



the fund company

Annual Report 2006

C-QUADRAT Investment AG



C-QUADRAT – THE FUND COMPANY



C-QUADRAT – the fund company – is an independent Asset Manager that is active throughout Europe. Founded in 1991, the company has its own capital investment company with a banking license since 2003 and has been listed on the Frankfurt Stock Exchange's Prime Standard since November 2006. With its asset management activities, its analyses and management of investment funds, and its structured products, the C-QUADRAT team has already made a name for itself in Europe. Many internationally operating banks, insurance companies and financial companies rely on C-QUADRAT's expertise.

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SUPERVISORY BOARD



Marcus Mautner Markhof

Chairman of the Supervisory Board
of C-QUADRAT Investment AG

Ladies and Gentlemen, dear Shareholders!

From the perspective of the Supervisory Board, C-QUADRAT is one of the most remarkable business start-ups witnessed in the past 15 years. The deep commitment of its founders, Alexander Schütz and Thomas Rieß, their business-savvy ideas and the strong team have allowed the Company to become a dynamically expanding Asset Manager that is active throughout Europe. 15 years ago, the foundation of C-QUADRAT Unternehmensberatung Ges.m.b.H. laid the cornerstone for today's C-QUADRAT Investment AG. The investment management strategy at the time consisted of making the best funds in the world available on the Austrian market and was the key to the Company's success. As early as 1996, C-QUADRAT began devising its own fund products according to Luxembourg law and offering these to investors in Austria. In this manner, C-QUADRAT became a trailblazer in the field of funds of funds. In 2003, following years of continuous growth and steady expansion in the range of products offered, a separate asset management company was established, thus allowing C-QUADRAT

to obtain the legal status of a specialized commercial bank. In the spring of 2006, the IPO (Initial Public Offering) on the Frankfurt Stock Exchange's Entry Standard segment took place. The successful listing on the stock exchange was also the motor for the capital increase in the fall of 2006 and occurred at the same time as the switch-over to the Frankfurt Stock Exchange's Prime Standard segment. Approximately EUR 29 million were raised, thus putting C-QUADRAT on a solid financial footing and opening up additional potential for acquisitions. The target of playing a decisive role on the German market has thus increasingly come within reach.

In 2006, with our market entry in Poland, the Czech Republic and Hungary, a clear signal was sent out to the CEE countries as well. C-QUADRAT's growth and net profit figures furnish impressive proof of these developments.

Marcus Mautner Markhof

The Supervisory Board of C-QUADRAT Investment AG

Marcus D. Mautner Markhof

Chairman of the Supervisory Board
Entrepreneur

Thomas Lachs

Deputy Chairman of the Supervisory Board
Member of the Board, Austrian
National Bank (retired)

Christian Angermayer

Member of the Supervisory Board
Managing Partner of Angermayer,
Brumm & Lange Group

Golo Alexander Quandt

Member of the Supervisory Board

Franz Fuchs

Member of the Supervisory Board
Chairman of Compensa Poland

Fritz Schweiger

Member of the Supervisory Board
Divisional director Bank Austria

EXECUTIVE BOARD



left to right:
Alexander Schütz
Thomas Rieß
Peter Reisenhofer
Andreas Wimmer

Ladies and Gentlemen, dear Shareholders!

2006 was the most successful year in the 15 years of C-QUADRAT Group's corporate history. The year was marked by substantial growth in volume, sales and net profit. Furthermore, the capital increase in November, which triggered the switch-over from the Open Market (Entry Standard) to the Official Market (Prime Standard) segment of the Frankfurt Stock Exchange, was an important milestone for C-QUADRAT. The capital increase of approximately EUR 29 million constitutes a solid financial base for further expansion.

The total amount of Fee Generating Assets was increased to EUR 4.3 billion as at 31 December 2006 (2005: EUR 3 billion), i.e. an increase of over EUR 1.3 billion in comparison with the previous year. This result was primarily obtained by organic growth within the Company. Furthermore, the acquisition of the VPM/Absolute Plus Group enabled C-QUADRAT to realize a volume

increase of EUR 584 million and to extend the range of its services offered to the Alternative Investments segment.

Moreover, in 2006, the significant increase in Assets was borne by the development of successful products together with strong client growth in all of our markets. This positive trend is expected to continue in 2007, due to the continuation of our market expansion in Germany and Eastern Europe.

For 2007, C-QUADRAT Group's objective remains growth. Further development of our business in Germany and the further expansion to the CEE countries provide C-QUADRAT with an additional market potential of more than 65 million consumers. Besides the absolute numbers of these markets, their above-average market growth in the field of investment funds (on average 21.7 % in the "CEE 5" for 2001-2006)* are important for C-QUADRAT's future development.

Gerd Alexander Schütz
Member of the
Executive Board

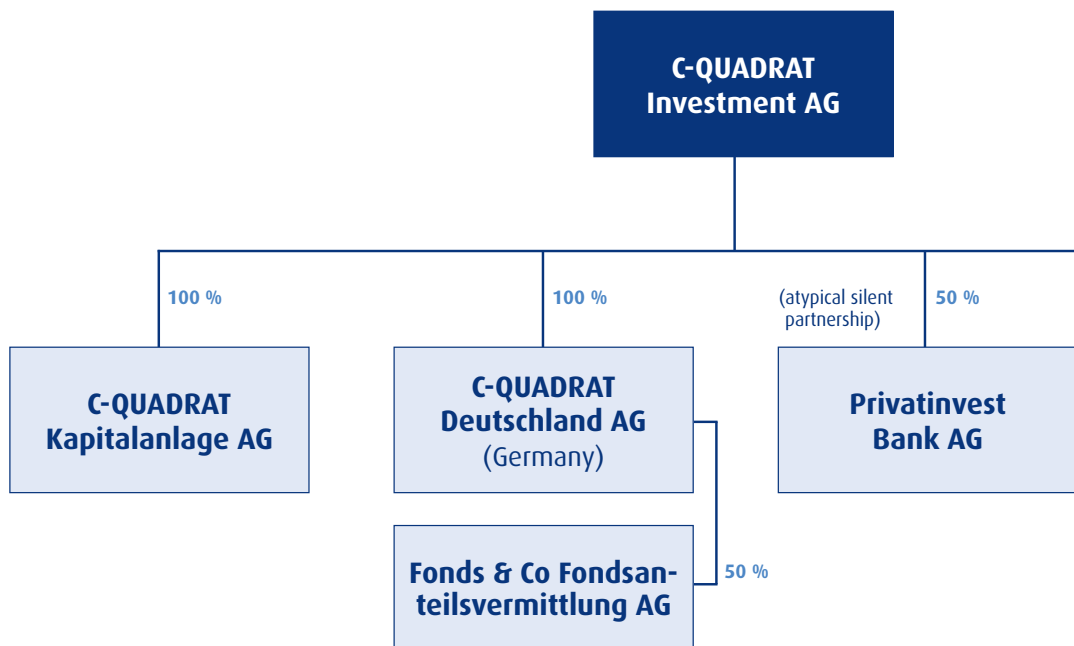
Thomas Rieß
Member of the
Executive Board

Peter Reisenhofer
Member of the
Executive Board

Andreas Wimmer
Member of the
Executive Board

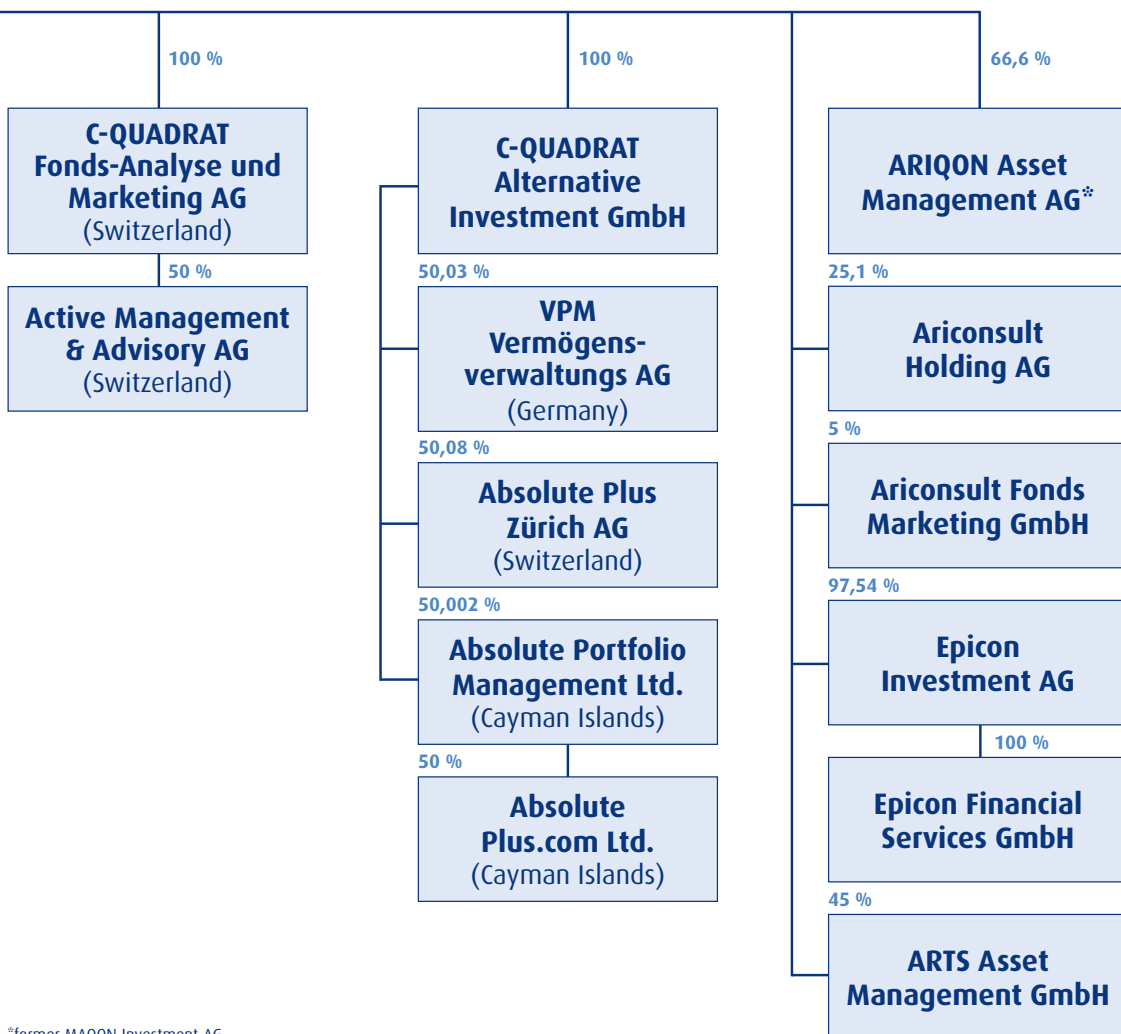
*CEE 5 / Poland, Hungary, the Czech Republic, Slovenia and the Slovak Republic

COMPANY STRUCTURE





As of 31 December 2006



*former MAQON Investment AG

BUSINESS MODEL



Overview

C-QUADRAT's business model is based on two pillars: Asset Management and Brokerage & Advisory Services. The business model is supported by C-QUADRAT's capabilities in funds' analysis, management of funds of funds, design and customizing of structured

financial products, funds' brokerage (the professional order-routing and settlement of funds) and the close coaching of and co-operation with its distribution partners.

C-QUADRAT's business segments, product groups and sources of revenue can be illustrated as follows:

C-QUADRAT Investment AG					
Asset Management			Brokerage & Advisory Services		
Benchmark	Total Return	Alternative Investments	Brokerage	Structured Products	Alternative Investments
Management Fees	Management Fees	Management Fees	Trail Fees	Trail Fees	Trail Fees
Performance Fees	Performance Fees	Performance Fees		Up-front Fees	Performance Fees

C-QUADRAT's Business Model

Running an asset management business and providing brokerage & advisory services enables C-QUADRAT to diversify its revenue composition, thereby reducing the impact of the capital market environment while generating fees at several levels of

the value chain with respect to a single amount invested. For example, in case of a fund of funds managed by C-QUADRAT, the respective Assets under Management (AuM) may generate management and performance fees at the asset management level and trail fees at the fund brokerage level.

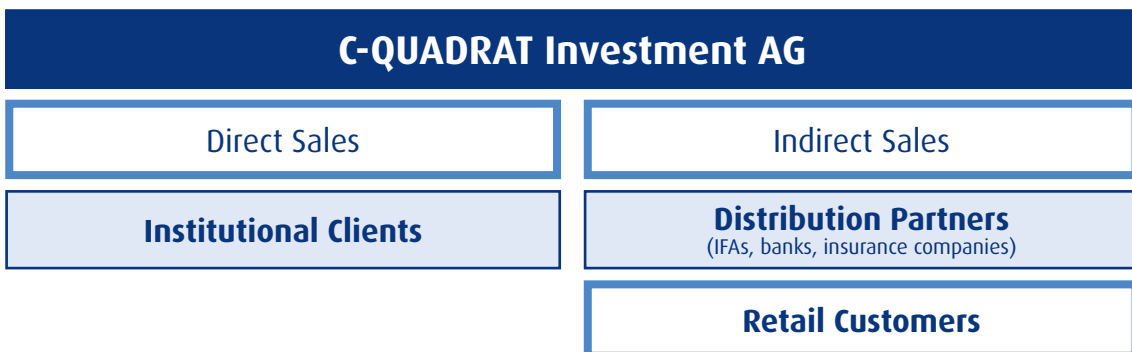


C-QUADRAT's Distribution Model

C-QUADRAT markets its products and services primarily indirectly via a well-established network of distribution partners (financial intermediaries, such as insurance companies and independent financial advisors). This network is constantly being updated and enlarged. Our distribution partners typically sell C-QUADRAT's products to their retail clients, either under one of C-QUADRAT's brand names (such as "C-QUADRAT", "Epicon", or "ARTS") or under their own brand name. C-QUADRAT provides its distribution partners with extensive services, such as customizing products to their own and their clients' needs, offering extensive training opportunities to

the distribution partners' sales force and coaching the sales force on an ongoing basis (particularly in more challenging market environments), thereby providing a seamless service for all investments made. Furthermore, C-QUADRAT also markets its services and products directly to institutional investors via its sales force based in Vienna and Frankfurt am Main (Germany).

C-QUADRAT puts an emphasis on placing its products with insurance companies in the context of unit-linked life insurance products, which use C-QUADRAT products as the underlying funds for their unit-linked life insurance products or include C-QUADRAT products in pools eligible for investment.



BUSINESS STRATEGY



C-QUADRAT's Business Strategy

C-QUADRAT's business strategy consists of continuously growing its Fee Generating Assets and its income base, in particular by:

- expanding its operations geographically by applying its successful Austrian business model to Germany and selected CEE countries;
- extending its product lines into new investment classes and adopting new investment styles, including selective acquisitions.

By leveraging its business platform while maintaining tight cost control, C-QUADRAT strives to increase its profitability, thereby creating additional value for its shareholders. C-QUADRAT intends to reach its strategic goals by using the following steps:

Leveraging existing distribution partner relationships within Germany and selected CEE countries.

C-QUADRAT intends to leverage its long-standing partnerships with networks of independent financial advisors and a number of insurance companies with an external sales force in Austria in order to market its products to countries in which such distribution partners are already operating (either directly or via affiliated companies). In this manner, C-QUADRAT intends to substantially grow its business outside of Austria by gaining access to very promising markets in terms of AuM, expected future growth rates of invest-

ment funds, savings per head and in terms of growth rates of private pension schemes. Within CEE, C-QUADRAT obtained the regulatory approval for the public distribution of its own total return funds of funds in the Czech Republic, and started marketing certain products via distribution partners in the Czech Republic, Poland and Hungary in 2006.

Organically growing presence in Germany.

In addition to leveraging its distribution partner relationships, C-QUADRAT accelerated the momentum of its geographical growth by expanding its existing office in Frankfurt am Main (Germany), gaining new institutional clients and increasing business with existing institutional clients.

In order to accelerate this type of organic growth, C-QUADRAT recruited a team of experienced professionals from the German investment fund industry. This team focuses on obtaining additional Fee Generating Assets from institutional clients (asset management and structured financial products). C-QUADRAT's Management goal is for Germany to become the most important market for new business over the next few years.

Extending product range, expanding into additional asset classes and adopting new investment styles.

In the past, C-QUADRAT's product range was continuously expanded for the purpose of diversifying its income base, reducing its



exposure to particular capital market environments and adapting to the needs of its clients and distribution partners. C-QUADRAT developed and launched new products and services which are based on its existing product range and reflect the risk-reward profiles of both its institutional investors and the retail clients of its distribution partners. As part of this plan, C-QUADRAT launched a capital-guaranteed total return fund of funds.

With its latest acquisitions, C-QUADRAT has expanded into additional, non-related asset classes, adopting new investment styles, such as hedge funds, in order to broaden its product range, enhance diversification and reduce its dependence on a positive stock market environment. In addition to these acquisitions in 2006, C-QUADRAT will continue strengthening its operations in alternative investments by considering the selective acquisition of established companies with investment experience in alternative investments. C-QUADRAT will use the following criteria to evaluate potential acquisitions and growth opportunities:

- extensive investment expertise and track record in a particular field,
- amount of AuM,
- access to the relevant Asset Managers,
- existing profitability on a stand-alone basis.

C-QUADRAT is targeting additional acquisitions in the field of funds of funds or in the field of direct investments and related services.

Expanding business with respect to unit-linked life insurances.

In 2006, C-QUADRAT placed a special emphasis on its indirect distribution activities with regard to unit-linked life insurance contracts. In addition to continuously placing its products with insurance companies, C-QUADRAT increased its asset inflow with regard to unit-linked life insurances by strengthening its existing distribution channels via insurance companies and independent policy brokers, promoting cooperation between insurance companies and its other distribution partners, and offering competitive incentives to its distribution partners.

Continuing to focus on cost efficiency.

C-QUADRAT further increased its operational leverage by nurturing its cost-conscious culture at all levels of its organization. Salary increases and the hiring of additional staff are based on a strategy that takes into account the relationship between increased personnel costs and revenue growth. The management believes that the intended geographical business expansion will only require limited investments by C-QUADRAT in its own organization and marketing. Together with the increased operational leverage stemming from the growth of Fee Generating Assets, this cost-conscious culture has contributed to C-QUADRAT's profitability in the past, and will continue to improve it in the future.

C-QUADRAT SHARE



C-QUADRAT share	(figures in Euro)
ISIN:	AT0000613005
WKN:	AOHG3U
Ticker-Symbol	C8I
Transparency Level	Prime Standard
Market Segment	Official Market of FSE
Last (31. December 2006)	43.60
Market capitalisation	190,2 million
Authorised capital	4,363,200.00
Class of shares	shares with nominal value

For C-QUADRAT, the private placement in March 2006 was an important step into the international finance market. The purpose was to have all the bearer shares of C-QUADRAT Investment AG listed on the Open Market of the Frankfurt Stock Exchange (Open Market, Entry Standard). The Company's stock offering was supported by a „Designated Sponsor“ (Close Brothers Seydler), thus guaranteeing the required liquidity for trading on the Xetra® electronic trading system. C-QUADRAT Investment AG strove to become a publicly traded company and to be listed on the Open Market of the Frankfurt Stock Exchange in order to enable the company to raise funds on the capital market for the purpose of financing future growth and realizing acquisitions on the planning list. Furthermore, becoming a publicly traded company triggered a move towards increased company transparency and promoted a positive image of the C-QUADRAT Group in Europe.

