU adopted the standard on December 11, 2012. The application of this amendment will not have any material effect on the consolidated financial statements.

On May 12, 2011 the IASB also published the standard **IFRS 11** (Joint Arrangements). The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 11 is applicable to financial years beginning on or after January 1, 2014. This standard includes special transitional provisions for the transition from proportionate consolidation to the equity method for joint ventures, the transition from the equity method to accounting for assets and liabilities for joint operations and the transition in an entity's separate financial statements for a joint operation previously accounted for as an investment at cost. The EU adopted the standard on December 11, 2012. The application of this amendment will not have any material effect on the consolidated financial statements.

The IASB also published **IAS 28** – **as amended in 2011** on May 12, 2011 (Investments in Associates and Joint Ventures). The objective of IAS 28 (as amended in 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 (as amended in 2011) applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). IAS 28 (as amended in 2011) is applicable to financial years beginning on or after January 1, 2014. An entity may apply IAS 28 (as amended in 2011) to an earlier accounting period. The EU adopted the amended standard on December 11, 2012. The application of this amendment will not have any material effect on the consolidated financial statements.

On May 12, 2011 the IASB also published the standard **IFRS 12** (Disclosure of Interests in Other Entities). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities
- the effects of those interests on its net assets, financial position and results of operations

Where the disclosures required by IFRS 12, together with the disclosures required by other IFRS, do not meet the above objective, an entity is required to disclose additional information which is necessary to meet the objective.

IFRS 12 is applicable to financial years beginning on or after January 1, 2014. The EU adopted the standard on December 11, 2012. Adoption of this amendment is expected to lead to additional disclosures in the Notes.

On June 28, 2012 the IASB published "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)". These amendments clarify the transition guidance issued in IFRS 10 and provide additional simplifications for all three standards. Analogously to IFRS 10, IFRS 11 and IFRS 12, these amendments apply for reporting periods beginning on January 1, 2014. The application of this amendment will not have any material effect on the consolidated financial statements.

Improvements to the IFRS cycle 2010-2012

On December 12, 2013 the IASB published annual improvements to the IFRS cycle 2010–2012 and amended the following standards:

Standard	Subject of amendment
IFRS 2 *Share-based Payment*	• Clarification of the definitions of "vesting conditions" and "market conditions" • Addition of separate definitions for "performance conditions" and "service conditions"
IFRS 3 *Business Combinations*	Clarification that contingent considerations classified as assets or debts are to be measured at fair value on each balance sheet date
IFRS 8 *Operating Segments*	• Clarification of the necessary Notes in case of aggregation of operating segments • Clarification of the need to reconcile the total assets in the operating segments with the Group's assets
IFRS 13 *Fair Value Measurement*	Clarification of the continuing possibility to waive discounting of current receivables and liabilities in case of immateriality
IAS 16 *Property, Plant and Equipment*	Clarification of the need for proportionate adjustment of cumulative depreciation in case of application of the revaluation method
IAS 24 *Related Party Disclosures*	Clarification of the need for disclosures in accordance with IAS 24 regarding members of the management, where management functions are performed by legal entities
IAS 38 *Intangible Assets*	Clarification of the need for proportionate adjustment of cumulative depreciation in case of application of the revaluation method

The amendments will apply for reporting periods beginning on or after July 1, 2014. Adoption by the EU is currently scheduled for Q4 of 2014. The possible effects of these amendments for the consolidated financial statements are currently being assessed.

Improvements to the IFRS cycle 2011-2013

On December 12, 2013 the IASB also published annual improvements to the IFRS cycle 2011–2013 and amended the following standards:

Standard	Subject of amendment
IFRS 1 *First-time Adoption of IFRS*	Clarification of the meaning of the phrase "each IFRS effective at the end of the reporting period": in its first IFRS financial statements, a company may opt for early adoption of all IFRS which have already been approved (and which may be applied early), effective continuously for all of the periods indicated

IFRS 3 *Business Combinations*	Clarification that application of IFRS 3 is excluded in accounting for the establishment of any type of joint arrangement in the financial statements of this joint arrangement
IFRS 13 *Fair Value Measurement*	Clarification of the scope of portfolios in paragraph 52 of IFRS 13 (applicable for all contracts accounted for under IAS 39 or IFRS 9, irrespective of whether they fulfill the definition of a financial asset or a financial liability in accordance with IAS 32)
IAS 40 *Investment Property*	Clarification that the issue of whether the purchase of investment property constitutes a business combination must be assessed in accordance with IFRS 3

The amendments will apply for reporting periods beginning on or after July 1, 2014. Adoption by the EU is currently scheduled for Q4 of 2014. The possible effects of these amendments for the consolidated financial statements are currently being assessed.

2.4. *Main discretionary decisions, estimates and assumptions*

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

When preparing the consolidated financial statements, it is necessary to a certain degree to make estimates and assumptions that affect the recognition of assets and liabilities, the disclosure of other liabilities as of the balance sheet date, and the recognition of income and expenses during the period covered by the financial statements. Although actual results may differ from these estimates, the Management Board is of the opinion that no material negative differences in the consolidated financial statements will arise as a result in the near future.

In the consolidated financial statements, significant estimates and assumptions were made in the following areas that may lead to significant changes in the next financial year:

Associates

After applying the equity method the Group determines whether it is necessary – in the context of the current situation on the financial markets – to recognize an additional change in value for the Group's shares in associates by calculating the value in use on the basis of the expected future cash flows. To determine this value in use, the estimated future cash flows are discounted to their present value by taking planning risk into account and by applying a 7.7% pre-tax discount rate (2012: 8.8%) that reflects current market expectations regarding the time value of money and the specific risks associated with the asset. The estimated future cash flows were derived for the years 2014 to 2016 from the detailed budget approved by the general meeting, and a simplified forecast was used for the years 2017 to 2018. For all periods thereafter, the forecast figures for the year 2018 were assumed to be constant. However, after measurement of the value in use, there was no need to make any impairments as of the closing date of December 31, 2013.

For further disclosures regarding the carrying amounts of the associates, please see Notes IV.7 and IV.15.

Business combinations

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date.

A contingent consideration with an estimated fair value of EUR 3,413 thousand was measured on December 31, 2013 for the acquisition of BCM Group. Future developments may result in an adjustment of this balance-sheet value. In 2016, the maximum consideration payable is EUR 3,720 thousand. The contingent consideration is reported in the financial statements as an other financial liability (see Note III.2 and Note IV.16).

A useful life of 10 years has been assumed for the customer base of BCM Group. This corresponds to the best estimate of C-QUADRAT's Management Board as of the balance sheet date. BCM Group has many strategic and long-term partners. In addition, BCM Group has counted several major family offices among its clients since its establishment. They are also seen as long-term partners, not least due to the management's strong personal relationships with these clients. Since the firm's establishment, it has retained the loyalty of all its family office clients.

The underlying assumptions for determination of the recoverable amount for the various cash-generating units – including a sensitivity analysis – are set out in further detail in Note IV.16.

Taxes

Deferred tax assets are recognized for unused tax losses carried forward to the extent that it is likely that taxable income will be available against which these losses carried forward can be used. Determination of the deferred tax assets which may be capitalized requires a material discretionary assessment by the management as to the expected timing and amount of future taxable income as well as future tax planning strategies.

The Group's tax loss carryforwards amount to EUR 2,094 thousand (2012: EUR 5,139 thousand). These loss carryforwards will not expire and may not be offset against taxable income of other Group companies. The subsidiaries do not have any taxable temporary differences or tax planning opportunities which may lead to partial recognition of deferred tax assets. Accordingly, no deferred taxes have been recognized on tax loss carryforwards. Further details of taxes may be found in Note IV.10.

Measurement of the fair value of financial instruments

Insofar as it is not possible to measure the fair values of recognized financial assets and financial liabilities by means of quoted prices in active markets, they are determined by means of measurement methods including the discounted cash flow method. As far as possible, the input parameters included in the model are based on observable market data. If these data are not available, fair value measurement strongly depends on the management's discretion. Discretionary assessments relate to input parameters such as liquidity risk, default risk and volatility. Changes in the assumptions made in relation to these factors may affect the fair value recognized for the financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date.

This consideration is contingent on the development of the consolidated pre-tax earnings of BCM Group by comparison with the C-Quadrat Group excluding BCM Group in the period from April 1, 2012 to December 31, 2015. An increase (decrease) in the consolidated pre-tax

earnings of BCM Group in relation to the C-Quadrat Group without BCM Group may lead to an increase (decrease) in the fair value. (See Notes III and V.16).

2.5. *Summary of main accounting policies*

General measurement methods

The consolidated financial statements are prepared using the cost method, with the exception of financial assets measured at fair value in income, derivatives and financial assets held for sale, which were measured at fair value.

Measurement was carried out on a going concern basis.

The consolidated financial statements were prepared using the following accounting policies:

Foreign currency translation

The consolidated financial statements are prepared in euros, which is the functional and reporting currency of the Group. Each company within the Group specifies its own functional currency. Items included in the financial statements of the respective company are measured using this functional currency. Foreign currency transactions are converted into the functional currency at the spot rate applying on the date of transaction. Monetary assets and liabilities in a foreign currency are converted into the functional currency using the official middle rates applicable at each reporting date. All currency translation differences are recognized in income. Non-monetary items recognized at cost in a foreign currency are converted using the rate applying on the transaction date. Non-monetary items carried at fair value that are denominated in a foreign currency are reported using the exchange rate applicable when the fair value was determined. Any goodwill resulting from the acquisition of a foreign operation and any adjustments on a fair value basis to the carrying amounts of the assets and liabilities resulting from the acquisition of this foreign operation are recognized as assets and liabilities of the foreign operation and translated using the rate applicable on the closing date.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date. Income and expenses have been translated at the average rate. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Currency translation was based on the following exchange rates:

	Closing rate on		**Average rate for the year**	
in EUR	**Dec. 31, 2013**	**Dec. 31, 2012**	**2013**	2012
CHF	**0.816**	0.828	**0.822**	0.825
USD	**0.726**	0.757	**0.742**	0.764
HUF	**0.00338**	0.00344	**0.00341**	0.00332
GBP	**1.199**	1.223	**1.211**	1.208
KYD	**0.869**	0.903	**0.894**	0.912
AMD	**0.00179**	0.00188	**0.00180**	0.00194

Non-current assets held for sale or distribution to holders of ordinary shares of the parent company

The Group classifies non-current assets and disposal groups as held for sale or for distribution to holders of ordinary shares of the parent company if their carrying amounts will be recovered principally through a sale transaction or a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Distribution costs are the additional costs accruing which are directly attributable to the distribution, with the exception of financing costs and expenses for taxes on income.

The criteria for held for distribution classification are regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. It should be clear from the materials required for the distribution that significant changes to the distribution or its cancellation are not probable. The management must have resolved the distribution and this must be expected to be made within one year of classification. The same requirements apply for assets held for sale and disposal groups.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or held for distribution.

Assets and liabilities classified as held for sale or distribution will be separately reported in the balance sheet as current items.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment. This measurement includes the costs for replacement of part of an item of property, plant and equipment, provided that the criteria for recognition are met.

Systematic straight-line depreciation is based on the estimated useful lives of the respective assets. Property, plant and equipment are depreciated over a period of 3 to 10 years.

The cost of major servicing is recognized in the carrying amount of the respective item of property, plant or equipment, provided that the criteria for recognition are met. All other servicing and maintenance costs are immediately recognized in income.

An item of property, plant or equipment is derecognized either on disposal or when no economic benefit is expected from further use or sale of the asset. The gain or loss resulting from disposal of the asset is calculated as the difference between the net sales proceeds and the carrying amount of the asset, and is recognized in income for the period in which the asset is derecognized.

The residual values, useful lives and amortization methods are reviewed at the end of each financial year and adjusted if necessary.

Leases

Whether an agreement contains a lease is determined from the substance of the agreement on the date it was concluded and requires an assessment of whether fulfillment of the agreement is dependent on the use of a particular asset and whether the agreement grants a right to use the asset, even if this right is not expressly stipulated in the agreement.

In accordance with IAS 17, the economic ownership of leased assets is assigned to the lessee when the lease transfers to the lessee substantially all the risks and opportunities incidental to ownership of the leased items. To the extent that economic ownership is assigned to the C-QUADRAT Group, the leased property, plant and equipment is capitalized in accordance with IAS 17 at amounts equal to the fair value of the leased item or, if lower, to the present value of the minimum lease payments. Lease payments are apportioned between the finance costs and the reduction of the outstanding lease liability, in such a way that the remaining carrying amount of the lease liability is subject to a constant interest rate. Finance costs are recognized immediately as expense. If there is no reasonable certainty that an option to purchase the leased assets will be exercised, the amounts of depreciation are allocated on a systematic basis over the shorter of the lease term and the useful life of the assets.

Assets subject to all other lease or tenancy agreements are treated as operating leases and assigned to the lessor. Operating lease payments are expensed on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The purchase costs of a business combination are calculated as the total consideration paid, measured at the fair value on the acquisition date and the non-controlling interests in the acquired company. Upon each business combination, the acquirer recognizes the non-controlling interests in the acquired company either at fair value or at the corresponding portion of the identifiable net assets of the acquired company, measured at fair value. Costs incurred within the scope of the business combination are recognized as expense and reported as administrative costs.

When the Group acquires a company, it evaluates the suitable classification and designation of the financial assets and liabilities assumed in accordance with the contract conditions, economic circumstances and the prevailing conditions on the acquisition date. This also includes a separation of the derivatives embedded in the underlying contracts.

For successive business combinations, the equity in the acquired company is recognized at fair value on the acquisition date and the resulting profit or loss is recognized by the acquirer in income.

The agreed contingent consideration is recognized at fair value on the acquisition date. A contingent consideration classified as assets or debts in the form of a financial instrument covered by IAS 39 *Financial Instruments: Recognition and Measurement* is measured at fair value. In accordance with IAS 39, changes in value will either be recognized in income or as a change in other comprehensive income. If this contingent consideration is not covered by IAS 39, it will be measured in accordance with relevant IFRS. A contingent consideration that is classified as equity will not be remeasured and the subsequent payment will be recognized in equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of net assets acquired exceeds the aggregate consideration transferred, the Group will newly assess whether it has correctly identified all assets acquired and liabilities assumed and will review the procedures for calculation of the amounts reportable as of the date of acquisition. If the fair value of the net assets acquired continues to exceed the aggregate consideration transferred even after remeasurement, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is, from

the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquired company are assigned to those cash-generating units.

If goodwill has been allocated to a cash-generating unit and operations of this unit are sold, the goodwill attributable to the operations sold is recognized as a component of the carrying amount of the operations when calculating the gain or loss on the sale of the operations. The value of that part of goodwill which has been sold is calculated on the basis of the relative values of the sold operations and of the remaining part of the cash-generating unit.

Measurement of fair value

The Group measures certain financial instruments at fair value on each balance sheet date. The fair values of financial instruments measured at amortized cost are listed in Note V.16.

Fair value is the price which would be received for the sale of an asset or paid for the transfer of a liability through an orderly transaction between market participants on the measurement date. For measurement of fair value, the transaction involving the sale of the asset or the transfer of the liability is assumed to have occurred on either the

- principal market for the asset or the liability or the
- most advantageous market for the asset or the liability, if no principal market is available.

The Group must have access to the principal market or to the most advantageous market.

The fair value of an asset or a liability is determined according to the assumptions upon which market participants would base their pricing of this asset or liability. The market participants are thereby presumed to have acted in their best economic interests.

Measurement of the fair value of a non-financial asset considers the ability of the market participant to realize economic benefit through maximum and optimal utilization of this asset or through its sale to another market participant who will realize its maximum and optimum utilization.

The Group applies measurement methods which are appropriate for the circumstances and for which sufficient data are available for measurement of fair value. Material, observable input factors will be used as much as possible and use of non-observable input factors will be minimized.

All assets and liabilities whose fair value is determined or reported in the financial statements will be classified according to the fair value hierarchy outlined below, on the basis of the input parameter for the lowest level which is significant, overall, for fair value measurement:

- Level 1 – (non-adjusted) prices quoted on active markets for identical assets or liabilities
- Level 2 – measurement methods for which the input parameter for the lowest level which is significant, overall, for fair value measurement may be observed on the market either directly or indirectly
- Level 3 – measurement methods for which the input parameter for the lowest level which is significant, overall, for fair value measurement may not be observed on the market

In case of assets and liabilities which are recurrently recognized in financial statements, the Group determines whether these have been reclassified between the various levels of this hierarchy by verifying their classification at the end of each reporting period (on the basis of

the input parameter for the lowest level which is significant, overall, for fair value measurement).

To comply with the disclosure requirements for fair values, the Group has specified groups of assets and liabilities according to their type, their characteristics and their risks and also the levels of the fair value hierarchy outlined above.

Intangible assets

Separately acquired intangible assets are initially recognized at cost. The cost of intangible assets acquired in business combinations corresponds to their acquisition-date fair value. Intangible assets are recognized in subsequent periods at cost less accumulated amortization and accumulated impairment losses.

Systematic straight-line depreciation is based on the estimated useful lives of the respective assets. Intangible assets are amortized over a period of 3 to 10 years.

Intangible assets with a finite useful life are amortized over the period over which future economic benefits are received and tested for potential impairment if there are any indications that an intangible asset may be impaired. In the case of intangible assets with a finite useful life, the amortization period and the amortization method are reviewed at least at the end of each financial year. Any necessary changes in the amortization method and useful life are treated as changes in estimates. Amortization of intangible assets with finite useful lives is reported in the income statement under the “Depreciation and impairment” item.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses resulting from derecognition of intangible assets are calculated as the difference between the net sales proceeds and the carrying amount of the asset and are recognized in income in the period in which the asset is derecognized.

Shares in associates

Shares in associates are accounted for using the equity method. An associate is a company over which the Group has significant influence and which is neither a subsidiary nor a joint venture.

According to the equity method, shares are recognized in the balance sheet at cost plus any changes in the Group’s share of net assets of the associate that have occurred since acquisition. The goodwill relating to associates is recognized in the carrying amount of the Group’s share and is not subjected to systematic amortization. The income statement includes the Group’s interest in the profit or loss of the associate. Changes recognized directly in the other comprehensive income of the associate are recognized by the Group in the amount of its share in the associate and, where appropriate, are reported under other comprehensive income. Profits and losses from transactions between the Group and the associate are eliminated according to the investment held.

The same balance sheet date and the same accounting policies are applied to similar transactions and events occurring in similar circumstances in the associate and the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the

associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there are any indications that an asset may be impaired. If such indications exist, or when annual impairment testing for an asset is required, the Group estimates the recoverable amount of the respective asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value, less cost to sell, and its value in use. The recoverable amount must be determined for each individual asset, unless an asset does not generate any cash flows that are largely independent of those of other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and must be amortized to its recoverable amount. To determine an asset's value in use, the estimated future cash flows are discounted to their present value by applying a pre-tax discount rate that reflects current market expectations regarding the interest rate effect and the specific risks associated with the asset. Recent market transactions are considered for the calculation of fair value less selling costs. If no such transactions are identifiable, an appropriate measurement model will be applied. This model is based on measurement multipliers or other available indicators of the fair value.

The Group bases its impairment assessment on detailed budget and forecast calculations which are produced separately for each of the Group's cash-generating units to which individual assets are allocated. Such budget and forecast calculations normally cover a period of three years. For longer periods, a long-term growth rate is determined and applied for the forecast of future cash flows after the third year.

Impairment is recognized in income in the expense categories corresponding to the function of the respective impaired asset within the company.

For assets other than goodwill, a review is conducted at each balance sheet date to determine whether there are any indications that a previously recognized impairment loss no longer exists or has been reduced. If any such indications exist, the Group estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset is increased to its recoverable amount. However, this amount may not exceed the carrying amount of the asset less depreciation or amortization if no impairment losses in respect of the asset had been recognized in previous years. Any such reversals of impairment loss are recognized immediately in net income for the year.

For certain assets, the following criteria must also be taken into account:

Goodwill

Goodwill is tested for impairment at least once a year on December 31. An impairment test is also performed when events or circumstances indicate that the carrying amount of goodwill may have decreased. Impairment is determined by calculating the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill was allocated. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill was allocated, an impairment loss is recognized. An impairment loss recognized for goodwill may not be reversed in subsequent periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment at least once per year, on December 31. This test is performed at the level of the cash-generating unit. A test will also be performed if circumstances suggest possible impairment of this asset.

Associates

After applying the equity method, the Group determines whether it is necessary to recognize an additional impairment loss for the Group's shares in associates. At each balance sheet date, the Group assesses whether there are any objective indications that an investment in an associate may be impaired. When determining the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows that the associate as a whole is expected to generate. If the calculated share in the present value is lower than the carrying amount of the share, the difference between the recoverable amount of the share in the associate and the carrying amount of the share is recognized as impairment loss in income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Classification as current/non-current

The Group classifies its balance-sheet assets and liabilities as current and non-current assets and liabilities. An asset will be classified as current if:

- this asset is expected to be realized within the normal business cycle or if this asset is held for sale or utilization within this period,
- this asset is primarily held for trading purposes,
- this asset is expected to be realized within twelve months of the balance sheet date or

in case of cash and cash equivalents, unless the exchange or use of the asset in fulfillment of an obligation is restricted for a period of at least twelve months following the balance sheet date.

