C-QUADRAT Investment AG

CONSOLIDATED INCOME STATEMENT

for the year January 1, 2007 to December 31, 2007

	Notes	2007 *TEUR*	2006 *TEUR*
Fee and commission income	1	47.437	39.186
Other operating income	2	1.541	1.676
Operating income		**48.977**	**40.862**
Fee and commission expenses		-26.324	-23.683
Personnel expenses	3	-7.634	-5.522
Other administrative expenses	4	-7.323	-5.281
Depreciation		-2.778	-1.103
Other operating expenses	5	-1.162	-1.046
Operating profit		**3.757**	**4.229**
Income from associates	6	1.912	501
Finance revenue	7	1.878	1.470
Finance expenses	8	-598	-340
Profit before tax		**6.949**	**5.860**
Tax	9	-1.268	-1.138
Net Profit		**5.682**	**4.722**
thereof parent		5.464	4.724
thereof minorities		218	-2
Earnings per share	10		
- basic, for the profit for the year attributable to ordinary equity holders of the parent		1,25	1,28
- diluted, for the profit for the year attributable to ordinary equity holders of the parent		1,25	1,28

C-QUADRAT Investment AG

CONSOLIDATED BALANCE SHEET

for the year ended December 31, 2007

ASSETS	Notes	31.12.2007 *TEUR*	31.12.2006 *TEUR*
Non-current assets			
Intangible Assets	12	23.067	22.635
Property, plant and equipment	12	887	1.037
Investments in associates	13	8.959	8.136
Financial investments	14	260	721
Deferred tax asset	23	261	445
		33.434	32.974
Current assets			
Receivables from customers	15	8.061	8.463
Other assets	16	3.452	4.038
Financial investments	14	5.610	5.614
Cash an cash equivalents	17	7.412	6.500
		24.535	24.615
Non-current assets, held for sale	18	7.676	863
		32.210	25.477
Total assets		**65.645**	**58.451**
EQUITY and LIABILITIES			
Issued capital	19	4.363	4.363
Add paid-in capital	19	26.554	26.554
Retained earnings	19	5.724	3.140
Other reserves	19	-22	-36
Revaluation Reserve	III	652	0
Equity attributable to shareholders of the parents		**37.271**	**34.021**
Minority interests		6.132	6.770
Total equity		**43.404**	**40.791**
Non-current liabilities			
Non-current provisions	21	89	107
Other non-current liabilities	22	0	2.171
Deferred tax liabilities	23	3.526	3.060
		3.614	5.338
Current liabilities			
Short-term financial liabilities	20	0	1
Payables to customers	24	6.713	8.846
Other current liabilities	22	3.831	2.150
Other provisions	21	412	785
Income tax payable	0	307	463
		11.262	12.245
Non-current liabilities, held for sale	18	7.365	76
		18.627	12.322
Total liabilities		**22.241**	**17.660**
Total equity and liabilities		**65.645**	**58.451**

C-QUADRAT Investment AG

CONSOLIDATED CASH FLOW STATEMENT

for the year January 1, 2007 to June 31, 2007

	Notes	2007 TEUR	2006 TEUR
Net Profit		5.682	4.722
Tax		1.268	1.138
Financial result		-1.280	-1.130
Income from associates		-1.912	-501
Depreciation of intangible assets, property, plant and equipment		2.778	1.103
Increase/decrease in long term provisions		-19	1.032
Income/loss from the disposal of fixed and financial assets		-28	-7
Increase/decrease in receivables and other assets		988	-2.362
Increase/decrease in other provisions		-374	460
Increase/decrease in trade payables		-2.246	3.307
Income tax paid		-1.278	-909
Cash flow from operating activities	VIII	**3.578**	**6.853**
Proceeds from sale of assets		25	10
Purchase of property, plant and equipment and intangible assets		-7.296	-603
Payments made for acquisitions of associates		0	-4.500
Net payments made for the acquisition of subsidiaries		-1.265	-9.242
Payments made for issue of loans to associates		0	-800
Payments made for purchase of shares from other shareholders		-35	-844
Payments made for the investments in financial assets		-5.738	-5.376
Proceeds from sale of subsidiary company		200	0
Proceeds from sale of associated company		800	0
Proceeds from sale of financial assets		4.977	20
Proceeds from repaid loans to shareholders		0	900
Interest received		258	340
Dividends received		1.602	771
Cash flow from investing activities	VIII	**-6.472**	**-19.324**
Proceeds from increase of capital		0	26.400
Dividends paid	3	-2.880	-3.300
Interest paid		-598	-340
Payment of finance lease liabilities		7.296	0
Proceeds from borrowings		-12	-20
Repayments of borrowings		0	-9.510
Cash flow from financing activities	VIII	**3.806**	**13.231**
Net increase in cash and cash equivalents	VIII	**912**	**759**
Cash and cash equivalents at beginning of period		6.500	5.742
Cash and cash equivalents at end of period		**7.412**	**6.500**

C-QUADRAT Investment AG
Consolidated statement of changes in equity
for the year ended 31 December 2006

	Equity attributable to equity holder of the parent							
	Issued capital *in TEUR*	Add paid-in capital *in TEUR*	Retained earnings *in TEUR*	Other reserves *in TEUR*	Revaluation reserve *in TEUR*	Shareholders' equity *in TEUR*	Minority interest *in TEUR*	Total equity *in TEUR*
31.12.2005	**3.636**	**209**	**1.716**	**-2**	**0**	**5.559**	**431**	**5.990**
Net profit for available-for-sale financial assets	0	0	0	-31	0	-31	0	-31
Currency-conversion	0	0	0	-3	0	-3	0	-3
Total income and expense for the period recognised directly in equity	0	0	0	-34	0	-34	0	-34
Profit	0	0	4.724	0	0	4.724	-2	4.722
Total income and expense for the period	0	0	4.724	-34	0	4.690	-2	4.688
Capital increase	727	26.345	0	0	0	27.072		27.072
Increase in minority interest							6.544	6.544
Decrease in minority interest							-203	-203
Dividends	0	0	-3.300	0	0	-3.300	0	-3.300
31.12.2006	**4.363**	**26.554**	**3.140**	**-36**	**0**	**34.021**	**6.770**	**40.791**
Net profit for available-for-sale financial assets	0	0	0	1	0	1	0	1
Currency-conversion	0	0	-283	13	0	13	7	21
Revaluation caused by step acqusition of subsidiary company	0	0	0	0	652	652	0	652
Total income and expense for the period recognised directly in equity	0	0	0	15	652	666	7	674
Profit	0	0	5.464	0	0	5.464	218	5.682
Total income and expense for the period	0	0	5.464	15	652	6.130	225	6.355
Decrease in minority interest							-863	-863
Dividends	0	0	-2.880	0	0	-2.880	0	-2.880
31.12.2006	**4.363**	**26.554**	**5.724**	**-22**	**652**	**37.271**	**6.132**	**43.404**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION ON THE COMPANY

The C-QUADRAT Group, including its subsidiaries and investments, is a European investment 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 well as specialist mandates for institutional clients. As a manager of structured products that are issued in cooperation with major international banks and a broker for financial institutions, C-QUADRAT has established itself in a further attractive business segment in Austria and Germany. With regard to these business activities, the C-QUADRAT Group mainly receives fee and commission income from the brokerage and asset management of the products mentioned above.

Due to its historical development, the Group previously focused its business on Austria, but is now expanding steadily in the CEE countries and, most notably, in Germany.

The head office of the Group parent is located at Stubenring 2, 1010 Vienna, Austria. The parent is registered with the commercial register of the Vienna Local Court under registration number 55148a.

II. ACCOUNTING PRINCIPLES

2.1. Principles of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2007 were prepared in accordance with Directive 83/349 EEC on the basis of the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committees (IFRIC), as required to be applied within the EU.

The present consolidated financial statements cover the period from 1 January 2007 to 31 December 2007 and consist of the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements.

The consolidated financial statements are prepared in euros and presented as rounded figures in thousands of euros (EUR thousand). Due to the use of automated calculating aids, differences may occur as a result of the accumulation of rounded amounts and percentages.

The consolidated financial statements of the C-QUADRAT Group for the financial year ended 31 December 2007 will be released for publication by the Supervisory Board on 31 March 2008 (date of release by the Executive Board to the Supervisory Board for approval). The consolidated financial statements for the year ended 31 December 2006 were released for publication on 30 March 2007.

Consolidation principles

As the parent of the C-QUADRAT Group, C-QUADRAT Investment AG prepares the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). All significant subsidiaries – whether directly or indirectly controlled by C-QUADRAT Investment AG – are included in the consolidated financial statements in full. The financial statements of fully consolidated subsidiaries are prepared using uniform accounting policies at the same reporting date as the financial statements of the parent company and are included in the consolidated financial statements at the same reporting date as the

parent company. In accordance with IAS 27, the balance sheet date of the consolidated financial statements is the same as the balance sheet date of the parent.

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group gains control. They are deconsolidated as soon as the parent loses control. Minority interests represent the portion of profit or loss and net assets that is not attributable to the Group. Minority interests are shown separately in the consolidated income statement and the consolidated balance sheet. In the consolidated balance sheet, they are reported in equity separately from the equity attributable to the shareholders of the parent. The acquisition of minority interests is accounted for using the parent entity extension method, with the difference between the purchase price and the carrying amount of the pro rata net assets acquired recognised as goodwill.

In the case of fully consolidated subsidiaries, capital consolidation is performed using the purchase method specified in IFRS 3 for company acquisitions and the acquisition of shares in companies that are already controlled by the Group. The assets, liabilities and contingent liabilities acquired are first recognised at their fair values at the acquisition date. 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 is recognised as goodwill. Any excess of the fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost is recognised immediately in profit or loss.

Intragroup receivables and liabilities, revenues and other income and expenses arising between fully consolidated companies are eliminated. Deferred taxes are recognised to reflect the income tax effects of consolidation entries recognised in profit or loss.

Intragroup profits and losses, which arise from the sale of goods or services between Group companies and are recognised in current or non-current assets, are eliminated.

Investments in companies over which the parent can exercise a significant influence (associates) are accounted for using the equity method. The same reporting date and accounting policies are applied for similar business transactions of the Group and its associates.

2.2. Changes in accounting policies

As a matter of principle, the accounting policies applied are the same in the previous year with the following exceptions:

The Group applied the following new and revised IFRS or IAS standards and interpretations in the past financial year. With the exception of additional disclosure requirements, the application of these new or revised standards and interpretations did not give rise to any effects on the consolidated financial statements:

- IAS 1 – Presentation of Financial Statements
- IFRS 7 – Financial Instruments: Disclosures
- IFRIC 7 – Applying the Restatement Approach under IAS 29
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 10 – Interim Financial Reporting and Impairment

The changes to **IAS 1** relate to additional qualitative and quantitative disclosure requirements regarding equity for financial years starting on or after 1 January 2007. In particular, this relates to information on legal requirements, targets, methods and processes of capital management. The application of IAS 1.124A to 1.124C has resulted in additional qualitative

and quantitative disclosures on targets, methods and processes of capital management in the consolidated financial statements.

IFRS 7 supersedes IAS 30 in full and IAS 32 in part, and applies for financial years starting on or after 1 January 2007. The aim of this standard is to convey information of relevance to decisions on the amount, time and probability of future cash flows from financial instruments. This standard also introduces new requirements for reporting risks linked to financial instruments, which affect the presentation of the financial statements. This change will increase the amount of information provided on financial instruments. It must be applied irrespective of the sectors involved.

IFRIC 7 states that any company that establishes in the reporting period that its reporting currency is the functional currency of a hyperinflationary country which was not yet hyperinflationary in the previous year must apply IAS 29 (Financial Reporting in Hyperinflationary Economies) as if this country had always been hyperinflationary. This interpretation applies for financial years starting on or after 1 March 2006, but did not affect on the Group's net assets or financial position in the 2007 financial year.

IFRIC 8 regulates the application of IFRS 2 to all agreements where the fair value of the consideration paid is less than the fair value of the equity instruments granted by the company. It applies for financial years starting on or after 1 March 2006. As the Group only granted equity instruments to employees as part of a stock option plan in 2008, the application of this interpretation in the 2007 financial year had no effect on the Group's net assets and financial position.

IFRIC 9 states that, when a company becomes the counterparty to a contract, it must decide whether any derivatives embedded in that contract are to be separated from the underlying contract and recognised as derivatives. Any subsequent reassessment is only possible if the contractual conditions are changed in such a way that the cash flows are modified considerably. This interpretation applies for financial years starting on or after 1 June 2006. As no contracts involving embedded derivatives were concluded by the Group, this interpretation had no effect on the Group's assets and financial position in the 2007 financial year.

IFRIC 10 states that a company may not reverse an impairment loss for goodwill, equity instruments held or assets recognised at cost in its subsequent interim or annual financial statements. This interpretation applies for financial years starting on or after 1 November 2007. As no impairment losses were recognised in the 2007 financial year, this interpretation had no effect on the Group's net assets or financial position.

2.2.1.1. Published IFRSs whose application is not yet compulsory and which were not applied prematurely

The IASB published additional standards and interpretations, the application of which was not yet compulsory in the 2007 financial year. C-QUADRAT did not apply such standards and interpretations prematurely (to the extent that such application was possible) and has resolved to only apply such standards and interpretations from the dates prescribed therein.

This relates in particular to the following standards and interpretations:

The provisions on the presentation of other comprehensive income and equity contained in the changes to **IAS 1** published in September 2007. These provisions will be applied from 2009.

IAS 23 (Borrowing Costs) was published in March 2007 and is applicable for the first time for financial years starting on or after 1 January 2009. The standard requires the capitalisation of

borrowing costs that can be attributed to a qualifying asset. A qualifying asset is an asset requiring a considerable period of time to be brought into a usable or saleable condition. In accordance with the transitional provisions contained in the standard, the Group intends to apply the standard prospectively. Accordingly, borrowing costs on qualifying assets will be capitalised from 1 January 2009. This will not result in any changes in the borrowing costs incurred to date, which were recognised in income immediately.