Trade segment change and capital increase

The IPO and the trade segment change from the Open Market, Entry Standard, to the Official Market, Prime Standard, of the

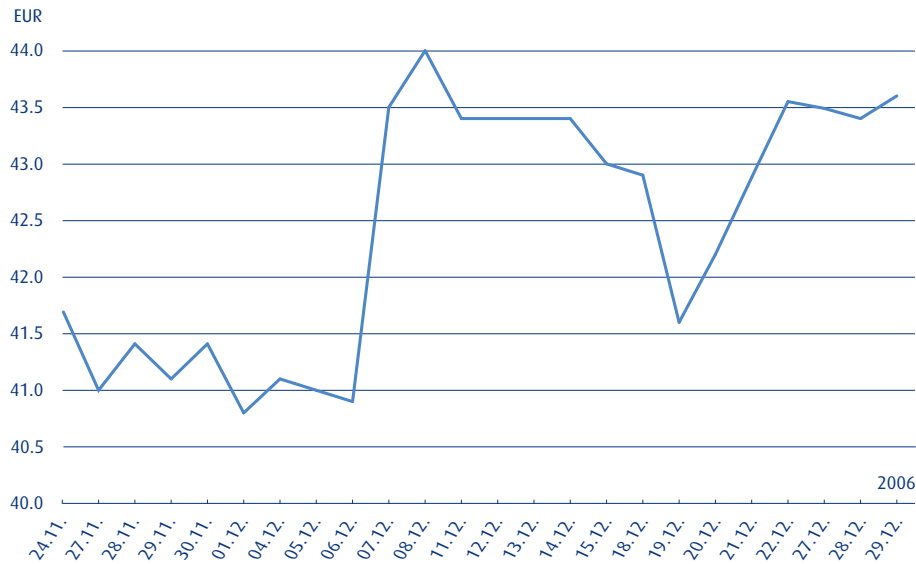
Frankfurt Stock Exchange, took place on 23 November 2006. The new shares stemming from the capital increase were registered on the Frankfurt Stock Exchange on 24 November 2006. The first day of trading for the new shares was 27 November 2006. On 22 November 2006, C-QUADRAT Investment AG had successfully completed its public offering of 1,254,420 shares in Germany and Austria. The issue price for the shares was set at 40 Euro per share. In the context of the subscription offer, a total of 14,264 shares were purchased by existing C-QUADRAT shareholders. Furthermore, 1,240,156 shares were placed with institutional and private investors, with 727,200 of these shares stemming from the capital increase. The gross amount of funds raised for C-QUADRAT thus amounted to 29,088,000 Euro. An additional 363,600 shares were sold through the intermediary of the financial investment companies Altira Aktiengesellschaft, Heliad Equity Partners GmbH & Co KGaA, OYSNIX Aktiengesellschaft and Q Capital Ltd. Another 163,620 shares were made available by Altira in the context of a surplus allocation (Greenshoe). All major shareholders are under a contractual obligation to refrain



from selling any additional shares during the 12 months following the IPO (Lock-up). Subsequent to the capital increase, the share capital stands at 4,363,200 Euro. As at 31 December 2006, the free float of stock amounted to 43 %. With the proceeds from the share flotation, C-QUADRAT has continued on its expansionary course and realized potential acquisition opportunities. Furthermore,

C-QUADRAT's plans to expand within Europe should be further developed. During the 2006 period under review, the Company's market entrance in the Czech Republic, Poland and Hungary was already successfully implemented. In particular, C-QUADRAT's presence in Germany, so far C-QUADRAT's second most important market, will be further expanded.

Price development of the C-QUADRAT share since the trade segment change
(24 November 2006 to 31 December 2006)



C-QUADRAT SHARE



C-QUADRAT's Dividend policy

The Company's ability to pay dividends is determined on the basis of its unconsolidated financial statements prepared in accordance with Austrian GAAP. Dividends may only be declared and paid from the annual net profit (Bilanzgewinn) recorded in the Company's unconsolidated annual financial statements as approved by the Supervisory Board. The dividend to be distributed is approved at the Shareholders' Meeting upon recommendation by the Company's Management Board. In determining the amount available for distribution, the profit (Jahresüberschuss) must be adjusted to account for any accumulated undistributed net profits or losses from previous years and for withdrawals from or allocations to reserves. Certain reserves must be established by law, and the contributions to such reserves must therefore be deducted from annual net income when calculating annual net profits. Based on its unconsolidated financial statements for the 2006 financial year, the Company's profits amounted to EUR 2.9 million. Shareholders are entitled to the annual dividend declared with regard to the Company's financial year. The dividend payment and its amount are subject

to the approval of the shareholders at the Annual Shareholders' Meeting.

C-QUADRAT's Investor relations

Since the IPO on the Frankfurt Stock Exchange in March 2006, the Company's determination to send signals to the financial community has strengthened continuously, reaching the next milestone - IPO and capital increase - in November of the same year. Since its listing on the Frankfurt Stock Exchange's Prime Standard, C-QUADRAT has had to rise to new challenges in the field of Investor Relations, thereby meeting the high standards of transparency as required by the financial community. Besides the mandatory publication of its year-end accounts and quarterly results, and the optimization of its Internet activities, C-QUADRAT consistently makes its presence felt in the capital markets. In 2006, numerous road shows, market-related events and many face-to-face meetings furnished proof of the commitment of C-QUADRAT's Management team. The number of press releases and analyst publications illustrate the interest shown by financial institutions and the capital markets in the Company.

BUSINESS AND MARKET ENVIRONMENT



Business and Market Environment

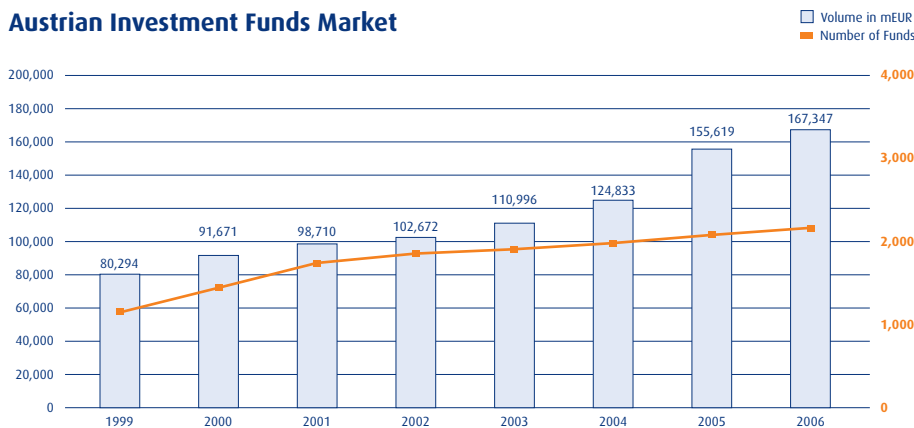
C-QUADRAT operates in the environment of asset management, structured financial products and fund brokerage & advisory services. C-QUADRAT's asset management business focuses on managing funds of funds. Funds of funds are defined as funds which invest in other funds, typically allowing an investor to achieve a greater diversification while benefiting from the expertise of different Fund Managers and investment styles as compared to individual funds. C-QUADRAT believes that the investment prospects of the asset management industry are favorable in the medium and long term. The aging of the population in industrialized countries, the necessity of increasing retirement savings, and the growth of disposable income are likely to boost demand for asset management products and brokerage and advisory services. C-QUADRAT also believes that investors will continue to diversify their investments, focusing increasingly on alternative investment styles (such as total return funds), structured financial products that generate

customized capital flows and alternative asset classes, such as hedge funds and private equity.

Fund market in Austria

As at 31 December 2006, there were 23 Austrian asset management companies, with a total of EUR 167.3 billion in AuM, diversified among 2,171 competing funds. C-QUADRAT had AuM amounting to EUR 789.8 million placed in 35 funds and managed or advised 16 funds of funds established by Third Parties with AuM of EUR 259.5 million. Upon its establishment in 2003, C-QUADRAT Kapitalanlage AG managed AuM of EUR 171.8 million in 15 funds. Ever since 2003, C-QUADRAT Kapitalanlage AG has been the fastest-growing Austrian asset management company, both in terms of the number of funds and fund volume. The general development of AuM in the Austrian investment funds market from 1999 to 2006 is illustrated below. From 1999 onwards up until the end of 2006, overall AuM in Austrian investment funds increased from EUR 80 billion to EUR 167 billion, i.e. a compound annual growth rate (CAGR) of 11.2 %.

Austrian Investment Funds Market



BUSINESS AND MARKET ENVIRONMENT



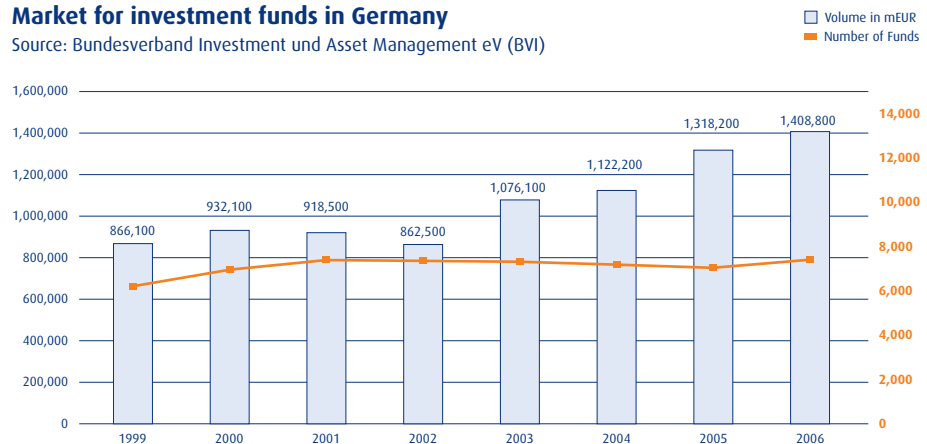
Fund market in Germany

As of 31 December 2006, there were 7,430 German investment funds with a total volu-

me of AuM of EUR 570.7 billion. The general development of AuM in the German investment funds market from 1999 to 2006 is illustrated below:

Market for investment funds in Germany

Source: Bundesverband Investment und Asset Management eV (BVI)



Mutual fund savings in Germany lag behind mutual fund savings in Austria, other EU countries and the United States. Therefore, C-QUADRAT believes that a strong market potential exists in the German mutual fund savings industry. Furthermore, Germany has recently advanced to become the second largest European funds of funds market after France, followed by Great Britain and Spain.

Unit-Linked life insurances

C-QUADRAT emphasizes placing its products in the context of unit-linked life insurance products. In Austria, gross premiums written

for unit-linked life insurances within the last 5 years have increased at a compound annual rate of about 15 %. In Germany, the increase amounted to a compound annual rate of about 13.5 %. C-QUADRAT believes that the unit-linked life insurance market will continue to grow due to demographic changes taking place and based on government initiatives to encourage savings, in particular through tax advantaged products.

Distribution

The structure of German distribution channels in the investment fund industry is considered



similar to the Austrian structure. A majority of the financial products in Austria and Germany are marketed and sold by asset management companies that are affiliated with major banks or insurance companies. These products are sold through the banks' or the insurance companies' network of branches and sales offices. The remaining funds – as in the case of C-QUADRAT – are marketed directly to institutional clients and sold to retail clients through intermediaries, such as independent financial advisors, or tied sales forces of banking groups or insurance companies. Intermediaries do not guarantee the introduction of any particular level of business to an asset management company; instead, an Asset Manager's investment performance record, the brand strength and the quality of the client services provided are likely to be the main reasons for an intermediary to recommend a particular Asset Manager's funds.

Selected CEE countries

With increasing foreign investments, the continuing liberalization of their capital markets and their recent accession to the EU, the countries of Poland, Hungary, the Czech Republic, Slovenia and the Slovakia ("The CEE Five") represent promising markets for investment services and asset management companies. The savings rate in the Czech Republic and in Slovakia is expected to exceed 20 % and the savings rates in Poland and Hungary are expected to amount to 17 % and 19 %, respectively.

For the period between 2001 and 2007, the compound annual growth of assets placed in banks is expected to amount to a mere 3.5 %, while the volume of assets placed in investment funds, pension funds and life insurances is expected to increase at an annual compound growth rate of about 20 % during the same period.

Structured products, Brokerage and investment advisory services

C-QUADRAT considers that the asset management industry is sufficiently representative of the structured financial product market, since structured products are typically customized to replace traditional investment products. Moreover, C-QUADRAT believes that there is a correlation between brokerage and advisory services and the asset management markets because the assets subject to brokerage or advisory services are AuM included in the asset management market.





GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT



Review of the Economic Environment and Capital Markets in 2006

In 2006, at 5.1 %, global economic growth picked up on the already strong performance of recent years. For example, economic growth in the Euro zone amounted to 2.4 % in 2006, a substantial improvement on the previous year's figure of 1.3 %. Both the Federal Reserve and the European Central Bank (ECB) reacted to the inflationary pressures triggered by the economic upswing and the increase in oil prices by gradually tightening interest rates. At year-end, the US key interest rate stood at 5.25 %, whereas the ECB's key interest rate was set at 3.5 % for the Euro zone. In this positive economic environment, the international capital markets made substantial gains despite the general market correction witnessed in the second quarter. At the end of December, the Dow Jones Industrial Average, one of the leading indicators of global stock market performance, reached a high of 12,529.88 points.

C-QUADRAT Group's Business Development and Position

The C-QUADRAT Group can look back on a financial year that was both eventful and successful, i.e. C-QUADRAT was able to benefit significantly from the positive economic environment. At EUR 2.9 million for the 2006 financial year, C-QUADRAT Investment AG's net income was lower than in the previous year. This circumstance was due to

the IPO and its associated costs which were reported in the annual financial statements as extraordinary expenditure. However, a comparison of the income from ordinary business activities shows that the Company actually achieved the best result in its history in 2006, with EUR 5.7 million. At EUR 4.7 million, C-QUADRAT Group's consolidated net income was approximately 58 % higher than in the previous year. The Group's market position and profitability improved in every division, with fund brokerage, the development of structured products and fund management doing particularly well.

C-QUADRAT Investment AG's IPO in conjunction with the listing on the Frankfurt Stock Exchange's Prime Standard was the most important event of the 2006 financial year. The public offering of a total of 1,254,420 shares (including the surplus allocation option) in Germany and Austria was successfully completed. 14,264 shares were purchased by existing C-QUADRAT shareholders under the subscription offer. In addition, 1,240,156 shares were placed with institutional and private investors, of which 727,200 shares stemmed from a capital increase. Consequently, the gross amount of funds raised by C-QUADRAT Investment AG amounted to EUR 29.1 million.

Following the capital increase, the share capital amounts to EUR 4,363,200.00 and is entirely paid up. The share capital is divided into 4,363,198 bearer shares with a nominal value of EUR 1.00 and two registered



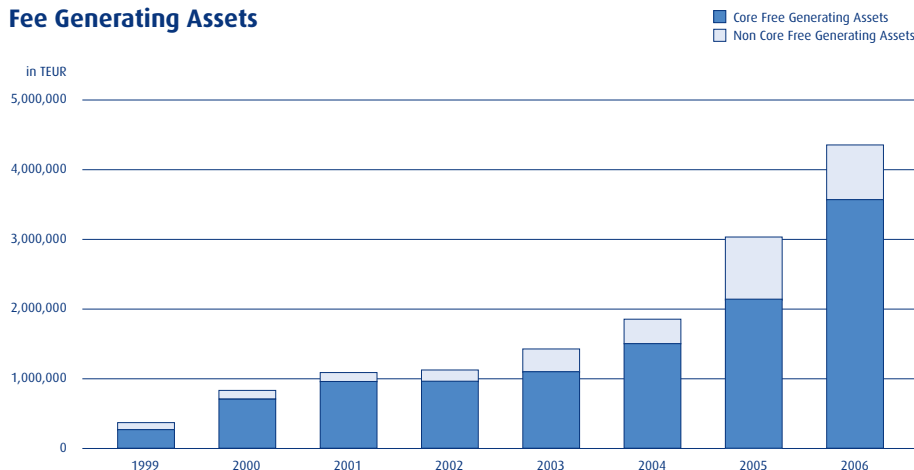
shares with a nominal value of EUR 1.00 each. The voting right is exercised based on the nominal amount for each share, i.e. each EUR 1.00 nominal value entitles the holder to one vote. There are no rights or duties above and beyond those imposed by law.

The two main shareholders are the T. R. Privatstiftung (25.06 %) and the San Gabriel Privatstiftung (25.42 %). Both shareholders are subject to a twelve month lock-up period, during which they cannot sell any of their shares. The lock-up period will end in November 2007. All other details pursuant to Article 243a of the Austrian Commercial Code do not apply to the Company and result directly from the applicable law.

Fee Generating Assets

Since C-QUADRAT Group's income is based on the volume of assets managed and advised, a steady increase is important for the continued success of the Group. During the past year, the Core Fee Generating Assets (C-QUADRAT Investment AG, C-QUADRAT KAG, VPM/Absolute Plus) increased by 34.3 % to reach the amount of EUR 3,566.0 billion (2005: EUR 2,655.5 billion). The Core Fee Generating Assets combined with the Non Core Fee Generating Assets attained a volume of EUR 4,345.7 billion (2005: EUR 3,395.9 billion). Within the past 3 years, the Fee Generating Assets increased at a compound average growth rate of 55.5 %.

Fee Generating Assets



GROUP MANAGEMENT REPORT



Fund brokerage and Fund analysis

The fund volume placed with Austrian and international fund companies amounted to approximately EUR 1.6 billion and once again increased by about 52 % compared with the previous year's figure of EUR 1.1 billion. This increase is mainly attributable to the constant increase in orders from all clients and the excellent performance of investment funds in 2006.

Special products/Structured products

In 2006, once again, numerous special products and structured products were devised in collaboration with investment banks of international standing and successfully marketed in Austria and abroad. For private customers, these products included Trend Fox and Hedge Fox, which were launched in the previous year, and Twin Win Fox. Substantial growth was recorded in the volume of special products. These products are exclusively devised and launched for institutional investors. The C-QUADRAT Group had placed structured products totalling approximately EUR 303 million on the market as at 31 December 2006.

Alternative investments

In the 2006 financial year, the C-QUADRAT Group took another important step towards diversifying its revenue-earning volume by acquiring three companies (in each case, 50 % plus 1 share). This step enabled the Company to gain greater independence from market developments in the alternative investment and hedge fund sectors through the acquisition of approximately EUR 584 million in revenue-earning volume.

Asset management

As at 31 December 2006, C-QUADRAT Kapitalanlage AG managed a volume of EUR 790 million with 34 mandates. This represents an increase of approximately 31 % as compared to the previous year. The highest growth was recorded in the volume of the investment funds that were managed using the total return approach. The Company also had 15 advisory mandates with a volume totalling approximately EUR 259 million.