All other assets are classified as non-current. A liability will be classified as current if:

- this liability is expected to be fulfilled within the normal business cycle,
- this liability is primarily held for trading purposes,
- this liability is expected to be fulfilled within twelve months of the balance sheet date or
- the company does not have an unrestricted right to postpone fulfillment of the liability for at least twelve months following the balance sheet date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Financial assets

A financial instrument is a contract which simultaneously establishes a financial asset for one company and a financial liability or equity instrument for the other company.

Initial recognition and measurement

Financial assets are classified on initial recognition as financial assets at fair value in income, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. Any reclassifications, to the extent that they are permissible and appear necessary, are performed at the end of each financial year.

All financial assets are measured initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value in income.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Remeasurement

Financial assets measured at fair value in income

Financial assets measured at fair value in income include financial assets held for trading and financial assets designated upon initial measurement at fair value in income. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets measured at fair value in income are carried in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value in income using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value in income. These embedded derivatives are measured at fair value with changes in fair value recognized in income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the effective interest-rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included as finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

In the financial years ending December 31, 2013 and December 31, 2012, the Group did not have any held-to-maturity investments.

Loans and receivables

Loans and receivables, including receivables from customers, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any reductions for impairment. Amortized cost is calculated by taking account of all discounts and premiums on acquisition, and contains all charges forming an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the net profit or loss for the year if the loans and receivables are derecognized or impaired, and if amortized. Foreign currency receivables are measured using the middle exchange rate on the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value in income. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for- sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized directly in equity is amortized in income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded directly in equity is reclassified to the income statement.

Derecognition

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized if one of the following conditions is met:

- The contractual rights to the cash flows from a financial asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement in compliance with IAS 39.19; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an asset or a group of assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in income – is removed from other comprehensive income and recognized in income. Impairment losses on equity investments are not reversed in income; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income, the impairment loss is reversed in income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified on initial recognition either as financial liabilities at fair value in income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Remeasurement

Financial liabilities measured at fair value in income

Financial liabilities measured at fair value in income include financial assets held for trading as well as other financial liabilities classified on initial recognition as financial liabilities measured at fair value in income.

Financial liabilities are classified as held for trading when they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains and losses from financial liabilities held for trading are recognized in income.

Financial liabilities designated upon initial recognition at fair value in income are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

The Group has not classified any financial liabilities as being measured at fair value in income.

Loans
After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in income when the liabilities are derecognized and when amortized by means of the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Other liabilities
Other liabilities, including liabilities to customers, are measured on initial recognition at their fair value less transaction costs. After initial recognition, other liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in income when the investments are derecognized and when amortized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation on which the liability is based is discharged or terminated or expires. If an existing financial liability is replaced by another financial liability from the same lender under substantially different terms, or if the terms of an existing liability are substantially amended, such an exchange or such an amendment is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized in income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash on hand, bank balances and current investments with a remaining term of up to three months from the acquisition date. In the consolidated statement of cash flows, funds are classified according to the above definition.

Treasury stock

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

Provisions

Provisions are recognized when the Group has a present (legal or factual) obligation arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group expects at least partial reimbursement for an accrued provision (as in the case of an insurance policy, for example), the reimbursement is recognized as a separate asset if is virtually certain that the reimbursement will be received. The expense

relating to formation of the provision is presented in the income statement net of the amount recognized for reimbursement. If the discounting gives rise to a significant interest rate effect, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability, if this is considered necessary on a case-by-case basis. In the event of discounting, the increase in provisions determined by the passage of time is recognized as financial expenses.

Employee benefits

Severance payments
Provisions for severance payments are calculated in accordance with IAS 19 using the projected unit credit method. Future obligations are measured on the basis of actuarial expertise. Actuarial gains and losses are recognized immediately and in full in other comprehensive income. Not only those obligations which are known at the balance sheet date are taken into account, but also any increases that may be expected in the future.

Under Austrian law, severance payments are once-only settlements that must be paid in accordance with employment law when employees are laid off by the employer, and generally when employees enter retirement. The amount of settlement paid is based on the final salary and the number of years' service. For employees who joined the Group up to and including 2002, the company therefore has direct obligations for which provisions must be formed in accordance with IAS 19. As in the previous year, due to the fact that severance payments apply only to a small number of employees who have been employed by the C-QUADRAT Group for many years, no staff fluctuation deduction was made.

The calculation is performed using the AVÖ 2008 P mortality tables for salaried employees (2012: AVÖ 2008 P tables for salaried employees): Actuarial gains and losses in respect of severance obligations are recognized in other comprehensive income.

In addition to defined benefit, there is also a defined contribution plan for employees in Austria who joined the company after January 1, 2003. A statutory amount equal to 1.53% (2012: 1.53%) of gross salary must be paid into a company pension fund and is recognized as statutory personnel expenses. As a consequence, no provisions need be formed for these employees.

Pension insurance
Contributions to the statutory pension scheme, which are likewise recognized as statutory personnel expenses, amount for the employer to 12.55% (2012: 12.55%) of gross monthly salary up to a maximum of EUR 4,230.00 (2012: EUR 4,230.00).

Recognition of revenue and expense

Revenue is recognized when it is probable that the economic benefit will flow to the Group and the amount of income can be reliably measured, irrespective of the date of payment. Revenue is measured at the fair value of the consideration received or receivable, with consideration of contractually specified payment terms but excluding taxes or other levies. The Group has determined that it is the client in all of its sales transactions since it is the principal obligor for all sales transactions, has scope in regard to pricing and bears the inventory and credit risk.

The following criteria must also be met before revenue can be recognized:

Fee and commission revenue
Fee and commission revenue comprises the revenue received for rendering services in the securities and fund management field. This is recognized when the respective service is rendered. Management fees are charged for managing external assets for a specified period and are deferred accordingly. Performance fees are dependent on the appreciation in value

of the assets under management and are generally dependent on the value of assets reaching certain thresholds. These fees are therefore recognized when the respective value thresholds are reached. Up-front fees are charged for brokerage services and are recognized when the respective service has been performed. Trail fees are payable for brokerage mandates, as long as these are maintained. For that reason, they are deferred according to the period in which they arise. Revenue from premiums refer to the sales charges payable when purchasing shares in investment funds and are deferred according to the period in which they arise. Fee and commission expenses are recognized in the respective period in which they are incurred.

Interest and dividend revenue
Interest is recognized in the statement of comprehensive income as part of finance income in the period of its accrual. Dividends are recognized when the right to payment is established. In principle, recognition occurs as of the date on which the shareholders resolve the dividend.

Taxes

Actual taxes on income
Current income tax assets and liabilities for current and prior periods are measured at the amounts that are expected to be recovered from or paid to the respective tax authorities. These amounts are calculated on the basis of the taxation rates and tax laws applicable at the balance sheet date in the countries in which the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxes
Deferred taxes are formed by applying the liabilities method to temporary differences at the balance sheet date between the recognized carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax liabilities are recognized for all taxable temporary differences, with the exception of:

- deferred tax liabilities resulting from initial recognition of goodwill or of an asset or liability in respect of a business transaction that is not a business combination and which has no impact at the transaction date either on the net income for the year under corporate law or on the taxable income, and

- deferred tax liabilities resulting from taxable temporary differences relating to investments in subsidiaries, associates and shares in joint ventures, if the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards and unused tax credit to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be used, with the exception of:

- deferred tax assets resulting from deductible temporary differences arising from the initial recognition of goodwill or of a liability in respect of a business transaction that is not a business combination and which has no impact at the transaction date either on the net income for the year under corporate law or on the taxable income, and

- deferred tax assets resulting from deductible temporary differences relating to investments in subsidiaries, associates and shares in joint ventures, if it is probable that the temporary differences will not be reversed in the foreseeable future and insufficient taxable income will be available against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available against which the deferred tax assets can be used at least in part. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent that it has become likely that future taxable income will allow realization of the deferred tax assets. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the period in which the asset is realized or a liability is settled, based on tax rates (and tax laws) that have been enacted as of the balance sheet date. Future changes in tax rates are taken into account if substantive conditions for enactment have been fulfilled as of the balance sheet date within the scope of legislation.

Deferred taxes relating to items that are recognized directly in other comprehensive income are not recognized in the income statement, but in other comprehensive income; tax effects resulting from owner transactions are recognized directly in equity.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has a legally enforceable right to offset actual tax credits against actual tax debts, and these relate to taxes on income for the same taxable entity and levied by the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances changed. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss for the period.

Value added tax

Revenue, expenses and assets are recognized after deduction of value added tax, except in the following cases:

- when the input tax on purchases of assets or services cannot be reclaimed from the tax authority, the input tax is recognized as part of the asset cost or as part of the expenditure.
- when receivables and payables are recognized inclusive of value added tax.

The amount of value added tax refunded by or paid to the tax authority is recognized in the consolidated financial statements under receivables or liabilities, respectively.

The company recognizes a liability to distribute cash or non-cash dividends to holders of ordinary shares of the parent company if the distribution has been approved and is no longer subject to the company's discretion. Under Austrian company law, a distribution is considered to have been approved once it has been resolved by the shareholders. The corresponding amount will be recognized directly in equity.

Non-cash dividends are measured at the fair value of the assets to be distributed. Fair value remeasurements are recognized directly in equity.

At the distribution of non-cash dividends, any difference between the carrying amount of the liability and the carrying amount of the distributed assets will be recognized in the income statement.

III. SCOPE OF CONSOLIDATION

In addition to C-QUADRAT Investment AG, the consolidated financial statements of the C-QUADRAT Group include a total of ten fully consolidated subsidiaries (December 31, 2012: 9) and three companies accounted for at equity (December 31, 2012: 4).
Consolidation of QC Partners GmbH: Since a voting majority of 75% is required for significant decisions, despite C-QUADRAT Investment AG's 50.01% interest QC Partners GmbH has not been fully consolidated and has been accounted for at equity within the Group.

C-QUADRAT Investment AG (parent company)	1
Fully consolidated subsidiaries	10
Investments accounted for at equity	3
Total	**14**

The scope of consolidation developed as follows:

As of Jan. 1, 2012	**6**
of which foreign companies	*3*
Accounted for at equity for the first time in the 2012 financial year	2
Fully consolidated for the first time in the 2012 financial year	7
Deconsolidated in the 2012 financial year	1
As of Dec. 31, 2012	**14**
of which foreign companies	*10*
Fully consolidated for the first time in the 2013 financial year	*1*
In the 2013 financial year: disposal of investments accounted for at equity	*1*
As of Dec. 31, 2013	**14**
of which foreign companies	*10*

1. Changes in the scope of consolidation in 2013

Under a purchase agreement dated January 8, 2013, C-QUADRAT Investment AG sold 25.1% of its 100% interest in Absolute Portfolio Management GmbH, Vienna, to one of the company's two managing directors, for a price of EUR 31 thousand. The company will remain fully consolidated. The sold share of 25.1% has been recognized as non-controlling interests, with a carrying amount of EUR 554 thousand.

Under a share purchase agreement dated May 29, 2013, C-QUADRAT Investment AG sold its 30% interest in Best of Funds Fondsmarketing AG (previously SHARPE Fondsmarketing AG), Switzerland, for a price of EUR 25 thousand.

On November 29, 2013 C-QUADRAT Ampega Asset Management Armenia LLC, was established. This company is seated in Armenia. The Group has a 74.9% interest in this newly founded company. This company has been fully consolidated for the first time on December 31, 2013. The remaining share of 25.1% has been recognized as non-controlling interests, with a carrying amount of EUR 280 thousand.

2. Changes in the scope of consolidation in 2012

Under a purchase agreement of August 9, 2012 C-QUADRAT Investment AG acquired 100% of the shares in Absolute Portfolio Management GmbH ("APM") – an Austrian investment firm which is an asset management specialist – for a purchase price of EUR 1,643 thousand. Due to the conditions precedent stipulated in the agreement, the closing date for the purchase agreement was September 28, 2012.

As of the acquisition date, the fair values of APM's identifiable assets and liabilities are as follows:

Fair value as of acquisition date	**€ '000**
Non-current assets:	
Property, plant and equipment	36
Intangible assets	5
Current assets:	
Other assets	361
Cash and cash equivalents	1,111
	1,514
Current liabilities:	
Other liabilities	-232
Provisions	-59
	-291
Total fair value of identifiable net assets	**1,223**
Goodwill from business combination	420
Total consideration	**1,643**

Cash outflow due to business combination	**€ '000**
Transaction costs for business combination (included in cash flow from operating activities)	-328
Cash outflow	-1,643
Cash and cash equivalents acquired through the subsidiary	1,111
Actual cash outflow due to business combination	**-860**

Fee and commission receivables from customers, in the other assets segment, have a fair value of EUR 267 thousand. None of the receivables from customers was impaired and all contractually specified amounts are deemed recoverable.

The goodwill of EUR 420 thousand includes the fund management's increased value resulting from the business combination. The recognized goodwill is not considered to be tax-deductible.

The transaction costs for the business combination (included in the cash flow from operating activities and in the other administrative expenses in the consolidated income statement) amounted to EUR 328 thousand.

In the 2012 financial year, APM contributed EUR 566 thousand to total revenues and EUR 21 thousand to consolidated pre-tax earnings. If this business combination had taken place at the start of 2012, in 2012 APM would have contributed EUR 1,710 thousand to revenue and EUR 51 thousand to consolidated pre-tax earnings.

The consideration for the acquisition of Absolute Portfolio Management GmbH amounted to EUR 1,643 thousand and was entirely funded through cash and cash equivalents.

Under a purchase agreement dated September 19, 2011 C-QUADRAT Deutschland AG sold its 100% investment in C-QUADRAT Portfolio-Fonds GmbH for a selling price of EUR 1.00. Due to the conditions precedent stipulated in the agreement – for the assignment to the purchaser of the shares as well as all rights and obligations – which were only fully realized in January 2012, C-QUADRAT Portfolio-Fonds GmbH was removed from the consolidated group as of January 1, 2012.

As of the date of sale, the fair values of C-QUADRAT Portfolio-Fonds GmbH's identifiable assets and liabilities are as follows:

Fair value as of date of sale	**€ '000**
Non-current assets:	
Property, plant and equipment	1
Intangible assets	0
Current assets:	
Other assets	89
Cash and cash equivalents	263
	353
Current liabilities:	
Other liabilities	-9
Provisions	-13
	-22
Total fair value of identifiable net assets	**331**

Under a purchase agreement of September 5, 2012 the Group acquired 100% of the shares in BCM (Luxembourg) SA, a company seated in Luxembourg, together with its wholly-owned subsidiaries BCM UK Ltd and Bluestar BCM Limited, United Kingdom, and BCM & Partners SA, Switzerland. BCM & Partners SA has a 100% stake in BCM & Partners (Cayman), seated in the Cayman Islands. BCM UK Ltd holds 96.25% of the shares in BCM & Partners LLP (UK), seated in the United Kingdom. These companies (the "BCM Group") focus on the management of securities. Following approval by the Financial Services Authority (UK), the closing date for the purchase agreement was December 28, 2012.
As of the acquisition date, the fair values of BCM Group's identifiable assets and liabilities are as follows:

Fair value as of acquisition date	**€ '000**
Non-current assets:	
Property, plant and equipment	65

Intangible assets	12,836
Current assets:	
Receivables from customers	2,347
Other assets	342
Cash and cash equivalents	2,782
	18,372
Non-current liabilities:	
Deferred tax liabilities	-3,198
Current liabilities:	
Payables to customers	-194
Other liabilities	-1,930
Provisions	-396
	-5,718
Total fair value of identifiable net assets	**12,654**
Goodwill from business combination	4,031
Total consideration	**16,685**

Cash outflow due to business combination	**€ '000**
Transaction costs for business combination (included in cash flow from operating activities)	-910
Non-cash (cash-equivalent) outflow	-9,668
Cash and cash equivalents acquired through the subsidiary	2,782
Actual cash outflow due to business combination	**-7,796**

Intangible assets include the value of the customer base resulting from the business combination with BCM Group (EUR 12,790 thousand) as well as software (EUR 46 thousand).

Receivables from customers have a fair value of EUR 2,347 thousand. None of the receivables from customers was impaired and all contractually specified amounts are deemed recoverable.

Goodwill amounting to EUR 4,031 thousand includes the value resulting from the positive effect of integration in the Group's structure within the framework of the business combination. The recognized goodwill is not considered to be tax-deductible.

The transaction costs for the business combination (included in the cash flow from operating activities and in the other administrative expenses in the consolidated income statement) amounted to EUR 1,044 thousand.

In the 2012 financial year, BCM Group contributed EUR 0 thousand to total revenues and EUR 0 thousand to consolidated pre-tax earnings. If this business combination had taken place at the start of 2012, in 2012 BCM would have contributed EUR 6,050 thousand to revenue and EUR 1,748 thousand to consolidated pre-tax earnings.

Consideration	**€ '000**

Cash and cash equivalents	9,668
Purchaser's equity interest	3,720
Liability resulting from contingent consideration	3,298
Total consideration	**16,685**

As a consideration for its 100% investment in BCM Group, the Group has issued 130,896 units of its own ordinary shares. The fair value of these shares corresponds to their 60-day average price on the acquisition date, which amounted to EUR 28.42 per share. The fair value of the consideration granted is thus EUR 3,720 thousand.

A contingent consideration has been agreed as part of the purchase agreement with the previous owner of BCM Group. Accordingly, the previous owner of BCM Group will receive further cash payments in line with the following formula:

In the event that the consolidated pre-tax earnings of BCM Group by comparison with the C-Quadrat Group excluding BCM Group exceed an amount of 10% in the period from April 1, 2012 to December 31, 2015, the contingent consideration will be calculated on the basis of this ratio for each further 0.1% increase. The maximum additional consideration amounts to EUR 3,720 thousand. June 30, 2016 has been determined as the date of the final measurement and the due date for the contingent consideration.

On the acquisition date, after discounting with an interest rate of 3.5% the fair value of the future consideration was estimated to amount to EUR 3,298 thousand. On December 31, 2012 the key ratios for the operating success of BCM Group indicate that the defined goal will likely be achieved, thanks to a significant expansion of business activities and realized synergies.

IV. NOTES TO THE INCOME STATEMENT

1. Fee and commission income

Fee and commission income relates to income from asset management on behalf of third parties.

	2013	2012
	€ '000	€ '000
Management fees	**50,066**	42,256
Performance fees	**15,375**	2,882
Distribution fees	**2,082**	0
Trail fees	**953**	426
Other	**1**	32
Total	**68,477**	45,596

The management fees increased to EUR 50,066 thousand (2012: EUR 42,256 thousand). This also reflected the higher assets under management which resulted from the acquisition of Absolute Portfolio Management GmbH and BCM Group in late 2012. Due to the solid performance realized by several products, EUR 15,375 thousand (2012: EUR 2,882 thousand) in performance fees was generated in the current financial year. The distribution fees realized by BCM Group amounted to EUR 2,082 thousand (2012: EUR 0 thousand). Trail fees increased to EUR 954 thousand (2012: EUR 426 thousand). Other advisory revenue was transferred to management fees due to business activities in 2013.

2. Other operating income

	2013	2012
	€ '000	€ '000
Client magazine	**300**	84
Passed-on expenses	**26**	23
Advisory revenue	**0**	225
Other	**258**	180
Total	**584**	512

In the other operating income segment, the "Other" item includes a settlement resulting from a contested purchase price receivable in the amount of EUR 156 thousand.

3. Personnel expenses

	2013	2012
	€ '000	€ '000
Wages and salaries	**8,672**	5,029
Statutory social insurance contributions	**1,277**	963
Other	**201**	108
Total	**10,150**	6,100

Personnel expenses include approx. EUR 770 thousand (2012: EUR 665 thousand) in employer contributions to statutory pension insurance and EUR 77 thousand (2012: EUR 66 thousand) in contributions to the company pension fund.

4. Other administrative expenses

Other administrative expenses consist of operating expenses for goods and services.

	2013	2012
	€ '000	€ '000
Rental expenses	**647**	390
Promotion expenses	**1,710**	1,205
Legal and consultancy fees	**1,006**	572
Incidental acquisition costs for business combinations	**0**	1,372
Costs allocated to associates	**712**	467
IT expenses	**1,468**	865
Other office and premises expenses	**397**	208
Fees and levies	**564**	253
Travel expenses	**502**	224
Vehicle expenses	**298**	370
Business insurance	**168**	181
Personnel recruitment	**154**	5
Other	**537**	378
Total	**8,163**	6,490

The legal and consultancy fees also include the expenses for the auditor. In the 2013 financial year, these totaled EUR 166 thousand (2012: EUR 153 thousand) for the C-QUADRAT Group and comprised expenses for auditing of the annual financial statements and the consolidated financial statements.