IFRS 8 (Operating Segments), which harmonises the provisions on segment reporting in US GAAP and IFRS by largely adopting the management approach set out in SFAS 131, was not applied. This standard applies for financial years starting on or after 1 January 2009 and demands the disclosure of information on the Group's operating segments. It supersedes the obligation to define primary (operating) and secondary (geographical) reporting segments for the Group. Contrary to the previous approach based on risks and rewards, the application of this standard and the management approach to segment reporting will result in the definition of the Group's operating segments on the basis of the internal management of its divisions, whose operating results are regularly reviewed by the company's Executive Board in order to make decisions on the allocation of resources, and the assessment of their earnings power.

IFRIC 11 (IFRS 2: Group and Treasury Share Transactions), which examines the question of whether rights to equity instruments (e.g. stock options) granted to employees should be recognised as compensation in the form of equity instruments or as cash compensation and the treatment of share-based remuneration transactions in which two or more companies from the same group are involved, was not applied. The relevant provisions are applicable in the first reporting period of any financial year starting on or after 1 March 2007.

IFRIC 12 (Service Concession Arrangements) regulates agreements under which a government or another public sector institution awards contracts to private operators for the provision of public services such as roads, airports, prisons, energy and water supply and distribution systems. IFRIC 12 applies for financial years starting on or after 1 January 2008. However, this interpretation will not apply to the C-QUADRAT Group because of its business operations, and will therefore have no effect on its financial position, results of operations or cash flows.

IFRIC 13 (Customer Loyalty Programmes) was published in June 2007 and applies for the first time to financial years starting on or after 1 July 2008. According to this interpretation, benefits (bonuses) granted to customers must be recognised as a separate revenue component from the transaction under which they were granted. A portion of the fair value of the consideration received must therefore be allocated to the benefits (bonuses) granted and deferred. The revenue is realised in the period in which the benefits (bonuses) granted are exercised or lapse. As the Group does not currently have any customer loyalty programmes, this interpretation is not expected to have an effect on the consolidated financial statements.

IFRIC 14 (IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) was published in July 2007 and applies for the first time to financial years starting on or after 1 January 2008. This interpretation provides guidance on determining the maximum amount of the surplus from a defined benefit plan which may be capitalised in accordance with IAS 19 Employee Benefits.

With the exception of IFRS 8 and IFRIC 11, the new or amended standards and interpretations listed above had not been adopted by the EU at the date on which these financial statements were released. On the whole, the Group assumes that, with the exception of additional disclosure requirements in the notes, the application of the standards and interpretations listed above – to the extent that they are applicable at all – will not have a material impact on the consolidated financial statements for the respective financial year.

2.3. Significant estimates and assumptions

In preparing the consolidated financial statements, it is necessary to estimate certain figures and make assumptions that affect the recognition of assets and liabilities, the disclosure of other obligations as of the balance sheet date and the recognition of income and expenses during the reporting period. Although the actual figures may differ from these estimates, the Executive Board is of the opinion that this will not lead to material negative differences in the consolidated financial statements in the near future. The measurement of provisions for severance payments in particular is based on assumed discount rates, retirement ages and fluctuation rates.

This also applies to the fair value of the intangible assets acquired in a business combination. Goodwill is also estimated with regard to the future economic benefits and the discount rate. Goodwill is reviewed for impairment at least once a year. This requires an estimate of the value in use of the cash-generating unit to which the goodwill belongs. In order to estimate the value in use, the Group's management must estimate the anticipated future cash flows from a cash-generating unit and assume an appropriate discount rate in calculating the present value of these cash flows.

To calculate the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2006: 12%) in order to reflect current market expectations with regard to the time value of money and the specific risks relating to the asset. Accordingly, a detailed calculation for the period from 2008 to 2010 approved by the Supervisory Board and a forecast for 2010 to 2013 applying a constant growth rate of 2% for revenue and the corresponding expenses was applied. For periods after 2013, the forecast data for 2013 was assumed to be constant.
In the sensitivity analysis of the effects of changes in exchange rates, the sensitivity of a 5% rise or fall in the CHF and the USD against the euro is analysed. The figure of 5% represents the Executive Board's assessment of possible fluctuations in the exchange rates of the respective currencies.

With the exception of the estimates and assumptions listed above, no other material estimates or assumptions are applied in preparing the consolidated financial statements.

2.4. Summary of significant accounting policies

General accounting policies

The consolidated financial statements are prepared in accordance with the cost method, with the exception of financial assets measured at fair value through profit or loss and non-current financial assets held for sale, which are measured at fair value.

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

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

Foreign currency translation

The consolidated financial statements are prepared in euros, the Group's functional and reporting currency. Each company within the Group stipulates its own functional currency. Items included in the respective company's financial statements are measured using this functional currency. Foreign currency transactions are initially translated into the Group's functional currency at the spot exchange rate on the date on which they occur. Monetary assets and liabilities are converted into foreign currency at each balance sheet date using

the average exchange rate at that date. All exchange rate differences are recognised in profit or loss. Non-monetary items that are carried at cost in a foreign currency are translated at the exchange rate on the date on which the respective transaction occurred. Non-monetary items that are recognised at their fair value in a foreign currency are translated at the exchange rate prevailing on the date on which the fair value was calculated. Any goodwill arising in connection with the acquisition of a foreign business and any adjustments to the carrying amounts of the assets and liabilities acquired as a result are recognised as assets and liabilities of the respective foreign business and translated at the applicable exchange rate on the balance sheet date.

The financial statements of foreign companies are translated into euros using the functional currency method. As all of the Group's foreign companies operate independently from a financial, economic and organisational perspective, the functional currency is the relevant local currency in each case. All balance sheet items are translated into the Group's functional currency (euros) using the closing rate on 31 December 2007. Income and expense items are translated at the weighted average rate for the financial year as a whole. Currency translation differences are reported as a separate component of equity. Differences between the closing rate used in the balance sheet and the average rate used in the income statement are also recognised in this item.

The following exchange rates were used for currency translation:

	Closing rate		**Average rate for the year**	
in EUR	**31 Dec. 2007**	31 Dec. 2006	**2007**	2006
CHF	**0.603**	0.621	**0.612**	0.632
USD	**0.679**	0.758	**0.718**	0.801

Property, plant and equipment

Property, plant and equipment is measured at cost – not including the cost of ongoing maintenance – less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment includes the cost of replacing part of the item at the date on which the costs are incurred, providing that the relevant reporting criteria are met.

Straight-line depreciation is performed on the basis of the estimated useful lives of the respective assets. Property, plant and equipment is written down over a period of 3 to 10 years.

The cost of major servicing is recognised in the carrying amount of the relevant item of property, plant and equipment if the reporting criteria are met.

An item of property, plant and equipment is derecognised either on disposal or if no economic benefit is expected from the ongoing use or sale of the asset. Gains or losses on the disposal of assets are calculated as the difference between the net sales proceeds and the carrying amount of the asset, and are recognised in the income statement in the period in which the asset is derecognised.

Residual values, useful lives and depreciation policies are reviewed at the end of each financial year and adjusted if necessary.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. This includes recognising the identifiable assets (including intangible assets not previously recognised) and

liabilities (including contingent liabilities, but excluding future restructuring) of the acquired business at their fair values.

Goodwill acquired in a business combination is initially measured at cost, i.e. the excess of the cost of the business combination over the purchaser's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units or groups of cash-generating units which benefit from the synergies generated by the business combination starting from the acquisition date. This is the case irrespective of whether other assets or liabilities belonging to the purchaser are allocated to these cash-generating units or groups of cash-generating units. A cash-generating unit or a group of cash-generating units to which goodwill is allocated

- must represent the lowest level within the Company at which goodwill is monitored for the purposes of internal corporate management, and
- must not be larger than a segment used in the Group's primary or secondary reporting format in accordance with in IAS 14 (Segment Reporting).

Within the Group, cash-generating units generally match the corresponding legal units. Because of the close business relationships and joint operations within the Absolute Plus Group, which consists of Absolute Plus AG, Absolute Plus Zürich AG and Absolute Portfolio Management Ltd., these three companies are considered to represent one cash-generating unit to which goodwill acquired in the course of a business combination is allocated.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and a part of the respective unit's operations is sold, the goodwill attributable to the operations sold must be recognised as a component of the carrying amount of the operations when calculating the gain or loss on the sale of the operations. The value of the sold element of goodwill is calculated on the basis of the relative values of the operations sold and retained.

Intangible assets

Individually acquired intangible assets are carried at cost on initial recognition. The cost of intangible assets acquired as part of a business combination corresponds to their fair value at the acquisition date. In subsequent periods, intangible assets are carried at cost less accumulated amortisation and impairment.

Straight-line amortisation is performed on the basis of the useful lives of the respective assets. Intangible assets are amortised over a period of 3 to 8 years.

Intangible assets with a limited useful life are amortised over their economic life and tested for potential impairment if there are grounds to suspect that they could be impaired. In the case of intangible assets with a limited useful life, the useful life and amortisation method are reviewed at least at the end of each financial year. Any necessary changes to the amortisation method and useful life are treated as changes to estimates. The amortisation of intangible assets with a limited useful life is recognised in the income statement as a separate expense item.

Investments in associates

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

Under the equity method, investments in associates are recognised in the balance sheet at cost plus any changes in the Group's interest in the net assets of the associate after the

acquisition date. The goodwill associated with associates is recognised in the carrying amount of the Group's interest and is not amortised. The Group's interest in the profit or loss of the associate is recognised in the income statement. Changes recognised directly in the equity of the associate are recognised by the Group in the proportion of its interest in the associate and – where appropriate – reported in the statement of changes in equity. Profits and losses from transactions between the Group and the associate are eliminated in accordance with the Group's interest in the associate.

The same reporting date and accounting policies are applied for similar business transactions of the Group and its associates that are conducted under similar circumstances.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any evidence that an asset may be impaired. If any such evidence exists or when annual impairment testing for an asset is required, the Group makes an estimate of the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable amount must to be determined for each individual asset unless an asset does not generate any cash flows that are largely independent of other assets or other groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and must be written down to its recoverable amount. In calculating the value in use, the anticipated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations regarding the time value of money and the risks incidental to the asset. An appropriate valuation model is used to determine the fair value less costs to sell. This is based on valuation multiples or other available indicators of the fair value.

Impairment losses on continuing operations are recognised in the income statement as a separate expense item. This is not the case for remeasured assets if the respective remeasurement gains were recognised in equity. In this case, the impairment losses are taken directly to equity up to the amount recognised due to previous remeasurement.

At each reporting date, all assets other than goodwill are reviewed to determine whether there is any evidence that an impairment loss previously recognised no longer applies or has reduced. If such evidence exists, the Group must estimate the recoverable amount of the asset. Any previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. However, this amount may not exceed the carrying amount of the asset less depreciation or amortisation if no impairment losses had been recognised in previous years. Any such reversals of write-downs are recognised immediately in net profit for the period unless the asset is carried at its remeasured amount. In this case, the reversal must be treated as a remeasurement gain. Impairment losses on goodwill may not be reversed in subsequent periods even if the recoverable amount increases.

The following criteria must also be taken into account for specific assets:

Goodwill

The value of goodwill is reviewed at least once a year. Impairment testing is also performed if events or circumstances indicate that the carrying amount of goodwill could be impaired. Impairment is determined by calculating the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill was allocated. If the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill was allocated is lower than its fair value, an impairment loss is recognised. Impairment losses recognised for goodwill may not be reversed in subsequent periods. The Group performs the annual impairment testing of goodwill on 31 December.

Associates
In accordance with the equity method, the Group must establish whether it is necessary to recognise an additional impairment loss for its investments in associates. At each reporting date, the Group establishes the extent to which there is objective evidence that an investment in an associate is impaired. If this is the case, the difference between the fair value of the associate and its cost is recognised in income as an impairment loss.

Financial investments and other financial assets

Depending on the individual circumstances, financial assets within the meaning of IAS 39 are classified as financial assets measured at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets. Financial assets are allocated to measurement categories following their initial recognition. Any reclassifications are performed at the end of each financial year to the extent that they are permissible and appear necessary.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the company entered into a commitment to purchase the respective asset. Regular way purchases and sales are purchases or sales of financial instruments that stipulate delivery of the assets within a period specified by market rules or conventions.

Financial assets measured at fair value through profit and loss
The category of financial assets measured at fair value through profit and loss contains financial assets that are held for trading and financial assets classified as “at fair value through profit and loss on initial recognition”.

Financial assets are classified as held for trading if they are acquired with the intention of being sold in the near future. Gains or losses on financial assets held for trading are recognised in profit or loss.

Financial assets may be designated as “at fair value through profit and loss on initial recognition” if the following criteria are met: (i) this classification would rectify or reduce substantial incongruities that would result from the assets being measured otherwise or from the recognition of gains and losses using different measurement polices; or (ii) the assets form part of a group of financial assets that are managed in accordance with a documented risk management strategy and their performance is assessed on the basis of their fair value.

Held-to-maturity financial investments
Held-to-maturity financial investments are non-derivative financial assets with fixed or at least determinable payment amounts and fixed maturities which the Group intends and is in a position to hold to maturity. After initial recognition, held-to-maturity financial investments are measured at amortised cost. This is the amount at which the asset was measured on initial recognition, less repayments, plus or minus any accumulated amortisation for potential differences between the amount originally recognised and the amount repayable on maturity in accordance with the effective interest method, and less any impairment losses. This calculation includes all charges and other fees paid or received between the counterparties that form an integral part of the effective interest rate, the transaction costs and all other premiums and discounts. Gains and losses are recognised in profit or loss in the period in which the financial investments are derecognised or written down and as part of amortisation.