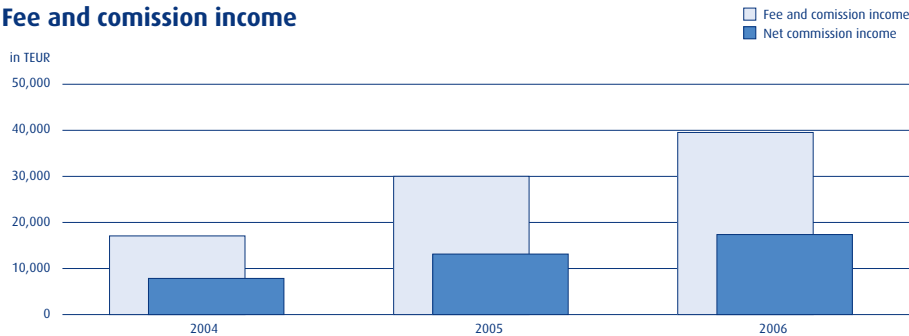


Income Statement

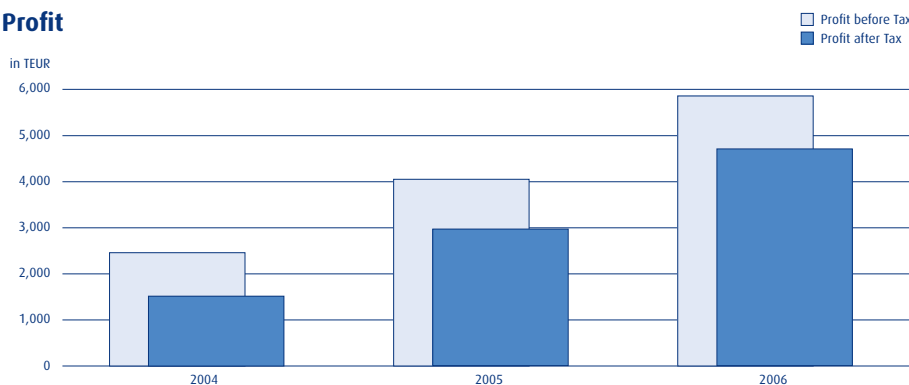
In the 2006 financial year, gross commission income increased from TEUR 29,948 to TEUR 39,186, while commission expenses rose from TEUR 17,755 to TEUR 23,683. Gross operating income, including other operating income (especially consultancy income, income from costs charged on), increased by TEUR 10,062 or 33 %, to reach TEUR 40,862 (2005: TEUR 30,800). The increase in business activity and the advance costs for the Company's future expansion caused operating expenses to rise in comparison with the previous year.

The average number of employees increased from 78 to 93 and the resulting, personnel cost rose to TEUR 5,522 (2005: TEUR 4,168). At TEUR 5,281, other expenses were also higher than in the previous year (2005: TEUR 3,979). Operating income reached TEUR 4,229, an increase of TEUR 958 over the previous year. In the 2006 financial year, financial income rose sharply by TEUR 745 to TEUR 1,130 and income from associated companies increased to TEUR 501, resulting in a profit before taxes of TEUR 5,860 (2005: TEUR 4,047), i.e. an increase of TEUR 1,813.

Fee and commission income



Profit



GROUP MANAGEMENT REPORT

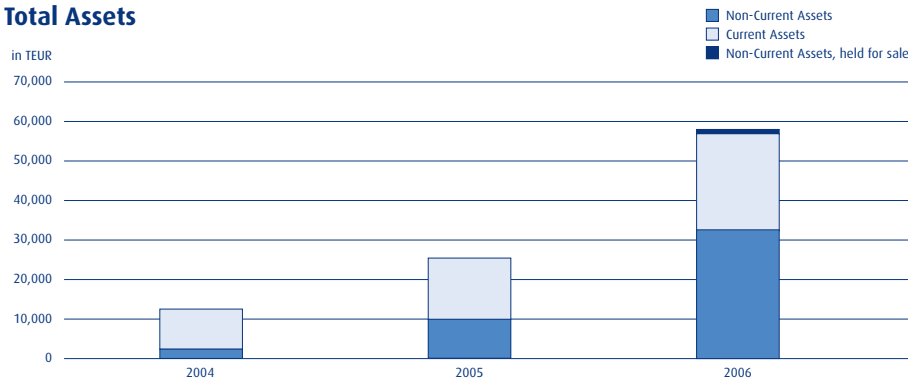


Balance Sheet

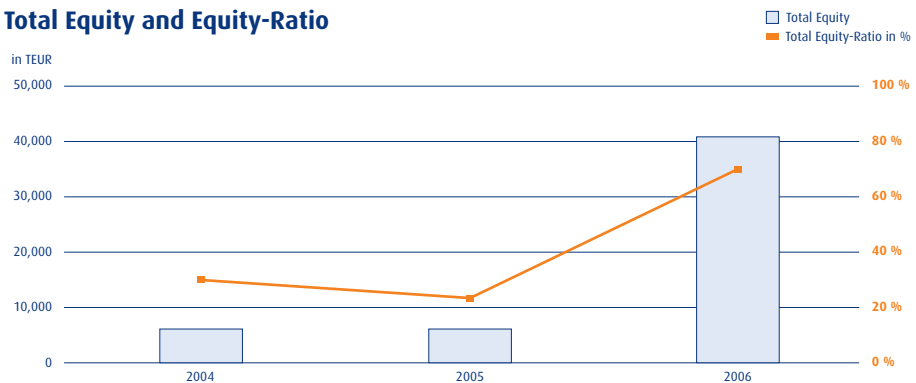
In 2006, total assets amounted to TEUR 58,155, a substantial increase over the previous year (2005: TEUR 25,367). This increase was primarily due to the IPO, with the increase in subscribed capital from TEUR

3,636 to TEUR 4,363 and the increase in capital reserves from TEUR 209 to TEUR 26,554 from the capital increase carried out as part of the IPO deserving special mention in this context. Currently, shareholders' equity amounts to TEUR 40,791, with debts standing at TEUR 17,365.

Total Assets



Total Equity and Equity-Ratio



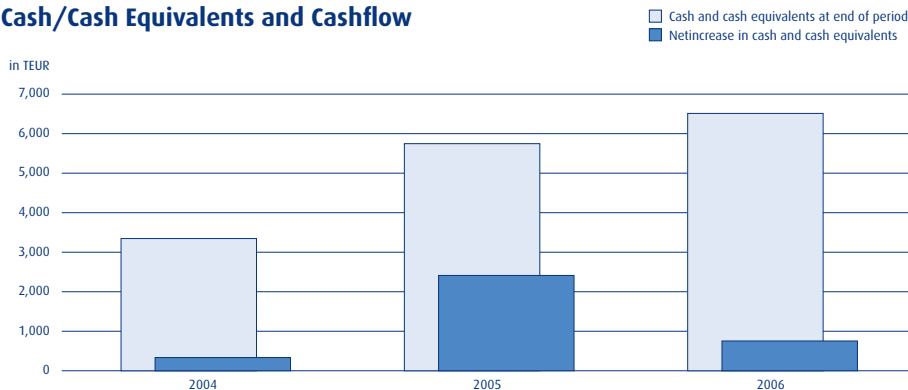


Key Data

In the 2006 financial year, the equity ratio rose sharply from 24 % to 70 % as a result of the capital increase. Cash flow from operating

activities amounted to TEUR 7,052 (2005: TEUR 4,970). The cash flow yield (ratio of cash flow from operating activities to net commission income) rose to 44.2 % (2005: 40.8 %).

Cash/Cash Equivalents and Cashflow



With regard to non-financial performance indicators, such as key data on employees and the environment, no information is provided since these do not apply to the Company.

Risk

By nature, the financial services business involves risk. From the Management's point of view, the Company's profitability is dependent on the interest rate levels on the international markets and would deteriorate as a result of a drastic correction thereof. This circumstance is associated with a decline in the investors' willingness to buy securities and the lower commission income following the ensuing reduction in the securities portfolio. This risk was actively taken into account by diversifying business activity into structured products,

for which there is a particular demand in those periods when market prices are falling, and by expanding the Company's marketing to institutional clients.

The default risk with regard to commissions' receivable from business associates, in particular, fund companies and banks, is considered very low given the spread and creditworthiness of the parties involved.

Financial instruments used

Please refer to the comments in the details of the 2006 Notes with regard to the investment of the free liquidity of the approximately TEUR 4,800 stemming from the capital increase. In the 2006 financial year, as has been the case in the previous years, derivative financial instruments were not used.

GROUP MANAGEMENT REPORT



The Company's Anticipated Performance

Following the positive results of the marketing activities initiated in Central and Eastern Europe in 2006, the main focus in the 2007 financial year will be on further expanding within Germany and the CEE countries. Since economic growth indicators suggest the continuation of the favorable trends witnessed in 2006, the Company is anticipating a positive performance in 2007.

Events following the Balance Sheet Date

On 19 January 2007, C-QUADRAT Investment AG acquired a property which was previously owned by the Austrian Red Cross. The acquisition price of TEUR 6,500 and the necessary adaptations to the building were entirely financed with outside capital. In 2008, all of the Vienna-based C-QUADRAT Group companies will be relocated to this building.

This move will produce synergies between the different C-QUADRAT Group companies, significantly lower the Group's rental expenses and enable input taxes that cannot be offset within the C-QUADRAT Group to be reduced.

On 9 February 2007 and on 28 February 2007, respectively, C-QUADRAT Investment AG sold its 5 % share in Ariconsult Fonds Marketing GmbH and its 66.6 % share in ARIQON Asset Management AG (formerly MAQON Investment AG) to Ariconsult Holding AG for the total amount of TEUR 1,000.

The atypical silent partnership (as per Article 3, Paragraph 1, Clauses 9 and 11 of the Austrian Capital Market Act) between a silent partner and the principle, Epicon Financial Services GmbH, was dissolved with the dissolution agreement of 7 March 2007 and the silent partner was compensated with TEUR 80.

RISK REPORT



Risk Report

While the information provided in this section is a compendium of some risks the Company is currently aware of, such a compendium is not exhaustive and may not contain all the risks the Company is exposed to. Furthermore, any of these risks, either alone or in combination, could adversely affect the market price. Any statements and considerations in relation to future developments and future facts, which are provided in this report, are associated with risks and uncertainties. The Company does not in any way assume the obligation to update such future-oriented statements and predictions. The Company's actual future performance may deviate considerably from such future-oriented statements and predictions due to various risk factors, including the risk factors set forth in this section and in other parts of this report as well as additional risks that C-QUADRAT is currently not aware of. Since C-QUADRAT is active in financial markets, its success is sensitive to general economic and political conditions. The performance of the world markets within recent years may be subject to a massive correction, which, obviously, will affect the results of the Company. By diversifying its product range to structured products, which are in high demand at this time, and by strengthening its sales activities with institutional investors, C-QUADRAT is guarding against possible corrections. Rigorous legal guidelines may require increased efforts to comply with regulations and thus entail higher costs. C-QUADRAT has a Compliance Officer on its staff who monitors all company activities for compliance with all the legal requirements so as to minimize operational risk within the Group. The Group's business operations are vulnerable to interruptions from fire, flood, bomb threats or other forms of terrorist activity and other natural and man-made disasters.

C-QUADRAT has certain untested backup systems in place to protect the Company from exhaustive data loss. In addition, it has to be noted that Austria is not the main target of any terrorist activities for the time being and that the headquarters of the Group are not located within a natural hazard zone. Risk management applies both to C-QUADRAT's own asset management operations and to the investments it places for its clients.

C-QUADRAT has developed, and continues to update, strategies and procedures for managing risks specific to its business. These risks include market risk, liquidity risk, operational risk and reputation risk. Given the highly structural nature of many of C-QUADRAT's products and other operations, the management of these risks can be very complex. These strategies and procedures for managing risks may fail under certain circumstances, particularly if C-QUADRAT is confronted with risks that it has underestimated or not identified. To keep these risks under control, C-QUADRAT continuously checks and updates its tools in order to rank among the top within the industry. C-QUADRAT's business is exposed to the risk that Third Parties may not fulfill their payment obligations to C-QUADRAT. If C-QUADRAT's clients or counterparties default on their obligations to C-QUADRAT, C-QUADRAT may incur losses. However, since the diversification among C-QUADRAT's business partners is well-balanced and the creditworthiness of its clients is high, this particular type of risk is not material to the Company. Through outstanding performance and transparent information flow, C-QUADRAT tries to exceed its clients' expectations and to enhance client loyalty. Consistent reporting by means of press releases and timely reports on the latest developments within the Company serve to minimize C-QUADRAT's reputation risk.



BUSINESS SEGMENTS



ASSET MANAGEMENT



Overview

C-QUADRAT's core product lines comprise benchmark-oriented funds of funds, total return funds of funds and alternative investment funds of funds. In each of these product lines, C-QUADRAT manages and distributes its own funds of funds (via its Austrian asset management company (Kapitalanlagege-

sellschaft), or acts as an investment manager (making investment decisions) or an investment advisor (making investment proposals to third party Fund Managers) to funds of funds for Third Parties, such as banks, insurance companies or other individual institutional investors. In this business segment, C-QUADRAT earns management fees and performance fees.

ASSET MANAGEMENT (TEUR)	2004	2005	2006
AuM at the beginning of the year	436.5	544.3	837.0
Acquired AuM	41.8	149.2	0.0
Net new inflow	54.4	52.6	151.4
Performance-related growth	11.6	90.9	60.9
AuM at the end of the year	544.3	837.0	1.049.3
Ratio of net new AuM to AuM at the beginning of the year	12.5 %	9.7 %	18.1 %

In 2006, C-QUADRAT's asset management business segment generated a consolidated fee and commission income of EUR 19.9 million or 51.0 % of C-QUADRAT's total consolidated fee and commission income (2005: EUR 14.8 million or 49.4 %), and a profit of EUR 2.0 million or 42.3 % of C-QUADRAT's total profit (2005: EUR 1.3 million or 42.3 %).

As of 31 December 2006, C-QUADRAT managed 35 of its own funds of funds (31 December 2005: 33) with AuM of EUR 789.8 million or 75.3 % of C-QUADRAT's total AuM (31 December 2005: EUR 603.8 million or 72.1 %), and managed or advised 16 funds of funds established by Third Parties (31 December 2005: 15) with AuM of EUR 259.5 million or 24.7 % of C-QUADRAT's total AuM (31 De-

cember 2005: EUR 233.2 million or 27.9 %). For organizational purposes, C-QUADRAT's asset management activities are concentrated in C-QUADRAT Kapitalanlage AG, which holds a limited Austrian banking license for the management of investment funds and the provision of financial services.

Benchmark-oriented Fund Management

Benchmark-oriented funds of funds aim to mirror a certain index, such as the MSCI World, S&P 500, DAX or a bond index or a combination thereof, but attempt to outperform this benchmark by actively over- or underweighting certain asset classes, regions or industries/sectors as well as by selecting the most promising investment funds.



The Fund Managers may also opt to use a so-called “synthetic index”, comprised of several indices, as a benchmark. In particular, clients eager to achieve absolute performance results are inclined to benchmark their investments on the basis of a synthetic index.

As of 31 December 2006, C-QUADRAT had 27 own benchmark-oriented funds of funds (31 December 2005: 28) with AuM of EUR 531.3 million (31 December 2005: EUR 497.8 million) and acted as an investment manager or advisor for 8 funds of funds established by Third Parties (31 December 2005: 7) with AuM of EUR 59.5 million (31 December 2005: EUR 44.2 million).

C-QUADRAT constantly seeks to improve and further develop its benchmark-oriented fund management, including but not limited

to the introduction of new management styles and types of fund management, with a view to improving the performance of the funds of funds it manages. Changes to the fund management style, if any, will only be adopted after a thorough analysis and comprehensive testing by the fund management team.

Investment process

The C-QUADRAT fund management team maintains close contact with the majority of Austrian fund companies and with several international fund companies for the purpose of obtaining continuous first-hand information on potential investment opportunities. C-QUADRAT selects funds solely on a discretionary basis. The following chart illustrates the main steps of C-QUADRAT’s current benchmark-oriented investment process:

Workflow	Responsibility
Strategic Asset Allocation Benchmark	C-QUADRAT + Investor
Tactical Asset Allocation I Decision on overall equity allocation	C-QUADRAT (quantitative model)
Tactical Asset Allocation II Under- and overweighting of equity sectors + regions, duration, credit exposures	C-QUADRAT (advice equity allocation by Schroders AM)
Fund Selection Quantitative & qualitative structured process	C-QUADRAT (structured selection process)
FoF Portfolio	C-QUADRAT (weekly rebalancing)

ASSET MANAGEMENT



All funds that pass the quantitative and qualitative selection stages potentially qualify as target funds. C-QUADRAT's Investment Committee, which consists of the fund management team and the Board of Directors of

C-QUADRAT's asset management company, takes the final decision regarding which funds to invest in. The following chart illustrates the tactical asset allocation:

Fund Selection Process				
Investable fund universe	Categorisation in peer groups	Quantitative analysis	Qualitative analysis	Approved purchase list
Selection criteria: <ul style="list-style-type: none"> ■ Tax ■ Legal ■ Parent co. ■ Transparency ■ Fee structure ■ Other 	<ul style="list-style-type: none"> ■ Asset Classes ■ Regions ■ Stile ■ Size ■ Industry ■ Credit ■ Issuer ■ Investment goals 	<ul style="list-style-type: none"> ■ Relative Performance ■ Relative Risk ■ Risk adjusted performance ■ Drawdown risk ■ Stile consistency 	<ul style="list-style-type: none"> ■ Investment process ■ Risk Management ■ Reporting ■ Manager CVs + Interviews ■ Questionnaires ■ Conf. Calls ■ 600 contacts p.a. 	<p>FoF Portfolio approx. 8-25 Funds</p>

C-QUADRAT - Transparency

At least once a month, the Investment Committee holds a meeting, during which anomalies of the capital markets are analyzed and discussed. On a daily basis, a member of the Board of Directors, together with the entire fund management team, investigates and analyzes the following topics, among other things:

- asset class analysis (stocks, bonds and futures/hedge funds),
- analysis under different criteria (style, sector, industry, region, country, currency, creditworthiness, etc.),
- fund analysis,
- peer group analysis.

Risk management for benchmark funds of funds

C-QUADRAT provides its investors with an extensive level of risk management in relation to the risks inherent to the benchmark funds of funds.

Risk of investment decisions and their impact on portfolios: Aspects that potentially influence the risk level are, among others, changes in exchange rates, liquidity or interest rates and changes in the macro-economic and political situation. C-QUADRAT's Investment Committee and the operating fund management team constantly monitor these risks. Risk of failure to comply with the funds'



investment guidelines and/or applicable regulatory restrictions: This risk is actively addressed through the daily control of the portfolio sheets. Every day, the Fund Managers use the exact volumes of sub-funds from the lists provided by the custodian banks and arrange them in the individual portfolio sheets. Any deviations from the actual asset allocation and/or any infringements of the statutory regulations are directly evident from these sheets.

Operating on a need-to-know basis, only the Board of Directors, the fund management team and C-QUADRAT's Compliance Officer have access to the portfolio sheets. In case of a breach, the Board of Directors of the asset management company and C-QUADRAT's Compliance Officer are immediately notified. The fund management is instructed to remedy any such breach without delay.

C-QUADRAT has also contractually imposed the obligation upon the custodian banks to control the funds' compliance with Austrian investment regulations. Following the pending full implementation of the new Portfolio Order Management System by Bloomberg, the system will be capable of automatically performing legal pre- and post-trade verification checks.