5. Other operating expenses

	2013 **€ '000**	2012 € '000
Non-deductible input tax	**915**	802
Losses on sales of assets	**68**	5
Valuation adjustment on receivable	**0**	2,013
Other	**2**	17
Total	**985**	2,837

6. Depreciation and amortization

In the 2013 financial year, as in the previous year reported depreciation and amortization exclusively relates to systematic amortization of intangible assets and depreciation of property, plant and equipment.

7. Net income from associates

The net income from associates relates to the Group's share in the profits and losses of associates, which are accounted for using the equity method. Further details on associates may be found under Note V.3 below.

8. Financial income

	2013 **€ '000**	2012 € '000
Loans and receivables	**84**	306
Financial assets measured at fair value in income	**62**	67
Other	**132**	41
Total	**278**	414

Financial income from loans and receivables relates solely to interest income from bank balances and to other interest income. The financial income from financial assets measured at fair value relates to income from investments in equities, bonds and investment funds.

9. Finance costs

	2013 **€ '000**	2012 € '000
Liabilities to banks	**287**	4
Financial assets measured at fair value in income	**4**	314

Total	**291**	318

The interest on liabilities to banks results from interest charged on liabilities classified as other liabilities. In 2012 the finance costs resulting from financial assets measured at fair value mainly relate to the valuation adjustment recognized on a receivable.

10. Taxes on income

	2013 **€ '000**	2012 € '000
Actual expense for taxes on income	**-779**	-43
Deferred taxes on income from temporary differences	**-904**	-63
Income tax expense recognized in profit or loss	**-1,683**	-106

	2013 **€ '000**	2012 € '000
Deferred taxes on income resulting from items directly recognized in other comprehensive income during the financial year:		
Net gains/losses from financial assets available for sale	**49**	-7
Taxes on income not affecting the income statement	**49**	-7

The difference between the Austrian corporation tax rate of 25% and the Group tax rate as disclosed is accounted for as follows:

	2013 **€ '000**	2012 € '000
Net profit or loss before taxes on income for the continued operation	**11,220**	345
Expense for taxes on income at a tax rate of 25%	**-2,805**	-86
Deviating foreign tax rates	**2**	-2
Non-temporary differences	**1,120**	-18
From tax-free income	**1,167**	580
From non-deductible expenses	**-47**	-598
Effective tax burden	**-1,683**	-106
Effective tax rate in %	**15.0%**	30.8%

The "non-temporary differences" item comprises tax-free income as well as expenses which are not tax-deductible due to local tax legislation.

The effective tax rate in the period under review is 15.0% (2012: 30.8%). Further remarks on deferred taxes can be found under Note V.13.

11. Earnings per share

No diluting effect has been taken into consideration for the calculation of earnings per share.

Calculation of the earnings per share was based on the following number of weighted average ordinary shares:

	2013	2012
Weighted average number of ordinary shares	4,339,749	4,239,876

Please see Note V.8 below for further remarks concerning changes in the number of ordinary shares.

12. Segment reporting

For the purpose of corporate management, the Group is organized in business units, according to products and services. The following two operating segments are subject to mandatory reporting:

- The “Investments” operating segment handles management of investments and the development and marketing of structured products and alternative investments
- The “Asset Management and Sales” operating segment handles the management of external assets within the scope of publicly launched investment funds as well as the marketing of the company’s own investment funds and products.

The Investments segment includes the company:

C-QUADRAT Investment AG

The following companies are included in the Asset Management and Sales segment:

C-QUADRAT Kapitalanlage AG
C-QUADRAT Deutschland GmbH
Absolute Portfolio Management GmbH
BCM (Luxembourg) SA
BCM UK Ltd
Bluestar BCM Limited
BCM & Partners SA
BCM & Partners (Cayman)
BCM & Partners LLP
C-QUADRAT Ampega Asset Management Armenia LLC

No grouping of operating segments has occurred in order to establish the above operating segments subject to mandatory reporting. The Management Board monitors the business units’ net profit for the period, so as to decide on the allocation of resources and to determine the earnings power of the respective units. The development of the segments is determined on the basis of the net profit for the period and is assessed in conjunction with the operating

profit reported in the consolidated financial statements. Transactions between the segments mainly involve fee and commission revenue and expenses, as well as passed-on expenses. These are charged as pro rata costs, plus a normal market profit margin. The segment result presented refers to the net profit for the year after deduction of non-controlling interests.

The “Consolidation” column in the table below shows the effects of intercompany elimination, as well as income and expenses relating to Group level only.

Revenue resulting from transactions with other segments is eliminated for consolidation purposes. Investments relate to additions to property, plant and equipment and intangible assets, including assets resulting from the acquisition of subsidiaries.

The above operating segments subject to mandatory reporting have not been classified by geographical market, since the Management Board considers the presentation of operating segments with a breakdown for individual products and services to be key management information, while a further breakdown by geographical markets in line with IFRS 8.33 is not deemed relevant for the presentation of the operating segments.

Year ended 2013

	Participations	Asset Management and Sales	Consolidation	C-QUADRAT Group
	€ '000	€ '000	€ '000	€ '000
Fee and commission income	464	69,355	-1,342	68,477
From external customers	*464*	*68,219*	*-206*	*68,477*
Intersegment income		*1,136*	*-1,136*	*0*
Profit/loss from segment	*1,647*	*8,915*	*-1,025*	*9,537*
Net income from associates	2,385		1,907	4,292
Depreciation, systematic	133	1,851	-70	1,914
Segment assets	*34,685*	*24,180*	*1,563*	*60,428*
Shares in associates	*6,568*		*3,165*	*9,733*
Segment liabilities	*8,482*	*18,838*	*-923*	*26,397*
Investments	*118*	*1,581*	*-677*	*1,022*
Employees	*7.0*	*75*	*0*	*82*

Year ended 2012

	Participations	Asset Management and Sales	Consolidation	Continuing operation	Assets held for sale	C-QUADRAT Group
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Fee and commission income	458	45,142	-4	45,596		45,596
From external customers	*458*	*45,138*		*45,596*		*45,596*
Intersegment income		*4*	*-4*			
Profit/loss from segment	*-2,801*	*2,934*	*106*	*239*		*239*

Net income from associates	2,340		106	2,446		2,446
Depreciation, systematic	-123	-234		-357		-357
Segment assets	*35,596*	*15,926*	*61*	*51,583*		*51,583*
Shares in associates	5,980		1,259	7,239	25	7,239
Segment liabilities	9,709	14,475	-1,149	23,034		23,034
Investments	220	277		496		496
Employees	7	72		79		79

V. NOTES ON THE BALANCE SHEET

1. Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment in 2012 and 2013 are shown in the following statement of changes in assets. The effects of changes in the scope of consolidation are shown in a separate column.

Intangible assets

Intangible assets exclusively comprise software licenses, concessions and rights, customer bases and goodwill. The intangible assets are carried at cost minus accumulated systematic straight-line depreciation.

Property, plant and equipment

Property, plant and equipment comprise operating and office equipment. Property, plant and equipment are carried at cost minus accumulated systematic straight-line depreciation.

The C-QUADRAT Group has concluded leasing agreements for various assets (operating and business equipment, vehicles), with average terms of between 3 and 5 years. There are no purchase or renewal options for these leasing agreements. As of the balance sheet date, future minimum lease payments due to operating leases not subject to termination were as follows:

	Dec. 31, 2013 € '000	Dec. 31, 2012 € '000
Up to one year	**45**	36
Longer than one year and up to five years	**100**	45
Total	**145**	81

Statement of changes in non-current assets, 2013

	As of Jan. 1, 2013	Exchange rate differences	Additions	Disposals	Reclassifications	As of Dec. 31, 2013	As of Jan. 1, 2013	Exchange rate differences	Depreciation and amortization for the year	Write-ups	Disposals	Reclassifications	As of Dec. 31, 2013	Carrying amount Dec. 31 2013	Carrying amount Dec. 31 2012
Software	638	-6	76	354	15	369	408	-24	128		294	7	225	**144**	**230**
Licenses, rights	38		42			80	21		23				44	**36**	**17**
Customer base	12,790					12,790			1,279				1,279	**11,511**	**12,790**
Goodwill	4,451		25			4,476			25				25	**4,451**	**4,451**
Intangible assets	**17,918**	**-6**	**143**	**354**	**15**	**17,715**	**429**	**-24**	**1,455**	**0**	**294**	**7**	**1,573**	**16,142**	**17,488**
Operating and office equipment	2,072	-7	879	407	-15	2,523	1,107	-6	459		359	-7	1,195	**1,327**	**965**
Property, plant and equipment	**2,072**	**-7**	**879**	**407**	**-15**	**2,523**	**1,107**	**-6**	**459**	**0**	**359**	**-7**	**1,196**	**1,327**	**965**

Statement of changes in non-current assets, 2012

	Cost					Accumulated depreciation and amortization					
	As of Jan. 1, 2012	Changes in scope of consolidation	Additions	Disposals	As of Dec. 31, 2012	As of Jan. 1, 2012	Depreciation and amortization for the year	Disposals	As of Dec. 31, 2012	Carrying amount Dec. 31, 2012	Carrying amount Dec. 31, 2011
Software	572	55	151	141	638	467	82	141	408	**230**	**105**
Licenses, rights	35	0	3	0	38	12	10	0	21	**17**	**24**
Customer base	0	12,790	0	0	12,790	0	0	0	0	**12,790**	**0**
Goodwill		4,451	0	0	4,451	0	0	0	0	**4,451**	**0**
Intangible assets	**608**	**17,296**	**154**	**141**	**17,918**	**479**	**91**	**141**	**429**	**17,488**	**129**
Operating and office equipment	1,859	463	342	232	2,072	1,034	266	193	1,107	**965**	**826**
Property, plant and equipment	**1,859**	**463**	**342**	**232**	**2,072**	**1,034**	**266**	**193**	**1,107**	**965**	**826**

2. Goodwill impairment tests

The goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Cash-generating unit “BCM Group”
- Cash-generating unit “Absolute Portfolio Management GmbH”

The Group performed its annual impairment testing on December 31, 2013.

On December 31, 2013 goodwill was allocated to these units as follows:

	Dec. 31, 2013 € ’000	Dec. 31, 2012 € ’000
BCM Group	**4,031**	4,031
Absolute Portfolio Management GmbH	**420**	420
Total	**4,451**	4,451

On December 31, 2013 the following units account for the customer base:

	Dec. 31, 2013 € ’000	Dec. 31, 2012 € ’000
BCM Group	**11,511**	12,790
Total	**11,511**	12,790

Cash-generating unit “BCM Group”

The recoverable amount of the cash-generating unit “BCM Group” is determined on the basis of a value-in-use calculation, including cash flow forecasts produced using the financial plans approved by the management for a period of three years. A pre-tax discount rate of 7.7% (2012: 8.8%) is applied for the cash flow forecasts. Cash flows resulting after this three-year period are extrapolated on the basis of a growth rate of 2.0% (2012: 2.0%). This growth rate corresponds to the long-term average growth rate for financial services providers. It has been determined that the fair value less selling costs exceeds the value in use.

Cash-generating unit “Absolute Portfolio Management GmbH”

The recoverable amount of the cash-generating unit “Absolute Portfolio Management GmbH” is likewise determined on the basis of a value-in-use calculation, including cash flow forecasts produced using the financial plans approved by the management for a period of three years. A pre-tax discount rate of 7.7% (2012: 8.8%) is applied for the cash flow forecasts. Cash flows resulting after this three-year period are extrapolated on the basis of a growth rate of 2.0% (2012: 2.0%). This growth rate corresponds to the long-term average growth rate for financial services providers. It has been determined that the fair value less selling costs exceeds the value in use.

Basic assumptions for calculation of the value in use

The underlying assumptions for calculation of the value in use of the two units “BCM Group” and “Absolute Portfolio Management GmbH” are subject to the following sources of uncertainty:

- discount rates and

- growth rates applied for extrapolation of the cash flow forecasts beyond the detailed planning period.

Discount rates: the discount rates reflect the current market estimates regarding the specific risks which apply for the cash-generating units; this includes the interest-rate effect and the specific risks for assets for which estimated future cash flows have not been adjusted. The discount rate calculation gives consideration to the specific circumstances of the Group and its operating segments and reflects its weighted average capital costs (WACC). Weighted average capital costs include both loan capital and equity capital. Equity capital costs are derived from the expected equity return for the Group's equity investors. Loan capital costs are based on the interest-bearing loan capital which the Group is required to service. The segment-specific risk is calculated through application of individual beta factors. These beta factors are determined annually on the basis of publicly available market data.

Estimates of growth rates – the growth rates are based on long-term industry growth rates.

Sensitivity of assumptions

Assumptions regarding the growth rate: The decrease in the long-term growth rate for the cash-generating units "BCM Group" and "Absolute Portfolio Management GmbH" to -10% will not entail any need for impairment.

Discount rates: A 10% increase in the WACC would not entail any need for impairment for the cash-generating units "BCM Group" and "Absolute Portfolio Management GmbH".

Management believes that, to the best of its knowledge, no possible change in any of the underlying assumptions applied to determine the value in use of the cash-generating units "BCM Group" and "Absolute Portfolio Management GmbH" is liable to cause the carrying amount of the respective cash-generating unit to significantly exceed its recoverable amount.

3. Shares in associates

The Group has the following associates:

	Dec. 31, 2013 **€ '000**	Dec. 31, 2012 € '000
ARTS Asset Management GmbH (45%)	**9,100**	7,166
Best of Funds Fondsmarketing AG (30%)	**0**	25
QC Partners GmbH (50.01%)	**571**	12
Ampega C-Quadrat Fondsmarketing GmbH (50%)	**62**	36
Total	**9,733**	7,239
Reclassification of non-current assets classified as held for sale	**0**	-25
Total	**9,733**	7,214

Under a share purchase agreement dated May 29, 2013, C-QUADRAT Investment AG sold its 30% interest in Best of Funds Fondsmarketing AG (previously SHARPE Fondsmarketing AG), Switzerland, for a price of EUR 25 thousand.

The following table contains summarized financial information concerning the Group's investments in associates:

	Dec. 31, 2013	Dec. 31, 2012
	€ '000	€ '000
Group interest in the assets and liabilities of associates		
Assets	**11,847**	8,349
Liabilities	**-2,114**	-1,110
Pro-rata net assets	**9,733**	7,239
of which associates classified as held for sale		25
Group interest in the revenue and earnings of associates		
Revenue	**7,729**	4,468
Net profit for the year incl. valuation result	**4,292**	2,446

4. Financial assets and financial liabilities

Financial assets

	Dec. 31, 2013	Dec. 31, 2012
	€ '000	€ '000
Non-current assets:		
Financial assets available for sale, measured at fair value and recognized directly in equity	**606**	709
Loans and receivables	**409**	0
	1,015	709
Current assets:		
Financial assets measured at fair value in income	**456**	1,263
	456	1,263
Total financial assets	**1,470**	1,972

On the one hand, the available-for-sale financial assets include shares in investment funds as well as equities and therefore have no fixed maturity and no fixed interest rate. On the other hand, this item includes investments in variable-interest bonds which do not have any maturity date and are not held to their maturity.

The financial assets measured at fair value in income relate to investments in equities, bonds and investment funds and are entirely (December 31, 2012: entirely) traded on the stock market or at net asset values that are published daily.

Loans and receivables include security deposits in the amount of EUR 408 thousand (December 31, 2012: 0) and are recognized at fair value.

Financial liabilities and interest-bearing loans

	Dec. 31, 2013 € '000	Dec. 31, 2012 € '000
Non-current liabilities:		
Liabilities to banks	**3,000**	4,000
Financial liabilities measured at fair value in income	**3,413**	3,298
	6,413	7,298
Current liabilities:		
Liabilities to banks	**1,000**	1,046
	1,000	1,046
Total financial liabilities	**7,413**	8,344

On the balance sheet date, the C-QUADRAT Group's liabilities to banks comprise an interest-bearing bank loan in the amount of EUR 4,000 thousand (2012: EUR 5,046 thousand) which is due annually on December 31 in five equal portions.

	Nominal value/scope € '000	Carrying amount € '000	Effective interest rate as %	Term to maturity	Collateral
Loans (fixed interest rate)	4,000	4,000	3.50%	2013-2017	See Note IV

These loans have the following maturities:

	Dec. 31, 2013 € '000	Dec. 31, 2012 € '000
Up to one year	**1,000**	1,046
Longer than one year and up to five years	**3,000**	4,000
Total	**4,000**	5,046

The financial liabilities measured at fair value in income include a contingent consideration resulting from the acquisition of BCM Group, with an estimated fair value of EUR 3,298 thousand as of the date of acquisition and EUR 3,413 thousand as of the balance sheet date. Future developments may result in further adjustments of this balance-sheet value. The maximum consideration payable is EUR 3,720 thousand.

Fair value

The following tables show carrying amounts and fair values for all of the financial assets and financial liabilities recognized within the scope of the consolidated financial statements, except for assets and liabilities whose carrying amounts are reasonable approximations of the fair value:

Financial assets	Carrying amount		Fair value	
	Dec. 31, 2013	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
	€ '000	€ '000	**€ '000**	€ '000
Available-for-sale financial assets measured at fair value	**606**	709	**606**	709
Loans and receivables	**409**	0	**409**	0
Financial assets measured at fair value in income	**456**	1,263	**456**	1,263

Financial liabilities	Carrying amount		Fair value	
	Dec. 31, 2013	Dec. 31, 2012	**Dec. 31, 2013**	Dec. 31, 2012
	€ '000	€ '000	**€ '000**	€ '000
Liabilities to banks	**4,000**	5,046	**4,000**	5,046
Contingent consideration	**3,413**	3,298	**3,413**	3,298

The management has determined that the carrying amounts of cash and cash equivalents, receivables from customers, payables to customers and other current liabilities almost match their fair values, due to these instruments' short terms.

The fair value of financial assets and financial liabilities is stated at the amount at which the respective instrument could be exchanged in a current transaction (except for forced sale or liquidation) between willing parties.

Determination of fair values

The following methods and assumptions are applied to determine fair values:

- The fair values of financial assets listed on a stock exchange and measured at fair value in income are measured at their listed prices on the balance sheet date. The fair value of financial assets measured at fair value in income but not listed on a stock exchange is estimated using suitable measurement methods.

- The fair value of the available-for-sale financial assets listed on a stock exchange and measured at fair value is determined on the basis of stock market prices on active markets on the balance sheet date.

- The fair value of non-quoted instruments, bank loans and other financial liabilities is estimated by discounting the future cash flows using interest rates currently available for loan capital borrowed on similar conditions, default risks and remaining terms to maturity.

Fair value hierarchy

For financial instruments measured at fair value as of December 31, 2013 and for financial instruments for which a fair value is indicated, the Group uses the following hierarchy to determine and recognize the fair values of financial instruments according to the respective measurement method:

- Level 1: quoted and unadjusted prices on active markets for identical assets or liabilities
- Level 2: methods in which all input parameters having a material effect on the recognized fair value are observable either directly or indirectly
- Level 3: methods using input parameters that materially affect the recognized fair value and are not based on observable market data

Financial assets	**Dec. 31, 2013**				Dec. 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
	€ '000	**€ '000**	**€ '000**	**€ '000**	€ '000	€ '000	€ '000	€ '000
Available-for-sale financial assets measured at fair value	**606**	**606**	**0**	**0**	709	709	0	0
Loans and receivables	**409**	0	409	0	0	0	0	0
Financial assets measured at fair value in income	**456**	**456**	**0**	**0**	1,263	1,263	0	0

Financial liabilities	**Dec. 31, 2013**				Dec. 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
	€ '000	**€ '000**	**€ '000**	**€ '000**	€ '000	€ '000	€ '000	€ '000
Liabilities to banks	**4,000**		**4,000**		5,046	0	5,046	0
Contingent consideration	**3,413**			**3,413**	3,298	0	0	3,298

During the reporting period ending December 31, 2013, there were no transfers between fair value measurements in Level 1, Level 2 and Level 3.

5. Receivables from customers

	Dec. 31, 2013	Dec. 31, 2012
	€ '000	€ '000
Invoiced claims for the provision of services	**3,140**	2,791
Deferred fee and commission income	**8,710**	2,196
Total	**11,850**	4,987

In addition to invoiced claims for the provision of services, receivables from customers also include deferred fee and commission income. All receivables from customers are non-interest-bearing and are usually due within 30 days or less.