The “held-to-maturity financial investments” category is not currently used by the Group.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, loans and receivables are measured at amortised cost in accordance with the effective interest rate method less any impairment losses. Amortised cost is calculated taking into account all discounts and premiums on acquisition and all charges that form an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss in the period in which the loans and receivables are derecognised or written down and as part of amortisation.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets that are classified as available for sale and that are not contained in one of the three categories listed above. After initial recognition, available-for-sale financial assets are measured at fair value with unrealised gains or losses taken directly to equity and recognised in the reserve for unrealised gains and losses. Available-for-sale equity instruments whose fair value cannot be reliably determined are carried at cost less any necessary impairment losses. When available-for-sale financial investments are sold, the cumulative gain or loss previously recognised in equity is reclassified to the income statement and recognised in profit or loss. Interest received or paid on financial investments is shown as interest income or expense.

The effective interest rate method is applied. Dividends on financial investments are recognised in income as dividends received when the legal claim to payment arises.

Fair value

The fair value of financial investments traded on an organised market is based on the listed market price (bid rate) on the balance sheet date. The fair value of financial investments for which no active market exists is estimated using valuation methods. These valuation methods include the most recent transactions between knowledgeable, willing parties in arm's length transactions, comparisons with the current fair value of another, essentially identical financial instrument, discounted cash flow analyses and other valuation methods.

Impairment of financial assets

On each reporting date, the Group must establish whether financial assets or groups of financial assets are impaired.

Assets carried at amortised cost

If there is objective evidence that loans and receivables carried at amortised cost are impaired, the amount of the impairment loss recognised is the difference between the carrying amount of the asset and the present value of the expected future cash flows (with the exception of expected future loan defaults that have not yet occurred), discounted using the original effective interest rate of the financial asset (i.e. the effective interest rate established on initial recognition). The carrying amount of the asset is reduced by the amount thus calculated and the impairment loss is recognised in the income statement.

The company starts by establishing whether there is objective evidence of impairment in the case of individual material and immaterial financial assets. If the Group establishes that there is objective evidence of impairment for an individual financial asset examined in this manner, whether material or immaterial, the financial asset is written down in the amount of the expected loss.

If the amount of an impairment loss decreases in a subsequent reporting period and this decrease can be objectively attributed to an event that occurred after the impairment loss was recognised, the impairment loss may be reversed. The amount of the reversal is limited to the amortised cost at the reversal date. The reversal is recognised in the income statement.

If, in the case of receivables from customers, there is objective evidence that not all amounts due will be received in accordance with the originally agreed invoice terms (such as the probability of insolvency or significant financial difficulties on the part of the debtor), an impairment loss is recognised. Impairment losses are derecognised when the corresponding receivables are classified as irrecoverable.

Available-for-sale financial investments
If the value of an available-for-sale asset is impaired, the amount recognised in equity that represents the difference between cost (less any repayments and cumulative amortisation) and the current fair value less any impairment losses previously recognised in income is transferred to the income statement. Reversals of impairment losses on equity instruments classified as available for sale are not recognised in the income statement.

Reversals of impairment losses on debt instruments classified as available for sale are recognised in the income statement if the increase in the fair value of the instrument can be objectively attributed to an event that occurred after the impairment loss was recognised in the income statement.

Receivables from customers and other assets

Receivables from customers and other assets are carried at amortised cost. Individually identifiable risks are taken into account through the recognition of appropriate valuation allowances. Non-interest-bearing receivables with a term of more than one year are carried at their present value discounted to reflect their maturity and risk. Foreign currency receivables in the single-entity financial statements of Group companies are translated at the average exchange rate on the balance sheet date. Receivables are derecognised when they are considered to be irrecoverable.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash on hand, bank balances and short-term balances with a residual term of up to three months from the acquisition date. Cash and cash equivalents in the consolidated cash flow statement are classified in accordance with this definition.

Non-current assets held for sale and liabilities relating to such assets

Non-current assets or disposal groups and liabilities relating to such assets are classified as held for sale if the associated carrying amount is predominantly realised through a sale transaction rather than through the continued use of the assets. This condition is only considered to be met if the sale is highly likely, the asset (or disposal group) is available for immediate sale in its current state and the Group’s management has made a commitment to its sale. Accordingly, it must be assumed that a completed sale will be recognised within a year of an asset’s classification as held for sale.

Non-current assets (and disposal groups) which are classified as held for sale are measured at the lower of their original carrying amount and their fair value less disposal costs.

Financial liabilities

Depending on the individual circumstances, financial liabilities within the meaning of IAS 39 are classified as financial liabilities measured at fair value through profit or loss or as other liabilities. Financial liabilities are allocated to measurement categories following their initial recognition. Any reclassifications are performed at the end of each financial year to the extent that they are permissible and appear necessary.

Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and other financial liabilities classified as “at fair value through profit or loss on initial recognition”.

Financial liabilities are classified as held for trading if they are acquired with the intention of being sold in the near future. Gains or losses on financial liabilities held for trading are recognised in profit or loss.

Financial liabilities may be designated as “at fair value through profit and loss on initial recognition” if the following criteria are met: (i) this classification would rectify or reduce substantial incongruities that would result from the assets being measured otherwise or from the recognition of gains and losses using different measurement policies; (ii) the liabilities form part of a group of financial liabilities that are managed in accordance with a documented risk management strategy and their performance is assessed on the basis of their fair value; or (iii) the financial liability contains an embedded derivative that must recognised separately.

The “financial liabilities measured at fair value through profit or loss” category is not currently used by the Group.

Other liabilities
Other liabilities, including financial liabilities, are measured at fair value less transaction costs on initial recognition. Subsequent to initial recognition, other liabilities are carried at amortised cost in accordance with the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised and as part of amortisation.

Derecognition of financial assets and financial liabilities

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

- The contractual rights to receive the cash flows from a financial asset have lapsed.
- While the Group retains the rights to receive the cash flows from a financial asset, it has assumed a contractual obligation to pay such cash flows to a third party immediately as part of an agreement that meets the conditions set out in IAS 39.19 (pass-through arrangement).
- The Group has assigned its contractual rights to receive the cash flows from a financial asset and, at the same time, (a) has transferred essentially all of the risks and rewards associated with ownership of the financial asset or (b) has neither transferred nor retained essentially all of the risks and rewards associated with ownership of the financial asset but has assigned the power to dispose of the asset.

If the Group assigns its contractual rights to receive the cash flows from an asset, neither transfers nor retains essentially all of the risks and rewards associated with ownership of the asset and, at the same time, also retains the power to dispose of the assigned asset, the Group must continue to recognise the assigned asset in the amount of its continuing involvement. If the form of the continuing involvement serves to guarantee the assigned asset, the extent of the continuing involvement corresponds to the lower of the original carrying amount of the asset and the maximum amount of the consideration received which the Group might be required to repay.

If the form of the continuing involvement is a subscribed and/or acquired option for the assigned asset (including options that are serviced through a cash settlement or in a similar

manner), the extent of the Group's continuing involvement corresponds to the amount of the assigned option that can be bought back. In the case of put options for assets that are measured at fair value (including options that are serviced through a cash settlement or in a similar manner), however, the extent of the Group's continuing involvement is limited to the lower of the fair value of the assigned asset and the strike price of the option.

Financial liabilities
Financial liabilities are derecognised if the obligation on which the liability is based is discharged, is terminated or lapses. If an existing financial liability is superseded by another financial liability from the same lender with substantially different contractual conditions or the conditions of an existing liability are changed significantly, any such replacement or change is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the income statement.

Leases

The decision as to whether an agreement contains a lease is reached on the basis of the economic content of the agreement at the conclusion date and requires an assessment of whether the fulfilment of the contractual agreement depends on the use of a specific asset or assets and whether the agreement grants a right to use those asset or assets. After the lease comes into force, the decision as to whether an agreement contains a lease may only be reviewed if one of the following conditions is met:

a. there is a change to the contractual conditions, unless this change relates solely to the renewal or extension of the agreement;
b. an option to renew is exercised or an extension is granted, unless the renewal or extension provisions were already taken into account in the original term of the lease;
c. there is a change to the decision on whether fulfilment depends on a specific asset; or
d. there is a material change to the asset.

If a review is performed, accounting for the lease must start or end:

- in the case of a), c) or d), from the date on which the change in circumstances which triggered the reassessment occurs;
- in the case of b), from the start of the renewal or extension period.

In accordance with IAS 17, the economic ownership of leased assets is assigned to the lessee when substantially all of the risks and rewards incidental to ownership are transferred to the lessee. When ownership is transferred to the C-QUADRAT Group, the leased property, plant and equipment is capitalised at the lower of the fair value of the leased item or the present value of the minimum lease payments in accordance with IAS 17. Lease payments are apportioned between the finance charge and the reduction of the lease liability in order to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised immediately in income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, providing that an option to acquire the asset is not expected to be exercised.

All leases other than finance leases are classified as operating leases, with the leased assets being recognised in the balance sheet of the lessor. Operating lease payments are expensed on a straight-line basis over the lease term.

Other liabilities

Liabilities are carried at amortised cost unless recognised at fair value through profit and loss. Gains and losses are recognised in profit or loss when the liability is derecognised and as part of amortisation.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation resulting from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group expects to be reimbursed for a provision, at least in part (such as in the case of an insurance policy), the reimbursement is recognised as a separate asset if the corresponding cash inflow is essentially certain. The expense required for the recognition of the provision is recognised in profit or loss less any such reimbursement. If the time value of money resulting from discounting is material, provisions must discounted using a pre-tax interest rate that reflects the specific risks for the liability if this is considered to be necessary on a case-by-case basis. In the case of discounting, the increase in provisions resulting from the passage of time is recognised in finance costs.

Employee benefits

Severance payments
Provisions for severance payments are calculated using the projected unit credit method in accordance with IAS 19. Defined benefit obligations are recognised on the basis of actuarial valuations. Actuarial gains and losses are immediately recognised in profit or loss in full. This relates to the present value of defined benefit obligations as well as estimated future salary increases.

Under Austrian labour law, severance payments are one-off payments that must be made in the event of dismissal by the employer and on retirement. The amount of severance payments is based on the final salary and length of service of the respective employee. Accordingly, there are direct obligations for employees who joined the Group up to and including 2002 for which provisions must be recognised in accordance with IAS 19. As in previous years, no staff fluctuation discount is applied as these payment obligations relate solely to a small group of employees who have been working for the C-QUADRAT Group for a number of years.

The calculation is based on the AVÖ 1999 P mortality tables for salaried employees. Actuarial gains and losses relating to severance liabilities are recognised immediately in income.

In addition to defined benefit plans, there are defined contribution plans for employees in Austria who joined the Group after 1 January 2003. Under the terms of these plans, a statutory amount of 1.53% (2006: 1.53%) of the employee's gross salary must be paid into an employee welfare fund. This amount is recognised in personnel expenses. Accordingly, it is not necessary to recognise provisions for severance payments for these employees.

Pension insurance
Employer contributions to the statutory pension plan, which are also recognised in personnel expenses, amount to 12.55% (2006: 12.55%) of gross monthly salary up to a maximum of EUR 3,840.00 (2006: EUR 3,840.00).

Share-based compensation
The Extraordinary General Meeting on 28 August 2007 resolved a contingent capital increase of EUR 436,320.00 through the issue of 436,320 no-par value bearer shares with shareholders' subscription rights disapplied for the purpose of servicing the options granted

under a stock option plan senior employees and members of the Executive Board and the Supervisory Board that was resolved at the same time.

Within the framework of this stock option plan, the aforementioned beneficiaries will receive the right (option) to acquire, on a number of separate occasions, shares in the Company at a specific price that will be set when the options are granted and will be graduated in tranches (transaction settled using equity instruments). In the event of a positive development in the Company's share price, and hence its market value, the beneficiaries will be able to acquiring the Company's shares at the lower strike price. This means that the economic value of the options is directly linked to the economic success of the Company as reflected in its share price.

The stock options granted under this stock option plan are stock options within the meaning of section 159 (2) no. 3 of the Austrian Stock Corporation Act. Each stock option entitles the bearer to purchase one share in C-QUADRAT Investment AG. The rights and obligations of the participants in the stock option plan are based on the conclusion of a participation agreement and the issue of an option certificate.

The stock options may be exercised in four equal tranches. The stock options belonging to each tranche may only be exercised in the defined exercise periods set out below:

- The first tranche may be exercised from 1 to 31 May 2008 (exercise period 1). The strike price for each share purchased by exercising a stock option during exercise period 1 amounts to EUR 45.00.
- The second tranche may be exercised from 1 to 31 May 2009 (exercise period 2). The strike price for each share purchased by exercising a stock option during exercise period 2 amounts to EUR 55.00.
- The third tranche may be exercised from 1 to 31 May 2010 (exercise period 3). The strike price for each share purchased by exercising a stock option during exercise period 3 amounts to EUR 65.00.
- The fourth tranche may be exercised from 1 to 31 May 2011 (exercise period 4). The strike price for each share purchased by exercising a stock option during exercise period 4 amounts to EUR 75.00

The exercise of the stock options requires the following actions:

a. The participant or beneficiary at the Company must submit in duplicate an irrevocable and unconditional exercise notice that meets the statutory requirements of a subscription form. In the case of Supervisory Board members or senior employees, this notice must be addressed to the Executive Board, whereas in the case of Executive Board members, it must be addressed to the Chairman of the Supervisory Board. In each case, a copy must be sent to the Company's legal department.
b. The participant or beneficiary at the Company must present the certificate relating to the stock option as evidence of his/her entitlement.
c. The strike price must paid to the Company's account or another of the Company's accounts to be notified to the participant or beneficiary by the Company in writing.

Shares purchased by exercising stock options during exercise period 1 and exercise period 2 must be retained for a period of 24 months, while shares purchased by exercising stock options during exercise period 3 and exercise period 4 must be retained for a period of 18 months from the date on which the corresponding exercise notice is submitted to the Company. Accordingly, the shares in question will only be transferred to participants using a special blocked custody account if the participant and the bank maintaining the respective custody account make an irrevocable commitment to C-QUADRAT Investment AG not to sell the shares in question or to assign them to a third party during the retention period.