Total Return Fund Management

Total return funds attempt to achieve a positive return in the medium term, regardless of whether financial markets go up or down. These funds are compared to a cash bench-

mark rather than a stock market or bond index so that the manager always focuses on achieving positive returns rather than outperforming a benchmark.

C-QUADRAT manages total return funds using a sophisticated trend-following computer program that analyses over 10,000 investment funds and selects the funds with the highest potential and momentum. This computer program was developed and is owned by ARTS Asset Management GmbH, in which C-QUADRAT holds a 45 % stake.

Based on a cooperation agreement entered into in 2004, C-QUADRAT holds the worldwide exclusive rights to market investment funds that are selected using the ARTS management system. In this context, ARTS Asset Management GmbH acts as a sub-manager for C-QUADRAT. The ARTS management system is able to rearrange a portfolio in a very short time period from shares into defensive bonds or money market instruments, thereby avoiding the risk of serious setbacks.

As at 31 December 2006, C-QUADRAT managed 7 of its own total return funds of funds (31 December 2005: 5) with AuM of EUR 258.5 million (31 December 2005: EUR 106.0 million) and acted as an investment manager or advisor for 5 funds of funds established by Third Parties (31 December 2005: 5) with AuM of EUR 168.9 million (31 December 2005: EUR 154.0 million). In each case, ARTS Asset Management GmbH ultimately performs management duties, using the ARTS management system.

ASSET MANAGEMENT



Investment process

The asset allocation process is exclusively based on quantitative input data. Assets are allocated independently of benchmark or index compositions, since the objective lies in achieving a total return. All decisions are based on a technical analysis of prices. The suggestions of the system are implemented automatically, without any discretionary element being involved. Based on a mid-term trend-following approach, the system identifies and evaluates trends exceeding a certain duration. The C-QUADRAT ARTS total return asset allocation system basically features the following three key elements:

- determination of stock market exposure;
- global sector rotation; and
- selection of funds with the strongest momentum.

The determination of the stock market exposure is based on the system's interpretation of the overall equity market environment. The algorithm calculates a stock exposure figure, thereby determining the quantity of assets to be invested in stock funds and bond funds. Global sector rotation is a process, in the course of which a target fund universe consisting of about 10,000 funds is analyzed. Each target fund is subsequently ranked according to its performance and risk measures at various points in time. During this process, various system-specific and legal restrictions are considered and applied.

Due to its strong impact on the risk profile of the resulting product, the maximum exposure per market sector is an important criterion. A "market sector" is defined as a group of highly correlated target funds from the same country, region or industry. As soon as it enters the system, each fund in which an investment is made is assigned a stop-loss limit. This limit is calculated by taking into account the volatility of the respective fund. As the fund's price increases, the limit is adjusted accordingly on a daily basis. Each fund is constantly monitored for newly published prices. As soon as the system receives a price below the stop-loss limit, a notification is sent to the Fund Managers and following manual verification, the position is liquidated at the next available order time.

Based on C-QUADRAT's experience, our proprietary data processing program and our ability to respond to market trends, Management believes that the investment strategy using C-QUADRAT ARTS total return asset allocation system has a major competitive edge over its competitors. Furthermore, the C-QUADRAT ARTS total return management system benefits from a vast investment universe with access to high-quality data. Whereas many suppliers of investment fund total return products are forced to rely on in-house data or on the data from a single partner, a major part of the C-QUADRAT ARTS database is directly linked to the custodian banks and/or the investment companies, thus preventing a high dependence on third party data providers.



Risk management for total return funds of funds

All funds of funds' portfolios are monitored automatically. The funds into which an investment has been made are tracked independently from the custodian bank. This enables the system to immediately detect whether prices have dropped below the stop-loss limit and to send the appropriate notifications. Indicative net asset values can be calculated prior to the official price calculation and can be compared thereto to determine whether any deviations exist. The funds are also compared to their underlying market sectors. The funds' underlying market sectors are monitored intraday so as to be prepared for market events at any time. However, the information is not used in order to rule out market timing, for example, in case of late trading. Intersectoral relationships are monitored and frequently updated. The portfolios are cross-checked against one another. Market events (e. g. stop-loss limits reached) are immediately reported to the team members by e-mail and text message. Statistical parameters of the portfolios (volatility, return and market correlation at various time scales) are constantly studied and the Fund Managers manually crosscheck every suggested order for plausibility. All portfolios are regularly compared to their simulations in order to detect and analyze deviations and to increase the accuracy of the simulations.

Alternative Investment Fund Management

In the alternative investment segment, C-QUADRAT manages funds, such as hedge funds, which belong to asset classes and investments other than standard equity or fixed income products. In 1996, C-QUADRAT was among the first Austrian Asset Managers to give investors the opportunity of investing in hedge funds (due to regulatory constraints in Austria at the time, this was effected via a Luxembourg-based SICAV).

With funds of funds that only invest in alternative instruments, C-QUADRAT provides its clients with the opportunity of obtaining returns in markets not related to traditional stock and bond markets. In order to further its understanding of the alternative investment market, C-QUADRAT maintains contacts with over 150 hedge fund managers worldwide.

As at 31 December 2006, C-QUADRAT acted as an investment manager and advisor for 3 funds of funds established by Third Parties (31 December 2005: 3 funds of funds) with AuM of EUR 31.1 million (31 December 2005: EUR 35.0 million).

ASSET MANAGEMENT



Investment process

In general, C-QUADRAT's objectives with respect to alternative investment funds of funds, such as hedge funds and managed future funds, are the same as those associated with traditional money market, bond and stock funds, namely to diversify risks and to create added value for clients. Technically, alternative investments can be structured

to represent each type of risk allocation, from risk-averse to risk-friendly, in accordance with the respective client's risk profile.

C-QUADRAT has established a qualified alternative investment procedure to determine whether a potential alternative investment meets C-QUADRAT's high standards for acceptance into its portfolio. The following chart illustrates this process:



The qualitative selection of an alternative investment fund represents C-QUADRAT's highest priority. In this process, qualitative risks are systematically minimized by examining the fund's track record, comparing the annual results of the Financial Action Task Force (an intergovernmental body promoting policies to combat money laundering,

terrorist financing and fraudulent activities), examining each Fund Manager's resume and professional achievements, interviewing managers, and inspecting the trading process and the electronic data processing to ensure a high degree of security and stability in the management's infrastructure.



Only hedge funds that pass the qualitative filter are analyzed on a quantitative basis. In this second step, the remaining funds are gathered in peer groups arranged according to their investment strategies. All the hedge funds within a peer group are compared with one another based on their historical prices and performance. Volatility, maximum drawdown, and various ratios and other data are compared over a number of periods. Only those hedge funds with a consistently positive performance that are present in the first quartile of their peer groups qualify for admission to a fund of funds portfolio managed by C-QUADRAT.

Risk management for alternative investment funds of funds

Risk management is of utmost importance in the day-to-day business of alternative investments. C-QUADRAT's above-mentioned qualitative filter is essential for minimizing risks associated with alternative investments and forms the foundation of C-QUADRAT's risk management. Furthermore, the following additional risks are addressed by risk management:

- Pricing: Price validities are checked on a regular basis. For C-QUADRAT, it is important to be in contact with the fund administrator or the custodian bank in charge of calculating the prices and to know exactly which price calculation method is being used. Historical prices are also compared to those of the well-known Standard & Poor's Fund Services database and are updated in case of variation.
- Reports: Financial statements and fund reports must be audited and analyzed by a reliable auditing company. The reports are stored in the fund database.
- General Information: Any other information, such as monthly fund fact sheets, historical charts, and prices published on the Internet, etc., is verified for accuracy and correctness. Lastly, risks are mitigated through a broad diversification into different kinds of investment strategies.

BROKERAGE AND ADVISORY SERVICES



Overview

This business segment comprises structured financial products, funds brokerage and alternative investments. Originally, brokerage and advisory services were created to support C-QUADRAT's asset management

services. However, they have gained increasing importance over the years. Strategically speaking, these services are giving C-QUADRAT the capacity to further diversify its business and to become less dependent on its asset management activities.

BROKERAGE AND ADVISORY (TEUR)	2004	2005	2006
AuM at the beginning of the year	665.4	959.8	1,304.1
Acquired AuM	41.8	149.2	583.9
Net new inflow	252.6	195.1	628.7
AuM at the end of the year	959.8	1,304.1	2,516.7
Ratio of net new AuM to AuM at the beginning of the year	38.0 %	20.3 %	48.2 %

In 2006, C-QUADRAT's brokerage and advisory services business segment generated a consolidated fee and commission income of EUR 19.2 million or 49.0 % of C-QUADRAT's total consolidated fee and commission income (2005: EUR 15.1 million or 50.6 %), and a profit of EUR 2.7 million or 57.7 % of C-QUADRAT's total profit (2005: EUR 1.7 million or 57.7 %).

As at 31 December 2006, out of the total volume of EUR 2.5 billion AuM (31 December 2005: EUR 1.3 billion), EUR 0.3 billion were attributable to structured financial products (31 December 2005: EUR 0.2 billion), EUR 1.6 billion to fund brokerage (31 December 2005: EUR 1.1 billion) and EUR 0.6 billion to alternative investment products that were acquired at the end of the 2006 financial year.

Whereas, in the past, C-QUADRAT's marketing and distribution efforts focused predominantly on Austria, they are currently increasingly focusing on the new target markets in Germany and selected CEE countries. For that purpose, C-QUADRAT has its customary distribution channels at its disposal, namely a team of in-house professionals in Vienna and Frankfurt am Main (Germany) for its institutional clients and a network of distribution partners (financial intermediaries, such as insurance companies and independent financial advisors) for its retail clients.

Within C-QUADRAT, the brokerage and advisory services-related activities are concentrated in C-QUADRAT Investment AG, a licensed investment services company.



Structured Products

Structured financial products are based on innovative investment strategies that incorporate highly sophisticated financial instruments, thereby producing customized flows of capital.

C-QUADRAT designs, customizes and arranges structured financial products in cooperation with international investment banks which issue and guarantee these products to institutional and retail clients under a name determined by C-QUADRAT or the respective institutional client. C-QUADRAT's structured products business focuses on capital guaranteed bonds and certificates. Among other things, the underlying instruments include baskets of individual stocks, stock index baskets, strategic indices based

on interest rates, hedge funds, real estate indices or commodity indices. C-QUADRAT complies with commercial as well as regulatory requirements, customizing and arranging the financial products to minimize potential market and legal risks while obtaining a tax efficient structure for its clients.

The demand for structured financial products has grown in recent years as C-QUADRAT's clients increasingly strive to benefit from individual solutions that generate high returns and simultaneously hedge their investments. In 2006, C-QUADRAT placed a volume of EUR 73.3 million (2005: EUR 77.0 million) of structured financial products. As of 31 December 2006, the total volume of structured financial products outstanding amounted to EUR 303.2 million (31 December 2005: EUR 229.9 million).

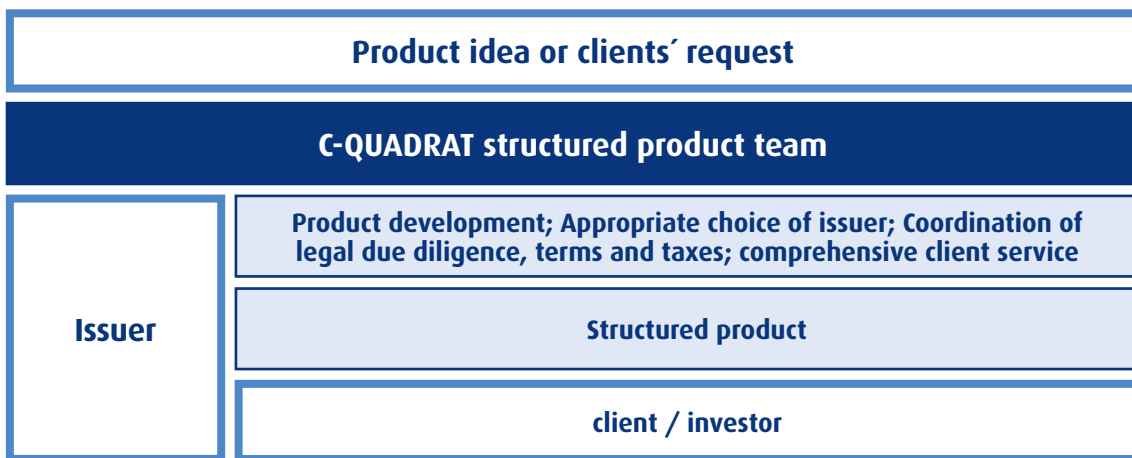
BROKERAGE AND ADVISORY SERVICES



Structuring process

C-QUADRAT provides its clients with a comprehensive range of services, accompanying and guiding the client throughout the entire investment process. As a point of departure, C-QUADRAT develops a product idea, which it presents to potential clients, or C-QUADRAT designs a product based on the client's strategic ideas. C-QUADRAT chooses the legal entity or vehicle appropriate for the

client and its jurisdiction. When a structure has been established, C-QUADRAT solicits the best offer in terms of issue price and product parameters. For that purpose, C-QUADRAT solicits different bids for the same financial structure from investment banks within a "beauty pageant", whereby the most competitive offer is chosen for customizing and issuing the structured product. The product's name is determined by C-QUADRAT or by the respective institutional client.



C-QUADRAT's post-launch service, which includes, among other things, all the market information that may boost or lower a client's expectations for the products' performance, will guide the client throughout

the entire investment period. C-QUADRAT constantly provides risk assessments, appraising current market risks with regard to the performance of the products.

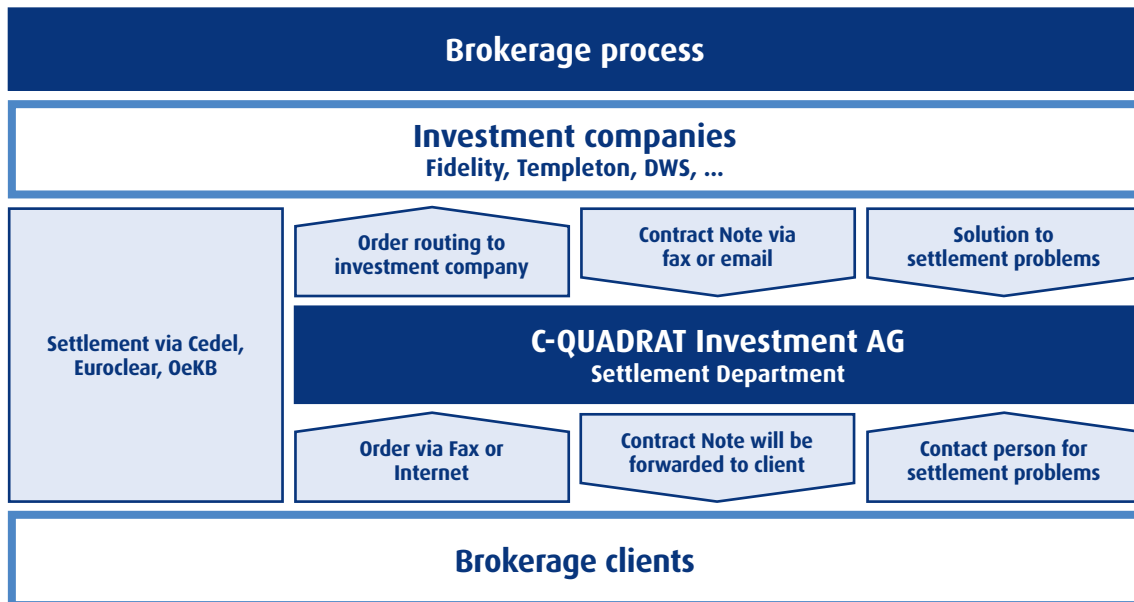


Risk-Management with respect to structured products

Since the structured products designed and arranged by C-QUADRAT are issued by an investment bank, C-QUADRAT does not take on any risk arising from said structured products and any ensuing liability concerning the products remains solely with the issuer. A continuous process of risk measurement is applied to the whole range of our products, benefiting the clients exposed to the underlying risks.

Fund Brokerage

C-QUADRAT brokers investment funds and provides administrative services for settling sales or acquisitions of investment funds by clients. These activities are based on a distribution agreement which C-QUADRAT has entered into with more than 120 well-known asset management companies, thereby covering most of the funds admitted in Austria or Germany.



BROKERAGE AND ADVISORY SERVICES



As at 31 December 2006, C-QUADRAT had serviced a volume of EUR 1.6 billion (2005: EUR 1.1 billion). A sizeable number of small and medium-sized Austrian banks have opted to take advantage of the brokerage services provided by C-QUADRAT because of the beneficial conditions resulting from the large volumes of securities ordered. Another incentive for these banks is that they do not need to keep the respective administrative resources in-house.

Alternative Investments

At the end of the 2006 financial year, C-QUADRAT Alternative Investment GmbH entered into three separate share purchase agreements for the acquisition of 50 % plus one share of each of the following companies: VPM Vermögensverwaltungs AG (Munich, Germany), Absolute Plus Zürich AG (Zurich, Switzerland), and Absolute Portfolio Management Ltd. (Cayman Islands). Whereas these acquisitions refer to three different companies, the transactions are interrelated due to the close business ties between these three companies and their similar shareholder structure. Absolute Plus Zürich AG is an independent financial services company, which specializes in the selection of experienced absolute return fund managers and operates primarily in Switzerland.

VPM Vermögensverwaltung AG engages in similar business activities as Absolute Plus Zürich AG and operates primarily in Germany. Absolute Portfolio Management Ltd. structures and provides fund structures to institutional investors. As at 31 December 2006, the three companies managed 12 different alternative investment products with AuM of EUR 584.0 million.

Investment Consulting

Investment consulting is a new line of business for C-QUADRAT. It involves advising institutional clients, such as pension funds, banks, insurance companies and local government authorities, on how to invest in investment funds, focusing on the assessment of risk and return targets. C-QUADRAT analyzes the client's portfolio, recommends ways of improving the client's asset allocation, suggests which products should be replaced and subsequently provides assistance in executing these transactions. For its consulting services, C-QUADRAT receives consulting fees based on individual arrangements. At present, consulting fees only represent a marginal amount of C-QUADRAT's consolidated income. Nevertheless, C-QUADRAT seeks to foster growth in this line of business in order to further diversify its sources of income.

OUTLOOK 2007



Outlook 2007

The economic developments in the first quarter of 2007 indicate a continuation of the trend witnessed in 2006. Economic indicators, such as economic growth and solid corporate figures, reveal that the global economy is on a firm footing. At the end of February 2007, a price correction originated in China and affected all the international capital markets. Despite this correction, C-QUADRAT remains optimistic for the year 2007.

Marketing and Sales

In 2007, in addition to operating in its Austrian core market, C-QUADRAT will extend the main focus of its sales activities to Germany, the Czech Republic, Poland, Hungary and Slovakia. Besides intensifying cooperation with existing sales partners and institutional clients, C-QUADRAT aims to win additional new business partners for its products and services. With its 80 million potential clients, expectations are particularly high for the German market.

Product development / Fund management

In line with changing client needs, C-QUADRAT is constantly working on novel and innovative product concepts, aiming to improve the services it provides as an Asset Manager.