The following table shows the age of receivables from customers as of December 31, 2013:

			Overdue but unimpaired					Overdue and impaired
	Total	Neither overdue nor impaired	< 30 days	30 - 90 days	90-180 days	180-360 days	> 360 days	> 360 days
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
2013	**11,850**	**11,747**	**75**	**23**	**5**	**0**	**0**	**0**
2012	4,987	4,929	31	16	11	0	0	0

6. Other assets

	Dec. 31, 2013	Dec. 31, 2012
	€ '000	€ '000
Receivables from intercompany charges	**144**	48
Capitalized prepayments	**275**	336
Security deposits	**168**	91
Other	**375**	293
Other assets	**962**	768

7. Cash and cash equivalents

	Dec. 31, 2013	Dec. 31, 2012
	€ '000	€ '000
Bank balances and cash in hand	**17,495**	15,572
Total	**17,495**	15,572

Bank balances bear interest at variable interest rates for bank balances available on demand. Current deposits are invested for periods of between one week and three months, depending on cash flow requirements. The fair value of cash and cash equivalents is EUR 17,495 thousand (December 31, 2012: EUR 15,572 thousand).

Cash and cash equivalents were recognized as the company's funds for the purpose of the consolidated statement of cash flows.

8. Share capital and reserves

Changes in share capital and reserves are presented in detail in the statement of changes in equity. The company's share capital is divided into 4,363,200 shares, each with a nominal value of EUR 1.00.

The Management Board is authorized with the consent of the Supervisory Board on one or more occasions to increase the company's share capital by up to EUR 1,090,800.00 in total

for a period of five years from the date of the entry of the change to the articles of association in the Companies Register by issuing up to 1,090,800 no-par bearer or registered shares, each conferring a voting right, in return for cash contributions or contributions in kind – including by way of an indirect rights issue – and to stipulate the type of shares to be newly issued (bearer or registered), the issue price and the terms of issue (approved capital). The Supervisory Board is authorized to resolve changes to the articles of association resulting due to the issuance of shares out of the approved capital. The relevant resolution was passed at the 17th (Extraordinary) General Meeting held on June 6, 2006. The original authorization resolution related to a total of 1,818,000 shares (50% of the then share capital in the amount of EUR 3,636,000.00). This authorization was partially made use of within the scope of the stock market flotation in the 2006 financial year; accordingly, the authorization stipulated in the articles of association now relates to 1,090,800 shares.

The Management Board of C-QUADRAT Investment AG terminated the current share buyback program, originally set to end on May 31, 2013, as per May 2, 2013.

At the Annual General Meeting of C-QUADRAT Investment AG held on May 3, 2013, pursuant to Section 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG), the Management Board was authorized to acquire non-par value bearer shares of the company, up to a maximum of 10% of the company's share capital, for a period of 30 months from the date of the General Meeting's resolution, for a minimum price corresponding to a market price of EUR 1 and a maximum price corresponding to a market price of EUR 40. The Management Board is also authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting authorized the Management Board to re-sell purchased treasury stock other than through the stock market or a public offering, while excluding the shareholders from subscribing.

In the 2013 financial year, by announcing its share buyback program on May 24, 2013 the Management Board made use of this authorization and acquired 54,690 no-par value bearer shares of the company for EUR 1,486 thousand (2012: 55,158 units for EUR 1,394 thousand. At the purchase of BCM Group, with a closing date of December 28, 2012, 130,896 treasury shares were used as means of payment, for a cost of EUR 3,342 thousand). Accordingly, on December 31, 2013 60,166 units were recognized with a nominal value of EUR 60.2 thousand and a carrying amount of EUR 1,627 thousand (i.e. 1.38% of the share capital for a cost of EUR 1,647 thousand). As of December 31, 2012, 5,476 units had been recorded on the books, with a value of EUR 141 thousand (i.e. 0.13% of the share capital, for a cost of EUR 161 thousand).

Changes in the number of ordinary shares:

Issued and fully paid	In thousands of shares	Nominal value € '000
As of Dec. 31, 2013	**4,303**	**4,303**
Acquisition of treasury shares	**55**	**55**
As of Dec. 31, 2012	4,358	4,358

Capital reserves relate to payments by shareholders over and above the reported share capital issued under the terms of an Initial Public Offering on the official market of the Frankfurt Stock Exchange (Prime Standard) on November 23, 2006. The transaction costs of issuing the shares, net of any related benefits for taxes on income, are accounted for as a deduction from capital reserves. Within the scope of the acquisition of the investment in BCM Group in 2012, by way of consideration the company issued 130,896 units of its own ordinary

shares. The difference between the fair value of these shares and the acquisition costs was recognized in the capital reserves.

Other reserves

	Unrealized gains	Currency translation differences	Total
	€ '000	€ '000	€ '000
As of Jan. 1, 2012	**-81**	**0**	**-81**
Unrealized gains/losses from available-for-sale investments	22	0	22
As of Dec. 31, 2012	**-59**	**0**	**-59**
Unrealized gains/losses from available-for-sale investments	**-148**	**-137**	**-285**
As of Dec. 31, 2013	**-207**	**-137**	**-344**

Changes in the fair value of available-for-sale investments are recognized in the reserve for unrealized gains. The related deferred taxes total EUR 49 thousand (2012: EUR -7 thousand) and are included in these amounts.

The reserve for currency translation differences was used to recognize differences arising from the translation of the financial statements of foreign subsidiaries.

9. Distributed dividends

The dividend paid in the 2013 financial year for the 2012 financial year amounted to EUR 0.60 per share (2012: EUR 1.00 per share).

10. Provisions

Statement of provisions, 2013

	Jan. 1, 2013	Changes in scope of consolidation	Currency translation difference	Utilization	Reversal	Additions	**Dec. 31, 2013**
	€ '000	€ '000		€ '000	€ '000	€ '000	**€ '000**
Provisions for severance payments	105					18	**123**
Total non-current provisions	105					18	**123**
Other provisions	310	5	1	167	1	195	**344**
Total current provisions	310	5	1	167	1	195	**344**
Total provisions	415	5		167	1	214	**467**

Other provisions mainly include estimated provisions for legal and other consultancy services provided to the company in the past financial year and for damage claims. These costs are expected to be payable within the next financial year.

Changes in provisions for severance payments are shown in the following table.

	Dec. 31, 2013 **€ '000**	**Dec. 31, 2012** **€ '000**
Provisions as of January 1 (=DBO)	**105**	**90**
Past service costs	**4**	**4**
Interest costs	**4**	**4**
Actuarial gains/losses	**10**	**7**
Change in scope of consolidation	**0**	**0**
Provisions as of December 31 (=DBO)	**123**	**105**

Both past service costs and interest costs are recognized in income.

Actuarial gains and losses in respect of severance obligations are recognized in other comprehensive income.

The amount of provisions for severance payments is calculated using actuarial methods, based on the following assumptions:

	Dec. 31, 2013	Dec. 31, 2012
Interest rate	**3.50%**	3.50%
Salary/wage increase	**3.50%**	3.50%
Deductions for fluctuation	**0.00%**	0.00%
Retirement age	**54-65 years**	54-65 years
Mortality tables for Austria	**AVÖ-P 2008, (salaried employees)**	AVÖ-P 2008, (salaried employees)

11. Payables to customers

	Dec. 31, 2013 **€ '000**	Dec. 31, 2012 € '000
Liabilities from services received	**1,820**	1,161
Deferred fee and commission liabilities	**9,207**	5,911
Total	**11,027**	7,072

In addition to invoiced claims for the provision of services, payable to customers also include deferred fee and commission income. Payables to customers are not subject to interest and are payable on demand or have a term of up to three months. Their carrying amounts are all equal to their fair values.

12. Other current liabilities

	Dec. 31, 2013 € '000	Dec. 31, 2012 € '000
Liabilities to tax authorities	**380**	250
Liabilities to social insurance institutions	**148**	92
Liabilities for premiums and bonuses	**1,741**	1,326
Liabilities for outstanding leave	**199**	162
Other	**1,207**	1,779
Other non-financial liabilities	**3,675**	3,609

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities as of December 31, 2013 and December 31, 2012 result from the following temporary difference between the recognized carrying amounts in the IFRS consolidated financial statements and the respective tax assessment bases:

	2013		**2012**	
€ '000	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Property, plant and equipment	0	0	0	0
Intangible assets	158	-2,878	0	-3,198
Shares in associates	0	0	0	0
Financial assets		-10	-15	0
Receivables customers	0	0	0	0
Other assets	38	0	22	0
	196	**-2,887**	**7**	**-3,198**
Provisions	11	0	14	0
Other liabilities	0	0	0	0
	11	**0**	**14**	**0**
Recognized loss carryforwards	523		1,284	0
Recognized one-seventh depreciation of investments	717		1,286	0
Deferred expenses and deferred income	1,448	-2,887	2,592	-3,198
Netting of deferred tax assets and liabilities			0	0
Balance of deferred tax assets and liabilities	**1,448**	**-2,887**	**2,592**	**-3,198**

The deferred tax assets arising from one-seventh depreciation of investments relate to the partial depreciation of investments over a 7-year period as required by Austrian tax law (2013: EUR 717 thousand; 2012: EUR 1,286 thousand). The deferred tax on partial

depreciation of investments was capitalized to the extent that these are likely to be offset against taxable profits in the foreseeable future.

14. Risk report

The main financial instruments used by the Group include investments in ordinary and preference shares, shares in investment funds, investments, cash and cash equivalents, bank loans and finance leases. The Group has various other financial assets and liabilities, such as receivables from and payables to customers, which arise directly from it business activities. The Group does not deploy any derivative financial instruments, such as interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.

The principal risks to which the Group is exposed as a result of holding financial instruments are cash flow risks relating to interest rates, as well as liquidity, foreign exchange and credit risks. The management of the company establishes and reviews risk management policies for each of these risks, as described in the following.

Cash flow risks relating to interest rates
On December 31, 2013 the C-QUADRAT Group has a bank liability which is subject to a fixed interest rate and amounts to EUR 4,000 thousand (December 31, 2012: EUR 5,046 thousand). Accordingly, the company is not exposed to any risk associated with fluctuating market interest rates. Accordingly, no hedges were used to eliminate an interest rate risk.

Foreign exchange risk
The following table shows the sensitivity of the Group's consolidated pre-tax earnings (due to changes in the fair values of monetary assets and liabilities) to a 10% increase in the GBP and CHF exchange rates, which is reasonably considered to be possible. A positive figure indicates an increase in the net income for the year, if the GBP or CHF increases 10% in relation to the euro. If the respective currency falls by 10% against the euro, this has an equally large but opposite effect on the net income for the year, so the items shown below would then be negative. There are no effects on equity.

	GBP effects		**CHF effects**	
	2013	2012	**2013**	2012
	€ '000	€ '000	**€ '000**	€ '000
Pre-tax earnings	**476**	0	**418**	0
Equity	**0**	0	**0**	0

A portion of the C-QUADRAT Group's revenues and profits are generated by subsidiaries that are not headquartered in the Eurozone. During the period under review, C-QUADRAT generated 15% of revenues in foreign currencies, mainly GBP (9%) and CHF (5%). A majority of the company's business operations are carried out within the Eurozone. Above all this applies with respect to the subsidiaries C-QUADRAT Kapitalanlage AG, Absolute Portfolio Management GmbH, and C-QUADRAT Deutschland AG. BCM Group also has operations outside of the Eurozone.

Credit risk
The Group concludes transactions only with recognized and creditworthy third parties. All customers wishing to trade with the Group on credit terms are subjected to a credit assessment. Receivables are also monitored continuously, with the result that the Group is

not exposed to any significant default risk. One receivable underwent a valuation adjustment in the past financial year.

For the Group's other financial assets, such as cash and cash equivalents, held-for-trading financial assets and available-for-sale financial assets, the maximum default risk In the event of counterparty default is the carrying amount of the respective instruments. Since the Group concludes transactions only with third parties who are recognized and creditworthy, collateral is not required.

Liquidity risk

The company continuously monitors the risk of liquidity bottlenecks using a liquidity planning tool, which is used in particular to plan and monitor expected cash flows from business operations (fee and commission income and expenses). The company aims to maintain a balance between continuous coverage of funding requirements and safeguarding of financial flexibility, by using different terms for fixed deposits and also overdraft facilities and loans. As of the balance sheet date, as well as securities which may be liquidated at any time the Group has cash and cash equivalents in the amount of EUR 17,495 thousand (December 31, 2012: EUR 15,572 thousand), which is equivalent to approx. 29% of the balance sheet total (December 31, 2012: 30%). The company therefore has robust liquidity at its disposal.

As of December 31, 2013, the Group's undiscounted cash outflows for financial liabilities had the following maturities:

Maturities, 2013	On demand € '000	< 3 months € '000	3-12 months € '000	1-5 years € '000	> 5 years € '000	**Total € '000**
Liabilities to banks (including interest)	0	0	1,035	3,105	0	**4,140**
Payables to customers	11,027	0	0	0	0	**11,027**
Total	11,027	0	1,035	3,105	0	**15,167**

Maturities, 2012	On demand € '000	< 3 months € '000	3-12 months € '000	1-5 years € '000	> 5 years € '000	**Total € '000**
Liabilities to banks (including interest)	0	0	1,046	4,350	0	**5,396**
Payables to customers	7,072	0	0	0	0	**7,072**
Total	7,072	0	1,046	4,350	0	**12,468**

Capital management

The primary objective of the Group's capital management activities is to ensure that it maintains a high credit rating and a good equity ratio in order to support its business operations and maximize shareholder value. The Group manages its capital structure and makes adjustments in response to changes in macroeconomic conditions. In order to maintain or adjust its capital structure, the Group may adjust its dividend payments to shareholders, make capital repayments to shareholders or issue new shares.

The aim is to maintain an equity ratio at Group level of not less than 20% (in accordance with IFRS, adjusted for the provisions in the Austrian Securities Supervision Act 2007 (WAG)) or not less than 30% (in accordance with IFRS):

	Dec. 31, 2013 **€ '000**	Dec. 31, 2012 € '000
Share capital	**4,363**	4,363
Treasury stock	**-1,647**	-161
Reserves	**15,929**	16,600
Equity according to WAG	**18,646**	20,802
Group profits	**9,411**	239
Profit carryforward less dividend	**5,140**	7,509
Non-controlling interest	**834**	0
Equity according to IFRS	**34,031**	28,549
Liabilities	**26,397**	23,034
Total equity and liabilities	**60,428**	51,583
Equity ratio according to WAG	**30.9%**	40.3%
Equity ratio according to IFRS	**56.3%**	55.3%

As the parent company of the C-QUADRAT Group and as a securities company, C-QUADRAT Investment AG is subject to the provisions on equity in the Austrian Securities Supervision Act 2007 (WAG 2007). For example, the company is required to maintain equity at a minimum level of 25% of its fixed overheads according to its most recently approved annual financial statements, and in no case less than the EUR 50 thousand in start-up capital required to obtain a license. The company is also required to keep equity available for hedging of credit and operational risks. In the same way as for banks, equity equal to at least 8% of the risk-weighted assets must be held to cover the credit risk. In addition to the minimum amount of equity, and the equity required to hedge the credit risk, 12/88 of 25% of the fixed overheads determined in the most recently approved annual financial statements must also be held for hedging of operational risk.

This means that the company would currently have to hold at least EUR 4,236 thousand in equity (December 31, 2012: EUR 3,809 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible equity of the company – which according to Section 9 (3) WAG 2007 is comprised of the paid-in capital and the disclosed reserves – is EUR 23,135 thousand (December 31, 2012: EUR 23,135 thousand), so the company has EUR 18,899 thousand in surplus equity (December 31, 2012: EUR 19,326 thousand):

Minimum equity (Section 9 (2) WAG)	**Dec. 31, 2013** **€ '000**	Dec. 31, 2012 € '000
Start-up capital required to obtain a license	**50**	**50**
Fixed overheads in the most recently approved annual financial statements	**3,247**	**4,080**
25% thereof	**812**	**1,020**
Minimum equity required	**812**	**1,020**

Required amount of equity to cover credit risk (section 9 (5) WAG)	Dec. 31, 2013 Assets unweighted	Weighting Assets	Assets weighted	Dec. 31, 2012 Assets Weighted
Cash in hand	**2**	**0%**	**0**	0
Receivables from banks	**866**	**20%**	**173**	166
Receivables from customers	**0**	**100%**	**0**	0
Other fixed-interest securities	**0**	**100%**	**0**	505
Shares	**0**	**150%**	**0**	0
Equities and securities (incl. treasury stock)	**2,558**	**100%**	**2,588**	834
Participations	**6,389**	**100%**	**6,389**	5,801
Shares in associates	**24,909**	**100%**	**24,909**	24,493
Intangible assets	**44**	**100%**	**44**	88
Property, plant and equipment	**308**	**100%**	**308**	323
Other assets	**0**	**0%**	**0**	0
Other assets	**508**	**20%**	**102**	214
Other assets	**6,861**	**100%**	**6,861**	3,555
Prepaid expenses and accrued income	**74**	**100%**	**74**	58
Total assets:	**42,519**		**41,418**	37,558

Required amount of equity to cover operational risk (section 9 (6) WAG)	Dec. 31, 2013 € '000	Dec. 31, 2012 € '000
Fixed overheads in the most recently approved annual financial statements	**3,247**	4,080
25% thereof	**812**	1,020
12/88 thereof	**111**	139
Required amount of equity to cover operational risk	**111**	139

Required amount of equity (section 9 WAG)	Dec. 31, 2013 € '000	Dec. 31, 2012 € '000
Total	**4,236**	4,042

Eligible equity (section 9 (3) WAG)	Dec. 31, 2013 € '000	Dec. 31, 2012 € '000
Subscribed capital	**4,363**	**4,363**
Capital reserves, tied up	**18,747**	**18,747**
Statutory retained earnings	**24**	**24**
Total	**23,135**	**23,135**

15. Related party disclosures

Companies and individuals are considered to be related parties if one of the parties has the opportunity to control the other party or to exercise a significant influence over its financial and business policies.

A company or individual is considered to be a related party of C-QUADRAT if the party controls or is controlled by or is jointly controlled with the company, either directly or indirectly via one or more intermediaries, or holds an interest in the company that gives it a significant influence over the company, or is involved in the joint management of the company. A company or individual is considered to be a related party when the party is an associate, or the party is a person in a key management position in the company or its parent company.

Please see Note III.1 with regard to the sale of the 25.1% equity interest in Absolute Portfolio Management GmbH to one of the two managers of the company.

Transactions with related parties are conducted at arm's length conditions.

Management Board

In the 2013 financial year, the Management Board of C-QUADRAT Investment AG consisted of the following persons:

Gerd Alexander Schütz
Thomas Riess
Roland Starha (to January 25, 2013)

The gross remuneration paid to the Management Board members of C-QUADRAT Investment AG totaled EUR 618 thousand in the 2013 financial year, including variable remuneration components amounting to EUR 180 thousand (2012: EUR 175 thousand in variable components, EUR 714 thousand in total). Severance expenses for members of the Management Board of C-QUADRAT Investment AG amounted to EUR 0 thousand (2012: EUR 0 thousand). Contributions to defined contribution pension schemes for the Management Board members of C-QUADRAT Investment AG amounted to EUR 0 thousand in the 2013 financial year (2012: EUR 0 thousand)

As of December 31, 2013, the C-QUADRAT Group has no interest-bearing receivables from shareholders or members of the parent company's management board or from members of the management boards or management of subsidiaries (December 31, 2012: EUR 0 thousand).

Supervisory Board

In the 2013 financial year, the Supervisory Board of C-QUADRAT Investment AG consisted of the following persons:

Chairman:
Marcus Mautner-Markhof

Vice Chairman:
Franz Fuchs

Members:
Hubert Cussigh
Harry Ploemacher
Walter Schmidt
Friedrich Schweiger

At C-QUADRAT Investment AG, the remuneration paid to members of the Supervisory Board for the 2013 financial year amounted to EUR 78 thousand (2012: EUR 84 thousand).

Associates

Revenues amounting to EUR 223 thousand were generated from associates in 2013 (2012: EUR 206 thousand). These revenues relate mainly to fee and commission income and passed-on expenses. Expenses in the amount of EUR 11,260 thousand (2012: EUR 8,744 thousand) were charged to the company by associates in 2013. These charges mainly related to fee and commission expenses. As of December 31, 2013, receivables from associates amounted to EUR 1,270 thousand (December 31, 2012: EUR 165 thousand) and payables to associates to EUR 3,859 thousand (December 31, 2012: EUR 1,153 thousand).

16. Events after the balance sheet date

On January 28, 2014 a pledge agreement was concluded between C-QUADRAT Investment AG (pledgor) and Raiffeisenlandesbank Niederösterreich – Wien AG (pledgee). Pledging of the pledged assets serves to secure all present and future claims held by the pledgee against the pledgor in connection with the loan agreement entered into within the scope of the purchase of BCM Group. On December 31, 2013 the outstanding amount is EUR 4,000 thousand.

No other significant events requiring disclosure have occurred since the balance sheet date.