The stock options under the respective tranches are divided as follows:

Chairman of the Supervisory Board	40,000
Deputy Chairman of the Supervisory Board	1,500
Member of the Supervisory Board	1,000
Member of the Executive Board	5,000
Senior employee	1,000

The costs incurred in granting equity instruments are measured at the fair value of the equity instruments at the grant date. The fair value is calculated by an external expert using a suitable option price model.

The expenses resulting from the granting of equity instruments and the corresponding increase in equity are recognised over the period in which the exercise or performance conditions are required to be fulfilled (vesting period). This period ends on the date on which exercise first becomes possible, i.e. the date on which the employee in question acquires an irrevocable right to purchase shares. The cumulative expenses from the granting of equity instruments on each reporting date until the date when exercise first becomes possible reflect the portion of the vesting period that has elapsed and the number of equity instruments which will, according to the Group's best possible estimate, be actually exercisable at the end of the vesting period. The income and expenses recognised in profit or loss correspond to the change in cumulative expenses recognised at the beginning and end of the reporting period. No expense is recognised for non-exercisable compensation rights with the exception of compensation rights requiring certain market conditions to be met in order for them to be exercisable. These rights are considered to be exercisable irrespective of whether the market conditions are met, providing that all other vesting conditions have been fulfilled.

In the event of a change in the conditions of a compensation agreement involving settlement using equity instruments, expenses are recognised at a minimum of the amount in which they would have occurred if the contractual conditions had not been changed. The Company also recognises the effects of changes that increase the fair value of the share-based compensation agreement as a whole or that are associated with another employee benefit when the respective change occurs.

If a compensation agreement involving settlement using equity instruments is annulled, the agreement shall be treated as if it had been exercised on the annulment date. Any expenses not previously recognised must be recognised immediately. However, if the annulled compensation agreement is replaced by a new compensation agreement and a statement is issued on the grant date to the extent that the new compensation agreement is a replacement for the annulled compensation agreement, the new compensation agreement will be recognised as an amendment to the original compensation agreement.

As none of the potential beneficiaries had concluded a participation agreement for the stock option plan as of 31 December 2007, meaning that no option certificates had been issued, the corresponding stock options were not yet issued as of 31 December 2007 (grant date method). As the performance period for the stock option plan started in 2007, the personnel expense to be recognised for 2007 must be estimated on the basis of expectations as of the reporting date. Based on the Company's share price performance in 2007 and the forecast share price performance for the remaining term of the options, the personnel expense relating to the stock option plan was measured at zero for 2007.

In the event of options being granted, the dilutive effect of the outstanding stock options will be taken into account as an additional dilution when calculating earnings per share.

Tax

Current income tax
Current income tax assets and liabilities for current and prior periods are measured at the amount that is expected to be recovered from or paid to the taxation authorities. The calculation of this amount is based on the tax rates and tax laws applicable at the reporting date.

Deferred taxes
Deferred taxes are recognised in accordance with the liability method for temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base as of the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences with the exception of:

- deferred tax liabilities resulting from the initial recognition of goodwill or an asset or a liability resulting from a business transaction that is not a business combination and that has no impact on the net profit for the period under commercial law or taxable profit at the transaction date; and
- deferred tax liabilities resulting from taxable temporary differences relating to investments in subsidiaries and associates and shares in joint ventures, if the timing of the reversal of the temporary differences can be controlled and it is probable that temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax loss carryforwards and unutilised tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unutilised tax loss carryforwards and tax credits can be realised, with the following exceptions:

- deferred tax assets relating to deductible temporary differences arising from the initial recognition of an asset or liability resulting from a business transaction that is not a business combination and that had no impact on the net profit for the period under commercial law or taxable profit at the transaction date; and
- deferred tax assets resulting from taxable temporary differences relating to investments in subsidiaries and associates and shares in joint ventures, if it is probable that the temporary differences will not be reversed in the foreseeable future and there will be insufficient taxable income against which the temporary differences can be realised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which the deferred tax assets can be realised, either in part or in full. Unrecognised deferred tax assets are reviewed at each reporting date and recognised to the extent that it has become likely that future taxable income will allow the deferred tax assets to be realised. Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply to the period in which the asset is realised or the liability is discharged. The tax rates (and tax legislation) that have been substantively enacted at the balance sheet date are generally applied.

Deferred taxes relating to items that are recognised directly in equity are not recognised in the income statement but in equity.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the respective items relate to income taxes levied by the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will accrue to the Group and the revenue can be reliably measured. The following criteria must also be met before revenue is recognised:

Fee and commission income
Fee and commission income comprises revenue from securities and fund management services. This revenue is recognised when the respective service is performed. Management fees are charged for asset management for a specific period and deferred if necessary. Performance fees depend on the appreciation in value of the assets under management and, in particular, on the assets achieving certain minimum values. Accordingly, these fees are recognised when the respective minimum values are achieved. Up-front fees consist of income from brokerage and are recognised when the respective service is completed. Subsequent commission fees are payable on brokerage mandates as long as such mandates remain in force, and are therefore deferred on a periodical basis. Premium revenue relates to the front-end loads payable by customers when acquiring shares in investment funds and is deferred as received. Fee and commission expenses are recognised as incurred.

Interest income and dividends
Interest is recognised in profit or loss in the period in which it occurs. Dividends are recognised when the Group's right to payment is established.

III. BUSINESS COMBINATIONS

3.1. Business combinations in 2007

By way of a purchase agreement dated 18 June 2007, C-QUADRAT Investment AG acquired the 50% stake in Fonds & Co Fondsanteilsvermittlung AG held by Privatinvest Bank AG. As the contractual condition precedent of the Austrian Financial Markets Supervisory Authority approving the transaction was only met in early July 2007, the company is no longer included in the consolidated financial statements at equity but as a fully consolidated company with effect from July 2007 (successive business combination).

The fair values of the identifiable assets and liabilities of Fonds & Co Fondsanteilsvermittlung AG at the acquisition date were as follows:

	Carrying amounts	Reconciliation to fair value	Fair value
Property, plant and equipment	109	0	109
Intangible assets	301	1,738	2,039
Receivables from customers	462	0	462
Other assets	22	0	22
Cash and cash equivalents	235	0	235
Deferred tax liabilities	-71	-435	-505
Current payables to customers	-74	0	-74
Other current liabilities	-296	0	-296
Other current provisions	-144	0	-144
Fair value of net assets	**545**	**1,304**	**1,849**
Goodwill			575

Cash outflow due to acquisition

Total cost of acquisition	-1,540
Original cost of acquisition for 50%	40
Cash purchase price for 50%	-1,500
Less cash and cash equivalents acquired	235
	-1,265

The increase in intangible assets relates to the acquisition of the customer base of the aforementioned company. This was recognised on the basis of the expected revenue surplus using a pre-tax interest rate that takes into account the specific risks of the acquired customer base. Straight-line amortisation was performed on the basis of an economic useful life of 8 years. The deferred taxes relating to differences from fair value measurement were also recognised. The remaining excess relating to Fonds & Co Fondsanteilsvermittlung AG in the amount of EUR 575 thousand was recognised as goodwill. The remeasurement of the assets and liabilities attributable to the equity interest previously held by the Group as a result of the reconciliation to fair value resulted in an addition to revaluation reserves in the amount of EUR 652 thousand.

Since the acquisition date, the acquired company has contributed EUR 287 thousand to consolidated net profit and EUR 1,705 thousand to consolidated sales. If the company had been acquired at the start of the reporting period, the revenue and net profit of the acquired company would have amounted to EUR 52,789 thousand and EUR 6,143 thousand respectively.

3.2. Business combinations in 2006

In the 2006 financial year, the C-QUADRAT Group acquired 50.003% of the shares in VPM Vermögensverwaltungs AG (now Absolute Plus AG), Munich, Germany. It also acquired 50.08% of the shares in Absolute Plus Zürich AG, Zürich, Switzerland, and 50.002% of Absolute Portfolio Management Ltd., Georgetown, Cayman Islands. Absolute Portfolio Management Ltd. itself holds a 50% stake in Absolute Plus.Com Ltd., Georgetown, Cayman Islands. The primary business purpose of these companies is securities brokerage.

At the Ordinary General Meeting of VPM Vermögensverwaltungs AG on 24 July 2007, a resolution to rename VPM Vermögensverwaltungs AG as Absolute Plus AG was adopted. The fair values of the identifiable assets and liabilities of Absolute Plus AG at the acquisition date were as follows:

	Carrying amounts	Reconciliation to fair value	Fair value
Property, plant and equipment	13	0	13
Intangible assets	57	3,711	3,768
Investments	453	0	453
Receivables from customers	334	0	334
Other assets	424	0	424
Cash and cash equivalents	542	0	542
Non-current payables to customers	-81	0	-81
Deferred tax liabilities	0	-1,187	-1,187
Current payables to customers	-102	0	-102
Other current liabilities	-119	0	-119
Other current provisions	-12	0	-12
Fair value of net assets	**1,510**	**2,523**	**4,033**

Goodwill			-199
Minority interests			-2,015
Total cost of acquisition			**1,819**

Cash outflow due to acquisition	
Total cost of acquisition	-1,819
Less cash and cash equivalents acquired	542
	-1,277

The fair values of the identifiable assets and liabilities of Absolute Plus Zürich AG at the acquisition date were as follows:

	Carrying amounts	Reconciliation to fair value	Fair value
Intangible assets	1,258	3,238	4,496
Deferred tax assets	2	5	7
Other assets	480	19	499
Cash and cash equivalents	186	0	186
Deferred tax liabilities	0	-863	-863
Current payables to customers	-861	0	-861
Other current liabilities	-102	0	-102
Income tax liabilities	-44	0	-44
Fair value of net assets	**919**	**2,399**	**3,318**
Goodwill			3,196
Minority interests			-1,656
Total cost of acquisition			**4,858**

Cash outflow due to acquisition	
Total cost of acquisition	-4,858
Less cash and cash equivalents acquired	186
	-4,672

The fair values of the identifiable assets and liabilities of Absolute Portfolio Management Ltd. at the acquisition date were as follows:

	Carrying amounts	Reconciliation to fair value	Fair value
Intangible assets	0	4,707	4,707
Investments in associates	525	0	525
Receivables from customers	974	0	974
Cash and cash equivalents	525	0	525
Current payables to customers	-154	0	-154
Other current liabilities	-833	0	-833
Fair value of net assets	**1,037**	**4,707**	**5,744**
Goodwill			947
Minority interests			-2,872

Total cost of acquisition	**3,819**

Cash outflow due to acquisition	
Total cost of acquisition	-3,819
Less cash and cash equivalents required	525
	-3,294

The increase in intangible assets relates to the acquisition of the customer base of the aforementioned companies. This was recognised on the basis of expected revenue surplus using a pre-tax interest rate that takes into account the specific risks of the acquired customer base. Straight-line amortisation was performed on the basis of an economic useful life of 8 years. The deferred taxes relating to differences from fair value measurement were also recognised. The remaining excess relating to the Absolute Plus Group in the amount of EUR 4,143 thousand was recognised as goodwill.

As the acquisition of Absolute Plus AG, Absolute Plus Zürich AG and Absolute Portfolio Management Ltd. under the terms of the purchase agreements dated 3 November 2006 was not completed until after the contractual conditions precedent were met at the end of December 2006, they made no contribution to consolidated net profit for the 2006 financial year.

IV. BASIS OF CONSOLIDATION

In addition to C-QUADRAT Investment AG, the consolidated financial statements of the C-QUADRAT Group include eight fully consolidated companies (31 December 2006: 10) and four companies that are accounted for at equity (31 December 2006: 6).

C-QUADRAT Investment AG (parent)	1
Fully consolidated subsidiaries	8
Investments accounted for at equity	4
Total	**13**

The consolidated group developed as follows:

31 December 2005	**12**
thereof foreign companies	*3*
Consolidated for the first time in the 2006 financial year	6
Deconsolidated in the 2006 financial year	1
31 December 2006	**17**
thereof foreign companies	*7*
Merged in the 2007 financial year	2
Deconsolidated in the 2007 financial year	2
31 December 2007	**13**
thereof foreign companies	*7*

4.1. Changes in the basis of consolidation in 2006

By way of an assignment agreement dated 14 February 2006, an additional 32% of the shares of C-QUADRAT Alternative Investment GmbH (previously ff-Fondsanteilsvermittlung GmbH) were acquired for a purchase price of EUR 40 thousand. This acquisition increased the Group's interest to 100%, making C-QUADRAT Investment AG the sole shareholder of C-QUADRAT Alternative Investment GmbH. The company's share capital amounts to EUR 125 thousand and is fully paid up.

On 26 April 2006, an additional 11.66% of the shares of MAQON Investment AG were acquired for a total of EUR 35 thousand, thereby increasing the Group's interest to 66.66% as of 31 December 2006. Furthermore, the name of MAQON Investment AG was changed to ARIQON Asset Management AG on 12 September 2006.

C-QUADRAT Investment AG acquired a total of 43,925 no-par value shares of Ariconsult Holding AG on 17 August 2006, and now holds 25.1% of the company's share capital. The purchase price amounted to EUR 1,000 thousand. Due to the significant influence exercised by the Group, Ariconsult Holding AG is included in the consolidated financial statements at equity.

On 11 April 2006 and 22 September 2006, two purchase agreements relating to the acquisition of an additional 1.84% of the shares of Epicon Investment AG were signed. The

total purchase price was EUR 92.4 thousand. This acquisition increased the Group's interest in Epicon Investment AG to 97.54% as of 31 December 2006.