Based on its core competence in the management of funds of funds, C-QUADRAT is focusing on also applying its expertise as a Fund Manager to individual funds. C-QUADRAT's Management expects the professionalism of its fund management to increase significantly by introducing an Asset Liability Management. This risk model targets the opti-

mization of the yield and uncertainty components in investments. Especially in the light of BASEL II, Asset Liability Management is gaining importance for C-QUADRAT and its clients.

Securities brokerage

C-QUADRAT's activity as a Broker lends itself to using existing resources and know-how for new clients in a profitable manner.

Integration of the acquisitions in 2006

Another important task will consist of integrating the products acquired in the course of the 2006 corporate acquisitions, namely VPM Vermögensverwaltungs AG (Munich), Absolute Plus Zürich AG (Zurich) and Absolute Portfolio Management Ltd. (Cayman Islands), into C-QUADRAT's existing range of products. The hedge funds of these companies complement C-QUADRAT's existing product range and contribute significantly to diversifying revenues.

The introduction of MiFiD (Markets in Financial Instruments Directive) by November 1, 2007 at the latest will require financial service providers within the EU to rise to new challenges. For example, the protection of investors will need to be improved, transparency in the financial markets will need to be enhanced and the integrity of the financial service providers will need to be guaranteed. Following a thorough analysis of this subject matter and its impact on society, C-QUADRAT has adopted a positive stance towards the above-mentioned innovations and expressly embraces the improvement in the client's position when concluding financial transactions.




C

QUADRAT

the fund company

CONSOLIDATED FINANCIAL STATEMENTS





Consolidated Income Statement

For the year ended 31 December 2006

CONSOLIDATED INCOME STATEMENT		2006	2005
	Notes	TEUR	TEUR
Fee and commission income	1	39,186	29,948
Other operating income	2	1,676	852
Operating income		40,862	30,800
Fee and commission expenses		-23,683	-17,755
Personnel expenses	3	-5,522	-4,168
Other administrative expenses	4	-5,281	-3,979
Depreciation	13	-1,103	-737
Other operating expenses	5	-1,046	-890
Operating profit		4,229	3,271
Income from associates	6, 14	501	31
Finance revenue	7	1,470	903
Finance expenses	8	-340	-157
Profit before tax		5,860	4,047
Tax	9	-1,138	-1,061
Profit		4,722	2,986
Equity holders of the parent		4,724	2,995
Minority interests	19	-2	-9
		4,722	2,986
Earnings per share	11	EUR	EUR
basic, for the profit for the year attributable to ordinary equity holders of the parent		1.30	2.75
diluted, for the profit for the year attributable to ordinary equity holders of the parent		1.30	2.75

Consolidated Balance Sheet
For the year ended 31 December 2006

ASSETS		31.12.2006	31.12.2005
	Notes	TEUR	TEUR
Non-current assets			
Intangible assets	13	22,339	5,983
Property, plant and equipment	13	1,037	903
Investments in associates	14	8,136	888
Loans to shareholders	15	0	1,504
Financial investments	16	721	135
Deferred tax asset	24	445	438
		32,678	9,851
Current assets			
Receivables from customers	17	8,463	6,626
Other assets	18	4,038	1,296
Loans to shareholders	15	0	853
Financial Investments	16	5,614	999
Cash and cash equivalents		6,500	5,742
		24,615	15,516
Non-current assets, held for sale	10	863	0
		25,477	15,516
Total assets		58,155	25,367
EQUITY and LIABILITIES			
	Notes	TEUR	TEUR
Equity			
Issued capital	19	4,363	3,636
Add paid-in capital	19	26,554	209
Retained earnings	19	3,140	1,716
Other reserves	19	-36	-2
Equity attributable to shareholders of the parent		34,021	5,559
Minority interest	19	6,770	431
Total equity		40,791	5,990
Non-current liabilities			
Long-term financial liabilities	20	0	6,140
Non-current provisions	21	107	138
Other non-current liabilities	22	171	166
Deferred tax liabilities	24	3,060	1,165
		3,338	7,609
Current liabilities			
Short-term financial liabilities	20	1	3,371
Payables to customers	23	10,013	5,830
Other current liabilities	22	2,688	1,575
Other provisions	21	785	313
Income tax payable	24	463	679
		13,950	11,768
Non-current liabilities, held for sale	10	76	0
		14,026	11,768
Total liabilities		17,365	19,377
Total equity and liabilities		58,155	25,367

Consolidated Cash Flow Statement

For the year ended 31 December 2006

CONSOLIDATED CASH FLOW STATEMENT		2006	2005
	Notes	TEUR	TEUR
Profit		4,722	2,985
Tax		1,138	1,061
Financial results		-1,130	-745
Income from associates		-501	-31
Depreciation of intangible assets, property, plant and equipment		1,103	737
Increase/decrease in long term provisions		1,032	-3
Income/loss from the disposal of fixed and financial assets		-7	13
Increase/decrease in receivables and other assets		-2,362	447
Increase/decrease in other provisions		460	59
Increase/decrease in trade payables		3,307	1,397
Income tax paid		-909	-951
Cash flow from operating activities	IX	6,853	4,970
Proceeds from sale of assets		10	90
Purchase of property, plant and equipment and intangible assets		-603	-560
Payments made for acquisitions of associates		-4,500	0
Payments made for issue of loans to associates		-800	0
Payments made for issue of loans to shareholders		0	-2,250
Payments made for purchase of shares from other shareholders		-844	0
Payments made for the investments in financial assets		-5,376	-592
Proceeds from sale of associates		0	68
Proceeds from sale of financial assets		20	0
Proceeds from repaid loans to shareholders		900	0
Interest received		340	0
Dividends received		771	110
Net payments made for the acquisition of subsidiaries	III	-9,242	-5,283
Cash flow from investing activities	IX	-19,324	-8,418
Proceeds from increase of capital		26,400	0
Dividends paid		-3,300	-1,200
Interest paid		-340	-157
Payment of finance lease liabilities		0	-18
Proceeds from borrowings		-20	7,900
Repayments of borrowings		-9,510	-665
Cash flow from financing activities	IX	13,231	5,860
Net increase in cash and cash equivalents		759	2,413
Cash and cash equivalents at beginning of period		5,742	3,330
Cash and cash equivalents at end of period	IX	6,500	5,743

Consolidated Statement of Changes in Equity
For the year ended 31 December 2006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31.12.2006

TEUR

	Equity attributable to equity holder of the parent					Minority interest	Total equity
	Issued capital	Add paid-in capital	Retained earnings	Other reserves	Shareholders' equity		
31.12.2004	242	209	3,315	-4	3,762	8	3,770
Net profit for available-for-sale financial assets				2	2		2
Total income and expense for the period recognised directly in equity				2	2		2
Profit			2,995		2,995	-9	2,986
Total income and expense for the period			2,995	2	2,997	-9	2,988
Capital increase	3,394		-3,394				
Increase in minority interest						432	432
Dividends			-1,200		-1,200		-1,200
31.12.2005	3,636	209	1,716	-2	5,559	431	5,990
Net profit for available-for-sale financial assets				-31	-31		-31
Currency-conversion				-3	-3		-3
Total income and expense for the period recognised directly in equity				-34	-34		-34
Profit			4,724		4,724	-2	4,722
Total income and expense for the period			4,724	-34	4,690	-2	4,688
Capital increase	727	26,345			27,072		27,072
Increase in minority interest						6,544	6,544
Decrease in minority interest						-203	-203
Dividends			-3,300		-3,300		-3,300
31.12.2006	4,363	26,554	3,140	-36	34,021	6,770	40,791

Fully Consolidated Companies At Equity Consolidated Companies

2006

Company 1)	Domicile	Issued-capital	Currency	Equity holding	Type of consolidation 3)
C-QUADRAT Investment AG	Vienna (A)	4,363,200	EUR	100.00%	FC
C-QUADRAT Kapitalanlage AG	Vienna (A)	2,700,000	EUR	100.00%	FC
C-QUADRAT Deutschland AG 2)	Frankfurt (D)	50,000	EUR	100.00%	FC
C-QUADRAT Fondsanalyse und Marketing AG	Zurich (CH)	100,000	CHF	100.00%	FC
C-QUADRAT Alternative Investment GmbH	Vienna (A)	125,000	EUR	100.00%	FC
ARIQON Asset Management AG	Vienna (A)	300,000	EUR	66.66%	FC
Epicon Investment AG	Vienna (A)	203,600	EUR	97.54%	FC
Epicon Financial Services GmbH	Vienna (A)	225,500	EUR	100.00%	FC
VPM Vermögensverwaltungs AG	Munich (D)	759,375	EUR	50.03%	FC
Absolute Plus Zürich AG	Zurich (CH)	1,200,000	CHF	50.08%	FC
Absolute Portfolio Management Ltd.	Georgetown (Cayman)	50,000	USD	50.002%	FC
ARTS Asset Management AG	Vienna (A)	125,000	EUR	50.00%	EQ
Absolute Plus.com Ltd.	Georgetown (Cayman)	50,000	USD	50.00%	EQ
Fonds & Co Fondsanteilsvermittlung AG	Vienna (A)	125,000	EUR	50.00%	EQ
Active Management & Advisory AG	Rotkreuz (CH)	100,000	CHF	50.00%	EQ
Ariconsult Holding AG	Graz (A)	175,000	EUR	25.10%	EQ
Ariconsult Fonds Marketing GmbH	Graz (A)	526,316	EUR	5.00%	EQ

2005

Company 1)	Domicile	Issued-capital	Currency	Equity holding	Type of consolidation 3)
C-QUADRAT Investment AG	Vienna (A)	3,636,000	EUR	100.00%	FC
C-QUADRAT Kapitalanlage AG	Vienna (A)	2,700,000	EUR	100.00%	FC
C-QUADRAT Fonds&Co Fondsanteilsvermittlungs GmbH	Frankfurt (D)	50,000	EUR	100.00%	FC
C-QUADRAT Fondsanalyse und Marketing AG	Zurich (CH)	100,000	CHF	100.00%	FC
ff-Fondsanteilsvermittlung GmbH	Vienna (A)	125,000	EUR	68.00%	FC
C-QUADRAT Beteiligungsmanagement GmbH	Vienna (A)	500,000	EUR	100.00%	FC
Maqon Investment AG	Vienna (A)	300,000	EUR	55.00%	FC
Epicon Investment AG	Vienna (A)	203,600	EUR	95.70%	FC
Epicon Financial Services GmbH	Vienna (A)	225,500	EUR	100.00%	FC
Fonds & Co Fondsanteilsvermittlung AG	Vienna (A)	125,000	EUR	50.00%	EQ
Active Management & Advisory AG	Rotkreuz (CH)	100,000	CHF	50.00%	EQ
Ariconsult Fonds Marketing GmbH	Graz (A)	526,316	EUR	5.00%	EQ

- 1) further information in notes chapter III
- 2) former C-QUADRAT Fonds&Co Fondsanteilsvermittlung GmbH
- 3) FC – Fully consolidated, EQ – at equity consolidated

A low-angle photograph of a sailboat's mast and sails against a bright blue sky with scattered white clouds. The sun is visible in the upper center, creating a lens flare. The main sail is dark blue with a large white 'C' logo and the word 'QUADRAT' in white serif font. Below it, the text 'the fund company' is written in a white script font. At the bottom of the sail, there is a black banner with the 'MORGEN & MORGEN' logo, which consists of a stylized sail icon and the company name in white.

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS 2006

QUADRAT

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& MORGEN



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2006

I. Consolidated financial statement in accordance with International Financial Reporting Standards (IFRS)

C-QUADRAT Investment AG as the parent of the C-QUADRAT Group (the "Group") prepares the consolidated financial statements in accordance with IFRS, as accepted by the EC.

The consolidated financial statements for the year ended 31 December 2006 has been prepared in accordance with Directive 83/349/EEC based on the International Financial Reporting Standards („IFRS“), which have been passed and published by the International Accounting Standards Board („IASB“), and include the Interpretations of the „International Financial Reporting Interpretations Committees“ („IFRIC“), as they have to be applied within the EC.

The current consolidated financial statement comprise the period from 1 January 2006 to 31 December 2006 and contains beside the consolidated income statement and the consolidated balance-sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and notes to the consolidated financial statements.

The consolidated financial statements are prepared in Euro and presented in thousand Euro (TEUR) rounded. Due to the use of automated calculating machines differences within the accumulation of rounded amounts and percentages may appear.

Changes in accounting- and valuation policies

The used accounting- and valuation policies strictly comply with the methods used in the previous year, besides following exceptions:

The Group applied the following new and revised IFRS IAS standards and interpreta-

tions. By applying these new or revised standards no effects on this financial statement occurred, beside additional details.

- IAS 19 amendment – employee benefits
- IAS 21 amendment – the effects of changes in foreign exchange rates
- IAS 24 amendment – related party disclosures
- IAS 32/39 – financial instruments: disclosure/presentation and valuation
- IAS 39 amendment – financial instruments: recognition and measurement with the addition of the provisions on the use of the fair value option
- IFRIC 4 conclusion – determining whether an arrangement contains a lease

Released, but not mandatory applicable IFRS, which will not earlier applied

IASB released new additional standards and interpretations, which are not compulsory for 2006. C-QUADRAT did not exercise them (if they were applicable).

Basically the following are affected:

Changes in IAS 1 affect extended qualitative and quantitative information regarding equity, which is applicable for business years starting at or after 1 January 2007. This affects especially information regarding legal needs, targets, methods and processes of capital management. Due to the appli-
cance of IAS 1.124A to 1.124C additional details are expected.

IFRS 7 substitutes IAS 30 fully and IAS 32 partial and is applicable for business years starting at or after 1 January 2007. Target of this standard is to transport information relevant for decisions regarding the amount, time and probability of future cash flows. In addition the standard includes new demands on reporting regarding risks linked to financial instruments, which affect the presentation in the financial statement.

Due to these changes the coverage of information regarding financial instruments will increase, independent from the sector.

Additionally IFRS 8, which harmonises segment reporting US GAAP with IFRS by adopting the management approach according to SFAS 131, was not applied. This standard is applicable for business years starting at or after 1 January 2009. By applying this standard a slight changing regarding the segments is expected.

IFRIC 7, 8, 9, 10, 11 and 12 were not applied because they do not impact C-QUADRAT Group in the business year 2006. If a diminution between the achievable amount of a cash-generating unit, to which the goodwill refers to, and the book value, arises in future interim financial statements, referring to IFRIC 10 this diminution will not be compensated at the following interim financial statement or annual financial statement.

The Group assumes that the application of these IFRS and IFRIC interpretations has no substantial impacts on the current consolidated financial statements, except additional notes.

II. Corporate information

C-QUADRAT Group including subsidiaries and investments represents Austria's largest fund company that is independent of any bank or insurance company. Its core expertise includes the analysis and brokerage of nearly all investment funds licensed for sale in Austria and Germany and the management and distribution of its own funds of funds. As a manager of structured prod-

ucts that are issued in cooperation with major banks, C-QUADRAT Group established itself in another attractive business segment in Austria and Germany. Based on this business operation C-QUADRAT Group receives mainly fee and commission income from brokerage and asset management of the products mentioned above. Due to its historical development the Group puts its emphasis on Austria.

The headquarters of the Group's parent is located in 1010 Vienna, Stubenring 2. The parent is registered at the commercial register of the commercial court with the registration number 55148a in Vienna.

The consolidated financial statements of C-QUADRAT Group had been prepared in accordance with International Financial Reporting Standards effective in 2006 (IFRS), as to be applied in the EC.

In accordance with IAS 27 the balance sheet date of the consolidated financial statements equals the balance sheet date of the parent.

The executive board releases the consolidated financial statements of C-QUADRAT Group for the reporting period 2006 (balance sheet date 31 December 2006) on 30 March 2007 for approval to the supervisory board.

III. Consolidation range

The consolidated financial statements of C-QUADRAT Group includes - besides C-QUADRAT Investment AG - ten fully consolidated companies (2005: 8) and six companies valued at equity (2005: 3).

C-QUADRAT Investment AG	1
Fully consolidated companies	10
At equity consolidated companies	6
Total	17



The consolidation range developed as follows:

01.01.2004	6
thereof foreign companies	3
Included during reporting year 2004 for the first time	5
Merged/liquidated during reporting year 2004	0
31.12.2004	11
thereof foreign companies	4
Included during reporting year 2005 for the first time	3
Merged/liquidated during reporting year 2005	2
31.12.2005	12
thereof foreign companies	3
Included during reporting year 2006 for the first time	6
Merged/liquidated during reporting year 2006	1
31.12.2006	17
thereof foreign companies	6

Development of the consolidation range

On 1 January 2000 C-QUADRAT Holding AG was demerged in its subsidiaries C-QUADRAT Investment AG (former C-QUADRAT Investmentanalyse & Vermögensberatung AG), C-QUADRAT Kapitalanlage AG (former C-QUADRAT Asset Management Consulting AG) and Fonds & Co Fondsanteilsvermittlung AG, to divide the business segments asset management, fund brokerage and private customers into these companies in the same order as mentioned above. There are no specific effects for the consolidated financial statements based on this demerger. On 27 August 2004 C-QUADRAT Holding AG was merged to C-QUADRAT Investment AG.

On 9 August 2001 C-QUADRAT Fonds & Co Fondsanteilsvermittlung GmbH, Germany was founded. The Group holds 100 % of its shares.

Furthermore the consolidation range included C-QUADRAT Fondsanalyse und Management AG, Switzerland, a 100 % subsidiary of the Group, at the opening balance sheet date.

Changes in the consolidation range in 2004

On 12 May 2004 the Group acquired 5 % of the shares of Ariconsult Fonds Marketing GmbH for TEUR 785. On 12 May 2004 an option contract was signed, in which C-QUADRAT Investment AG has been entitled to buy another 26 % of the shares of Ariconsult Fonds Marketing GmbH during the period of 19 August 2005 till 19 August 2006 (Call-Option). This option represents potential voting rights. Based on the 5 % of the shares of Ariconsult Fonds Marketing GmbH and the call option, C-QUADRAT Investment AG has a significant influence on Ariconsult Fonds Marketing GmbH. Due to this fact the company is accounted for using the equity method.

On 9 June 2004 ff-Fondsanteilsvermittlung GmbH was founded. C-QUADRAT Investment AG held 85 % of its shares. It was initially included in the consolidation in 2004. Within a capital increase on 20 April 2005 which was exclusively signed by minority shareholders, the interest of C-QUADRAT Investment AG was reduced from 85 % to 68 %

of the shares of ff-Fondsanteilsvermittlung GmbH. The effect of dilution of this transaction was recognised directly in equity.

On 1 December 2004 the consolidation range was enlarged due to the foundation of C-QUADRAT Beteiligungsmanagement GmbH, a 100 % subsidiary of C-QUADRAT Investment AG.

On 7 December 2004 C-QUADRAT Fonds & Co. Fondsanteilsvermittlung GmbH, Germany acquired 42.5 % of the shares of Patriarch GmbH, Germany, during the foundation of this company. Patriarch GmbH is accounted for using the equity method. On 21 November 2005 all of the shares were sold.

On 20 December 2004 R-QUADRAT Immobilien AG was founded and C-QUADRAT Investment AG acquired 46.65 % of its shares. In 2004 R-QUADRAT Immobilien AG is accounted for using the equity method. On 27 September 2005 all of the shares were sold.

Changes in the consolidation range in 2005

On 18 March 2005 the Group acquired - in connection with a capital increase - 55 % of the shares of Maqon Investment AG for TEUR 165 and initially consolidated it in 2005.