VI. NOTES TO THE CASH FLOW STATEMENT

The consolidated cash flow statement of the C-QUADRAT Group shows how the Group's cash and cash equivalents changed as a result of the inflow and outflow of funds during the year under review. The effects of company acquisitions and divestments are eliminated and are shown under "Inflow of funds from changes in the scope of consolidation" and "Outflow of funds from changes in the scope of consolidation". Within the cash flow statement, a distinction is made between cash flows from operating activities, investing activities and financing activities. The cash flow statement is prepared using the indirect method. The funds on which the cash flow statement is based are the cash and cash equivalents, which comprise bank balances and cash in hand. Please see Note IV.7 above with regard to the reconciliation of these funds with the cash and cash equivalents reported in the balance sheet.

VII. OTHER DISCLOSURES

Volume of managed funds

The total volume of Assets under Management by asset managers:

	Dec. 31, 2013 **EUR million**	Dec. 31, 2012 EUR million
ARTS Asset Management GmbH	**2.010**	1.850
Absolute Portfolio Management GmbH	**1.174**	405
BCM Gruppe	**1.098**	883
C-QUADRAT Kapitalanlage AG	**0**	814
Ariqon	**279**	271
QC Partners GmbH	**250**	0
SMN	**71**	39
Total volume	**4.882**	4.262

Average number of employees during the financial year

	2013 **Total**	2012 Total
Group	**82**	79
of whom full-time employees	***77***	*75*
of whom part-time employees	***5***	*4*
of whom in Austria	***61***	*64*
of whom in other countries	***21***	*15*

The above figures include both full-time and part-time employees (but not casual workers), all of whom are salaried.

Vienna, March 17, 2014

Gerd Alexander Schütz, m.p.
Member of the Management Board

Thomas Riess, m.p.
Member of the Management Board

Consolidated Management Report
C-QUADRAT Investment AG
on the Consolidated Financial Statements for the Year Ending December 31, 2013

Review of the economic situation and the capital markets in 2013

The international capital markets gained ground again in the period under review. From a political perspective, the situation remained characterized by high unemployment and Europe's debt crisis. The uncertainty surrounding the future of the Eurozone and thus the euro itself has waned somewhat. The ECB and the FED continue to adhere to an extremely low interest-rate policy; the key interest rate in the Eurozone has now been cut to 0.25%. This is also impacting on savers, who are receiving interest on their savings which is in some cases below the rate of inflation. Defensive asset classes such as bonds are likewise only being rewarded with very low interest rates. This was a key factor in the equity markets' continuing global recovery. In 2013 global equity markets rose consistently. However, there were recurrent downward corrections. This shows that sentiment on the stock markets was basically optimistic but that there were repeated bouts of uncertainty regarding the sustainability of the upward trend. However, at the end of the year the key indexes closed very significantly higher than at the start of the year, with growth of up to 26%. The Euro Stoxx 50, which features 50 major stock exchange-listed Eurozone companies and is thus a leading stock-market barometer in Europe, rose by 14.7% in the 2013 financial year to 3,109 points. The DAX ended the 2013 financial year up 25.5% at 9,552 points, already prompting speculation over when it would break through the 10,000-point mark. Austria's ATX index realized moderate growth of 2.9% and closed the stock-market year at a level of 2,547 points. The US Dow Jones 30 Industrial Index ultimately ended the 2013 financial year up 26.5%, at 16,577 points, while the Standard & Poor's 500 Index – which represents the broader market – ended the reporting period at 1,848 points, a rise of 26.4%.

The Eurozone has suffered from a recession over the past few years which eased slightly in 2013. Several Eurozone members once again realized GDP growth. The trend at the country level naturally varies. For instance, while Germany and Austria achieved GDP growth in 2013 as in the previous year, countries such as Greece and Italy were unable to post any improvement at all. Unemployment remains very high in the Eurozone, averaging 11.0% (previous year: 10.5%). This is an enormous problem in countries such as Greece (27.0%), Spain (26.6%) and also Italy (12.2%) and France (11.0%). A positive factor is that inflation in the Eurozone is 0.8% lower than in the previous year, at an average rate of 1.7%. The differences between the various countries' inflation levels are less pronounced than in the case of their respective unemployment figures. De facto, none of the Eurozone members exceeded a level of 4% in 2013. The problems associated with financing of the new and old debts of many European countries stabilized slightly in 2013 but have not yet been resolved. Ireland was the first country to exit the Eurozone's bailout scheme, marking a favorable trend. Thanks to a tough savings package and retrenchment of its social security system including public-sector pay cuts, this country was able to avoid bankruptcy following the collapse of the Irish banking system. In view of their economic development and the trend for public finances, the situation in the countries which continue to receive bailout assistance – Greece, Portugal, Spain and Cyprus – cannot yet be said to be easing significantly. Due to the continuing high level of unemployment outlined above as well as structural problems, the reorganization of these countries will take some time yet. For this reason the Eurozone, and the banking sector in particular, will remain characterized by uncertainty. The EU is seeking to avoid further problems in the banking industry through adapted and more stringent stress tests.

In the USA, gross domestic product growth in 2013 amounted to 1.6%, which was 1.2% lower than in the previous year. At 7.6%, the unemployment rate is half a percentage point lower than in the previous year. Inflation was at 1.4%, thus resembling the picture in Europe. The USA's huge level of excess debt is a big problem for the country. This has repeatedly prompted tempestuous arguments for its government and budget cuts. The stock market gained ground in 2013, but the USA likewise has problems which mean that there is no guarantee of continuous growth.

Business development and situation of the company

The company can look back on an excellent financial year despite the volatile and uncertain market conditions. The company's portfolio of investments delivered a highly positive financial performance.

They provided the largest share of the company's operating income. Through performance fees, income from shares in related companies more than doubled.

Scope of consolidation in 2013:
Notes on shares in related companies:
Within the framework of the realignment of its portfolio of investments which it had already initiated in previous years, in November C-QUADRAT Investment AG acquired 74.90% of the shares in the newly established C-QUADRAT Ampega Asset Management Armenia LLC (AM).

C-QUADRAT Ampega Asset Management Armenia LLC:
On November 21, 2013 C-QUADRAT Investment AG acquired 74.90% of the total voting share capital of C-QUADRAT Ampega Asset Management Armenia LLC in the amount of AMD 650,000,000 upon signing this firm's shareholders' agreement. Alongside a second well-known asset manager, this company will manage Armenia's national pension scheme once Armenia's pension reforms come into effect in early 2014. The purchase price including incidental acquisition costs was EUR 916 thousand.

Notes on shares in associates:
Within the framework of the realignment of its portfolio of investments which it had already initiated in previous years, in June C-QUADRAT Investment AG sold its interest in Best of Funds Fondsmarketing AG (CH) and in December it participated in a capital increase for its existing investment QC Partners GmbH.

C-QUADRAT Investment AG share/share buyback program:
The C-QUADRAT share is listed both on the Frankfurt Stock Exchange (Prime Standard) and on the Vienna Stock Exchange (Standard Market Auction).

The share capital of the company is unchanged at EUR 4,363,200.00 and is fully paid-up. It is divided into 4,363,200 no-par bearer shares with a nominal value of EUR 1.00. Voting rights for all shares are exercised according to nominal value held. Each EUR 1.00 of nominal value entitles the holder to one vote. There are no shareholder rights or duties beyond those defined in law. The three principal shareholders are Talanx Asset Management GmbH (25.10%), T.R. Privatstiftung (20.65%) and San Gabriel Privatstiftung (20.03%), with the latter two foundations being parties to a syndication agreement. All other disclosures required by Section 243a of the Austrian Commercial Code (UGB) are either not applicable to the company or derive from law.

The Management Board of C-QUADRAT Investment AG terminated the current share buyback program, originally set to end on May 31, 2013, as per May 2, 2013.

At the Annual General Meeting of C-QUADRAT Investment AG held on May 3, 2013, pursuant to Section 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG), the Management Board was authorized to acquire non-par value bearer shares of the company, up to a maximum of 10% of the company's share capital, for a period of 30 months from the date of the General Meeting's resolution, for a minimum price corresponding to a market price of EUR 1 and a maximum price corresponding to a market price of EUR 40. The Management Board is also authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting authorized the Management Board to re-sell purchased treasury stock other than through the stock market or a public offering, while excluding the shareholders from subscribing.

In the 2013 financial year, by publishing its share buyback program on May 24, 2013 the Management Board made use of this authorization and acquired 54,690 no-par value bearer shares of the company for EUR 1,486 thousand (2012: 55,158 shares for EUR 1,394 thousand). Accordingly, on December 31, 2013, 60,166 units were recorded on the books, with a value of EUR 1,627 thousand (i.e. 1.38% of the share capital, for a cost of EUR 1,647 thousand). At the purchase of BCM Group (with a closing date of December 28, 2012) the company used 130,896 units of treasury stock (i.e. 3% of its share capital) as means of payment, for a purchase cost of EUR 3,342 thousand. Accordingly, on December 31, 2012, 5,476 units were recorded on the books, with a value of EUR 141 thousand (i.e. 0.13% of the share capital, for a cost of EUR 161 thousand).

Asset management

On December 31, 2013, the total assets under management of the C-QUADRAT Group amounted to EUR 4,881 million, an increase of EUR 619 million or 15% (2012: EUR 4,262 million).
Despite market conditions which remain far from easy and sometimes volatile, C-QUADRAT Kapitalanlage AG (KAG) has fared very well and realized a highly successful performance in the 2013 financial year. The overall AuM volume managed by the company (consisting of KAG mandates as well as external management and advisory mandates) increased in the reporting period by EUR 182 million or 6%, from EUR 2,973 million to EUR 3,156 million as of the end of the year. The volume of KAG mandates increased by EUR 90 million or 6% to EUR 1,544 million (2012: EUR 1,455 million). Assets in the external management and advisory segment rose by EUR 93 or 6% to EUR 1,612 million (2012: EUR 1,519 million).
The volume accounted for by BCM Group increased by EUR 214 million or 24% to EUR 1,098 (2012: EUR 883). The volume provided by APM Absolute Portfolio GmbH fell by EUR 28 or 7% to EUR 377 (2012: EUR 405 million). The volume generated by QC Partners in the amount of EUR 250 million was a new addition in 2013, due to the purchase of QC Partners GmbH.

C-QUADRAT and ARTS were recognized as Austria's most successful fund-of-funds managers for the seventh consecutive occasion. At the 2013 Fund of Funds Awards, C-QUADRAT ARTS funds gained 6 first, 3 second and 5 third places. The Fund of Funds Awards have been hosted by GELD magazine annually since 2001. The funds of C-QUADRAT and ARTS have been successfully represented here right from the start, and have been rewarded with a total of 84 first places as well as 45 second places and 48 third places.

C-QUADRAT also scored highly at the 2013 Lipper Fund Awards. C-QUADRAT and ARTS funds collected five prizes at the Austrian awards ceremony and three in Germany. C-QUADRAT provides a top-quality service, as demonstrated by an independent study "Erfolgsfaktoren im Finanzvertrieb 2013" (Success Factors in Financial Sales & Marketing 2013) carried out among 192 professional brokers working for Germany's main financial services providers. C-QUADRAT received top ratings for the third consecutive year.

At an international level, the C-QUADRAT Group's asset manager BCM & Partners was particularly prominent. This British investment firm received two prizes at the 2013 Investors Choice Awards. It also gained an HFM Award as well as prizes at the UCITS Hedge Awards in London.

On the sales side, the company further strengthened its market position outside of Austria by continuing to develop its partnerships with well-known sales partners in Germany and the CEE countries as well as savings banks, particularly in Germany. This has resulted in investment inflows in Germany exceeding those in Austria over the past few years. In the core markets of Austria and Germany, besides marketing firms, insurance companies, savings banks and asset managers have also been approached.

Income statement

In the 2013 financial year, fee and commission income rose by EUR 22,881 thousand or 50.2% from EUR 45,596 thousand to EUR 68,477 thousand; fee and commission expenses also increased, by EUR 8,389 thousand or 25.8% from EUR 32,519 thousand to EUR 40,908 thousand. This strong increase on the previous year is attributable, on the one hand, to the new investments acquired in late 2012, BCM Group and Absolute Portfolio GmbH, and on the other to the high performance fees realized in 2013 due to several funds' positive performances.
Aside from fee and commission income, other operating income of EUR 584 thousand (2012: EUR 512 thousand) contributed to total revenues.
Personnel expenses increased by EUR 4,050 thousand or 66.4% to EUR 10,150 thousand (2012: EUR 6,100 thousand), while other administrative expenses and other operating expenses have fallen overall by EUR 180 thousand or 2% to EUR 9,147 thousand (2012: EUR 9,327 thousand). As already mentioned in relation to revenue, this reflects factors including the acquisition of BCM Group and Absolute Portfolio Management GmbH. In the previous year, other operating expenses included a valuation adjustment recognized on a receivable.

The changes described above led to an operating profit before depreciation and amortization of EUR 8,855 thousand in the 2013 financial year which was significantly higher than in the previous year (2012: EUR -1,839 thousand). In 2013, depreciation in the amount of EUR 1,914 thousand (2012:

EUR 357 thousand) includes amortization on BCM Group's customer base for the first time. The operating profit amounts to EUR 6,941 thousand (2012: EUR -2,196 thousand). Net income from associates in the amount of EUR 4,292 thousand is significantly higher than in the previous year (EUR 2,446 thousand) due to the performance fees. The financial result amounts to EUR -13 thousand (2012: EUR 96 thousand). Recognition of the fiscal effects of impairment of investments in previous years as well as a group taxation arrangement between C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG led to a tax burden for the C-QUADRAT Group of EUR 1,683 thousand (2012: EUR 106 thousand). This means a net profit for the year of EUR 9,537 thousand (2012: EUR 239 thousand).

Balance sheet

The balance sheet total as of December 31, 2013 amounted to EUR 60,428 thousand and has increased significantly – by EUR 8,845 thousand or 17.1% – in relation to the balance sheet total as of December 31, 2012 of EUR 51,583 thousand. This reflects factors including a considerably higher profit than in the previous year. Receivables from customers have increased by EUR 6,863 thousand or 137.6% to EUR 11,850 thousand (2012: EUR 4,987 thousand). At the same time, liabilities have risen by EUR 3,956 thousand or 55.9% to EUR 11,027 thousand (2012: EUR 7,072 thousand). At EUR 17,495 thousand, cash and cash equivalents have increased by EUR 1,923 thousand or 12.4% on the previous year (2012: EUR 15,572 thousand). In the 2013 financial year the C-QUADRAT Group has maintained extremely robust liquidity alongside its securities investments, since cash and cash equivalents comprise approx. 29% of its balance sheet total (2012: 30%).

Key performance figures

As an investment company, C-QUADRAT Investment AG is subject to the provisions on shareholders' equity laid down in the Austrian Securities Supervision Act 2007 (WAG 2007). For example, the company is required to maintain shareholders' equity at a minimum level of 25% of its fixed overheads according to its most recently approved annual financial statements, and in no case less than the EUR 50 thousand in start-up capital required to obtain a license. The company is also required to keep equity available for hedging credit and operational risks. In the same way as for banks, shareholders' equity equal to at least 8% of the risk-weighted assets must be held to cover the credit risk. In addition to the minimum amount of shareholders' equity, and the shareholders' equity required to hedge the credit risk, 12/88 of 25% of the fixed overheads determined in the most recently approved annual financial statements must also be held for hedging of operational risk.

This means that the company would currently have to hold at least EUR 4,253 thousand in shareholders' equity (December 31, 2012: EUR 4,042 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible shareholders' equity of the company – which is comprised of the paid-in capital and the disclosed reserves, pursuant to Section 9 (3) WAG 2007 – is EUR 23,135 thousand (December 31, 2012: EUR 23,135 thousand), so that the company has EUR 18,882 thousand in surplus shareholders' equity (December 31, 2012: EUR 19,092 thousand).

At Group level the aim is for the equity ratio not to fall below 20% (in accordance with IFRS, adjusted for the provisions laid down in the Austrian Securities Supervision Act (WAG) 2007) or 30% (in accordance with IFRS). When calculating the equity ratio in accordance with WAG 2007, only the paid-in capital and the disclosed reserves are taken into account, but not any balance sheet profit. In the 2013 financial year, the Group's equity ratio (in accordance with IFRS) increased from 55.3% to 55.9%.

Cash flow from operating activities rose sharply year-on-year from EUR -443 thousand to EUR 5,049 thousand due to the high net profit for the year. Cash flow from investing activities amounts to EUR 1,180 thousand, compared to EUR -2,612 thousand in the previous year, in which BCM Group was purchased. Cash flow from financing activities amounts to EUR -4,264 due to the dividends paid and the treasury stock purchased, compared to an amount of EUR -588 thousand in the previous year due to financial liabilities entered into. The overall cash flow for the Group amounts to EUR 1,965 thousand in the 2013 financial year due to the activities outlined above, while the cash flow in the previous year totaled EUR -3,644 thousand.

On average, the C-QUADRAT Group had 82 employees on its payroll over the financial year (2012: 79 employees). In the first half of the 2013 financial year the employees of C-QUADRAT Investment AG attended compliance training focusing on AIFM and FATCA, while at the end of the year they received compliance training covering AIFM. They also received training covering the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz, WAG) in June and in-depth AIFM training in October.

No disclosures are made regarding non-financial performance indicators, such as environmental performance, because these do not apply to C-QUADRAT Investment AG. The company does not pursue any research and development activities.

Risks

The financial services industry is associated with inherent risks. Any downward price correction on the world's stock exchanges involves a deterioration in the earnings performance of the company and its subsidiaries. In addition, investors are less willing to buy securities and fee and commission income falls due to the smaller volume of assets under management. This risk is actively tackled by means of diversification in the field of investments and also in terms of products and customers.
The default risk in respect of fee and commission receivables from business partners – principally investment companies and banks – is almost negligible due to their diversification and credit worthiness. This risk was further reduced through intensified controlling of receivables and shorter reminder intervals for outstanding fees and commission.

For further details on risk management, reference is made to item 28 in the notes to the consolidated financial statements.

Internal control and risk management system

The basis for the Internal Accounting Control System for C-QUADRAT Investment AG consists of the organization manuals produced for all companies in the C-QUADRAT Group. In each main area of activity, a framework is defined that must be implemented and complied with by all entities in the C-QUADRAT Group. The management boards and the internal auditing department are jointly responsible for regularly monitoring each entity for compliance with the specified guidelines and work instructions. The finance and accounting department supports all of the companies in the C-QUADRAT Group in matters relating to bookkeeping, payroll accounting, accounting and consolidation (with support from an external accountancy firm), controlling, treasury, payment transactions, cash flow management and reporting. Bookkeeping for C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG is carried out internally. Bookkeeping for the company's other subsidiaries is handled locally. Key accounting policies are defined in a group manual.

The company supports the companies of the C-QUADRAT Group in all reporting, controlling and accounting matters. The management boards of the Group companies are informed daily (in the form of an Excel report) regarding the level of cash and cash equivalents and the individual companies' investments. A system of monthly management reporting is also in place throughout the Group and mainly comprises the reported results of all of the Group companies (including IFRS management consolidation, budgets, budget comparisons, forecasts and forecast comparison), a report on the revenue-generating volume (above all, the assets under management), sales statistics and cash flow management. The controlling and accounting departments work closely together to conduct ongoing comparisons of budgeted and actual figures, as well as analyses of budgets and actual figures; they also perform reciprocal checks and controls. Internal reporting also includes monthly discussions of financial performance and deviance analyses between the controlling department and the respective management boards.

In addition to the published standalone financial statements of the individual companies of the C-QUADRAT Group, external reporting also includes the preparation of consolidated quarterly financial statements and half-yearly financial statements. The Supervisory Board and the Audit Committee meet at least once each quarter and are informed at these meetings (in the form of standardized reports) inter alia about current business developments (including budget comparisons, forecasts and deviation analyses).

The appropriateness of the internal accounting control system has been confirmed by the Audit Committee. The Internal Accounting Control System is monitored by means of regular reporting to the Audit Committee and the Supervisory Board and by audits conducted by the internal auditing department, which works closely with the respective Management Board members and reports on a quarterly basis to the Management Board and at least once a year to the Supervisory Board.

Applicable financial instruments

The main financial instruments used by the C-QUADRAT Group are financial investments in ordinary and preference shares, shares in investment funds, participations, cash and cash equivalents and finance leases. The main purpose of these financial instruments is to finance the business activities of the company. In the 2013 financial year, as in previous years, the company did not hold any derivative financial instruments such as options, interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.
The principal risks to which the company is exposed as a result of holding these financial instruments are cash flow risks relating to interest rates, as well as liquidity, foreign exchange and credit risks. The management of the company establishes and reviews risk management policies for each of these risks, as described in the following.

The principal risks to which the C-QUADRAT Group is exposed as a result of holding these financial instruments are cash flow risks relating to interest rates, as well as liquidity, foreign exchange and credit risks. The management of the company establishes and reviews risk management policies for each of these risks, which are described item 28 of the notes to the consolidated financial statements.