By way of an agreement dated 14 September 2006, C-QUADRAT Investment AG, San Gabriel Privatstiftung and T.R. Privatstiftung abandoned an option for the sale or acquisition of shares in ARTS Asset Management GmbH. Progress payments were agreed in the amount of EUR 1,750 thousand for each of San Gabriel Privatstiftung and T.R. Privatstiftung and EUR 50 thousand for C-QUADRAT Investment AG. As a result, the option agreements dated 14 October 2005 were rescinded by mutual consent, since which date the company has been included in the consolidated financial statements at equity.

By way of a purchase agreement dated 3 November 2006, C-QUADRAT Alternative Investment GmbH acquired 50.08% of the shares of Absolute Plus Zürich AG, Zürich. The agreement granted the seller the right to buy one share in Absolute Plus Zürich AG (call option). This call option may be exercised at any time providing the C-QUADRAT Group holds an interest in the company of at least 25% plus one share. On the same date, a syndicate agreement was signed under which the C-QUADRAT Group has the right to install the majority of the members of the Board of Administration of Absolute Plus Zürich AG. This right to nominate or recall the majority of the members of the Board of Administration means that the C-QUADRAT Group has control over the company. Accordingly, it is included in the consolidated group as a fully consolidated company at a cost of EUR 4,858 thousand.

By way of a purchase agreement dated 3 November 2006, C-QUADRAT Alternative Investment GmbH also acquired 50.03% of the shares of VPM Vermögensverwaltungs AG (now Absolute Plus AG), Munich. The agreement granted the seller the right to buy three shares in VPM Vermögensverwaltungs AG (call option). This call option may be exercised at any time providing the seller holds an interest in the company of at least 25% plus one share, either individually or taken together, and the C-QUADRAT Group also holds an interest in the company of at least 25% plus one share. On the same date, a syndicate agreement was signed under which the C-QUADRAT Group has the right to install the majority of the members of the Supervisory Board of VPM Vermögensverwaltungs AG. This right to nominate or recall the majority of the members of the Supervisory Board means that the C-QUADRAT Group has control over the company. Accordingly, it is included in the consolidated group as a fully consolidated company at a cost of EUR 1,819 thousand.

By way of a further purchase agreement dated 3 November 2006, C-QUADRAT Alternative Investment GmbH acquired 50.002% of the shares of Absolute Portfolio Management Ltd., Georgetown, Cayman Islands. Absolute Portfolio Management Ltd. itself holds 50% of the shares of Absolute Plus.Com Ltd., Cayman Islands. The agreement granted the seller the right to buy one share in Absolute Portfolio Management Ltd. (call option). This call option may be exercised at any time providing the seller holds an interest in the company of at least 25% plus one share, either individually or taken together, and the C-QUADRAT Group also holds an interest in the company of at least 25% plus one share. On the same date, a syndicate agreement was signed under which the C-QUADRAT Group has the right to install the majority of the members of the Supervisory Committee of Absolute Portfolio Management Ltd. This right to nominate or recall the majority of the members of the Supervisory Committee means that the C-QUADRAT Group has control over the company. Accordingly, it is included in the consolidated group as a fully consolidated company at a cost of EUR 3,819 thousand. Absolute Plus.Com Ltd. is included in the consolidated financial statements at equity on account of the considerable influence exercised by the C-QUADRAT Group.

4.2. Changes in the basis of consolidation in 2007

On 9 February 2007 and 28 February 2007, C-QUADRAT Investment AG sold its 5% interest in Ariconsult Fonds Marketing GmbH and its 66.6% interest (representing 200,000 shares) in ARIQON Asset Management AG (previously MAQON Asset Management AG) to Ariconsult Holding AG for a total selling price of EUR 1,000 thousand.

The loan of EUR 800 thousand that was extended to Ariconsult Holding AG by C-QUADRAT Investment AG was converted into a shareholders' contribution through the confirmation of the waiver of the loan repayment that was issued by C-QUADRAT Investment AG on 15 May 2007 and was allocated to the company's share capital by the Annual General Meeting of Ariconsult Holding AG on 9 July 2007. As a result, the Group's interest in this associate has increased by EUR 800 thousand.

By way of a purchase agreement dated 18 June 2007, C-QUADRAT Investment AG acquired the 50% stake in Fonds & Co Fondsanteilsvermittlung AG held by Privatinvest Bank AG. As the contractual condition precedent of the Austrian Financial Markets Supervisory Authority approving the transaction was only met in early July 2007, the company is no longer included in the consolidated financial statements at equity but as a fully consolidated company with effect from July 2007.

On 30 June 2007, C-QUADRAT Investment AG also acquired the 50% stake in Fonds & Co Fondsanteilsvermittlung AG held by its wholly-owned subsidiary C-QUADRAT Deutschland AG for a purchase price of EUR 1,500 thousand. This intragroup transaction had no effect on the consolidated financial statements.

On 1 August 2007, C-QUADRAT Investment AG acquired a further 200 shares from the free float of EPICON Investment AG, thereby increasing its interest in the share capital of EPICON Investment AG to 97.63%.

At the Extraordinary General Meeting of Epicon Investment AG on 24 September 2007, the merger of Epicon Investment AG (as the acquiring company) and Fonds & Co Fondsanteilsvermittlung AG (as the selling company) was resolved on the basis of the merger agreement dated 14 August 2007. The aim of the transaction was to merge two companies that were active in essentially the same area of operations in order to allow synergies to be leveraged more effectively. This includes the reduction of administration and management costs, which are expected to increase significantly in particular due to the changes in statutory conditions resulting from the amendment to the Securities Supervision Act through the implementation of the Markets in Financial Instruments Directive (MiFID). A resolution to change the name of Epicon Investment AG to Fonds & Co Fondsanteilsvermittlung AG was also resolved at this extraordinary General Meeting. The capital increase resulting from the merger, which was assumed in full by C-QUADRAT Investment AG, has increased the Group's interest in the acquiring company to 98.39%. The two acquisitions of minority interests in Epicon Investment AG increased its goodwill by EUR 35 thousand.

At the Extraordinary General Meeting of C-QUADRAT Alternative Investment GmbH on 30 September 2007, the merger of C-QUADRAT Alternative Investment GmbH (as the selling company) and C-QUADRAT Investment AG (as the acquiring company) was resolved on the basis of the merger agreement dated 17 September 2007. The aim of this transaction was to further streamline the Group's structure. C-QUADRAT Alternative Investment GmbH's licence to perform securities services has already been revoked as the alternative investments segment is covered by the Absolute Plus Group.

V. NOTES TO THE INCOME STATEMENT

1. Fee and commission income

Fee and commission income relates to third-party revenues from fund brokerage and asset management.

	2007 EUR thou.	2006 EUR thou.
Management fees	**20,118**	14,539
Performance fees	**5,912**	5,095
Trail fees	**15,476**	7,500
Upfront fees	**4,028**	4,057
Premium revenues	**1,860**	7,253
Other	**42**	742
Total	**47,437**	39,186

Premium revenues have declined as a result of the new settlement methods adopted by major sales associates. The related premium expenses have declined to the same extent, with the margin on premium sales remaining unchanged.

2. Other operating income

	2007 EUR thou.	2006 EUR thou.
Advisory income	**262**	390
Reimbursed expenses	**486**	336
Special edition of "Format" magazine	**195**	249
Other	**598**	702
Total	**1,541**	1,676

3. Personnel expenses

	2007 EUR thou.	2006 EUR thou.
Wages and salaries	**6,218**	4,464
Statutory social security contributions	**1,248**	932
Expenses for severance payments	**9**	26
Expenses for old age pensions	**48**	3
Expenses for employee welfare fund	**53**	36
Other social welfare expenses	**57**	61
Total	**7,634**	5,522

Personnel expenses include employer contributions to the statutory pension plan in the amount of EUR 749 thousand (2006: EUR 560 thousand).

4. Other administrative expenses

Other administrative expenses consist of non-staff operating expenses.

	2007 EUR thou.	2006 EUR thou.

Rental costs	**727**	679
Public relations expenses	**2,328**	1,385
Legal and consultancy fees	**796**	484
IT expenses	**553**	366
Other office and premises expenses	**397**	640
Recruitment	**45**	83
Fees and levies	**253**	238
Travel expenses	**392**	205
Transaction costs	**100**	76
Vehicle costs	**492**	309
Third-party fees	**32**	239
Oncharged expenses	**459**	304
Supervisory Board and Executive Board remuneration	**126**	79
Business insurance	**111**	78
Miscellaneous other administrative expenses	**510**	115
Total	**7,323**	5,281

5. Other operating expenses

	2007 EUR thou.	2006 EUR thou.
Non-deductible input tax	**1,057**	608
Losses on the disposal of assets	**28**	35
Business expenses	**42**	100
Miscellaneous other taxes	**35**	303
Total	**1,162**	1,046

6. Income from associates

Income from associates relates to the Group's share in the profits and losses of associates accounted for using the equity method (see also note 13).

7. Finance revenue

	2007 EUR thou.	2006 EUR thou.
Loans and receivables	**258**	465
Financial investments held for trading	**902**	102
Available-for-sale financial investments carried at cost	**718**	903
Total	**1,878**	1,470

Finance revenue from loans and receivables relates solely to interest income from bank balances and other interest income, as well as interest on loans to shareholders in the previous year in the amount of EUR 312 thousand. Financial revenue from available-for-sale financial investments carried at cost consists solely of income from an atypical silent partnership. Further information on this revenue can be found under note 14.

8. Finance expenses

	2007 **EUR thou.**	2006 EUR thou.
Liabilities to banks	**343**	331
Financial investments held for trading	**255**	8
Total	**598**	340

Interest on liabilities to banks result from interest charges on liabilities classified as other liabilities.

9. Taxes

	2007 **EUR thou.**	2006 EUR thou.
Current income tax expense	**1,122**	693
Deferred taxes	**146**	444
Total income tax expense	**1,268**	1,138

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

	2007 **EUR thou.**	2006 EUR thou.
Net profit before tax	**6,949**	5,855
Income tax expense at a tax rate of 25%	**-1,737**	-1,464
Effect of foreign tax rates	**-133**	-28
Recognition of tax loss carryforwards	**0**	107
Non-temporary differences	**590**	247
Prior-period tax expense/income	**13**	0
Effective tax charge	**-1,268**	-1,138
Effective tax rate in %	**18.2%**	19.4%

The effective tax rate for the year under review was 18.2% (2006: 19.4%).

10. Earnings per share

The 19th Extraordinary General Meeting held on 19 August 2007 resolved the creation of a stock option plan accompanied by a contingent capital increase of EUR 436,320.00 through the issue of 436,320 no-par value bearer shares with shareholders' subscription rights disapplied (further details can be found under "Employee benefits"). As none of the potential beneficiaries had concluded a participation agreement for the stock option plan as of 31 December 2007, no dilutive effect has been included in calculating earnings per share.

The calculation of undiluted earnings per share was based on the following weighted average number of ordinary shares:

	2007	2006
Weighted average number of ordinary shares	**4,363,200**	3,696,600

Further information on changes in the number of ordinary shares can be found under note 19. For information on the strike prices for shares under the stock option plan, see the disclosures on “Benefits to employees”.

11. Segment reporting

The Fund Brokerage and Asset Management business segments represent the primary segment reporting format for the C-QUADRAT Group. Since 2007, the Group has provided secondary information broken down geographically into Austria, Germany and other countries.

The Fund Brokerage segment includes the following companies:

		Interest
Absolute Plus AG (formerly VPM Vermögensverwaltungs AG)	since 2006	100%
Absolute Plus Zürich AG	since 2006	100%
Absolute Portfolio Management Ltd.	since 2006	100%
C-QUADRAT Fonds-Analyse und Marketing AG		100%
C-QUADRAT Deutschland AG		100%
C-QUADRAT Investment AG		100%
Epicon Financial Services GmbH		50%
Fonds & Co Fondsanteilsvermittlung AG (formerly Epicon Investment AG)		50%

This business segment is primarily responsible for the acquisition and sale of securities for brokerage customers (particularly financial institutions) and the development and sale of structured products and alternative investments.

The Asset Management segment includes the following companies:

		Interest
C-QUADRAT Kapitalanlage AG		100%
Epicon Financial Services GmbH		50%
Fonds & Co Fondsanteilsvermittlung AG (formerly Epicon Investment AG)		50%

This business segment is primarily responsible for the management of external assets within the scope of publicly traded investment funds.

Transactions between the business segments largely relate to fee and commission income and expenses and oncharged costs, for which pro rata costs plus a margin are charged. The segment result shown refers to the net profit for the period after minority interests. The segment assets and liabilities do not contain any income tax receivables or liabilities.

Year ended 31 December 2007

	Fund Brokerage EUR thou.	Asset Management EUR thou.	Consolidation EUR thou.	C-QUADRAT Group EUR thou.
Fee and commission income	24,530	25,938	-3,032	47,437
from external customers	*22,643*	*24,794*	*0*	*47,437*
intersegment income	*1,887*	*1,144*	*-3,032*	*0*

Segment result	5,466	2,103	-1,887	5,682
Income from associates	1,912	0	0	1,912
Depreciation and amortisation	-454	-197	-2,127	-2,778
Segment assets	66,296	4,901	-5,553	65,645
Goodwill	5,518	1,080	0	6,599
Investments in associates	8,959	0	0	8,959
Segment liabilities	20,416	4,626	-2,801	22,241
Capital expenditure	865	400	2,675	3,940
Employees	73	47		120

Income from external customers based on their geographical location at country level amounted to EUR 16,275 thousand (or 34% of total sales). Of this figure, EUR 10,621 thousand (22%) is attributable to Germany, EUR 2,476 thousand (5%) to the United Kingdom, EUR 2,653 thousand (6%) to Switzerland, EUR 408 thousand (1%) to CEE countries and EUR 118 thousand (0.2%) to other countries.