On 2 June 2005 the purchase contract of the acquisition of 82.53 % of the shares of Epicon Investment AG was signed. The purchase price including additional expenses totals TEUR 5,441. Due to additional stock purchases and a capital increase (additional costs in the amount of TEUR 404) the Group holds 95.70 % of the shares of Epicon Investment AG at the end of the year. Epicon AG itself holds 100 % of shares of Epicon Financial Services GmbH, which were acquired by the Group within the same purchase. For this business combination acquiree's identifiable assets, liabilities and contingent liabilities are initially

recognised at their fair values at the date of exchange. Minority interests are recognized according to their interest at the fair value of assets and liabilities. Goodwill being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as an asset.

The initial recognition of these investments in the Group accounts is effected at the date of acquisition, this means the moment the Group gains control, or formation.

Changes in the consolidation range in 2006

By an assignation contract additional shares (32 %) of C-QUADRAT Alternative Investment GmbH (former: ff-Fondsanteilsvermittlung GmbH) were bought for TEUR 40 on 14 February 2006, which increased the investment to 100 %. C-QUADRAT Investment AG is sole shareholder of C-QUADRAT Alternative Investment GmbH. The nominal capital amounts to TEUR 125 and is fully paid in.

On 26 April 2006 additional 11.66 % of MAQON Investment AG were purchased for TEUR 35. This increased the holding on 31 December 2006 to 66.66 %. Additionally the name of MAQON Investment AG was changed to ARIQON Asset Management AG on 12 September 2006.

C-QUADRAT Investment AG acquired 43.925 shares of Ariconsult Holding AG on 17 August 2006 and holds now 25.1 % of the nominal capital. The purchase price amounted to TEUR 1.000. Due to the significant influence Ariconsult Holding AG is included at equity in the consolidated report.

On 11 April 2006 and on 22 September 2006 two acts of sale for additional 1.84 % of the stocks of Epicon Investment AG at a price of TEUR 92.4 were signed. On 31 December 2006 the stake amounted to 97.54 %.

C-QUADRAT Investment AG, San Gabriel Privatstiftung and T.R. Privatstiftung abandoned an option regarding the sale or acquisition on ARTS Assetmanagement GmbH. As instalment TEUR 1,750 for the Privatstiftungen and TEUR 50 for C-QUADRAT Investment AG were agreed. So the agreement of the option dated 14 October 2005 was amicable repealed, the company is enclosed at equity in the consolidated report.

On 3 November 2006 C-QUADRAT Alternative Investment GmbH bought 50.08 % of Absolut Plus Zürich AG, located in Zurich. Included in the contract the seller received the right to buy one share of the Absolute Plus Zürich AG (call-option). This option can be accepted as long as the C-QUADRAT Group holds at least 25 % plus one share. In addition a syndicate contract was signed with same date. According to this contract C-QUADRAT Group has the right to install the majority of the members of the board of administration. Due to the fact that C-QUADRAT Group has the possibility to nominate or recall the majority of the members of the board of administration the company, C-QUADRAT Group has control over the company. Therefore the company is considered with acquisition costs of TEUR 4,858 and as fully consolidated in the report. One shareholder of Absolute Plus Zürich AG, who is member of the board of management of this company at the same time, and a second shareholder of this company entitle irrevocable all present and future shareholder in proportion of their interest in the company until including 30 October 2008 to acquire their registered shares at the moment he leaves the board of management (call-option). Based on a valuation this option is stated with an amount of TEUR 0.

On 3 November 2006 C-QUADRAT Alternative Investment GmbH bought 50.03 % of

VPM Vermögensverwaltungs AG, located in Munich. Included in the contract the seller received the right to buy three shares of the VPM Vermögensverwaltungs AG (call-option). This option can be accepted as long as the seller holds at least 25 % plus one share and C-QUADRAT Group holds at least 25 % plus one share. In addition a syndicate contract was signed with same date.

According to this contract C-QUADRAT Group has the right to install the majority of the members of the supervisory board. Due to the fact that C-QUADRAT Group has the possibility to nominate or recall the majority of the members of the supervisory board, C-QUADRAT Group has control over the company. Therefore the company is considered with acquisition costs of TEUR 1,819 and as fully consolidated in the report. One shareholder of VPM Vermögensverwaltungs AG, who is member of the board of management of this company at the same time, entitles irrevocable all present and future shareholder in proportion of their interest in the company until including 30 October 2008 to acquire their registered shares at the moment he leaves the board of management (call-option). Based on a valuation this option is stated with an amount of TEUR 0.

On 3 November 2006 C-QUADRAT Alternative Investment GmbH bought 50.002 % of Absolute Portfolio Management Ltd., located in Georgetown, Cayman Islands. Absolute Portfolio Management Ltd. has a stake in Absolute Plus.com Ltd., also located in Georgetown. Included in the contract the seller received the right to buy one share of the Absolute Portfolio Management Ltd. (call-option). This option can be accepted as long as the seller holds at least 25 % plus one share and C-QUADRAT Group holds at least 25 % plus one share. In addition a syndicate contract was signed with same date. According to this contract C-QUADRAT



Group has the right to install the majority of the members of the supervisory committee. Due to the fact that C-QUADRAT Group has the possibility to nominate or recall the majority of the members of the supervisory board, C-QUADRAT Group has control over the company. Therefore the company is considered with acquisition costs of TEUR 3,819 and is fully consolidated.

IV. Basis of consolidation

All significant subsidiaries – directly or indirectly controlled by C-QUADRAT Investment AG – have been fully consolidated in the consolidated financial statements. For these consolidated subsidiaries uniform accounting policies have been applied.

Investments in associated companies, in which the parent can exercise a significant influence („investments in associates“), are accounted for using the equity method. The reporting date and the accounting policies for similar business transactions of the associate comply with the ones of the Group.

Regarding consolidated subsidiaries all business combinations and acquisition of shares of a company which is already under control are accounted for by applying the purchase method of IFRS 3. Assets acquired, liabilities and contingent liabilities are recognised at their fair values at the date of exchange. Any identifiable difference between the cost of the business combination and the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities are recognised as goodwill being an asset. Credit differences resulting from net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost is recognised immediately in profit and loss.

Intragroup receivables and liabilities, revenues, and other income and expenses arising between fully consolidated companies are eliminated. Deferred taxes are recorded to reflect the income tax effects of consolidation entries charged to the income statement.

Intragroup profits and losses, which arise from the sale of goods or services between Group companies and which affect fixed or current assets, are eliminated.

V. Accounting policies

Significant accounting policies

The preparation of the consolidated financial statements is based on the cost method. Exceptions are financial assets measured at fair value through profit or loss and non-current financial assets held for sale measured at fair value.

The consolidated financial statements are based on a going concern basis.

The consolidated financial statements were prepared in accordance with the following accounting policies:

Intangible assets and property, plant and equipment

Intangible assets acquired and property, plant and equipment are measured at cost less accumulated straight-line depreciation. The depreciable amount is based on the estimated useful life of the asset. The residual value of an intangible asset or property, plant and equipment, its useful life and depreciation method are reviewed at least at each financial year-end and changed if significant.

For the majority of assets, straight-line depreciation is calculated as follows:

Intangible assets	3 – 10 years
Property, plant and equipment	2 – 10 years

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units of C-QUADRAT Group, that are expected to benefit from the synergies of the combination.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units. As soon as there is any indication that the carrying amount of the cash-generating unit exceeds its recoverable amount, impairment loss has to be recognised. Management determines the recoverable amount of the cash-generating unit based on current budget plans approved by the supervisory board of the cash-generating unit for the years 2007 to 2009. Forecasting for the year 2010 to 2011 is done by using a constant growth rate for revenues and corresponding for expenses of 2 %. For the following periods the figures of 2011 are considered as constant. For discounting the future cash flows an interest rate before tax of 12 % (2005: 12 %) is used, representing a current market interest rate and reflecting specific risks of the respect unit.

Impairment of assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, impairment loss has to be recognised and the asset has to be depreciated to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The recoverable amount of an asset is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Normally, the value in use is the basis for the recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 12 % (2005: 12 %) that reflects current market assessments of the time value of money and the risks specific to the asset. Therefore a detailed calculation for the years 2007 to 2009 approved by the Supervisory Board and a forecast for 2010 to 2011 using a constant growth rate for sales and corresponding expenses of 2 % was applied. For periods after 2011 the data of the forecast were assumed to be constant.

Within the Group each legally independent entity represents a cash-generating unit.

Investments in associates

Investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is

recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The income statement contains the Group's share of the profit or loss of such associate.

Financial investments and other financial assets

Financial Assets regarding IFRS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. At initial recognition the Group classifies its financial assets and tests the classification at the end of each reporting period. A regular way purchase or sale of financial assets is recognised at its trade date.

Financial assets, that are classified as held for trading, are recognised as "financial assets at fair value through profit or loss". Financial assets are classified as held for trading, if they are acquired or incurred principally for the purpose of selling or repurchasing in the near term.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are „held-to-maturity“ investments if the Group has the positive intention and ability to hold the investment to maturity. They are recognised at amortised cost in accordance with the effective interest method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised at amortised cost in accordance with the effective interest method.

Available-for-sale financial assets are those non-derivative financial assets that are

designated as available for sale or are not classified as one of the three categories mentioned above. Available-for-sale financial assets are carried at fair value considering deferred taxes, and gains or losses on an available-for-sale financial asset are recognised directly in equity until the financial asset is derecognised. The cumulative gain or loss previously recognised in equity is recognised in profit or loss when the asset is derecognised.

The fair value of financial investments that are traded on a stock exchange is based on its buying rate on the balance sheet date. The fair value of financial investments that are not traded on a stock exchange is estimated based on valuation policies.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or if the entity transfers the contractual rights to receive the cash flows, so no risk out of this financial asset remains at C-QUADRAT Group.

A financial liability is derecognised, when the obligation specified in the contract is discharges or cancelled or expired.

Receivables from customers and other receivables

Receivables from customers and other receivables are recognised at amortised cost. Individually identifiable risks are recognised through adequate valuation allowances. Non-interest bearing receivables with a remaining term in excess of one year are recorded at discounted present value, appropriate to duration and risk. Foreign exchange receivables in individual company accounts are translated at the average exchange rate on the balance sheet date. Receivables are derecognised when they are irrecoverable.



Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid investments that have a short maturity of three months or less and are recognised at their nominal values.

Leases

According to IAS 17 the ownership of leased assets is assigned to the lessee when substantially all the risks and rewards incidental to ownership are transferred to the lessee.

When all the risks and benefits incidental to ownership of the leased item are transferred to C-QUADRAT Group, finance leases in accordance with IAS 17 are recognised at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no certainty that the Group will obtain ownership by the end of the lease term.

All leased assets of lease agreements other than finance lease agreements are operating leases and are recognised in the balance sheet of the lessor. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Liabilities

Liabilities are stated at the actual amount received, less transaction costs, unless they are recognised at fair value through profit or loss. Gains and losses are recognised in

profit or loss when the liability is derecognised or impaired, and through the amortisation process.

Provisions

Provisions are recognised when the Group has a present obligation as a result of 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 effect of discounting is material, provisions are recognised at their present value.

Benefits to employees

Provisions for severance payments are calculated according to IAS 19 based on the projected unit credit method. Defined benefit obligations are recognised on the basis of actuarial valuation. Actuarial gains and losses are recognised as income or expense. Not only the present value of the defined benefit obligation, but also estimated future salary increases are recognised. For its calculation a discount rate of 4.5 % per year (2005: 4.5 % per year) and a weighted average future salary increase of 4.0 % per year (2005: 4.0 % per year) were used. The retirement age used for the calculation is 60 years for women and 65 years for men.

Severance payments in accordance with Austrian labour law are one-time payments which have to be paid in case of dismissal by employer and in case of retirement. The amount of severance payments is based on the amount of present salary and the amount of service years. For employees entered into the Group till 2002 direct obligations of the Group exist wherefore provisions in accordance with IAS 19 have to be recognised. As these severance liability applies only to a small group of employees,

who work already for several years within C-QUADRAT Group, like in the previous year no fluctuation reduction has been calculated.

The calculation uses mortality tables AVÖ 1999 P (white collar employees). Actuarial gains and losses in connection with severance payments liabilities are recognised as income or expense.

Besides defined benefit plans, defined contribution plans exist for employees in Austria that entered into the Group after 1 January 2003. Therefore a legal defined amount of 1.53 % of gross salary has to be paid to licensed staff provision funds that are recognised as personnel expense. Due to this fact no provision for severance payments has to be allocated for those employees.

Contributions to the compulsory pensions insurance account for the employer 12.55 % of the monthly gross salary, up to an amount of EUR 3,840.00 a month.

Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The funding of deferred taxes is done by usage of the liabilities method on temporary differences at the closing date between the valuation of an assets or liability in the balance and the valuation in tax calculation. Deferred tax liabilities are recorded for all taxable temporary differences, except the following:

- Deferred tax liabilities resulting from first valuation of goodwill, an asset or a liability out of business transactions, which is no business combination and which affects at the time of the transaction the result neither under commercial law nor under tax law.

- Deferred tax liabilities resulting from taxable temporary differences regarding investments in subsidiaries and shares in joint ventures, if the chronological development of the reversion can be controlled and if it is not probable that the temporary differences will reverse in foreseeable future.

Deferred taxes receivables are recorded for all deductible temporary differences, not yet use taxable carried forward losses and not used tax credits with the probable amount where taxable income is available, against which the deductible temporary differences and the not yet used taxable carried forward losses and tax credits can be accounted, except the following:

- Deferred tax receivables resulting from taxable temporary differences of first time valuation of an asset or a liability out of business transactions, which is no business combination and which affects at the time of the transaction the result neither under commercial law nor under tax law.
- Deferred tax receivables resulting from taxable temporary differences regarding investments in subsidiaries and shares in joint ventures, if the chronological development of the reversion can be controlled and if it is not probable that the temporary differences will reverse in foreseeable future.

At every closing date deferred tax receivables are checked and reduced by the amount it is not probable that sufficient taxable profit will be available, against which the deductible temporary differences can be accounted. Not funded deferred tax liabilities are checked at every closing date and funded with the amount it has become probable that sufficient taxable profit will be available against which the deferred tax receivable can be accounted.

Deferred tax receivables and liabilities are calculated with the rate of taxation relevant for the period in which the asset is expected to be realised or the liability is expected to be met. Rates of taxation (and taxation laws) relevant at the closing date are used.

Deferred tax assets referring to entries which are entered directly to equity are not considered in the profit and loss but directly at equity.

Deferred tax receivables and liabilities are balanced against each other, if the Group has a enforceable claim for balancing taxes due against taxes drawbacks relevant for income taxes referring to the same subject to tax, charged from the same tax authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Furthermore the following specific recognition criteria must also be met before revenue is recognised:

Fee and commission income

Fee and commission income comprises revenue from services provided by securities and fund management. These revenues are recognised when the service is completed. Management fees are charged for asset management for a specific period and will be deferred if necessary. Performance fees depend on the value development of managed assets and a minimum value of the managed funds assets. They are recognised when the minimum amount required is reached. Up front fees comprise income from brokerage and will be registered

when the service is completed. The subsequent commission fees comprise income from brokerage mandates as long as they are valid. It will be periodically deferred. Fee and commission expenses are recognised when they occur.

Interest income and dividends

Interest income is recognised in the period when it occurs. Dividends are recognised when the Group's right to receive the payment is established.

Judgements and estimation uncertainty

In the consolidated financial statements it is necessary to estimate certain figures and make assumptions that influence the recording of assets and liabilities, the declaration of other obligations as of the balance sheet date, and the recording of revenues and expenses during the reporting period. The actual figures may differ from these estimates, but the executive board states that this will not lead to material negative differences in the consolidated financial statements in the near future. Especially the measurement of provisions for severance payments is based on assumed discount rates, retirement age and fluctuation. Also the net fair value of intangible assets acquired in a business combination is estimated regarding future economic benefits and the discount rate. Goodwill is reviewed for impairment annually by the Group. Therefore the value in use of the cash-generating unit to which the goodwill belongs is needed. To estimate the value in use the Group estimates the future cash flows of a cash-generating unit and assumes an appropriate discount rate to calculate the present value of these cash flows.

Foreign currency translation

First foreign currency transactions are converted into functional currency by using the daily exchange rate. Monetary assets and liabilities are converted each closing date into functional currency by using average exchange rate for the closing date. All differences due to currency exchange rates are accounted income statement-related. Non-monetary entries valued by historical acquisition or manufactory costs in a foreign currency are converted with the exchange rate relevant for the day the transaction is done. Non-monetary entries valued with the present value method in a foreign currency are converted with the exchange rate valid on the date the calculation of the present value had been done. Any goodwill concerning the acquisition of a foreign business and any adaptations on the present values of the book value of assets and liabilities following the acquisition of a foreign business, are reported a assets and liabilities of the foreign business and are converted

with the rate valid for the closing date. The financial statements of foreign companies are translated into Euro based on the functional currency method. The relevant local currency is the functional currency in all cases since these companies operate independently from a financial, economic, and organizational standpoint. All balance sheet items are translated using the closing rate of the Group (Euro) on December 31, 2005.

Expense and revenue items are translated at the weighted average exchange rate for the year. Unrealized currency translation differences are offset against the translation reserve with no impact on the income statement. Furthermore currency translation differences between the closing rate within the balance sheet and the weighted average exchange rate within the income statement are recognised in this position.

The exchange rate used for foreign currency translation showed the following development during the reporting period:

in EUR	Closing rate on		Average rate for the year	
	31.12.2006	31.12.2005	2006	2005
CHF	0.621	0.643	0.632	0.646
USD	0.758	-	0.801	-

VI. Business combinations

In 2006 C-QUADRAT Group acquired 50.03 % of the shares of VPM Vermögensverwaltungs AG, located in Munich, Germany. Furthermore the Group acquired 50.08 % of the shares of Absolute Plus Zürich AG, located in Zurich,

Switzerland, and 50.002 % of the shares of Absolute Portfolio Management Ltd., located in Georgetown, Cayman Islands. Absolute Portfolio Management Ltd. itself is 50 % shareholder of Absolute Plus.com Ltd., Cayman Islands. Basically these companies deal in agency transactions of securities.