Outlook for the company

In view of the continuing uncertainty on the volatile markets and regarding the euro's stability in the context of several EU countries' debt scenarios and the lack of a clear trend, it is difficult to predict the outlook for 2014.
C-QUADRAT Investment AG has already reacted to the current situation by expanding its portfolio of investments and thus diversifying its risk exposure accordingly. Following the positive impulses generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2014 financial year will be on further expansion in Germany, in the countries of Central and Eastern Europe and in other European countries. The company's acquisitions of Absolute Portfolio Management GmbH and BCM Group in 2012 provide entirely new opportunities, both in terms of the available product range and in relation to new customer groups and sales markets. C-QUADRAT Investment AG is on a stable footing thanks to these new partners and its established relationship with Talanx Asset Management GmbH. The business model of C-QUADRAT Ampega Asset Management Armenia LLC may serve as a multiplier; if the Armenian firm delivers favorable results, use of this model in neighboring countries will be worthy of consideration.
In overall terms, the C-QUADRAT Group envisages another positive performance in 2014.

Events after the balance sheet date

No other significant events requiring disclosure have occurred since the balance sheet date.

Vienna, March 14, 2014

Gerd Alexander Schütz, m.p.
Member of the Management Board

Thomas Riess, m.p.
Member of the Management Board

AUDITOR'S REPORT (TRANSLATION) *)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **C-QUADRAT Investment AG, Vienna,** for the fiscal year from January 1, 2013 to December 31, 2013. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2013, and the notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2013 and of its financial performance and its cash flows for the fiscal year from January 1, 2013 to December 31, 2013 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 14th, 2014

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto, m.p. Wirtschaftsprüfer
Dr. Elisabeth Glaser, m.p. Wirtschaftsprüferin

Mag. Alexander Wlasto, m.p. Wirtschaftsprüfer
Dr. Elisabeth Glaser, m.p. Wirtschaftsprüferin

*) This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consolidated management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

B A L A N C E S H E E T AS OF DECEMBER 31, 2013

ASSETS

		As at 31.12.2013 EUR	As at 31.12.2012 TEUR
1. CASH IN HAND, BALANCES AT CENTRAL BANKS AND POSTAL GIRO OFFICES		1,647.50	1
2. RECEIVABLES FROM BANKS			
a) on demand	861,868.16		824
b) other receivables	4,452.17		5
		866,320.33	829
3. BONDS AND OTHER NON-FIXED-YIELD SECURITIES		0.00	505
4. SHARES AND OTHER NON-FIXED-YIELD SECURITIES		931,834.00	694
5. SUBSIDIARIES		6,388,951.70	5,801
6. SHARES IN ASSOCIATES		24,908,610.59	24,493
7. INTANGIBLE ASSETS		44,182.49	88
8. PROPERTY, PLANT AND EQUIPMENT		308,264.49	323
9. TREASURY SHARES		1,626,535.99	141
10. OTHER ASSETS		7,368,720.67	4,625
11. ACCRUED INCOME AND DEFERRED EXPENSE		74,142.05	58
		42,519,209.81	**37,558**

EQUITY AND LIABILITIES

		As at 31.12.2013 EUR	As at 31.12.2012 TEUR
1. LIABILITIES TO CUSTOMERS			
a) on demand	0.00		
b) with agreed retention and cancelation period	4,000,000.00		
		4,000,000.00	5,004
2. OTHER LIABILITIES		3,732,771.62	4,238
3. DEFERRED INCOME AND ACCRUED EXPENSE		3,255.00	7
4. PROVISIONS			
a) Provisions for severance payments	226,950.00		0
b) Other provisions	507,336.89		456
		734,286.89	456
5. ISSUED CAPITAL		4,363,200.00	4,363
6. CAPITAL RESERVES			
a) Appropriated capital reserves		18,747,171.50	18,747
7. REVENUE RESERVE			
Statutory reserve		24,240.00	24
8. RESERVE TREASURY SHARES		1,626,535.99	141
9. BALANCE SHEET PROFIT		9,287,748.81	4,578
		42,519,209.81	**37,558**

1.	**Foreign assets**	20,252,094.00	18,599

1. Eligible shareholders' equity pursuant to Section 23 (14) BWG	23,134,612.00	23,135
2. Required shareholders' equity pursuant to Sect. 8 InvFG and Sect 9 WAG 2007	4,235,903.18	4,042
3. Foreign liabilities	3,485,784.00	3,622

I N C O M E S T A T E M E N T
FOR THE PERIOD FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

	2013		2012	
	EUR	EUR	TEUR	TEUR
1. Interest and similar income		26,676.76		243
thereof shares with fixed income		*19,026.89*		
2. Interest and similar expense		-291,649.14		-4
I. Net interest income		**-264,972.38**		**239**
3. Income from securities and subsidiaries				
a) Income from subsidiaries	2,385,000.00		2,340	
b) Income from shares in associates	8,868,905.07	11,253,905.07	3,295	5,635
4. Fee and commission income		257,706.11		457
5. Fee and commission expense		-145,611.29		-266
6. Other operating income		556,155.08		925
II. Operating income		**11,657,182.59**		**6,990**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-976,927.54		-923	
bb) Expenses for severance payments and contributions to company pension scheme	-14,402.70		14	
cc) Expenses for statutory social insurance, charges based on pay, and compulsory contributions	-123,174.90		-112	
dd) Other social insurance expenses	-2,813.18	-1,117,318.32	-2	-1,023
b) Other administrative expenses (non-personnel)		-2,479,132.98		-2,155
8. Impairment losses on assets included in asset items 7 and 8		-133,237.39		-123
9. Other operating expenses		-401,181.13		-308
III. Operating expenses		**-4,130,869.82**		**-3,609**
therof fixed overhead costs		-3,555,660.17		-2,933
IV. Operating profit		**7,526,312.77**		**3,381**
10. Impairment losses on receivables and additions for provisions for contingent liabilities and credit risk		155,918.10		-2,013
11. Income from release of reserves of receivables and from provisiones for contingent liabilities and credit risk		53,018.20		605
12. Income from remeasurement of securities measured as financial assets and on subsidiaries and shares in associates		-633,210.35		-368
13. Income from remeasurement of securities measured as financial assets and on subsidiaries and shares in associates		54.07		0
V. Result of ordinary operations		**7,102,092.79**		**1,605**
14. Taxes		1,702,210.00		746
15. Other taxes, not disclosed in item 13		-1,377.39		-2
VI. Net profit before changes in reserves		**8,802,925.40**		**2,349**
16. Changes in reserves		-1,485,556.37		1,808
VII. Net profit		**7,317,369.03**		**4,157**
17. Profit carried forward		1,970,379.78		421
VII. Balance sheet profit		**9,287,748.81**		**4,578**

Accounting policies

General principles

The annual financial statements were prepared in compliance with generally accepted principles of bookkeeping and with the general standard of providing a true and fair view of the company's net assets, financial position and financial performance.

The accounting, measurement and reporting of the individual items in the annual financial statements were carried out in accordance with the general provisions in Sections 196 and 211 of the Austrian Commercial Code (UGB), in compliance with the special provisions for corporations in Sections 222 to 235 UGB and with the special provisions for securities companies stipulated in Section 73 of the Austrian Securities Supervision Act 2007 (WAG 2007). The balance sheet and the income statement are laid out according to Section 43 of the Austrian Banking Act (BWG), Annex 2.

The annual financial statements were prepared in compliance with the principle of completeness.

The principle of individual measurement was applied when measuring individual assets and liabilities, which was carried out on a going concern basis.

The precautionary principle was adhered to by reporting only those profits that were actually realized as of the balance sheet date. All discernible risks and contingencies were taken into account.

Receivables and other assets

Receivables and other assets were recognized at their nominal value.

The lower fair value was recognized in the case of discernible individual risks.

Equities and other non-fixed-interest securities, participations and shares in related companies

Securities classified as financial assets were measured at cost and subjected, where necessary, to extraordinary depreciation.

Extraordinary depreciation was only carried out when impairments are likely to be permanent.

Securities not classified as financial assets were measured at the lower of cost or stock exchange price at the balance sheet date.

Acquired intangible assets

Acquired intangible assets were recognized at cost and, if subject to depreciation, were reduced in carrying amount by applying systematic depreciation.

Systematic depreciation is carried out using the straight-line method, based on the following useful lives:

	Useful life in years
• License rights, IT software	3 - 4

Property, plant and equipment

Property, plant and equipment were recognized at cost and reduced in carrying amount, where relevant, by applying systematic depreciation.

With the exception of depreciation for cars – which is recognized according to the declining-balance method – systematic depreciation is carried out using the straight-line method. The following useful lives are assumed for individual asset categories:

	Useful life in years		
• Other plant, operating and office equipment	3	-	10

In case of the declining balance method of depreciation, each year a fixed percentage is newly deducted from the carrying amount for the previous year. This percentage corresponds to a specified multiple (factor of 1.3) of the depreciation percentage applicable in case of straight-line depreciation.

Moveable fixed assets with a value of up to EUR 400.00 and intended for provision in return for consideration, were capitalized in the year they were added, in accordance with fiscal regulations, and systematically depreciated.

The other low-value assets purchased during the financial year were written down in full in the year of purchase.

Liabilities

Liabilities are measured at the repayment amount and by applying the precautionary principle.

Provisions

Other provisions

Other provisions were established in the amounts necessary in accordance with a prudent commercial assessment and the precautionary principle, in order to cover all risks discernible when the balance sheet was prepared as well as all liabilities of uncertain amount or basis in fact. Other provisions include remaining holiday entitlement, legal and consultancy costs, bonuses and other provisions.

Reserves

Tied-up capital reserves

Pursuant to Section 229 (2) UGB amounts realized at the first-time or subsequent issuance of interests for an amount which exceeds the nominal value or the amount corresponding to the pro rata value of the share capital are reported as tied-up capital reserves.

Retained earnings

Pursuant to Section 229 (3) UGB amounts which are established in the financial year or a previous financial year through the net profit for the year (after allowing for the change in untaxed reserves) are recognized as statutory retained earnings.

No additions to the statutory reserves were made under Section 229 (6) UGB because the statutory maximum has already been reached.

Reserves for treasury stock

Pursuant to Section 225 (5) UGB, amounts which the company reports as treasury stock as part of its current assets are reported as these reserves.

Additional disclosures in accordance with the Austrian Banking Act and the Austrian Securities Supervision Act

Disclosures in accordance with Section 64 (1) of the Austrian Banking Act

No. 2 – The total amount of asset and liability items denominated in foreign currency is as follows:

	Foreign-currency	EUR
Receivables from banks		
UniCredit Bank Austria AG	USD 1,142.53	EUR 844.26
Previous year	USD 1,282.83	EUR 987.32
UniCredit Bank Austria AG	HUF 693,218.42	EUR 2,226.98
Previous year	HUF 1,132,309.75	EUR 3,907.37
Receivables from customers		
Fee and commission receivables	HUF 2,101,906.54	EUR 7,164.70
Previous year	HUF 2,101,906.54	EUR 7,485.14
Payables to customers		
Fee and commission liabilities	HUF 1,886,321.52	EUR 6,429.86
Previous year	HUF 1,886,321.52	EUR 6,717.43

No. 9 – A breakdown of interest income, income from securities and participations, fee and commission income, net profit/loss on financial operations and other operating income by geographical market, where such markets differ substantially from one another in terms of the bank's organization:

Interest income:	Austria
Income from securities:	Austria
Fee and commission income (trail fees, premium):	Austria/EU
Income/expenditure from financial transactions:	Austria
Other operating income:	Austria

No. 10 – A breakdown (in terms of listed and unlisted securities) of the securities admitted to exchange trading and included under the asset items convertible bonds and other fixed-interest securities, equities and other non-fixed-interest securities, participations and shares in related companies:

All securities included in the asset items equities and other non-fixed-interest securities, participations and shares in related companies, are not admitted to trading on exchanges with the exception of the securities listed under no. 11.

No. 11 – A breakdown of the securities admitted to trading and included in the asset items convertible bonds and other fixed-interest securities and equities and other non-fixed-interest securities, according to whether the securities are measured according to Section 56 (1) as fixed assets:

Stock marked-listed securities:

Designation	Classification	Carrying amount (€ '000)	Previous year (€ '000)
Other non-fixed-interest securities			
Aragon AG	FA	500	0
Treasury stock			
C-QUADRAT Investment AG	CA	1,627	141

Non-stock market-listed securities:

Designation	Classification	Carrying amount (€ '000)		Previous year (€ '000)	
Other fixed-interest and non-fixed-interest securities					
Österreichische Volksbanken AG Step Up-Erg.Anleihe	FA	51		183	
Raiffeisen Bank Internat. Festver. Schuldv. 2012-2023	FA	0		500	
Sharpe FDS SPC FUTURES SEGR. PTF	FA	77	128	0	683
Savings plans					
SGA Societe Generale Acc. N.V.	CA		0		1
Securities held as current assets					
C-QUADRAT ARTS Total Return Defensive fof (VT)	CA	0		407	
C-QUADRAT ARTS Total Return Balanced CHF	CA	304		0	
C-QUADRAT Strategie AMI Inhaber-Anteile CZK (t)	CA	0		101	
Valorinvest-Marktneutral	CA	0	304	1	509

No. 12 – A breakdown of other operating income and other operating expenses:

Other operating income in the amount of EUR 712 thousand (previous year: EUR 925 thousand) mainly consists of proceeds from intercompany charges in the amount of EUR 509 thousand (previous year: EUR 892 thousand) and a part payment resulting from a settlement in the amount of EUR 156 thousand (previous year: EUR 0 thousand).

The other operating expenses in the amount of EUR 401 thousand (previous year: EUR 308 thousand) mainly comprise current input tax that cannot be offset in the amount of EUR 353 thousand (previous year: EUR 303 thousand).

No. 14 – The total amount of income from the bank's management and agency services is EUR 258 thousand (previous year: EUR 458 thousand).

No. 15 – Disclosure of whether the bank keeps a trading book and, if so, the volume of the securities and other financial instruments included in the trading book:

A trading book for securities is not kept.

Disclosures in accordance with Section 73 (1) of the Austrian Securities Supervision Act

The amounts totaling EUR 4,131 thousand (previous year: EUR 3,609 thousand) reported under the item “III. Total operating expenses” include fixed overheads in the amount of EUR 3,557 thousand (previous year: EUR 3,247 thousand).

Notes on the balance sheet

General disclosures

Basis for conversion of foreign exchange items into EUR

The annual financial statements contain foreign-currency items that have been converted into EUR. Currency translation for assets and liabilities denominated in foreign currencies is carried out in accordance with Section 58 BWG at the respective middle rates at the end of the month in which the transaction took place. The middle rate as of December 31, 2013 had to be applied at the balance sheet date. Rate changes as of the balance sheet date led to corresponding appreciation or depreciation.

Development of fixed assets

The following table shows the development of individual fixed asset items and the breakdown of annual depreciation by individual item (Section 226 (1) UGB):

	Cost Jan. 1, 2013 Dec. 31, 2013 EUR	Addition Reclassification EUR	Disposal Reclassification EUR	Cumulative depreciation Jan. 1, 2013 Dec. 31, 2013 EUR	Carrying amount Jan. 1, 2013 Dec. 31, 2013 EUR	Depreciation Write-up EUR
I. Intangible assets						
1. Industrial property rights plus similar rights and benefits and software	308,703.37	43,736.31	141,328.17	220,344.58	88,358.79	44,963.23
	211,111.51	0.00	0.00	166,929.02	44,182.49	0.00
II. Property, plant and equipment						
1. Operating and office equipment	745,285.94	73,965.90	19,181.62	422,601.74	322,684.20	88,274.16
	800,070.22	0.00	0.00	491,805.73	308,264.49	0.00
III. Financial assets						
1. Shares in related companies	24,492,720.88	915,626.70	499,736.99	0.00	24,492,720.88	0.00
	24,908,610.59	129,352.01	129,352.01	0.00	24,908,610.59	0.00
2. Participations	6,073,002.70	612,549.00	296,600.00	271,606.00	5,801,396.70	0.00
	6,388,951.70	0.00	0.00	0.00	6,388,951.70	0.00
of which shares in associates	*6,072,602.70*	*612,549.00*	*296,600.00*	*271,606.00*	*5,800,996.70*	*0.00*
	6,388,551.70	*0.00*	*0.00*	*0.00*	*6,388,551.70*	*0.00*
3. Investments (book-entry securities) held as fixed assets	767,000.00	614,855.85	500,000.00	84,000.00	683,000.00	169,895.35
	881,855.85	0.00	0.00	253,895.35	627,960.50	0.00
	31,332,723.58	2,143,031.55	1,296,336.99	355,606.00	30,977,117.58	169,895.35
	32,179,418.14	129,352.01	129,352.01	253,895.35	31,925,522.79	0.00
Total fixed assets	32,386,712.89	2,260,733.76	1,456,846.78	998,552.32	31,388,160.57	303,132.74
	33,190,599.87	129,352.01	129,352.01	912,630.10	32,277,969.77	0.00

Notes on shares in related companies

Within the framework of the realignment of its portfolio of investments which it had already initiated in previous years, in November C-QUADRAT Investment AG acquired 74.90% of the shares in the newly established C-QUADRAT Ampega Asset Management Armenia LLC (AM).

C-QUADRAT Ampega Asset Management Armenia LLC:
On November 21, 2013 C-QUADRAT Investment AG acquired 74.90% of the total voting share capital of C-QUADRAT Ampega Asset Management Armenia LLC in the amount of AMD 650,000,000 upon signing this firm's shareholders' agreement. Alongside a second well-known asset manager, this company will manage Armenia's national pension scheme once Armenia's pension reforms come into effect on January 1, 2014. The purchase price including incidental acquisition costs was EUR 916 thousand.

Notes on shares in associates

Within the framework of the realignment of its portfolio of investments which it had already initiated in previous years, in June C-QUADRAT Investment AG sold its interest in Best of Funds Fondsmarketing AG (CH) and in December it participated in a regular capital increase for QC Partners GmbH which was proportionate to its existing investment.

Disclosures concerning financial instruments

No derivative financial instruments were held in the past financial year.

Disclosures concerning treasury stock

Treasury stock was acquired and/or sold in the past financial year.

Designation	ISIN
C-QUADRAT Investment AG, par-value shares	AT0000613005

Date	Units	Nominal amount	Cost	Market value
As of Jan. 1, 2013	5,476	EUR 5,476	EUR 161 thousand	EUR 141 thousand
Purchase	54,690	EUR 54,690	EUR 1,486 thousand	
As of Dec. 31, 2013	60,166	EUR 60,166	EUR 1,647 thousand	EUR 1,659 thousand

The carrying amount of the treasury stock amounts to EUR 1,627 thousand. A write-up of EUR 20 thousand, up to the amount of the acquisition costs, has not been made due to its marginal value and the scope of the equity's fluctuation.

Receivables and other assets

All receivables reported in the balance sheet are repayable on demand, with the exception of those listed below.

Statement of receivables pursuant to Section 64 (1) No. 4 of the Austrian Banking Act (in EUR

thousand)

	Total amount	of which remaining term of up to 3 months	of which remaining term of up to 1 year	of which remaining term of up to 5 years	of which remaining term of more than 5 years
2. Receivables from banks					
Raiffeisenbk Attersee-Süd 110.817	4	4	0	0	0
Previous year	5	5	0	0	0
10. Other assets					
Trade debtors, Group	21	21	0	0	0
Deferred trail fees	49	49	0	0	0
Security deposits	30	0	0	0	30
Clearing account C-QUADRAT Group	658	0	658	0	0
Other receivables	6,611	6,611	0	0	0
	7,369	6,681	658	0	30
Previous year	4,606	3,409	1,167	0	30

Other assets

“Other assets” include amounts that are already recognized as income as of the balance sheet date, in order to calculate profits for the accounting period, but which will not flow until after the balance sheet date.

These mainly relate to EUR 1,810 thousand (previous year: 1,070 thousand) in receivables from the allocation of taxes to other entities as well as EUR 6,569 thousand (previous year: EUR 3,295 thousand) in dividends from related companies for the same period.

Provisions

The following notes are made in respect of the provisions reported in the balance sheet:

	As of Jan. 1, 2013 € ’000	Appropriation € ’000	Reversal € ’000	Allocation € ’000	As of Dec. 31, 2013 € ’000
Provisions for severance payments					
for severance payments - financial value	0	0	0	0	0
Previous year	28	0	28	0	0
Tax provisions					
for corporate income tax	0	0	0	227	227
Previous year	0	0	0	0	0
Other provisions					
for outstanding leave	3	3	0	3	3
Previous year	45	45	0	3	3
for audit	0	0	0	50	50
Previous year	0	0	0	0	0
for legal and consultancy costs	109	109	0	74	74
Previous year	72	72	0	109	109

for premiums and bonuses	327	294	33	362	362
Previous year	392	318	74	327	327
miscellaneous	18	0	0	0	18
Previous year	91	63	10	0	18
	456	406	33	490	507
Previous year	600	498	84	438	456
Total provisions	456	406	33	717	734
Previous year	628	498	112	438	456

Liabilities

All liabilities reported in the balance sheet are repayable on demand, with the exception of those listed below.