	Austria EUR thou.	Germany EUR thou.	Other countries EUR thou.	Consolidation EUR thou.	C-QUADRAT Group EUR thou.
Fee and commission income	34,192	10,621	5,655	-3,032	47,437
from external customers	*32,640*	*9,141*	*5,655*	*0*	*47,437*
intersegment income	*1,552*	*1,480*	*0*	*-3,032*	*0*
Segment result	4,377	2,154	1,037	-1,887	5,682
Income from associates	1,864	48	0	0	1,912
Depreciation and amortisation	-427	-94	-130	-2,127	-2,778
Segment assets	57,680	5,781	7,427	-5,243	65,645
Goodwill	2,161	295	4,143	0	6,599
Investments in associates	7,811	0	1,147	0	8,959
Segment liabilities	20,315	1,896	2,831	-2,801	22,241
Capital expenditure	953	313	0	2,675	3,940
Employees	106	9	5		120

Year ended 31 December 2006

	Fund Brokerage EUR thou.	Asset Management EUR thou.	Consolidation EUR thou.	C-QUADRAT Group EUR thou.
Fee and commission income	21,382	21,499	-3,694	39,186
from external customers	*19,202*	*19,984*	*0*	*39,186*
intersegment income	*2,180*	*1,515*	*-3,694*	*0*
Segment result	3,719	1,700	-697	4,722
Income from associates	501	0	0	501
Depreciation and amortisation	-296	-185	-622	-1,103
Segment assets	56,989	3,541	-2,375	58,155
Goodwill	5,214	775	0	5,989
Investments in associates	8,136	0	0	8,136
Segment liabilities	15,719	4,226	-2,580	17,365
Capital expenditure	16,455	297	2,339	19,091

Employees	53	40		93

As income from external customers based on their geographical location at country level do not exceed 10% of total sales in each case, only those sales involving external customers in the rest of Europe are shown as a total. Sales to external customers outside Austria amounted to EUR 10,865 thousand in 2006.

VI. NOTES TO THE BALANCE SHEET

12. Intangible assets and property, plant and equipment

Changes to intangible assets and property, plant and equipment in 2006 and 2007 are shown in the following statement of changes in non-current assets. The effects of these changes on the basis of consolidation are shown separately.

Intangible assets

Concessions and rights primarily relate to an intangible asset (customer base) acquired as a result of business combinations. This asset is depreciated on a straight-line basis over its economic life of 9 years. As of 31 December 2007, the carrying amount of this assets amounted to EUR 16,169 thousand (31 December 2006: EUR 16,388 thousand).

As of 31 December 2007, goodwill arising from business combinations had a carrying amount of EUR 6,599 thousand (31 December 2006: EUR 5,990 thousand). For the purposes of annual impairment testing, the value in use of the cash-generating units to which goodwill is allocated must be estimated. As of 31 December 2007, goodwill is allocated to the cash-generating units as follows:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Absolute Plus Group	**4,438**	4,438
Fonds & Co Fondsanteilsvermittlung AG – Fund Brokerage	**1,080**	776
Fonds & Co Fondsanteilsvermittlung AG – Asset Management	**1,080**	776
Total	**6,599**	5,990

Under the terms of the purchase agreement, the purchase price for Absolute Plus AG, which was acquired in November 2006, was adjusted by EUR 295 thousand in February 2007. In accordance with IFRS 3.34, this adjustment resulted in a retrospective increase in goodwill.

Impairment of goodwill is determined by calculating the recoverable amount of the cash-generating amount to which the goodwill relates. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recognised. The management calculates the recoverable amount of the cash-generating unit on the basis of the current budget for the cash-generating unit approved by the Supervisory Board for the period from 2008 to 2010. A forecast assuming on a constant growth rate of 2% for sales and the corresponding expenses is applied for the period from 2011 to 2013. For periods after 2013, the forecast data is assumed to be constant. A pre-tax interest rate of 10% (2006: 12%) is applied in order to reflect current market expectations regarding the time cost of money and the specific risks of the respective cash-generating unit.

Property, plant and equipment

Property, plant and equipment includes assets of the Group such as improvements to buildings used for operational purposes and office and operating equipment. Property, plant and equipment is carried at cost less accumulated straight-line depreciation.

In accordance with IAS 17, property, plant and equipment includes leased fixed assets that are attributable to the C-QUADRAT Group due to the structure of the lease (finance leases). This relates to vehicle leases that were terminated in the middle of the reporting period.

Accordingly, no amount was capitalised for finance leases as of 31 December 2007 (2006: EUR 65 thousand).

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Cost of property, plant and equipment	**0**	150
Accumulated depreciation	**0**	-85
Carrying amount	**0**	65

Minimum lease payments at the balance sheet date		
Not later than one year	**0**	26
Later than one year and not later than five years	**0**	73
Total minimum lease payments	**0**	99
Less interest expenses due to discounting	**0**	-9
Present value of minimum lease payments	**0**	90

Present value of minimum lease payments		
Not later than one year	**0**	21
Later than one year and not later than five years	**0**	69
Total	**0**	90

The C-QUADRAT Group has concluded leases with an average term of between 3 and 5 years for various assets (office and operating equipment, vehicles). The Group does not have the option to purchase the respective assets or extend the lease agreements. At the balance sheet date, the Group had the following future minimum lease payments under non-cancellable operating leases:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Not later than one year	**243**	594
Later than one year and not later than five years	**257**	294
Total	**500**	888

Statement of changes in non-current assets 2007

	Cost						Depreciation and amortisation					
	As of 1 Jan. 2007	Exchange rate changes	Change in consolidated group	Additions	Disposals	As of 31 Dec. 2007	As of 1 Jan. 2007	Depreciation and amortisation for the current year	Disposals	As of 31 Dec. 2007	Carrying amount 31 Dec. 2007	Carrying amount 31 Dec. 2006
Software	593	0	0	273	107	760	335	171	46	461	**299**	**258**
Rights and licences	18,163	4	2,020	2	0	20,190	1,775	2,245	0	4,020	**16,169**	**16,388**
Goodwill	5,989	0	610	0	0	6,599	0	0	0	0	**6,599**	**5,989**
Intangible assets	**24,746**	**4**	**2,6630**	**275**	**107**	**27,548**	**2,111**	**2,416**	**46**	**4,481**	**23,067**	**22.635**
Leasehold improvements	75	0	0	0	75	0	44	18	62	0	**0**	**32**
Equipment	1,740	0	113	117	479	1,491	734	354	483	606	**885**	**1,005**
Advances paid and assets under construction	0	0	0	2	0	2	0	0	0	0	**2**	**0**
Property, plant and equipment	**1,815**	**0**	**113**	**120**	**554**	**1,493**	**778**	**372**	**544**	**606**	**887**	**1,037**

The property, plant and equipment of EPICON Financial Services GmbH that is classified as held for sale accounts for a total cost of EUR 407.00 and cumulative depreciation of EUR 203.00. As the amounts in question are negligible, the table above does not include a separate column for transfers.

Statement of changes in non-current assets 2006

	Cost							Depreciation and amortisation						
	As of 1 Jan. 2006	Exchange rate changes	Change in consolidated group	Additions	Disposals	Transfers IFRS 5	As of 31 Dec. 2006	As of 1 Jan. 2006	Depreciation and amortisation for the current year	Disposals	Transfers IFRS 5	As of 31 Dec. 2006	Carrying amount 31 Dec. 2006	Carrying amount 31 Dec. 2005
Software	582	0	0	135	16	108	593	272	147	16	68	335	**258**	**310**
Rights and licences	4,972	-307	13,498	0	0	0	18,163	311	1,464	0	0	1,775	**16,388**	**4,661**
Goodwill	1,012	-106	5,083	0	0	0	5,989	0	0	0	0	0	**5,989**	**1,012**
Intangible assets	**6,566**	**-413**	**18,581**	**135**	**16**	**108**	**24,746**	**583**	**1,611**	**16**	**68**	**2,111**	**22,635**	**5,983**
Leasehold improvements	75	0	0	0	0	0	75	25	18	0	0	44	**32**	**51**
Equipment	1,441	0	23	510	233	3	1,740	589	316	170	1	734	**1,005**	**852**
Property, plant and equipment	**1,516**	**0**	**23**	**510**	**233**	**3**	**1,815**	**613**	**334**	**170**	**1**	**778**	**1,037**	**903**

13. Investments in associates

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Absolute Plus.Com Ltd. (50%)	**1,115**	1,147
Active Management & Advisory AG, Switzerland (50%)	**25**	25
Ariconsult Holding AG (25.1%)	**2,045**	1,031
ARTS Asset Management GmbH (45%)	**5,773**	5,579
Fonds & Co Fondsanteilsvermittlung AG (50%)	**0**	354
Total	**8,959**	8,136

Investments in associates that were classified as held for sale at 31 December 2006 can be broken down as follows:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Ariconsult Fonds Marketing GmbH (5%)	**0**	560

The carrying amount of Ariconsult Fonds Marketing GmbH contains an intangible asset (asset management mandates) that was recognised at its fair value on the acquisition date in the course of the acquisition (EUR 722 thousand). The customer base is amortised on a straight-line basis over 8 years.

The following table contains a summary of financial information on the Group's investments in associates:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Group interest in the assets and liabilities of associates		
Assets	**12,517**	10,908
Liabilities	**-3,559**	-2,212
Pro rata net assets	**8,959**	8,696
thereof associates classified as held for sale	**0**	560
Group interest in the revenue and net profit of associates		
Revenue	**4,119**	2,799
Net profit for the period	**1,912**	501
thereof associates classified as held for sale	**0**	14

14. Financial investments

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Current assets		
Financial investments held for trading	**5,610**	5,614

Non-current assets		
Available-for-sale financial investments measured at fair value	**160**	621
Available-for-sale financial investments carried at cost	**100**	100
Total	**5,870**	6,335

Financial investments held for trading relate to investments in ordinary and preference shares and investment funds, and are traded on the stock market with the exception of shares with a carrying amount of EUR 1,550 thousand (31 December 2006: EUR 41 thousand).

As in the previous year, available-for-sale financial investments measured at fair value relate exclusively to shares in investment funds, and therefore have no fixed maturity and no fixed interest rate.

Available-for-sale financial investments carried at cost consist solely of shares in an atypical silent partnership, the fair value of which cannot be reliably determined. This asset, which is carried at cost, entitles the holder to receive a share of the profit and loss and the hidden reserves of the company. The holder has no influence on the company's management. The shares in the atypical partnership have no predetermined maturity and do not bear interest. From 1 January 2006, the holder has the right of termination at the end of each financial year. Finance revenue resulting from the atypical silent partnership is recognised in the income statement under finance revenue. Profit entitlements from the atypical silent partnership are recognised as other assets.

15. Receivables from customers

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Invoiced claims for the provision of services	**2,918**	2,494
Deferred fee and commission income	**5,144**	5,969
Total	**8,061**	8,463

In addition to invoiced claims for the provision of services, receivables from customers include deferred fee and commission income recognised on an accrual basis. All of the receivables from customers are non-interest-bearing and are generally due within 30 days. Receivables from customers are not impaired with the exception of a receivable in the amount of EUR 13 thousand (31 December 2006: 0) for which a corresponding valuation allowance has been recognised.

As of 31 December 2007, the maturity structure of receivables from customers was as follows:

			Overdue but not written down				
	Total EUR thou.	Neither overdue nor written down EUR thou.	< 30 days EUR thou.	30 - 90 days EUR thou.	90-180 days EUR thou.	180-360 days EUR thou.	> 360 days EUR thou.
2007	**8,061**	**5,808**	**1,497**	**125**	**435**	**156**	**40**
2006	8,463	6,097	1,572	131	457	164	42

16. Other assets

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Settlement account for atypical silent partnership	**718**	902
Loan to related companies	**0**	416
Loan to Ariconsult Holding AG	**0**	802
Other financial assets	**718**	2,120
Receivables from offsetting of levies	**1,157**	635
Commission payments	**0**	479
Capitalised prepayments	**1,087**	231
Security deposits	**133**	75
Miscellaneous	**358**	498
Other non-financial assets	**2,734**	1,918
Total	**3,452**	4,038

All other assets are short-term in nature and have a carrying amount that is equivalent to their fair value. As of 31 December 2007 and 31 December 2006, no other financial assets were overdue and/or written down. Further information on the settlement account for the atypical silent partnership can be found under note 14.

17. Cash and cash equivalents

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Bank balances and cash in hand	**5,312**	4,905
Short-term deposits	**2,100**	1,595
Total	**7,412**	6,500

Interest paid at variable rates on bank balances that are available on demand. Short-term deposits are invested for periods of between one week and three months depending on the Group's liquidity requirements. The fair value of cash and cash equivalents at the balance sheet date was EUR 7,412 thousand (31 December 2006: EUR 6,500 thousand).

18. Non-current assets classified as held for sale

Subsidiaries

On 9 February 2007, C-QUADRAT Investment AG sold its 66.66% interest in ARIQON Asset Management AG to Ariconsult Holding AG. The business activities of ARIQON Asset Management AG extended from the sale of investment products through to financing, insurance and institutional asset management. The entire purchase price was received in cash, while only a small amount of cash and cash equivalents were sold.

By way of a purchase and assignment agreement dated 14 January 2008, Fonds & Co Fondsanteilsvermittlung AG sold its 100% interest in Epicon Financial Services GmbH to Ariconsult Holding AG. The business activities of Epicon Financial Services GmbH focused on the sale of investment products.

The final negotiations on the sale of these companies were still in progress at the respective reporting dates. Accordingly, Epicon Financial Services GmbH and ARIQON Asset Management AG were classified as assets held for sale on 31 December 2007 and 31 December 2006 respectively.

The assets and liabilities of Epicon Financial Services GmbH and ARIQON Asset Management AG, which were classified as held for sale, were composed as follows on the respective balance sheet dates:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Group interest in the assets and liabilities of the subsidiaries		
Assets	**380**	302
Liabilities	**-104**	-76
Pro rata net assets	**276**	226

On the respective balance sheet dates, the Group's interest in the net profit of Epicon Financial Services GmbH and ARIQON Asset Management AG, which were classified as held for sale, was as follows:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Group interest in the net profit of the subsidiaries		
Net profit	**1**	-126

Associates

On 28 February 2007, C-QUADRAT Investment AG sold its 5% interest in Ariconsult Fonds Marketing GmbH to Ariconsult Holding AG. The business activities of Ariconsult Fonds Marketing GmbH extended from the sale of investment products through to financing, insurance and institutional asset management.