The fair values of identifiable assets, liabilities and contingent liabilities of VPM Vermögensverwaltungs AG as at the date of acquisition are:

	Carrying value	Reconciliation to fair value	Fair value
	TEUR	TEUR	TEUR
Intangible assets	57	3,711	3,768
Deferred tax assets			
Other assets	424		424
Cash an cash equivalents	542		542
Deferred tax liabilities		-1,187	-1,187
Payables to customers	-102		-102
Other current liabilities	-119		-119
Other current provisions	-12		-12
Income tax liabilities			
Fair value of net assets	1,510	2,523	4,033
Goodwill arising on acquisition			-199
Minority interests			-2,015
Total cost of acquisition			1,819
Cash outflow due to acquisition			
Total cost of acquisition			-1,819
Less acquired cash and cash equivalents			542
			-1,277

The fair values of identifiable assets, liabilities and contingent liabilities of Absolute Plus Zürich AG as at the date of acquisition are:

	Carrying value	Reconciliation to fair value	Fair value
	TEUR	TEUR	TEUR
Intangible assets	1,258	3,238	4,496
Deferred tax assets	2	5	7
Other assets	480	19	499
Cash an cash equivalents	186		186
Deferred tax liabilities		-863	-863
Payables to customers	-861		-861
Other current liabilities	-102		-102
Other current provisions			
Income tax liabilities	-44		-44
Fair value of net assets	919	2,399	3,318
Goodwill arising on acquisition			3,196
Minority Interests			-1,656
Total cost of acquisition			4,858
Cash outflow due to acquisition			
Total cost of acquisition			-4,858
Less acquired cash and cash equivalents			186
			-4,672

The fair values of identifiable assets, liabilities and contingent liabilities of Absolute Portfolio Management Ltd. as at the date of acquisition are:

	Carrying value	Reconciliation to fair value	Fair value
	TEUR	TEUR	TEUR
Intangible assets		4,707	4,707
Deferred tax assets			
Other assets			
Cash and cash equivalents	525		525
Deferred tax liabilities			
Payables to customers	-154		-154
Other current liabilities	-833		-833
Other current provisions			
Income tax liabilities			
Fair value of net assets	1,037	4,707	5,744
Goodwill arising on acquisition			947
Minority Interests			-2,872
Total cost of acquisition			3,819
Cash outflow due to acquisition			
Total cost of acquisition			-3,819
Less acquired cash and cash equivalents			525
			-3,294

The step-up of intangible assets is based on the acquisition of mandates for the management of investment funds, which are attended by the mentioned companies. These were recognised on the basis of expected surplus of gains and an interest rate before tax that includes the specific risk of the acquired mandates for the management of investment funds. The depreciation is based on a useful life of 8 years. Deferred taxes arising from the amount of any excess of the acquirer's interest in the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination have been recognised. Then, the remaining goodwill in the amount of TEUR -199 for VPM Vermögensverwaltungs AG is shown as a credit difference from acquisition within other operating income. The other differences, TEUR 3,196 for Absolute Plus Zürich AG and TEUR 947 for Absolute Portfolio Management Ltd. has been recognised as goodwill.

Due to the deferring terms of the contract dated 3 November 2006, the date of acquisition of VPM Vermögensverwaltungs AG, Absolute Plus Zürich AG and Absolute Portfolio Management Ltd. had been at the end of December 2006. Therefore these companies did not contribute to the annual profit. If these business combinations had taken place in the beginning of the year, the operating income of the Group would have amounted to TEUR 49,811 and the profit to TEUR 6,612. Thereby VPM Vermögensverwaltungs AG would have contributed an operating income of TEUR 1,631, Absolute Plus Zürich AG an operating income of TEUR 1,926 and Absolute Portfolio Management Ltd. an operating income of TEUR 5,392. Concerning the annual profit VPM Vermögensverwaltungs AG would have contributed TEUR 69, Absolute Plus Zürich AG TEUR 821 and Absolute Portfolio Management Ltd. TEUR 1,000.

VII. Notes to the income statement

1. Fee and commission income

Under fee and commission income third-party revenues regarding fund brokerage and asset management are shown. This position is made up as follows:

	2006	2005
	TEUR	TEUR
Management fees	14,539	8,622
Performance fees	5,095	6,089
Trail fees	7,500	6,251
Upfront fees	4,057	6,215
Agios	7,253	2,771
Others	742	0
Total	39,186	29,948

2. Other operating income

The following table presents other operating income:

	2006	2005
	TEUR	TEUR
Advisory revenues	390	340
Reimbursed expenses	336	253
Special edition „Format“-magazine	249	0
Earnings out of business combinations	199	0
Others	503	259
Total	1,676	852

3. Personnel expenses

The following table presents personnel expenses:

	2006	2005
	TEUR	TEUR
Wages and salaries	4,464	3,437
Expenses for mandatory social contributions	932	639
Expenses for severance payments	26	29
Expenses for staff provisions funds	36	30
Other social expenses	64	33
Total	5,522	4,168

Personnel expenses include TEUR 560 (2005: TEUR 431) contributions to the compulsory pensions insurance account for the employers.



4. Other administrative expenses

The position other administrative expenses consist of material expenses and include:

	2006	2005
	TEUR	TEUR
Rent expenses	679	384
Public relations	1,385	1,275
Consulting fees	484	448
IT expenses	366	127
Maintenance	640	150
Job research	83	73
Commissions	238	118
Travel expenses	205	96
Bank charges	76	37
Car expenses	309	221
Expenses for services obtained	239	102
Other expenses	576	948
Total	5,281	3,979

5. Other operating expenses

The following table presents other operating expenses:

	2006	2005
	TEUR	TEUR
Non-deductable VAT	608	438
Losses on disposal of assets	35	62
Expenses for services obtained	0	86
Business expenses	100	114
Miscellaneous	303	190
Total	1,046	890

6. Share of profit of associates

The share of profit of associates refers to the share in profits or losses of associates that are accounted for using the equity method (shown in notes 14).

7. Finance revenue

	2006	2005
	TEUR	TEUR
Bank interests receivable	153	80
Income from disposal and valuation of financial assets at fair value through profit and loss	62	17
Income from other financial assets	40	39
Interest from loans to shareholders	312	108
Income from atypical silent partnership	903	660
Total	1,470	904

For more information about interest from loans to shareholders, see notes 15. Income from atypical silent partnership is shown under notes 16.

8. Finance expenses

Finance expenses mainly include interest of bank loans and overdraft.

9. Tax

This item includes income taxes paid and owed by Group companies as well as provisions for deferred taxes:

	2006	2005
	TEUR	TEUR
Current income tax expense	693	1,043
Deferred income tax expense	444	18
Income tax expenses	1,138	1,061

The difference between the current Austrian corporate tax rate of 25 % and the group tax rate shown in these statements is due to the following factors:

	2006	2005
	TEUR	TEUR
Profit before tax	5,855	4,047
Tax expenses at tax rate of 25%	-1,464	-1,012
Effect of different foreign tax rates	-28	-6
Activated tax-loss carry forwards	107	0
Non-temporary differences	247	14
Change in valuation for tax-loss carry forwards	0	-48
Tax expenses/income of previous years	0	-6
Miscellaneous	0	-3
Effective tax expense	-1,138	-1,061
Effective tax rate in %	-19.4%	-26.2%



The effective tax rate for the reporting year is 19.4 % (2005: 26.2 %). This rate is a weighted average of the effective local income tax rates of all consolidated subsidiaries.

Transaction costs regarding the equity transaction had been reported alleviated by the income tax advantage of TEUR 672 not affecting net income, debited directly from equity. Regarding profits from divestiture of available-for-sale investments deferred taxes amounting to TEUR 8 not affecting net income had been reported.

10. Non-current assets held for sale

On 9 February 2007 C-QUADRAT Investment AG sold its 66.66 % share of the ARIQON Asset Management AG and on 28 February its 5 % participation in Ariconsult Fonds Marketing GmbH to Ariconsult Holding AG. The area of operations of both companies reaches from sale of investment products to financing, insurance and institutional asset management. At the end of the business year the final negotiations were still in progress, therefore ARIQON Asset Management AG and Ariconsult Fonds Marketing GmbH were classified as investment in an associate, which are held for sale.

Assets and liabilities of ARIQON Asset Management AG, which is classified as held for sale, presented on 31 December 2006 as follows:

PRORATED BALANCESHEET OF THE FULLY CONSOLIDATED COMPANY	2006	2005
	TEUR	TEUR
Assets	302	0
Liabilites	-76	0
Prorated net assets	226	0

The prorated profit of ARIQON Asset Management AG, which is classified as held for sale, presented on 31 December 2006 as follows:

PRORATED PROFIT OF THE FULLY CONSOLIDATED COMPANY	2006	2005
	TEUR	TEUR
Annual net profit	-126	0

Assets and liabilities of Ariconsult Fonds Marketing GmbH, which is classified as held for sale, presented on 31 December 2006 as follows:

PRORATED BALANCESHEET OF THE ASSOCIATED COMPANY	2006	2005
	TEUR	TEUR
Assets	560	0
Liabilites	0	0
Prorated net assets	560	0

The prorated profit of Ariconsult Fonds Marketing GmbH, which is classified as held for sale, presented on 31 December 2006 as follows:

PRORATED PROFIT OF THE ASSOCIATED COMPANY	2006	2005
	TEUR	TEUR
Annual net profit	14	0

11. Earnings per share

Due to the fact that no dilution appeared in the reporting period, the basic earnings per share equal the diluted earnings per share. Basis for the calculation of the earnings per share was the following weighted average number of ordinary shares:

	2006	2005
Weighted average number of ordinary shares	3,696,600	1,090,800

For further information see notes 18.

12. Segment reporting

The business segments „Fund Brokerage“ and „Asset Management“ represent the primary segment reporting format for the segment reporting of C-QUADRAT Group. Secondary information is not reported separately, because the main revenues are generated in Austria.

The business segments of C-QUADRAT Group are divided as shown:

The segment „Fund Brokerage“ includes the following companies:

FUND BROKERAGE		scale
Absolute Plus Zürich AG	since 2006	100 %
Absolute Portfolio Management Ltd.	since 2006	100 %
ARIQON Asset Management AG (former MAQON Investment AG)		100 %
C-QUADRAT Alternative Investment GmbH (former ff-Fondsanteilsvermittlung GmbH)		100 %
C-QUADRAT Deutschland AG (former C-QUADRAT Fonds & Co Fondsanteilsvermittlungs GmbH)		100 %
C-QUADRAT Fonds-Analyse und Management AG		100 %
C-QUADRAT Investment AG		100 %
Epicon Financial Services GmbH	since 2005	50 %
Epicon Investment AG	since 2005	50 %
VPM Vermögensverwaltungs AG	since 2006	100 %

This business segment mainly deals with the acquisition and sale of fund brokerage costumers (especially credit institutions).

The segment „Asset Management“ includes the following companies:

ASSET MANAGEMENT		scale
C-QUADRAT Kapitalanlage AG		100 %
Epicon Financial Services GmbH	since 2005	50 %
Epicon Investment AG	since 2005	50 %

This business segment mainly deals with the management of external assets within the scope of publicly traded investment funds. Interactions between business segments mainly include fee and commission income and expenses and reimbursed costs. Therefore actual cost plus margin are accounted. Segment results refer to profit for the period.

YEAR ENDED 31 DECEMBER 2006	Fund Brokerage	Asset Management	Consolidation	Total Group operations
	TEUR	TEUR	TEUR	TEUR
Fee and commission income	21,382	21,499	-3,694	39,186
from external customers	19,202	19,984	0	39,186
inter-segment income	2,180	1,515	-3,694	0
Segment results	3,715	1,700	-697	4,718
Share of profit of associate	501	0	0	501
Depreciation	296	185	622	1,103
Segment assets	56,989	3,541	-2,375	58,155
Goodwill	4,918	775	0	5,694
Segment liabilities	15,719	4,226	-2,580	17,365
Capital expenditure	16,455	297	2,339	19,091
Employees	53	40		93

YEAR ENDED 31 DECEMBER 2005	Fund Brokerage	Asset Management	Consolidation	Total Group operations
	TEUR	TEUR	TEUR	TEUR
Fee and commission income	15,233	15,013	-299	29,948
from external customers	15,147	14,800	0	29,948
inter-segment income	86	213	-299	0
Segment results	4,277	1,744	-3,035	2,986
Share of profit of associate	31	0	0	31
Depreciation	254	173	310	737
Segment assets	25,783	10,171	-10,586	25,367
Goodwill	506	506	0	1,012
Segment liabilities	15,365	4,751	-739	19,377
Capital expenditure	3,451	3,093	231	6,775
Employees	44	34		78

Due to the fact that sales to external customers based on their geographical locations do not exceed 10 % each of the total sales, all sales to external customers abroad (only European countries) are shown as a total. Sales to external customers abroad are TEUR 10,865 in 2006 and TEUR 5,852 in 2005.

VIII. Notes to the balance sheet

13. Intangible assets and property, plant and equipment

The development of intangible assets and property, plant and equipment regarding 2005 and 2006 is shown in the consolidated table of fixed assets below.

The influence of changes in the consolidation range is shown separately.

Concessions and rights mainly include intangible assets (clientele) acquired through business combinations. The carrying amount is strait-line depreciated over 8 years. The carrying amount of these assets is recognised with the amount of TEUR 16,388 at 31 December 2006.

Property, plant and equipment include assets of the Group regarding buildings improvements and equipment. These fixed assets are recognised at cost less accumulated strait-line depreciation.

In accordance with IAS 17 property, plant and equipment include leased fixed assets that are recognised in the C-QUADRAT Group's balance sheet due to the substance of the lease agreement and are mainly about car rental. The carrying amount at the balance sheet date is TEUR 65 (2005: TEUR 103).

	31.12.2006	31.12.2005
	TEUR	TEUR
Cost of property, plant and equipment	150	150
Accumulated depreciation	-85	-47
Net carrying amount	65	103
Future minimum lease payments at the balance sheet date		
Not later than one year	26	26
Later than one year and not later than five years	73	98
Total future minimum lease payments	99	125
Less interest expenses due to discounting	-9	-15
Present value of future minimum lease payments	90	110
Present value of future minimum lease payments		
Not later than one year	21	20
Later than one year and not later than five years	69	90
Total	90	110



C-QUADRAT Group uses lease contracts for different assets (equipment, cars) with an average useful life of 3 to 5 years. There are no options to purchase the asset or extend the lease agreement. At the balance sheet date the following future minimum lease payments based on non-cancellable operating leases:

	31.12.2006	31.12.2005
	TEUR	TEUR
Not later than one year	594	653
Later than one year and not later than five years	294	820
Total	888	1,473

The annual examination of an impairment of the goodwill is split up to cash-generating units, which mainly correspond with the legal entities. 31 December 2006 goodwill is split as follows:

	2006	2005
	TEUR	TEUR
Absolute Plus Zürich AG	3,196	0
Absolute Portfolio Management Ltd.	946	0
Epicon Investment AG - Vermittlung von Wertpapieren	776	506
Epicon Investment AG - Vermögensverwaltung	776	506
Total	5,694	1,012

CONSOLIDATED TABLE OF FIXED ASSETS 2006	Acquisition or Production Costs					Balance on 31.12.2006
	Balance on 01.01.2006	Change in exchange rate	Change in consolidation range	Additions	Disposals	
all numbers in TEUR						
Software	582	0	0	135	124	593
Rights, licences	4,972	-307	13,498	0	0	18,163
Goodwill	1,012	-106	4,788	0	0	5,694
Intangible assets	6,566	-413	18,286	135	124	24,450
Leasehold improvements	75	0	0	0	0	75
Equipment	1,441	0	160	510	235	1,876
Property, plant and equipment	1,516	0	160	510	235	1,952

CONSOLIDATED TABLE OF FIXED ASSETS 2005	Acquisition or Production Costs					Balance on 31.12.2005
	Balance on 01.01.2005	Foreign exchange adjustments	Change in consolidation range	Additions	Disposals	
all numbers in TEUR						
Software	244	0	78	255	1	582
Rights, licences	0	0	0	4,972	0	4,972
Goodwill	0	0	0	1,012	0	1,012
Advances paid	22	0	6	0	22	0
Intangible assets	266	0	84	6,239	23	6,566
Leasehold improvements	0	0	75	0	0	75
Equipment	1,314	0	71	305	249	1,441
Property, plant and equipment	1,314	0	147	305	249	1,516

Depreciation					Net carrying amount 31.12.2006	Net carrying amount 31.12.2005
Balance on 01.01.2006	Change in consolidation range	Depreciation charge for current year	Disposals	Balance 31.12.2006		
272	0	147	84	335	258	310
311	0	1,464	0	1,775	16,388	4,661
0	0	0	0	0	5,694	1,012
583		1,611	84	2,111	22,339	5,983
25	0	18	0	44	32	51
589	137	316	171	871	1,005	852
613	137	334	171	915	1,037	903

Depreciation					Net carrying amount 31.12.2005	Net carrying amount 31.12.2004
Balance on 01.01.2005	Change in consolidation range	Depreciation charge for current year	Disposals	Balance 31.12.2005		
157	189	116	1	272	310	88
0	0	311	0	311	4,661	0
0	0	0	0	0	1,012	0
0	0	0	0	0	0	21
157	189	427	1	583	5,983	109
0	103	24	0	25	51	0
470	376	286	167	589	852	844
470	478	310	167	613	903	844

14. Investments in associates

Investments in associates can be listed as follows:

	31.12.2006	31.12.2005
	TEUR	TEUR
Ariconsult Fonds Marketing GmbH (5 %)	0	637
Fonds & Co Fondsanteilsvermittlung AG (50%)	354	226
Active Management & Advisory. AG, Schweiz (50%)	25	25
Ariconsult Holding AG (25,1 %)	1,031	0
ARTS Asset Management GmbH (45 %)	5,579	0
Absolute Plus.com Ltd. (50 %)	1,147	0
Total	8,136	888

Shares of associates, which are classified as held for sale, can be listed as follows:

	31.12.2006	31.12.2005
	TEUR	TEUR
Ariconsult Fonds Marketing GmbH (5 %)	560	0

The carrying amount of Ariconsult Fonds Marketing GmbH contains an intangible asset (asset management mandates) recognised at its fair value on the acquisition date (TEUR 722). The clientele is straight-line depreciated over 8 years.

Regarding the entities where the Group holds 50 % of the shares, the Group has no control to govern their financial and operating policies.

The following table shows financial information regarding investments of the Group in associates:

PRORATED BALANCESHEET OF ASSOCIATED COMPANIES	31.12.2006	31.12.2005
	TEUR	TEUR
Assets	10,908	1,176
Liabilities	-2,212	-289
Prorated net assets	8,696	888
thereof associated companies, classified as held for sale	560	0

PRORATED PROFIT OF ASSOCIATED COMPANIES	TEUR	TEUR
Revenue	2,799	1,348
Annual net profit	501	31
thereof associated companies, classified as held for sale	14	0

15. Loans to shareholders

On 14 October 2005 C-QUADRAT Group acquired 45 % of the shares of ARTS Asset Management GmbH for TEUR 2,250 from San Gabriel Privatstiftung and T.R. Privatstiftung („vendors“) that are shareholders of C-QUADRAT Investment AG (details shown under notes 25). In an option contract signed on the same day C-QUADRAT Group received the right to sell the 45 % of shares back to the vendors between 15 September 2009 and 30 September 2009 for the amount of TEUR 3,375 (put option). In another option contract signed on 14 October 2005 C-QUADRAT Group has been obligated to sell these shares of ARTS Asset Management GmbH between 15 December 2009 and 31 December 2009 for the amount of TEUR 3,500 back to the vendors (call option of the vendors). There were no premiums for call or put options agreed.

On 14 September 2006 C-QUADRAT Investment AG on one hand and San Gabriel Privatstiftung, as well as T.R. Privatstiftung on the other hand agreed an irrevocable relinquishment of the right to accept the offer of the call-option. C-QUADRAT Investment AG irrevocably resigned on the acceptance of the offer of the put-option. With these agreements the option-arrangement had been formally and amicably abolished, the two Privatstiftungen received TEUR 1,775 each and C-QUADRAT Investment AG TEUR 50.