Statement of liabilities pursuant to Section 64 (1) No. 4 of the Austrian Banking Act (in EUR thousand)

	Total amount	of which remaining term of up to 3 months	of which remaining term of up to 1 year	of which remaining term of up to 5 years	of which remaining term of more than 5 years
1. Liabilities to banks					
Raiffeisen Landesbank NÖ-Wien	4,000	0	1,000	3,000	0
	4,000	0	1,000	3,000	0
Previous year	5,000	0	1,000	4,000	0
2. Other liabilities					
Trade creditors	23	23	0	0	0
Deferred trail fees	30	30	0	0	0
Other liabilities	267	267	0	0	0
Purchase price liabilities (earn-out)	3,413	0	0	3,413	0
	3,733	320	0	3,413	0
Previous year	3,879	581	0	3,298	0

Other liabilities

The other liabilities in the amount of EUR 3,733 (previous year: 4,238 thousand) comprise the following amounts:

	2013 € '000	2012 € '000
From taxes	56	80
Wage tax	19	21
Employer's contribution (DB), addition to employer's contribution (DZ), municipal tax (KommSt), employer's charge (DGA)	5	5
Regular tax burden	32	55
	56	80
For social security	11	11
Other miscellaneous liabilities	3,665	4,147

"Other liabilities" include amounts totaling EUR 3,632 thousand (previous year: EUR 4,163 thousand) that are already recognized as expense as of the balance sheet date, in order to calculate profits for the accounting period, but which will not flow until after the balance sheet date.

This mainly related to fee and commission liabilities in the amount of EUR 30 thousand (previous year: EUR 37 thousand), trade accounts payable in the amount of EUR 23 thousand (previous year: EUR 544 thousand), liabilities from current payroll accounting in the amount of EUR 16 thousand (previous year: EUR 16 thousand), liabilities for Supervisory Board remuneration in the amount of EUR 78 thousand (previous year: EUR 84 thousand), liabilities for legal advice in the amount of EUR 13 thousand (previous year: EUR 139 thousand), liabilities for marketing activities in the amount of EUR 24 thousand (previous year: EUR 19 thousand) and earn-out liabilities in the amount of EUR 3,413 thousand (previous year: EUR 3,298 thousand).

Obligations relating to the use of property, plant and equipment not reported in the balance sheet:

In addition to the liabilities reported in the balance sheet, there are also other financial obligations totaling EUR 340 thousand (previous year: EUR 145 thousand).

These obligations relate specifically to the following items:

	Overall obligation € '000	Up to 1 year € '000	Up to 5 years € '000
Leasing liabilities	145	45	100
Previous year	80	35	45
Rent liabilities	195	48	146
Previous year	65	65	0

INCOME STATEMENT

Breakdown of expenses for severance payments and payments to staff pension funds:

	2013 € '000	2012 € '000
Release of accrual for severance payments	0	-28
Staff pension contributions	14	14
	14	-14

Taxes on income and earnings

Taxes on income and earnings result from normal business operations and include the tax apportionment in the amount of EUR 1,938 thousand (previous year: EUR 755 thousand) which group members are required to pay over to the group parent under the group agreement.

Deferred tax assets not reported separately in the balance sheet amount to EUR 1,241 thousand (previous year: EUR 2,579 thousand). Capitalization has been waived pursuant to Section 198 (10) UGB.

Other mandatory disclosures

Business objective: According to its articles of association last amended May 3, 2013, the company has the following business objectives:

1. investment advice concerning financial instruments pursuant to Section 3 (2) Item 1 of the 2007 Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz, WAG) (Austrian Federal Law Gazette I 2007/60), as amended, and;
2. acceptance and forwarding of orders pursuant to Section 3 (2) Item 3 of the 2007 Austrian Securities Supervision Act (Austrian Federal Law Gazette I 2007/60), as amended, where these activities relate to one or more financial instruments;
3. the purchase, sale and brokerage of real estate and management of the Company's own developed and undeveloped properties;
4. brokerage of equity interests;
5. management consultancy;
6. the acquisition, holding and disposal and the management of equity interests, participations in other domestic and foreign companies;
7. the execution/operation, acquisition and brokerage of all transactions and firms associated with the Company's purpose of business and the establishment of branch offices and subsidiaries in Austria and other countries.

The Company does not provide any services relating to financial instruments which involve the holding of cash, securities or other instruments of clients. Accordingly, the Company may not at any time become a debtor of its clients.

Established: November 25, 1991

Financial year: January 1, 2013 to December 31, 2013

Legal form: Stock corporation

Size of company: Major corporation within the meaning of Section 221 UGB

Companies register: Vienna Commercial Court, Companies Register no. 55148a

Share capital: The share capital of the company comprises 4,363,200 par-value shares each with a par value of € 1.00.

The share capital therefore amounts to EUR 4,363,200.00 and has been paid in full.

Management:

Name	Representation	from	to
Thomas Riess	Collective	4/1/2012	
Gerd Alexander Schütz	Collective	10/16/1998	
Roland Starha	Collective	1/1/2009	1/25/2013

Representation: If several Management Board members are appointed the company is represented by two members of the Management Board acting jointly, or by one of them acting together with a person holding a joint power of

representation (*Gesamtprokurist*).

Members of the Supervisory Board:

Name	since
Dr. Hubert Cussigh	5/27/2010
Franz Fuchs	8/27/2004
Dr. Marcus Mautner Markhof (Chairman)	9/27/2010
Harald Ploemacher	5/27/2011
Walter Schmidt	5/27/2011
Dr. Fritz Schweiger	9/5/2001

Stock market:

The shares of the company have been listed since November 24, 2006 on the Official Market of the Frankfurt Stock Exchange, in a segment subject to follow-up obligations following admission (Prime Standard)

Symbol:	C8I
Securities code number (WKN):	AOHG3U
ISIN:	AT0000613005
Type of shares:	Par-value shares

The shares of C-QUADRAT Investment AG were admitted to official trading on the Vienna Stock Market (Prime Market segment) on May 16, 2008. Due to non-fulfillment of the Prime Market requirements in respect of minimum free float, the shares of C-QUADRAT Investment AG were delisted from the Prime Market on March 20, 2009 and from then until the end of March 2009 were reassigned to the Standard Market Continuous segment, before the shares were reassigned to the Standard Market Auction in early April 2009.

Miscellaneous:

The company functions as the group parent of a tax group within the meaning of Section 9 (8) of the Austrian Corporate Income Tax Act (KStG).

1. Group parent
   C-QUADRAT Investment AG,
   Vienna Tax Office 1/23

2. Group member since 2009
   C-QUADRAT Kapitalanlage AG
   Vienna Tax Office 1/23

3. Group member since 2013
   Absolute Portfolio Management GmbH
   Vienna Tax Office 1/23

The following procedure has been agreed in accordance with the tax contribution agreement for handling positive and negative tax contributions, for fair apportionment of the corporate income tax burden:

Positive tax contribution
If the group member allocates positive income within the meaning of Section 9 (6) Item 1 KStG to the group parent (i.e. after deduction of pre-group and non-group losses), the group member must make a positive tax contribution to the group parent. On the basis of estimated results, all of the members of

the group assume that, without the group, each individual company would probably bear a larger burden. The group parent also considers that its position is better than in case of a standalone assessment.

The tax contribution corresponds to the aggregate of the following amounts:
(a) 25% of the allocated positive income of the group member which is covered by the aggregate positive result of the group parent within the meaning of Section 9 (6) Item 2 last clause KStG (after offsetting with loss carryforwards of the group parent). The obligation to provide a 25% tax contribution is limited to the portion of the actual tax payment resulting from the ratio of the positive income allocated to the group member and the total positive income and
(b) 18% of the allocated positive income of the group member which is offset with any negative tax result for the group parent and/or a loss carryforward of the group parent. In case of a negative aggregate result for the group parent within the meaning of Section 9 (6) Item 2 last clause KStG, the positive tax contribution will exclusively be determined on the basis of this section (b). In the event of the allocated positive income of multiple group members exceeding the negative result of the group parent, the positive results of the group members will be considered in percentage terms.

The positive tax contribution in the amount of 25% of the positive income of the group member is based on the tax rate laid down in Section 22 (1) KStG, as amended, Austrian Federal Law Gazette 2004/57. Future changes in the rate of corporate income tax will lead to a proportionate adjustment in the tax contributions calculated.

Negative tax contribution, final settlement
If the group member allocates negative income within the meaning of Section 9 (6) Item 1 KStG to the group parent, the group parent must make a negative tax contribution to the group member in the amount of 25% of the allocated negative income insofar as this allocated negative income is covered by an aggregate positive result for the group parent within the meaning of Section 9 (6) Item 2 KStG before application of Section 7 (2) KStG (i.e., in particular, before deduction of special expenses)

The group parent must document the portion of the allocated negative income of the group member which is not covered by the group parent's aggregate positive result within the meaning of Section 9 (6) Item 2 KStG prior to application of Section 7 (2) KStG (i.e., in particular, before deduction of special expenses) and which thus leads to, or increases, a negative aggregate result ("documented loss carryforward") and must offset this against any positive income of the group member that is allocated to the group parent in subsequent financial years. Subject to Item 2.2.3, a final settlement (settlement payment) will be made upon termination of the corporate group.

If, upon termination of the corporate group or the group member's withdrawal from the corporate group, following a minimum period pursuant to Section 9 (10) 1st dash KStG negative income of the group member which has already been allocated to the group parent (documented loss carryforward) has not yet been offset pursuant to Item 2.2.2. against positive income of the group member that is allocated to the group parent in subsequent financial years, a final settlement must be made as outlined below:

A settlement payment is to be calculated in the amount of the present value of the (fictitious) future tax relief which the group member would likely realize by claiming the remainder of this loss carryforward. The discount for calculation of the present value of the (fictitious) future tax relief will be determined on the date of the group member's withdrawal from the corporate group or on the date of the corporate group's termination, on the basis of an appropriate interest rate tied to the 3-month EURIBOR – or a similar reference interest rate at this time – plus 3% p.a.

The group parent must make the negative tax contribution (settlement payment) to the group member within 30 days of rendering of accounts. An auditor and/or a tax consultant or an audit firm or a tax consulting firm will determine the settlement payment, i.e. calculate the negative income not yet equalized, the appropriate interest rate, the present value and the final settlement payable.

In accordance with Section 2 (2) of the Austrian Value Added Tax Act (UStG), C-QUADRAT Investment AG is a dominant company for VAT purposes. The following companies are subsidiaries for VAT purposes:

- C-QUADRAT Kapitalanlage AG since 1/1/2007

Corporate relations

As the parent company of the Group, C-QUADRAT Investment AG prepares the consolidated financial statements. They are published on the company's website (www.investmentfonds.at).

Disclosures concerning participations

In accordance with Section 238 No. 2 UGB, a report is submitted on the following entities:

Company name	Headquarters	Interest	Equity € '000	Last net profit/loss for the year € '000	Reporting date
C-QUADRAT Kapitalanlage AG	Vienna	100%	9,391	7,747	12/31/2013
C-QUADRAT Deutschland GmbH	Frankfurt	100%	83	27	12/31/2013
Absolute Portfolio Management GmbH	Vienna	74.9%	1,696	547	12/31/2013
BCM Luxembourg SA	Luxembourg	100%	3,814	998	12/31/2013
QC Partners GmbH	Frankfurt a.M.	50.01%	1,112	-135	12/31/2013
ARTS Asset Management GmbH	Vienna	45%	10,351	9,374	12/31/2013
Ampega C2 Fondsmarketing GmbH	Frankfurt a.M.	50%	90	52	12/31/2013
C-QUADRAT Ampega Asset Mgmt Armenia LLC	Yerevan	74.9%	1,115	-46	12/31/2013

All participations in the above companies were recognized as fixed assets.

Number of employees

The following table shows the average number of employees, broken down into blue- and white-collar employees (Section 239 (1) No. 1 UGB):

	2013	2012
Management Board members	2	3
White-collar employees	5	4
Total	7	7

Remuneration for members of the Management Board and the Supervisory Board

The total amount of remuneration paid to members of the Management Board in the past financial year was EUR 664 thousand (previous year: EUR 714 thousand).
The total amount of remuneration paid to members of the Supervisory Board in the past financial year was EUR 78 thousand (previous year: EUR 84 thousand).

Advances, loans and liability for members of the Management Board and the Supervisory Board

Loans/advances were granted to members of the Management Board and the Supervisory Board, as reported below:

Development of loans/advances Management Board	2013 EUR thou.	2012 EUR thou.
Loans/advances to date	19	10
Interest in current reporting year	0	0
Newly granted in reporting year	16	41
Repayments in reporting year	-34	-32
New balance as of Dec. 31, 2013	1	19

Loans/advances exclusively consist of payments on account for travel expenses.

Severance expenses

In the financial year under review, severance expenses were as follows:

	2013	2012
	€ '000	€ '000
Members of the Management Board	11	11
Executive employees	0	0
Other employees	3	4
	14	15

Disclosures concerning the type of shares

The shares of the company are par value shares. The shares may be issued in bearer or registered form, unless registered shares are mandatorily required by law. Shares are indivisible. If a decision to increase the share capital does not specify whether the new shares are to be bearer or registered shares, they shall be issued as bearer shares.

Pursuant to Art. III (2) of the company's articles of incorporation, there is no entitlement to individual share certificates. It is permitted to issue collective deeds for shares. However, the type and form of collective deeds must conform to statutory requirements, particularly those laid down in the Austrian Safe Custody Act

(DepotG).

The share capital of the company is € 4,363,200.00 and is divided into 4,363,200 par-value bearer shares with a par value of € 1.00 per share.

By resolution of the General Meeting held on August 28, 2007, a contingent increase of € 436,320.00 was made in the share capital of the company pursuant to Section 159 (2) No. 3 of the Stock Corporation Act, by issuing 436,320 par-value bearer shares and with exclusion of subscription rights on the part of existing shareholders (contingent capital). This conditional share capital increase is only to be carried out if persons eligible for stock options under the company's Stock Option Program exercise their option rights. The company's stock option program has expired without any options being granted. The last possible exercise period was in May 2011. Accordingly, no options had been issued as of the end of the stock option program.

On May 2, 2013, the Management Board of C-QUADRAT Investment AG terminated the share buyback program which was initially announced through the notification of March 28, 2011 and was extended through the notification of May 27, 2011 and which would have originally expired on May 31, 2011.

At the 26th Annual General Meeting of C-QUADRAT Investment AG held on May 3, 2013, the authorization for non-specific repurchasing of treasury stock, pursuant to the resolution passed by the 24th Annual General Meeting on May 27, 2011 – which would have expired in late May 2013 – was cancelled and the Management Board was newly authorized pursuant to Section 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG) to acquire non-par value bearer shares of the company, up to a maximum of 10% of the company's share capital, for a period of 30 months from the date of the Annual General Meeting's resolution, for a minimum price corresponding to a market rate of EUR 1 and a maximum price corresponding to a market rate of EUR 40. The Management Board was also authorized to withdraw repurchased treasury stock without any further resolution passed by the Annual General Meeting. In addition, the Annual General Meeting authorized the Management Board to re-sell purchased treasury stock other than through the stock market or a public offering, while excluding the shareholders from subscribing.

On the basis of this authorization of May 3, 2013, on May 24, 2013 the Management Board announced a new share buyback program which envisages repurchasing of a total of 218,160 shares, i.e. 5% of the share capital. This share buyback program will end on October 31, 2015 at the latest.

Voting rights for all shares are exercised according to nominal value held. Each EUR 1.00 of nominal value entitles the holder to one vote.

The form and content of share certificates – and also profit sharing certificates and renewal certificates – is determined by the Management Board subject to agreement with the Supervisory Board and in compliance with statutory requirements.

Vienna, March 7, 2014

Gerd Alexander Schütz, m.p.
Member of the Management Board

Thomas Riess, m.p.
Member of the Management Board

Management Report
C-QUADRAT Investment AG
on the Financial Statements for the year ending December 31, 2013

Review of the economic situation and the capital markets in 2013

The international capital markets gained ground again in the period under review. From a political perspective, the situation remained characterized by high unemployment and Europe's debt crisis. The uncertainty surrounding the future of the Eurozone and thus the euro itself has waned somewhat. The ECB and the FED continue to adhere to an extremely low interest-rate policy; the key interest rate in the Eurozone has now been cut to 0.25%. This is also impacting on savers, who are receiving interest on their savings which is in some cases below the rate of inflation. Defensive asset classes such as bonds are likewise only being rewarded with very low interest rates. This was a key factor in the equity markets' continuing global recovery. In 2013 global equity markets rose consistently. However, there were recurrent downward corrections. This shows that sentiment on the stock markets was basically optimistic but that there were repeated bouts of uncertainty regarding the sustainability of the upward trend. However, at the end of the year the key indexes closed very significantly higher than at the start of the year, with growth of up to 26%. The Euro Stoxx 50, which features 50 major stock exchange-listed Eurozone companies and is thus a leading stock-market barometer in Europe, rose by 14.7% in the 2013 financial year to 3,109 points. The DAX ended the 2013 financial year up 25.5% at 9,552 points, already prompting speculation over when it would break through the 10,000-point mark. Austria's ATX index realized moderate growth of 2.9% and closed the stock-market year at a level of 2,547 points. The US Dow Jones 30 Industrial Index ultimately ended the 2013 financial year up 26.5%, at 16,577 points, while the Standard & Poor's 500 Index – which represents the broader market – ended the reporting period at 1,848 points, a rise of 26.4%.

The Eurozone has suffered from a recession over the past few years which eased slightly in 2013. Several Eurozone members once again realized GDP growth. The trend at the country level naturally varies. For instance, while Germany and Austria achieved GDP growth in 2013 as in the previous year, countries such as Greece and Italy were unable to post any improvement at all. Unemployment remains very high in the Eurozone, averaging 11.0% (previous year: 10.5%). This is an enormous problem in countries such as Greece (27.0%), Spain (26.6%) and also Italy (12.2%) and France (11.0%). A positive factor is that inflation in the Eurozone is 0.8% lower than in the previous year, at an average rate of 1.7%. The differences between the various countries' inflation levels are less pronounced than in the case of their respective unemployment figures. De facto, none of the Eurozone members exceeded a level of 4% in 2013. The problems associated with financing of the new and old debts of many European countries stabilized slightly in 2013 but have not yet been resolved. Ireland was the first country to exit the Eurozone's bailout scheme, marking a favorable trend. Thanks to a tough savings package and retrenchment of its social security system including public-sector pay cuts, this country was able to avoid bankruptcy following the collapse of the Irish banking system. In view of their economic development and the trend for public finances, the situation in the countries which continue to receive bailout assistance – Greece, Portugal, Spain and Cyprus – cannot yet be said to be easing significantly. Due to the continuing high level of unemployment outlined above as well as structural problems, the reorganization of these countries will take some time yet. For this reason the Eurozone, and the banking sector in particular, will remain characterized by uncertainty. The EU is seeking to avoid further problems in the banking industry through adapted and more stringent stress tests.

In the USA, gross domestic product growth in 2013 amounted to 1.6%, which was 1.2% lower than in the previous year. At 7.6%, the unemployment rate is half a percentage point lower than in the previous year. Inflation was at 1.4%, thus resembling the picture in Europe. The USA's huge level of excess debt is a big problem for the country. This has repeatedly prompted tempestuous arguments for its government and budget cuts. The stock market gained ground in 2013, but the USA likewise has problems which mean that there is no guarantee of continuous growth.

Business development and situation of the company

The company can look back on an excellent financial year despite the volatile and uncertain market conditions. The company's portfolio of investments delivered a highly positive financial performance.

They provided the largest share of the company's operating income. Through performance fees, income from shares in related companies more than doubled.

Scope of consolidation in 2013:
Notes on shares in related companies:
Within the framework of the realignment of its portfolio of investments which it had already initiated in previous years, in November C-QUADRAT Investment AG acquired 74.90% of the shares in the newly established C-QUADRAT Ampega Asset Management Armenia LLC (AM).

C-QUADRAT Ampega Asset Management Armenia LLC:
On November 21, 2013 C-QUADRAT Investment AG acquired 74.90% of the total voting share capital of C-QUADRAT Ampega Asset Management Armenia LLC in the amount of AMD 650,000,000 upon signing this firm's shareholders' agreement. Alongside a second well-known asset manager, this company will manage Armenia's national pension scheme once Armenia's pension reforms come into effect in early 2014. The purchase price including incidental acquisition costs was EUR 916 thousand.