The final negotiations on the sale of the company were still in progress at 31 December 2006. Accordingly, Ariconsult Fonds Marketing GmbH was classified as an asset held for sale as of 31 December 2006.

The assets and liabilities of Ariconsult Fonds Marketing GmbH, which was classified as held for sale, were composed as follows on 31 December 2006:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Group interest in the net assets of the associate		
Assets	**0**	560
Liabilities	**0**	0
Pro rata net assets	**0**	560

As of 31 December 2006, the Group's interest in the net profit of Ariconsult Fonds Marketing GmbH, which was classified as held for sale, was as follows:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Group interest in the net profit of the associate		
Net profit	**0**	14

Buildings

On 19 January 2007, C-QUADRAT Investment AG acquired a property in 1040 Vienna. The purchase price of EUR 7,016 thousand (including ancillary purchase costs) and the adaptation measures implemented to date were fully debt-financed. The property serves as collateral for the mortgage loan provided. All of the C-QUADRAT Group companies based in Vienna are scheduled to move to this building in 2008, thereby allowing synergies to be leveraged more efficiently within the C-QUADRAT Group. The building has yet to be written down due to lack of use in accordance with IAS 16.

Prior to the reporting date 31 December 2007, the Group's management decided sell the property rather than use it for the Group's business activities, and has already engaged in active negotiations with various potential purchasers. The property is being offered at a price that is appropriate to its current fair value. In light of the strong demand from several potential purchasers, the Group expects to sell the property by mid-2008. The planned centralisation of all of the Group companies based in Vienna has already been partially implemented at the current offices of C-QUADRAT Investment AG, and additional space is now available in the current building.

On 31 December 2007, assets under construction classified as for sale were composed as follows:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Assets under construction		
Carrying amount	**7,296**	0

As of 31 December 2007, the loans assumed with the aim of financing the property and the adaptation measures implemented to date, which were classified as liabilities directly relating to disposal groups held for sale, amounted to:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Liabilities to banks		
Carrying amount	**7,261**	0

19. Share capital and reserves

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

Changes in no-par value shares:

Issued and fully paid-up	thousands of shares	EUR thou.

At 31 December 2005	3,636	3,636
Issued on 22 November 2006 on the basis of a capital increase from retailed earnings	727	727
At 31 December 2006 and 31 December 2007	**4,363**	**4,363**

Capital reserves relate to payments by shareholders above and beyond the reported share capital.

Under the terms of an initial public offering on the official market of the Frankfurt Stock Exchange (Prime Standard), a total of 727,200 new shares each with a notional interest in the Company's share capital of EUR 1.00 were issued on 23 November 2006 at an issue price of EUR 40.00. The proceeds of the issue in excess of the par value of the shares, which amounted to EUR 28,361 thousand, were appropriated to capital reserves. In accordance with to IAS 32.37, the costs of the initial public offering in the amount of EUR 2,688 thousand less the associated income tax benefits of EUR 672 thousand were offset against the proceeds of the issue contained in capital reserves.

Other reserves:

	Unrealised gains	Currency translation differences	Total
	EUR thou.	EUR thou.	EUR thou.
At 31 December 2005	**-1**	**-1**	**-2**
Currency translation differences	0	-3	-3
Unrealised gains/losses on available-for-sale financial investments	-31	0	-31
At 31 December 2006	**-32**	**-4**	**-36**
Currency translation differences	0	13	13
Unrealised gains/losses on available-for-sale financial investments	1	0	1
At 31 December 2007	**-31**	**9**	**-22**

Changes in the fair value of available-for-sale financial investments are recognised in the reserve for unrealised gains and losses. The related deferred taxes totalling EUR 7 thousand (2006: EUR 1 thousand) have been included in these amounts.

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

The net profit for the period attributable to minority interests in the amount of EUR 218 thousand (2006: net loss of EUR 2 thousand) relates to profits attributable to minority interests totalling EUR 345 thousand (2006: EUR 2 thousand) and losses attributable to minority interests totalling EUR 127 thousand (2006: EUR 4 thousand).

20. Liabilities to banks

2007

The loan assumed for the financing of the property in 1040 Vienna, which has a bullet term of 10 years and a fixed interest rate of 5%, was secured by pledging the property to the lending bank as mortgage collateral, as a result of which the loan was entered in the land register. Because of the Group's intention to sell the property and its classification as a non-current

asset held for sale in accordance with IFRS 5, the loan was also classified as a liability directly relating to a non-current asset held for sale.

2006

	Currency	Nominal Amount EUR thou.	Carrying amount EUR thou.	Effective interest rate in %
Current accounts	EUR	0	1	5.00%
Bank loans	EUR	0	0	-
Variable-interest liabilities to banks		**0**	**1**	

In 2006, all liabilities to banks were due on demand. The carrying amounts shown in the table above correspond to the fair values of the respective liabilities.

21. Provisions

Statement of changes in provisions 2007

	1 Jan. 2007 EUR thou.	Changes in the consolidated group EUR thou.	Utilisation EUR thou.	Reversals EUR thou.	Additions EUR thou.	**31 Dec. 2007 EUR thou.**
Provisions for severance payments	107	7	-14	-18	6	**89**
Total non-current provisions	107	7	-14	-18	6	**89**
Other provisions	785	45	-557	-369	508	**412**
Total current provisions	785	45	-557	-369	508	**412**
Total provisions	893	52	-571	-387	514	**501**

Statement of changes in provisions 2006

	1 Jan. 2006 EUR thou.	Changes in the consolidated group EUR thou.	Utilisation EUR thou.	Reversals EUR thou.	Additions EUR thou.	**31 Dec. 2006 EUR thou.**
Provision 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 current provisions	313	12	-229	-22	710	**785**
Total provisions	451	12	-255	-52	735	**892**

Provisions for severance payments developed as follows in 2007:

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.	31 Dec. 2005 EUR thou.	31 Dec. 2004 EUR thou.
Provision at 1 January (=DBO)	**107**	138	96	88
Service cost	**9**	9	27	32
Interest cost	**4**	4	5	4
Actuarial gains/losses	**-43**	-44	-35	-28
Changes in the consolidated group	**12**	0	45	0
Provision at 31 December (=DBO)	**89**	107	138	96

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

	31 Dec. 2007	31 Dec. 2006	31 Dec. 2005	31 Dec. 2004
Interest rate	**5.00%**	4.50%	4.50%	4.50%
Salary/wage increase	**4.00%**	4.00%	4.00%	4.00%
Staff fluctuation discount	**0.00%**	0.00%	0.00%	0.00%
Retirement age	**54-65 years**	54-65 years	54-65 years	54-65 years
Mortality tables (Austria)	**AVÖ-P 1999, mixed**	AVÖ-P 1999, mixed	AVÖ-P 1999, mixed	AVÖ-P 1999, mixed

Other provisions mainly relate to estimated provisions for legal and consultancy services provided to the company in the previous financial year in each case. These costs are expected to be payable within the next financial year.

22. Other liabilities

Other non-current liabilities

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Finance leases	**0**	69
Other interest-bearing liabilities	**0**	102
Remaining purchase price for the Absolute Plus Group	**0**	2,000
Other financial liabilities	**0**	2,171

Information on finance lease liabilities can be found under note 12.

Other current liabilities

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Finance lease liabilities	**0**	21
Liabilities to the atypical silent partnership	**0**	80
Remaining purchase price for the Absolute Plus Group	**2,000**	295
Other financial liabilities	**2,000**	396

Liabilities to the fiscal authorities	**508**	498
Liabilities to social security institutions	**112**	97
Liabilities to employees	**4**	1
Liabilities for premiums and bonuses	**400**	457
Liabilities for outstanding annual leave	**278**	193
Contributions reported as liabilities	**57**	70
Miscellaneous	**472**	438
Other non-financial liabilities	**1,831**	1,754
Total	**3,831**	2,150

The liability to the atypical silent partnership was due on 31 January 2007 and was discounted on the basis of its present value using a discount rate of 3.5% that reflects its maturity and risk (cost: EUR 80 thousand).

23. Deferred tax assets and liabilities

The deferred tax assets and liabilities recognised at 31 December 2007 and 31 December 2006 result from the following temporary differences between the carrying amounts in the IFRS consolidated financial statements and the corresponding tax bases:

in EUR thousands	**2007**		**2006**	
	Assets	**Equity and liabilities**	**Assets**	**Equity and liabilities**
Property, plant and equipment	0	0	0	0
Intangible assets	0	-3,097	0	-3,082
Investments in associates	0	0	23	0
Financial investments	8	-189	8	-1
Receivables from customers	0	-134	0	0
Other assets	6	0	8	0
	14	**-3,420**	**39**	**-3,083**
Provisions	8	-15	10	0
Other liabilities	0	-91	29	0
	8	**-106**	**39**	**0**
Tax loss carryforwards	148	0	242	0
Partial write-down of investments to net present value	91	0	148	0
Deferred tax assets/liabilities	261	-3,526	468	-3,083
Offsetting of deferred tax assets and liabilities	0	0	-23	23
Balance of deferred tax assets and liabilities	**261**	**-3,526**	**445**	**-3,060**

In accordance with IAS 12, deferred tax assets on existing tax loss carryforwards totalling EUR 148 thousand (2006: EUR 242 thousand) were capitalised, as they can be offset against future taxable profits. Deferred taxes on tax loss carryforwards were capitalised to the extent that it is probable that they can be offset against taxable profits in the foreseeable future. There are no tax loss carryforwards at foreign companies. Deferred tax assets from write-downs to net present value relate to the write-down of investments to net present value, which is required to be spread over a period of 7 years in accordance with Austrian tax law (2007: EUR 91 thousand; 2006: EUR 148 thousand).

Under Austrian statutory provisions on group taxation (section 9 of the Austrian Corporate Income Tax Act), the tax benefit from the acquisition of domestic group companies must be spread over a period of 15 years. In accordance with an opinion issued by AFRAC (Austrian Financial Reporting and Auditing Committee) in December 2007, no deferred tax assets should be created for this tax benefit in accordance with IAS 12.39, as the difference in question relates to the valuation of the respective investments under tax law and is not expected be reversed in the foreseeable future. At 31 December 2007, this difference amounted to EUR 2,613 thousand (31 December 2006: EUR 2,828 thousand).

24. Payables to customers

	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.
Invoiced claims for the provision of services	**930**	1,988
Deferred fee and commission income	**5,783**	6,858
Total	**6,713**	8,846

In addition to invoiced claims for the provision of services, payables to customers include deferred fee and commission income recognised on an accrual basis. Payables to customers are non-interest-bearing and are payable on demand. The carrying amounts of payables to customers correspond to their fair values.

25. Risk report

The principal financial instruments employed by the Group include financial investments in ordinary and preference shares, shares in investment funds, equity investments, cash and cash equivalents, bank loans and finance leases. The main purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as receivables from and payables to customers, which arise directly from its business activities. The Group does not employ derivative financial instruments such as interest rate swaps or forward foreign exchange transactions to hedge interest rate and exchange rate risks, nor does it hold such instruments for trading purposes.

The main risks arising from the financial instruments held by the Group are interest rate-related cash flow risk and liquidity, exchange rate and credit risk. The Group's management prepares and reviews the policies for managing each of these risk types, which are summarised in the following section.

Interest rate-related cash flow risk

As of 31 December 2007, the Group had only one non-current, fixed-interest financial liability in the form of a mortgage loan denominated in euros to finance the acquisition of the

property in 1040 Vienna. As the interest rate is fixed at 5% over the entire 10-year term, the Group is not subject to the risk of fluctuations in market interest rates to which variable-rate financial liabilities are exposed, meaning that no interest rate swaps are employed to hedge the resulting interest rate risk.

Exchange rate risk

The majority of the Group's business activities are performed within the eurozone. The balance sheets of its Swiss subsidiaries Absolute Plus Zürich AG and C-QUADRAT Fonds-Analyse und Marketing AG are prepared in Swiss francs. All other companies prepare their annual financial statements in euros. Absolute Portfolio Management Ltd. and Absolute Plus.Com Ltd. also prepare their annual financial statements in euros because the vast majority of their business activities are performed within the euro zone. The assets and liabilities reported in foreign currencies (CHF and USD) totalled EUR 3,604 thousand and EUR 2,200 thousand respectively in 2007 (2006: EUR 1,600 thousand and EUR 995 thousand).

Transactions in foreign currencies (CHF and USD) are conducted only by Absolute Plus Zürich AG, C-QUADRAT Fonds-Analyse und Marketing AG and Absolute Portfolio Management Ltd. Income in USD accounted for 2.3% (2006: 1.2%) of the Group's total income, while expenses in USD accounted for 1.7% (2006: 0.2%) of total expenses. Income in CHF accounted for 4.0% (2006: 3.5%) of the Group's total income, while expenses in CHF accounted for 2.4% (2006: 2.0%) of total expenses. As foreign currency transactions are of only subordinate importance for the Group as a whole and are not conducted throughout the Group, the resulting exchange rate risk is considered to be minor. Accordingly, no foreign exchange forwards are used to hedge the risk of fluctuations in exchange rates.

The following table shows the sensitivity of the Group's pre-tax consolidated net profit to changes in the fair values of monetary assets and liabilities assuming a change in the CHF and USD exchange rates of 5%, which is essentially feasible. A positive figure indicates an increase in net profit for the year if the CHF or USD were to appreciate by 5% against the euro. If the respective foreign currency were to depreciate by 5% against the euro, this would have an equal and opposite effect on net profit for the year, meaning that the items listed below would be negative. There is no effect on shareholders' equity.