Due to this abolishment the economic character of the transaction changed to lending of C-QUADRAT Investment AG to the sellers, consequently it is presented as loan to shareholders, which is according to IAS 39, rated by effective interest method. So the company will be included at-equity to consolidated report and different from 2005 shown as “investment in associates“. The costs of acquisition amount to TEUR 5,579 and are build up out of the carrying value of the loan dated 30 September 2006 (TEUR 1,769), depreciation of Software and the

partial result starting from acquisition (TEUR 31), and finally the compensation for the quitclaim of the option (TEUR 3,500).

16. Financial investments

Financial investments contain current financial assets at fair value through profit or loss (2006: TEUR 5,614, 2005: TEUR 999) and non-current available-for-sale investments (2006: TEUR 621; 2005: TEUR 35) and an atypical silent partnership recognised at cost (2006: TEUR 100, 2005: TEUR 100). The atypical silent partnership entitles its holder to receive shares in profit or loss and in hidden reserves. The holder has no influence on the management. The shares of the atypical silent partnership has no determined due date and is not interest-bearing. Beginning on 1 January 2006 the holder has the right to cancel at year-end. Finance revenues regarding the atypical silent partnership are recognised in profit or loss (position “finance revenue“). All shares in profit or loss are annually received. The capital share paid-in equals the fair value at the balance sheet date. Receivables regarding the profit of the atypical silent partnership are recognised as other assets.

Available-for-sale investments include exclusively investments in investment funds and have no fixed due date and are not interest-bearing.

Financial assets at fair value through profit or loss regard financial investments in ordinary and preferred shares and in investment funds and are – besides shares with a carrying amount of TEUR 41 – not traded on a stock exchange.

17. Receivables from customers

Receivables from customers include receivables regarding services and accruals of provisions (2006: TEUR 8,463; 2005: TEUR 6,626). All receivables from customers are short-term and equal the present value.

18. Other assets

The following table presents other assets:

	31.12.2006	31.12.2005
	TEUR	TEUR
Offset account of atypical silent partnership	902	660
Receivables from Ariconsult Holding AG	802	0
Receivables from contribution offset	585	0
Commission payments	479	0
Loans to related companies	416	0
Accruals	231	90
Deposits	38	0
Miscellaneous	635	546
Total	4,038	1,296

All other assets are short-term and equal the present value. Information regarding the offset account of atypical silent partnership is shown under notes 16.

19. Equity and reserves

The development of equity and reserves is shown in the „consolidated statement of changes in equity“. Equity of C-QUADRAT Group is divided into 4,363,200 shares of EUR 1 each.

Development of shares:

ISSUED AND FULLY PAID

	in thousand pieces	TEUR
At 1 January 2004	240	240
Issued on 27 August 2004 based on capital increase financed by Group resources	2	2
At 31 December 2004	242	242
Issued on 29 September 2005 based on capital increase financed by Group resources	3,394	3,394
At 31 December 2005	3,636	3,636
Issued on 23 November 2006 based on capital increase	727	727
At 31 December 2006	4,363	4,363

The additional paid-in capital contains the capital contributed by investors on top of the par value of capital stock. Within the initial public offering at the official market at the Deutsche Börse in Frankfurt (Prime Standard) on 23 November 2006 427,200 new shares of EUR 1.00 each with an issue price of EUR 40.00 were emitted. The amount exceeding the nominal amount of the issued shares (TEUR 28,361) had been added to capital reserve. According IAS 32 Z 37 the costs regarding the initial public offering (TEUR 2,688) were debased, the resulting advantage in taxes (TEUR 672) was set off within the capital reserve.



OTHER RESERVES	Net unrealised gains reserve	Foreign currency translation reserve	Total
	TEUR	TEUR	TEUR
At 31 December 2004	-3	-1	-4
Net unrealised gains/losses on available-for-sale investments	2	0	2
At 31 December 2005	-1	-1	-2
Foreign currency translation differences	0	-3	-3
Net unrealised gains/losses on available-for-sale investments	-31	0	-31
At 31 December 2006	-32	-4	-36

The net unrealised gains reserve records changes on available-for-sale investments and its deferred taxes in the amount of TEUR 1 (2005: TEUR 0.3).

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The profit of the period attributable to minority interest in the amount of TEUR -2 (2005: TEUR -9) contains gains attributable to minority interest in the amount of TEUR 4 (2005: TEUR 11) and losses attributable to minority interest in the amount of TEUR -2 (2005: TEUR -20).

20. Financial liabilities

2006	Currency	Nominal value	Carrying amount	Interest rate effective
		TEUR	TEUR	in %
Overdraft	EUR	1	1	5.00 %
Bank loans	EUR	0	0	-
Financial liabilities with variable interest rate		1	1	

2005	Currency	Nominal value	Carrying amount	Interest rate effective
		TEUR	TEUR	in %
Overdraft	EUR	1,571	1,571	2.93 %
Bank loans	EUR	8,650	7,940	3.21 %
Financial liabilities with variable interest rate		10,221	9,511	



The maturity of financial liabilities is shown in the following table:

	2006		2005	
	Carring amount	Maturity	Carring amount	Maturity
	TEUR		TEUR	
Overdraft	1	on demand	1,571	on demand
Loan	0		540	on demand
Loan	0		5,000	12/2005 - 06/2012
Loan	0		2,400	11/2005 - 12/2009
Total	1		9,511	

The remaining terms of the financial liabilities are shown in the following table:

	Remaining term < 1 year	Remaining term 1-5 years	Remaining term >5 years	Total
	TEUR	TEUR	TEUR	
2006	1	0	0	1
2005	3,371	4,881	1,259	9,511

The book values equal the present values.

21. Provisions

The development of provisions is shown in the following table:

PROVISIONS 2006	Balance on 01.01.2006	Change in consolidation range	Use	Reversal	Addition	Balance on 31.12.2006
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Provisions for severance payments	138	0	-27	-30	25	107
Total non-current provisions	138	0	-27	-30	25	107
Other provisions	313	12	-229	-22	710	785
Total curren provisions	313	12	-229	-22	710	785
Total provisions	451	12	-255	-52	735	893

PROVISIONS 2005	Balance on 01.01.2006	Change in consolidation range	Use	Reversal	Addition	Balance on 31.12.2006
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Provisions for severance payments	96	45	-12	0	9	138
Total non-current provisions	96	45	-12	0	9	138
Other provisions	47	132	-92	-27	253	313
Total curren provisions	47	132	-92	-27	253	313
Total provisions	144	177	-104	-27	262	451

The development of provisions for severance payments is shown as follows:

	31.12.2006	31.12.2005
	TEUR	TEUR
Opening defined benefit obligation	138	96
Salary increase	9	27
Interest cost	4	5
Actuarial gains/losses	-44	-35
Change in consolidation range	0	45
Total	107	138

For calculating the provisions for severance payments the actuarial valuation method is used, based on the following assumptions:

	31.12.2006	31.12.2005
Discount rate	4.50 %	4.50 %
Future salary increase	4.00 %	4.00 %
Fluctuation rate considered	0.00 %	0.00 %
Retirement age	54-65 years	54-65 years
Mortality tables	AVÖ-P 1999	AVÖ-P 1999

Other provisions mainly include estimated consulting fees. They will affect payment in the following reporting period. The amount of this provision is based on the estimated consulting hours used.

22. Other liabilities

OTHER NON-CURRENT LIABILITIES	31.12.2005	31.12.2005
	TEUR	TEUR
Finance leases	69	90
Other interest-bearing liabilities	102	0
Liabilities owed to atypical silent partnership	0	76
Total	171	166

Regarding finance leases we refer to notes 12.

OTHER CURRENT LIABILITIES	31.12.2006	31.12.2005
	TEUR	TEUR
Liabilities owed to associates	833	518
Liabilities owed to fiscal authorities	498	84
Liabilities owed to social security providers	97	77
Liabilities owed to employees	1	7
Finance leases	21	20
Premiums and bonuses	457	348
Not customised holidays	193	138
Deferred income	70	69
Liabilities owed to atypical silent partnership	80	0
Miscellaneous	438	314
Total	2,688	1,575

Liabilities owed to atypical silent partnership are due on 31 January 2007. Their present value is discounted with an interest rate of 3.5 % (cost TEUR 80), which is appropriate to duration and risk.

The other liabilities owed to associates are non-interest bearing and short-term.

23. Payables to customers

Payables to customers are non interest-bearing and fully short-term. They equal their present values.

24. Provisions for deferred taxes

Deferred tax assets and provisions for deferred taxes of 31 December 2006 and 31 December 2005 are the result of the following temporary valuation and accounting differences between book values in the IFRS financial statements and the relevant tax bases:

DEFERRED TAXES	2006		2005	
	Assets	Equities and liabilities	Assets	Equities and liabilities
				TEUR
Property, plant and equipment	0	0	0	-27
Intangible asstes	0	-3,082	0	-1,165
Investments in an associate	23	0	38	0
Financial investments	8	-1	0	-7
Other assets	8	0	8	0
	39	-3,083	46	-1,199
Provisions	10	0	28	0
Other liabilities	29	0	13	0
	39	0	41	0
Tax loss carry-forwards	242	0	180	0
Unused tax credits (current-value depreciation of investments)	148	0	205	0
Deferred tax assets/provisions	468	-3,083	471	-1,199
Offset within legal tax units an jurisdictions	-23	23	-33	33
Net deferred tax assets and provisions	445	-3,060	438	-1,165

In accordance with IAS 12, the Group recognises tax losses in the amount of TEUR 287 that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets in the amount of TEUR 0 (2005: TEUR 58) have not been recognised in respect of these losses. Deferred taxes due to tax-loss carry forwards are recognised to the extent that it is probable that they will be chargeable against future taxable profit. There are no recognised tax loss carry forwards regarding foreign companies. Deferred taxes from unused parts of depreciation regard the current-value depreciation of investments that were allocated for tax reason over seven years (2006: TEUR 148; 2005: TEUR 205).

25. Risk report

The Group's principal financial instruments comprise bank loans and overdraft, debentures and finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

As there are no financial long-term liabilities, no risks due to changes in interest rates are given.

Foreign currency risk

The total amount of shown assets and liabilities in currencies other than the unit's functional currency in 2006 are TEUR 1,600 (2005: TEUR 124) (mainly liquid funds) and TEUR 995 (2005: TEUR 142) (other liabilities).

Due to the fact that transactions into foreign currencies have a small impact on the Group the foreign currency risk is not significant.

Credit risk

C-QUADRAT Group trades only with recognised, creditworthy third parties. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and (subordinated) financial leases. Regarding remaining terms of liabilities we refer to the information in the notes 19–22.



26. Related party disclosures

Companies or individuals are considered as a related party if this party has the possibility to control the other or exert leading influence on the finance- or business policy.

A company or an individual is related to C-QUADRAT if, directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries), has an interest in the entity that gives it significant influence over the entity; or has joint control over the entity. Further more a company or an individual is a related party if the party is an associate of the entity or the party is a member of the key management personnel of the entity or its parent.

C-QUADRAT Group has receivables with variable interest rate regarding shareholders, members of the executive board of the Group parent and members of the executive board of subsidiaries in the amount of TEUR 98 (2005: TEUR 146). The receivables are mature daily.

The executive board received remuneration – including TEUR 186 of performance-based payments – in the amount of TEUR 934 (2005: variable TEUR 85, total TEUR 876). Post employment benefits regarding severance payments for members of the executive board are TEUR 5 (2005: TEUR 9).

C-QUADRAT Investment AG, San Gabriel Privatstiftung and T.R. Privatstiftung abandoned an option regarding the sale or acquisition on ARTS Assetmanagement GmbH. As instalment TEUR 1,750 for the Privatstiftungen and TEUR 50 for C-QUADRAT Investment AG were agreed. Thereof the stake valuation increased by TEUR 3,500.

In 2006, revenues with associates in the amount of TEUR 1,370 (2005: TEUR 983) were earned. They mainly include fees, commission income and reimbursed cost.

Furthermore expenses in the amount of TEUR 2,479 (2005: TEUR 3,477) result from reimbursements of associates, mainly commission income.

On 30 June 2005 C-QUADRAT Kapitalanlage AG and VCH Investment Group AG (“VCH”) concluded an advisory contract, which covers the advisory of VCH by C-QUADRAT Kapitalanlage AG relating the investment funds issued by VCH. VCH is a owned by Angermayer, Brumme & Lange Group, where Christian Angermayer, who is also am member of the supervisory board of C-QUADRAT Group, is one of four owner. In 2006 the provisions and advisory revenues out of this contract add up to TEUR 73.

On 31 December 2006 TEUR 27 receivables existed. Since 20 October 2005 an advisory contract regarding the agency business exists. In 2006 provisions of TEUR 260 were gained. On 31 December 2006 no receivables existed.

Transactions with related parties are executed at arm’s length conditions.

27. Events after the balance sheet date

On 19 January 2007 C-QUADRAT Investment AG acquired real estate from the former sole-owner Österreichisches Rotes Kreuz. The purchase price of TEUR 6.500 was completely foreignfinanced, as well as the adaptation costs. In 2008 all companies of C-QUADRAT Group, located in Vienna will relocate to that building, this measure gives reasons for better usage of synergy effects and a decrease of rental charges.

On 9 February 2007 C-QUADRAT Investment AG sold its 5 % stakes of Ariconsult Fonds Marketing GmbH and its shares (66.6 %) of ARIQON Asset Management AG (former MAQON Asset Management AG) to Ariconsult Holding AG at a price of TEUR 1.000.

On 7 March 2007 the atypical silent partnership between the silent partner and Epicon Financial Services GmbH had been terminated according to paragraph 3 section 1 lit 9 and 1 Capital Market Law (KMG - Capital Market Law). The silent partner received a compensation of TEUR 80.

IX. Notes to the consolidated cash flow statement

The consolidated cash flow statement for the C-QUADRAT Group shows changes in cash and cash equivalents resulting from inflow and outflow of funds during the reporting year. The effects of the Group's acquisitions and disposals are eliminated and shown separately under "net of cash acquired by acquisition of subsidiaries" or "net payments made for the acquisition of subsidiaries". The consolidated cash flow statement differs between the cash flows from operating activities, cash flows from

investing activities and cash flows from financing activities. Data from foreign Group companies are generally translated at the exchange rate in effect on the balance sheet date. The consolidated cash flow statement uses the indirect method.

Cash and cash equivalents (liquid funds) include cash on hands and deposits with banks.

The non-cash affecting changing of the transaction regarding ARTS Asset Management GmbH from a loan to shareholders to an at equity consolidated company did not lead to a change in cash or cash equivalents – except the cash flow regarding the abdication of the option, considered in the cash flow from investing activities – and therefore is not part of the cash flow statement. Further details regarding this transaction can be found in notes 15.

X. Other information

Volume of managed funds

The development of C-QUADRAT Group's total volume (without advisory mandates) is shown below:

	31.12.2006	31.12.2005
	mEUR	mEUR
Total volume	790	604
	2006	2005
	Total	Total
Group	93	78
thereof inland	87	77
thereof abroad	6	1

These numbers include both full-time and part-time employees.



**Report of the Supervisory Board
of C-QUADRAT Investment AG**
as per Article 96 of the Austrian Stock
Corporation Law (AktG)

For the financial year 2006

In the 2006 financial year, the Supervisory Board of C-QUADRAT Investment AG held four ordinary meetings and two extraordinary meetings, namely one on 15 September 2006 and one on 20 October 2006. The following items were on the agenda of the extraordinary meetings: deliberations on and the passing of resolutions on the Company's proposed acquisitions (completed in the meantime), the intended partial utilization of the approved capital adopted in the summer of 2006 and the switch-over of the Company's listing to the Official Market segment of the Frankfurt Stock Exchange. The Audit and Preparatory Committee for Establishing the Annual Financial Statements held a meeting. Moreover, decisions were reached on the basis of the written answers obtained from questionnaires. All Supervisory Board meetings were duly entered in the minutes and took place in the presence of the Management Board. The agenda items and the resolutions passed by the Supervisory Board were recorded in detail in the minutes of the Supervisory Board's meetings. The Management Board informed the Supervisory Board about the Company's business situation and development on a regular basis and, in its meetings, assumed the responsibilities incumbent on the Company as per the law and the articles of incorporation. The Annual Financial Statements of C-QUADRAT Investment AG,

the Consolidated Financial Statements for the 2006 financial year, the Status Report and the Consolidated Annual Report were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.. The Final Audit Report did not raise any objections by the auditors and Unqualified Audit Certificates were issued. Out of the net profit of EUR 2,899,027.68 recorded in the Annual Financial Statements as at 31 December 2006, the Management Board proposed to distribute the amount of EUR 2,879,712 to the shareholders and carry over the remaining net profit of EUR 19,315.68 to the next financial year.

The Supervisory Board has approved the audit results, consented to the report submitted by the Management Board, agreed with its proposal on the appropriation of profits and adopted the 2006 Annual Financial Statements in accordance with Article 125, Paragraph 2 of the Austrian Stock Corporation Law. Following the audit, the Consolidated Financial Statements were taken note of.

The General Meeting is presented with the request to take note of the 2006 Annual Financial Statements and the 2006 Consolidated Financial Statements as submitted by the Management Board, to approve the appropriation of the profit as proposed by the Management Board and to discharge the Management Board and the Supervisory Board for the 2006 financial year.

Vienna, 30 March 2007

Marcus Diego Mautner Markhof h.c.
Chairman of the Supervisory Board

Executive Board

Gerd Alexander Schütz
Thomas Rieß
Peter Reisenhofer
Andreas Wimmer (since 17.03.2006)

Compensation paid to the members of the supervisory board in 2006 total TEUR 79 (2005: TEUR 15).

Supervisory Board

Marcus Diego Mautner-Markhof, Chairman
Thomas Lachs, Vice-Chairman
Christian Angermayer, Member (since 20.01.2006)
Franz Fuchs, Member
Golo Alexander Quandt, Member (since 20.01.2006)
Werner Rupp, Member (till 16.03.2006)
Friedrich Schweiger, Member
Peter Waldner, Member (till 16.03.2006)

FINANCIAL CALENDAR

	2007
Description	Date
2006 annual report	30 April 2007
AGM	27 April 2007
Interim report for first quarter of 2007	31 May 2007
Interim report for second quarter of 2007	31 August 2007
Analysts' conference	12-14 November 2007
Interim report for third quarter of 2007	30 November 2007

Publisher: C-QUADRAT Investment AG, Stubenring 2, 1010 Vienna. We have prepared this Annual Report with the greatest possible care and have examined the data that it contains. Nevertheless, rounding errors, typographic and printing errors cannot be excluded. When using automatic calculating devices, differences may occur during the addition of amounts and percentages that have been rounded off. This Annual Report also contains estimates and statements concerning the future, which C-QUADRAT made on the basis of all the information that was available at the time. It should be noted that the actual circumstances - and thus the actual results - can deviate from the expectations expressed in this report as a result of various factors. C-QUADRAT does not assume any guarantee concerning the actual occurrence of the estimates, forecasts, target figures, statements concerning the future and other statements and, therefore, these only pertain to the day on which they were made. C-QUADRAT does not assume any obligation to further develop such statements in the light of new information or future events. This Annual Report is not an offer to sell or the solicitation of an offer to buy any securities. In case of inconsistencies, the German-language version of the Notes shall be decisive.


Vienna, 23 March 2007



Gerd Alexander Schütz
Member of the
Executive Board



Thomas Rieß
Member of the
Executive Board



Peter Reisenhofer
Member of the
Executive Board



Andreas Wimmer
Member of the
Executive Board



the fund company