Notes on shares in associates:
Within the framework of the realignment of its portfolio of investments which it had already initiated in previous years, in June C-QUADRAT Investment AG sold its interest in Best of Funds Fondsmarketing AG (CH) and in December it participated in a capital increase for its existing investment QC Partners GmbH.

C-QUADRAT Investment AG share/share buyback program:
The C-QUADRAT share is listed both on the Frankfurt Stock Exchange (Prime Standard) and on the Vienna Stock Exchange (Standard Market Auction).

The share capital of the company is unchanged at EUR 4,363,200.00 and is fully paid-up. It is divided into 4,363,200 no-par bearer shares with a nominal value of EUR 1.00. Voting rights for all shares are exercised according to nominal value held. Each EUR 1.00 of nominal value entitles the holder to one vote. There are no shareholder rights or duties beyond those defined in law. The three principal shareholders are Talanx Asset Management GmbH (25.10%), T.R. Privatstiftung (20.65%) and San Gabriel Privatstiftung (20.03%), with the latter two foundations being parties to a syndication agreement. All other disclosures required by Section 243a of the Austrian Commercial Code (UGB) are either not applicable to the company or derive from law.

The Management Board of C-QUADRAT Investment AG terminated the current share buyback program, originally set to end on May 31, 2013, as per May 2, 2013.

At the Annual General Meeting of C-QUADRAT Investment AG held on May 3, 2013, pursuant to Section 65 (1) No. 8 of the Austrian Stock Corporation Act (AktG), the Management Board was authorized to acquire non-par value bearer shares of the company, up to a maximum of 10% of the company's share capital, for a period of 30 months from the date of the General Meeting's resolution, for a minimum price corresponding to a market price of EUR 1 and a maximum price corresponding to a market price of EUR 40. The Management Board is also authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting authorized the Management Board to re-sell purchased treasury stock other than through the stock market or a public offering, while excluding the shareholders from subscribing.

In the 2013 financial year, by publishing its share buyback program on May 24, 2013 the Management Board made use of this authorization and acquired 54,690 no-par value bearer shares of the company for EUR 1,486 thousand (2012: 55,158 shares for EUR 1,394 thousand). Accordingly, on December 31, 2013, 60,166 units were recorded on the books, with a value of EUR 1,627 thousand (i.e. 1.38% of the share capital, for a cost of EUR 1,647 thousand). At the purchase of BCM Group (with a closing date of December 28, 2012) the company used 130,896 units of treasury stock (i.e. 3% of its share capital) as means of payment, for a purchase cost of EUR 3,342 thousand. Accordingly, on December 31, 2012, 5,476 units were recorded on the books, with a value of EUR 141 thousand (i.e. 0.13% of the share capital, for a cost of EUR 161 thousand).

Income statement

In the 2013 financial year, fee and commission income fell by EUR 200 thousand or 43.7% from EUR 458 thousand to EUR 258 thousand; fee and commission expenses also decreased, by EUR 120 thousand or 45.1% from EUR 266 thousand to EUR 146 thousand. In addition to the net fee and commission income – which amounts to EUR 112 thousand (2012: EUR 191 thousand) – the other operating income in the amount of EUR 712 thousand (2012: EUR 925 thousand) provided a key contribution to the operating income which totaled EUR 12,078 thousand (2012: EUR 6,752 thousand). However, this was due in particular to the income from participations and shares in related companies in the amount of EUR 11,254 thousand (2012: EUR 5,635 thousand). Operating income thus showed a significant year-on-year rise of EUR 5,326 thousand or approx. 79%.

At the same time, total operating expenses increased by EUR 522 thousand or 14% from EUR 3,609 thousand to EUR 4,131 thousand. An amount of EUR 245 thousand of this increase in the operating expenses segment related to the item “Project costs SLA, other countries”. This item comprises the payment made by C-QUADRAT Investment AG to Ampega C-QUADRAT Fondsmarketing GmbH under the service level agreement. The company commenced its operations in July 2012. In the 2013 financial year, the costs have been included for a period of 12 months.

The developments outlined above led to an operating profit of EUR 7,682 thousand (2012: EUR 3,381 thousand) in the 2013 financial year. After measurements of securities and investments, the company realized a profit on ordinary activities of EUR 7,102 thousand (2012: EUR 1,605 thousand). In 2012 depreciation was recognized on a receivable in the amount of EUR 2,013 thousand, negatively affecting the result. A group taxation arrangement with C-QUADRAT Kapitalanlage AG and the use of partial depreciation of participations in previous years which this arrangement enables for tax purposes has resulted in a tax credit for the company in the amount of EUR 1,702 thousand (2012: EUR 746 thousand), leading overall to a net profit for the year of EUR 8,803 thousand (2012: EUR 2,349 thousand). Following a movement of reserves for treasury stock in the amount of EUR 1,486 thousand (2012: EUR 1,808 thousand), the annual profit amounts to EUR 7,317 thousand (2012: EUR 4,157 thousand). In 2012 these reserves for treasury stock were released, since most of these securities were used as payment for an acquisition. Together with a profit carryover in the amount of EUR 1,970 thousand (2012: EUR 421 thousand), this has resulted in a distributable balance sheet profit of EUR 9,288 thousand (2012: EUR 4,578 thousand).

Balance sheet

The balance sheet total as of December 31, 2013 amounts to EUR 42,519 thousand and has increased by EUR 4,961 thousand or 13% in relation to the balance sheet total as of December 31, 2012 (December 31, 2012: EUR 37,558 thousand). The company has securities which may be liquidated at any time in the amount of EUR 932 thousand (December 31, 2012: EUR 1,199 thousand). The other assets mainly consist of a receivable from C-QUADRAT Kapitalanlage AG due to a group taxation arrangement in the amount of EUR 508 thousand (December 31, 2012: EUR 1,070 thousand) and receivables from subsidiaries due to dividends for the same period in the amount of EUR 6,607 thousand (December 31, 2012: EUR 3,295 thousand). The liabilities section of the balance sheet shows an other liability to banks in the amount of EUR 4,000 thousand (December 31, 2012: EUR 5,000 thousand). This relates to a loan which was taken up for the acquisition of the BCM Group.

Key performance figures

As an investment company, C-QUADRAT Investment AG is subject to the provisions on shareholders’ equity laid down in the Austrian Securities Supervision Act 2007 (WAG 2007). For example, the company is required to maintain shareholders’ equity at a minimum level of 25% of its fixed overheads according to its most recently approved annual financial statements, and in no case less than the EUR 50 thousand in start-up capital required to obtain a license. The company is also required to keep equity available for hedging credit and operational risks. In the same way as for banks, shareholders’ equity equal to at least 8% of the risk-weighted assets must be held to cover the credit risk. In addition to the minimum amount of shareholders’ equity, and the shareholders’ equity required to hedge the credit risk, 12/88 of 25% of the fixed overheads determined in the most recently approved annual financial statements must also be held for hedging of operational risk.

This means that the company would currently have to hold at least EUR 4,235 thousand in shareholders' equity (December 31, 2012: EUR 4,042 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible shareholders' equity of the company – which is comprised of the paid-in capital and the disclosed reserves, pursuant to Section 9 (3) WAG 2007 – is EUR 23,135 thousand (December 31, 2012: EUR 23,135 thousand), so that the company has EUR 18,900 thousand in surplus shareholders' equity (December 31, 2012: EUR 19,092 thousand).

In the 2013 financial year the equity ratio (calculated according to WAG 2007, i.e. excluding a balance sheet profit) decreased from 64% to 58% due to retained earnings resulting from the share buyback and an increase in the balance sheet total.

The company had an average of 7 employees on its payroll over the past financial year (2012: 7 employees). In the first half of the 2013 financial year the employees of C-QUADRAT Investment AG attended compliance training focusing on AIFM and FATCA, while at the end of the year they received compliance training covering AIFM. They also received training covering the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz, WAG) in June and in-depth AIFM training in October.

No disclosures are made regarding non-financial performance indicators, such as environmental performance, because these do not apply to C-QUADRAT Investment AG. The company does not pursue any research and development activities.

Risks

The financial services industry is associated with inherent risks. Any downward price correction on the world's stock exchanges involves a deterioration in the earnings performance of the company and its subsidiaries. In addition, investors are less willing to buy securities and fee and commission income falls due to the smaller volume of assets under management. This risk is actively tackled by means of diversification in the field of the company's investments. Moreover, on the one hand the company actively offsets this risk in relation to its subsidiaries, by diversifying operations through the development of new products and by expanding sales to institutional customers and savings banks. On the other, risks are actively minimized by apportioning the portfolio to a variety of asset classes with little correlation between individual classes (shares, bonds, real estate shares, commodities, etc.) and by means of a variety of management styles (total return approach, benchmark approach, long/neutral strategies and multi-asset approach). On the sales side, risks are spread with a continued focus on sales markets in Germany and Eastern Europe (especially the Czech Republic, Slovakia and Poland) as well as Austria, and on further concentration on institutional sales.

Internal control and risk management system

The basis for the Internal Accounting Control System for C-QUADRAT Investment AG consists of the organization manuals produced for all companies in the C-QUADRAT Group. In each main area of activity, a framework is defined that must be implemented and complied with by all entities in the C-QUADRAT Group. The management boards and the internal auditing department are jointly responsible for regularly monitoring each entity for compliance with the specified guidelines and work instructions. The finance and accounting department supports all of the companies in the C-QUADRAT Group in matters relating to bookkeeping, payroll accounting, accounting and consolidation (with support from an external accountancy firm), controlling, treasury, payment transactions, cash flow management and reporting. Bookkeeping for C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG is carried out internally. Bookkeeping for the company's other subsidiaries is handled locally. Key accounting policies are defined in a group manual.

The company supports the companies of the C-QUADRAT Group in all reporting, controlling and accounting matters. The management boards of the Group companies are informed daily (in the form of an Excel report) regarding the level of cash and cash equivalents and the individual companies' investments. A system of monthly management reporting is also in place throughout the Group and mainly comprises the reported results of all of the Group companies (including IFRS management consolidation, budgets, budget comparisons, forecasts and forecast comparison), a report on the revenue-generating volume (above all, the assets under management), sales statistics and cash flow management. The controlling and accounting departments work closely together to conduct ongoing

comparisons of budgeted and actual figures, as well as analyses of budgets and actual figures; they also perform reciprocal checks and controls. Internal reporting also includes monthly discussions of financial performance and deviance analyses between the controlling department and the respective management boards.

In addition to the published standalone financial statements of the individual companies of the C-QUADRAT Group, external reporting also includes the preparation of consolidated quarterly financial statements and half-yearly financial statements. The Supervisory Board and the Audit Committee meet at least once each quarter and are informed at these meetings (in the form of standardized reports) inter alia about current business developments (including budget comparisons, forecasts and deviation analyses).

The appropriateness of the internal accounting control system has been confirmed by the Audit Committee. The Internal Accounting Control System is monitored by means of regular reporting to the Audit Committee and the Supervisory Board and by audits conducted by the internal auditing department, which works closely with the respective Management Board members and reports on a quarterly basis to the Management Board and at least once a year to the Supervisory Board.

Applicable financial instruments

The main financial instruments used by C-QUADRAT Investment AG are financial investments in ordinary and preference shares, shares in investment funds, participations, cash and cash equivalents and finance leases. The main purpose of these financial instruments is to finance the business activities of the company. In the 2013 financial year, as in previous years, the company did not hold any derivative financial instruments such as options, interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.
The principal risks to which the company is exposed as a result of holding these financial instruments are cash flow risks relating to interest rates, as well as liquidity, foreign exchange and credit risks. The management of the company establishes and reviews risk management policies for each of these risks, as described in the following.

Cash flow risks relating to interest rates
The company has a liability in the amount of EUR 4,000 thousand in relation to a bank. This is subject to a fixed interest rate for the entire loan period. For this reason, the company is not exposed to any risk associated with fluctuating market interest rates. Accordingly, no hedges were used to eliminate an interest rate risk.

Foreign exchange risk
With the exception of BCM Group, the company's business activities are focused on the Eurozone. This is also true for its other subsidiaries. In the 2013 financial year the company suffered foreign-currency exchange losses in the amount of EUR 1 thousand (2012: EUR 0 thousand). BCM has entered into a GPB vs. EUR hedge in order to minimize the foreign exchange risk.

Credit risk
As a general rule, the company only concludes transactions with recognized and creditworthy third parties. All customers wishing to trade with the company on credit terms are subjected to a credit assessment. Receivables are also monitored continuously, with the result that the company is not exposed to any significant default risk. If there is objective evidence that an impairment loss on a receivable has been incurred, this impairment will correspond to the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the financial asset's original effective interest rate). This will reduce the asset's carrying amount accordingly. In the event of counterparty default, the maximum default risk for the company's other financial assets – such as cash and cash equivalents – amounts to the corresponding instruments' carrying amount. Since the company concludes transactions only with third parties who are recognized and creditworthy, collateral is not required.

Liquidity risk
The company continuously monitors the risk of liquidity bottlenecks using a liquidity planning tool, which is used in particular to plan and monitor expected cash flows from business operations (fee and commission income and expenses). The company aims to maintain a balance between continuous

coverage of funding requirements and safeguarding of financial flexibility, by using different terms for fixed deposits and also overdraft facilities and loans. As of the balance sheet date, as well as securities which may be liquidated at any time in the amount of EUR 932 thousand (December 31, 2012: EUR 1,199 thousand) the company has cash and cash equivalents in the amount of EUR 866 thousand (December 31, 2012: EUR 829 thousand), which is equivalent to approx. 2% of the balance sheet total (December 31, 2012: 2%).

Outlook for the company

In view of the continuing uncertainty on the volatile markets and regarding the euro's stability in the context of several EU countries' debt scenarios and the lack of a clear trend, it is difficult to predict the outlook for 2014.
C-QUADRAT Investment AG has already reacted to the current situation by expanding its portfolio of investments and thus diversifying its risk exposure accordingly. Following the positive impulses generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2014 financial year will be on further expansion in Germany, in the countries of Central and Eastern Europe and in other European countries. The company's acquisitions of Absolute Portfolio Management GmbH and BCM Group in 2012 provide entirely new opportunities, both in terms of the available product range and in relation to new customer groups and sales markets. C-QUADRAT Investment AG is on a stable footing thanks to these new partners and its established relationship with Talanx Asset Management GmbH. The business model of C-QUADRAT Ampega Asset Management Armenia LLC may serve as a multiplier; if the Armenian firm delivers favorable results, use of this model in neighboring countries will be worthy of consideration.
In overall terms, the C-QUADRAT Group envisages another positive performance in 2014.

Events after the balance sheet date

On January 28, 2014 a pledge agreement was concluded between C-QUADRAT Investment AG (pledgor) and Raiffeisenlandesbank Niederösterreich – Wien AG (pledgee). Pledging of the pledged assets serves to secure all present and future claims held by the pledgee against the pledgor in connection with the loan agreement entered into within the scope of the purchase of BCM Group. On December 31, 2013 the outstanding amount is EUR 4,000 thousand.

Within the framework of the audit of the consolidated financial statements, C-QUADRAT Investment AG has assumed liability for the obligations of the two BCM holding companies BCM UK Ltd. and BCM Bluestar Ltd. in the amount of EUR 132 thousand.

No other significant events requiring disclosure have occurred since the balance sheet date.

Vienna, March 7, 2014

Gerd Alexander Schütz, m.p.
Member of the Management Board

Thomas Riess, m.p.
Member of the Management Board

AUDITOR'S REPORT (TRANSLATION) *)

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of **C-QUADRAT Investment AG, Vienna**, for the fiscal year from January 1, 2013 to December 31, 2013. These financial statements comprise the balance sheet as of December 31, 2013, the income statement for the fiscal year ended December 31, 2013, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2013 and of its financial performance for the fiscal year from January 1, 2013 to December 31, 2013 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 7th, 2014

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto, m.p. Wirtschaftsprüfer
Dr. Elisabeth Glaser, m.p. Wirtschaftsprüferin

Mag. Alexander Wlasto, m.p. Wirtschaftsprüfer
Dr. Elisabeth Glase, m.p. Wirtschaftsprüferin

*) This report is a translation of the original report in German, which is solely valid. Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

Statement by all statutory representatives pursuant to Section 82 (4) No. 3 of the Stock Market Act (BörseG)

We confirm to the best of our knowledge that the consolidated financial statements as of December 31, 2013 give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements as of December 31, 2013 give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, March 2014

Gerd Alexander Schütz, m.p.
Member of the Management Board

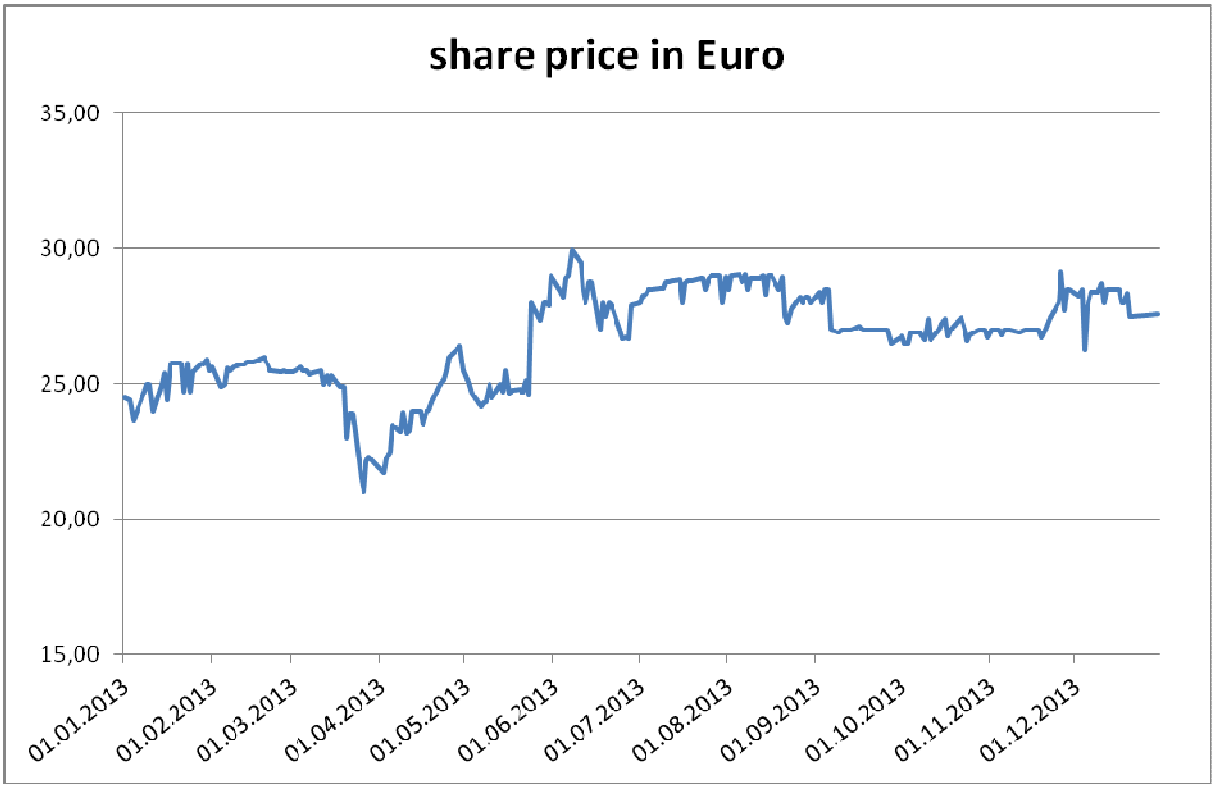
Mag. Thomas Riess, m.p.
Member of the Management Board

FINANCIAL CALENDAR 2014

March 31, 2014	Results 2013
April 29, 2014	record-date for the AGM
May 09, 2014	Annual General Meeting (AGM)
May 19, 2014	Interim report as of March 31, 2014
May 14, 2014	Dividend ex date
May 20, 2014	Dividend payment date
August 25, 2014	Interim report as of June 30, 2014
November 17, 2014	Interim report as of September 30, 2014

The final date for the planned analysts' conference will be announced separately later.

PERFORMANCE OF C-QUADRAT INVESTMENT AG SHARE (ISIN:AT0000613005)



Frankfurt Xetra, Jan. 01, 2013 – Dec. 31, 2013

CONTACT

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PUBLISHER'S NOTES

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We have prepared this report with utmost care and have checked all facts and figures therein. Nevertheless, no guarantee can be given that there are no rounding, typographic and printing errors. Arithmetic differences may result when rounded amounts and percentages are totalled using automatic calculating devices.

This report also contains forward-looking estimates and statements which we have made on the basis of all information available to us at the time. These forward-looking statements usually contain expressions such as 'expects', 'estimates', 'plans', 'anticipates', etc. It should be noted that actual cricumstances – and hence the actual results – may deviate due to various factors from the expectations presented in this report. Statements relating to persons should be understood as gender-neutral.

This report is also available in English. The German version shall take precedence in the event of any doubts or discrepancies.