	CHF		**USD**	
	2007	2006	**2007**	2006
	EUR thou.	EUR thou.	**EUR thou.**	EUR thou.
Net profit before taxes	**23**	33	**48**	33
Shareholders' equity	**0**	0	**0**	0

Credit risk

The Group trades only with recognised and creditworthy third parties. All customers who wish to trade with the Group on credit terms are subject to a credit investigation. In addition, receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to the credit risk arising from the Group's other financial assets, such as cash and cash equivalents, financial investments held for trading and available-for-sale financial investments, the Group's maximum exposure in the event of counterparty default is equal to the carrying amount of the respective instruments. As the Group only trades with recognised and creditworthy third parties, collateral is not required.

Liquidity risk

The Group uses a liquidity planning tool to monitor the risk of liquidity bottlenecks on an ongoing basis. This tool allows the Group to monitor and control the expected cash flows

from operations (fee and commission income and expenses) in particular. The Group's objective is to maintain a balance between the continuity of funding and financial flexibility through the use of overdrafts and loans and, to a lesser extent, finance leases.

At 31 December 2007, the maturity structure of financial liabilities was as follows:

Maturity structure 2007	On demand EUR thou.	Up to 3 months EUR thou.	3 to 12 months EUR thou.	1 to 5 years EUR thou.	Over 5 years EUR thou.	**Total** **EUR thou.**
Other financial liabilities	0	0	2,000	0	0	**2,000**
Payables to customers	5,462	1,251	0	0	0	**6,713**
Total	5,462	1,251	2,000	0	0	**8,713**

Maturity structure 2006	On demand EUR thou.	Up to 3 months EUR thou.	3 to 12 months EUR thou.	1 to 5 years EUR thou.	Over 5 years EUR thou.	**Total** **EUR thou.**
Liabilities to banks	1	0	0	0	0	**1**
Other financial liabilities	0	295	21	2,251	0	**2,567**
Payables to customers	8,013	833	0	0	0	**8,846**
Total	8,014	1,128	21	2,251	0	**11,414**

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a high credit rating and a strong equity ratio in order to support its business activities and to maximise shareholder value. The Group manages its capital structure and makes adjustments to reflect changes in macroeconomic conditions. The Group may adjust its dividend payments to shareholders or make capital repayments or issue new shares in order to maintain or adjust its capital structure. As of 31 December 2007 and 31 December 2006, there were no changes in the Group's capital management objectives, guidelines and procedures.

Accordingly, the Group aims to achieve an equity ratio of between 45% and 60% (in accordance with IFRS adjusted for the provisions of the Austrian Securities Supervision Act) or between 60% and 75% (in accordance with IFRS):

	31 Dec. 2007 **EUR thou.**	31 Dec. 2006 EUR thou.
Share capital	**4,363**	4,363
Capital reserves	**26,554**	26,554
Other reserves	**-22**	-36
Shareholders' equity in accordance with the Austrian Securities Supervision Act	**30,895**	30,881
Retained earnings/consolidated net profit	**5,724**	3,140
Revaluation reserve	**652**	0
Minority interests	**6,132**	6,770
Shareholders' equity in accordance with IFRS	**43,403**	40,791

Liabilities	**22,241**	17,660
Total shareholders’ equity and liabilities	**65,645**	58,450
Equity ratio in accordance with the Austrian Securities Supervision Act	**47.1%**	52.8%
Equity ratio in accordance with IFRS	**66.1%**	69.8%

As the parent of the C-QUADRAT Group and a securities company, C-QUADRAT Investment AG is subject to the provisions on shareholders’ equity contained in the Austrian Securities Supervision Act. The Company is required to have shareholders’ equity amounting to at least 25% of the fixed overheads contained in the last approved annual financial statements, and in no case less than the start-up capital of EUR 50 thousand that was required when its licence was issued. The Company has also been required to hold own funds to hedge credit and operational risks since 2007. In the same way as for banks, the Company must hold equity corresponding to 8% of its risk-weighted assets for credit risk management purposes, with coverage up to an amount corresponding to the minimum shareholders’ equity. In addition to this minimum shareholders’ equity, 12/88 of 25% of the fixed overheads contained in the last approved annual financial statements must be held for the purposes of hedging operational risk.

As a result, the Company is currently required to hold at least EUR 4,351 thousand in eligible own funds, which is defined by the Austrian Securities Supervision Act as consisting of paid-in capital and disclosed reserves. The shareholders’ equity meeting this definition currently amounts to EUR 33,589 thousand (31 December 2006: EUR 33,559 thousand), and hence considerably exceeds the required amount.

Minimum shareholders’ equity (section 9 (2) of the Austrian Securities Supervision Act)	**31 Dec. 2007** **EUR thou.**	31 Dec. 2006 EUR thou.
Start-up capital required when the Company’s licence was issued	**50**	50
Fixed overheads in the last approved annual financial statements	**4,101**	3,310
thereof 25%	**1,025**	828
Required minimum shareholders’ equity	**1,025**	828

Credit risk equity (section 9 (5) of the Austrian Securities Supervision Act)	**31 Dec. 2007** **Unweighted assets**	**Asset weighting**	**Weighted assets**
Cash in hand	1	0%	0
Receivables from banks	646	20%	129
Receivables from customers	2,713	100%	2,713
Shares	4,418	100%	4,418
Investments	7,650	100%	7,650
Investments in associates	25,116	100%	25,116
Intangible assets	213	0%	0
Property, plant and equipment	330	100%	330
Other assets	1,034	0%	0

Other assets	12,164	100%	12,164
Prepaid expenses	120	100%	120
Total assets	54,405		52,640
Shareholders' equity required to cover credit risk		8%	**4,211**

Operational risk equity (section 9 (6) of the Austrian Securities Supervision Act)	**31 Dec. 2007** **EUR thou.**
Fixed overheads in the last approved annual financial statements	4,101
thereof 25%	1,025
thereof 12/88	140
Shareholders' equity required to cover operational risk	**140**

Required shareholders' equity (section 9 of the Austrian Securities Supervision Act)	**31 Dec. 2007** **EUR thou.**	31 Dec. 2006 EUR thou.
Total	**4,351**	828

Eligible own funds (section 9 (3) of the Austrian Securities Supervision Act)	**31 Dec. 2007** **EUR thou.**	31 Dec. 2006 EUR thou.
Subscribed capital	**4,363**	4,363
Capital reserves (tied up)	**29,149**	29,172
Capital reserves (not tied up)	**52**	0
Statutory retained earnings	**24**	24
Total	**33,589**	33,559

26. Financial instruments

The following table shows the carrying amounts and fair values of all financial assets and financial liabilities recognised in the consolidated financial statements.

Financial assets	**Carrying amount**		**Fair value**	
	31 Dec. 2007 **EUR thou.**	31 Dec. 2006 EUR thou.	**31 Dec. 2007** **EUR thou.**	31 Dec. 2006 EUR thou.
Cash and cash equivalents and short-term deposits	**7,412**	6,500	**7,412**	6,500
Financial investments measured at fair value through profit or loss	**5,610**	5,614	**5,610**	5,614
Available-for-sale financial investments carried at cost	**100**	100	**Not reliably determinable**	Not reliably determinable
Available-for-sale financial investments measured at fair value	**160**	621	**160**	621
Loans and receivables carried at amortised cost:				
Receivables from customers	**8,061**	8,463	**8,039**	8,440
Other financial assets	**718**	2,120	**718**	2,120

Financial liabilities	**Carrying amount**		**Fair value**	
	31 Dec. 2007 EUR thou.	31 Dec. 2006 EUR thou.	**31 Dec. 2007 EUR thou.**	31 Dec. 2006 EUR thou.
Other liabilities:				
Liabilities to banks	**0**	1	**0**	1
Other financial liabilities	**2,000**	2,567	**1,910**	2,383
Payables to customers	**6,713**	8,846	**6,713**	8,846

The fair values of loans and receivables carried at amortised cost and other financial liabilities were calculated by discounting the expected future cash flows using standard market interest rates.

27. Related party disclosures

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

A company or individual is considered to be related to C-QUADRAT if, whether directly or indirectly through one or more intermediaries, the respective party controls or is controlled or jointly controlled by the Company, has an interest in the Company that gives it a significant influence over the Company, or is involved in the joint management of the Company. A company or an individual is also considered to be related to C-QUADRAT if the party is an associate or a member of the key management personnel of the Company or its parent.

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

Executive Board

In the 2007 financial year, the Executive Board of C-QUADRAT Investment AG consisted of the following members:

Gerd Alexander Schütz
Mag. Thomas Rieß
Mag. Peter Reisenhofer
Mag. Andreas Wimmer

In the 2007 financial year, the remuneration paid to the ten members of the Executive Board of the C-QUADRAT Group totalled EUR 1,872 thousand, including variable performance-related components amounting to EUR 201 thousand (2006: variable components EUR 186 thousand, total remuneration EUR 934 thousand). No severance payments were made for members of the Executive Board (2006: EUR 5 thousand).

At 31 December 2007, the C-QUADRAT Group had no variable-rate receivables from shareholders or members of the Executive Board of the parent company or members of the Executive Board or the management of subsidiaries (2006: EUR 98 thousand). The receivables reported in the 2006 financial year were due on demand.

Supervisory Board

In the 2007 financial year, the Supervisory Board of C-QUADRAT Investment AG consisted of the following members:

Chairman:
Dr. Marcus Diego Mautner-Markhof (until 21 May 2007)
Mag. Karl Heinz Grasser (from 21 May 2007)

Deputy Chairman:
Dr. Thomas Lachs (until 21 May 2007)
Dr. Marcus Diego Mautner-Markhof (from 21 May 2007)

Members:
Christian Angermayer
Franz Fuchs
Dr. Thomas Lachs (from 21 May 2007)
Mag. Dr. Friedrich Schweiger
Golo Alexander Quandt (until 28 August 2007)
Dr. Kurt Waniek (from 28 August 2007)

The remuneration paid to the members of the Supervisory Boards and Boards of Administration of C-QUADRAT Group companies for the 2007 financial year amounted to EUR 126 thousand (2006: EUR 79 thousand).

Associates

Sales of EUR 3,873 thousand (2006: EUR 1,370 thousand) were generated from associates in the 2007 financial year. This primarily relates to fee and commission income and oncharged costs. Expenses from the oncharging of expenses by associates, which mainly related to fee and commission expenses, amounted to EUR 6,637 thousand (2006: EUR 2,479 thousand). At 31 December 2007, the Group had receivables from associates amounting to EUR 524 thousand (31 December 2006: EUR 497 thousand) and payables to associates amounting to EUR 1,470 thousand (31 December 2006: EUR 1,540 thousand).

Related companies

In the course of its asset management activities, C-QUADRAT Kapitalanlage AG entered into an advisory agreement with VCH Investment Group AG ("VCH") on 30 June 2005. This agreement relates to the provision of advisory services to VCH by C-QUADRAT Kapitalanlage AG with regard to the investment funds issued by VCH. VCH is owned by the Angermayer, Brumme & Lange Group, of which Christian Angermayer, a member of the Supervisory Board of the C-QUADRAT Group, is one of the four shareholders. Commission and advisory income from the agreement totalled EUR 1,069 thousand in 2007 (2006: EUR 73 thousand). At 31 December 2007, the Group had outstanding receivables of EUR 346 thousand in connection with this agreement (31 December 2006: EUR 27 thousand). The Group also has a securities brokerage advisory agreement with VCH dated 20 October 2005. In 2007, this agreement generated brokerage commission of EUR 840 thousand (2006: EUR 260 thousand). At 31 December 2007, the Group had outstanding receivables of EUR 420 thousand in connection with this agreement (31 December 2006: 0).

28. Events after the balance sheet date

On 14 January 2008, Fonds & Co Fondsanteilsvermittlung AG sold its 100% interest in Epicon Financial Services GmbH to Ariconsult Holding AG for a price corresponding to the reported shareholders' equity of EUR 217 thousand plus half of the tax benefit resulting from the tax loss carryforwards transferred as a result of the transaction.

VII. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement for the C-QUADRAT Group shows the changes in cash and cash equivalents resulting from the inflow and outflow of funds in the course of the year under review. The effects of the Group's acquisitions and disposals are eliminated and shown separately in the items "inflow of funds resulting from changes in the consolidated group" and "outflow of funds resulting from changes in the consolidated group". Within the cash flow statement, a distinction is made between cash flows from operating activities, investing activities and financing activities. Amounts reported by fully consolidated foreign subsidiaries are translated at the prevailing exchange rate on the balance sheet date. The consolidated cash flow statement is prepared in accordance with the indirect method. The cash flows applied in preparing the cash flow statement are based on the cash and cash equivalents reported in the balance sheet, which consists of cash in hand and bank balances. With the exception of the cash flow for the waiver of the option that is contained in the cash flow from investing activities, the non-cash change in the economic character of the transaction with ARTS Asset Management GmbH from a shareholder loan to a company consolidated at equity, which was implemented in 2006, did not result in any changes in cash and cash equivalents and hence is not recognised in the cash flow statement. Similarly, the

waiver of a loan repayment by Ariconsult Holding AG in 2007 did not result in any changes in cash and cash equivalents, and hence is not recognised in the cash flow statement.

VIII. OTHER INFORMATION

Volume of managed funds

The total volume of the funds managed by the C-QUADRAT Group developed as follows:

	31 Dec. 2007 EUR millions	31 Dec. 2006 EUR millions
Total volume managed by the Group's own investment company	**960**	790
Total volume of advisory and third-party mandates	**704**	259
Total volume	**1,664**	1,049

Average number of employees during the financial year

	2007 Total	2006 Total
Group	**120**	93
thereof in Austria	**106**	87
thereof outside Austria	**14**	6

The above figures include both full-time and part-time employees, all of whom are salaried.

Vienna, 27 March 2008

Gerd Alexander Schütz
Member of the Executive Board

Mag. Thomas Rieß
Member of the Executive Board

Mag. Peter Reisenhofer
Member of the Executive Board

Mag. Andreas Wimmer
Member of the Executive Board