C QUADRAT
the fund company

Consolidated Financial Statements in accordance with IFRS

As of December 31, 2008

C-QUADRAT Investment AG, Vienna

C-QUADRAT Investment AG

CONSOLIDATED INCOME STATEMENT

from January 1, 2008 to December 31, 2008

	Notes	2008 *TEUR*	2007 *TEUR*
Fee and commission income	1	28.061	40.219
Other operating income	2	3.397	1.497
Operating income		**31.458**	**41.716**
Fee and commission expenses		-15.807	-21.342
Personnel expenses	3	-7.151	-7.194
Other administrative expenses	4	-7.149	-6.763
Other operating expenses	5	-1.023	-1.105
Operating profit before depreciation and impairment losses		**327**	**5.311**
Depreciation and impairment losses	6	-4.074	-1.225
Operating profit		**-3.747**	**4.086**
Income from associates	7	-1.378	1.448
Finance revenue	8	2.855	1.715
Finance expenses	9	-1.157	-638
Profit before tax of continued operation		**-3.427**	**6.611**
Tax	10	180	-1.359
Profit after tax of continued operation		**-3.247**	**5.252**
Loss/Profit after tax of discontinued operation	20	-8.912	429
Net Loss/Profit		**-12.159**	**5.682**
thereof parent		-11.623	5.464
thereof minorities		-536	218
Earnings per share of the continued operation	11		
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company		-0,74	1,20
Earnings per share of the discontinued operation			
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company		-1,92	0,05

C-QUADRAT Investment AG

CONSOLIDATED BALANCE SHEET

for the year ended December 31, 2008

		31.12.2008	31.12.2007
ASSETS	**Notes**	*TEUR*	*TEUR*
Non-current assets			
Intangible Assets	13	3.271	23.067
Property, plant and equipment	13	883	887
Investments in associates	14	5.296	8.959
Financial investments	15	3.272	260
Deferred tax asset	26	171	261
		12.893	33.434
Current assets			
Receivables from customers	16	5.742	8.061
Financial investments	15	647	5.610
Other assets	17	3.075	3.452
Cash an cash equivalents	18	13.529	7.412
		22.994	24.535
Non-current assets, held for sale	19	0	7.676
		22.994	32.210
Total assets		**35.886**	**65.645**
EQUITY and LIABILITIES			
Issued capital	21	4.363	4.363
Additional paid-in capital	21	17.948	26.554
Retained earnings	21	-1.657	5.724
Other reserves	21	-27	-22
Revaluation Reserve	21	0	652
Equity attributable to shareholders of the parents		**20.628**	**37.271**
Minority interests		159	6.132
Total equity		**20.787**	**43.404**
Non-current liabilities			
Long-term financial liabilities	22	7.450	0
Non-current provisions	23	85	89
Deferred tax liabilities	26	754	3.526
		8.288	3.614
Current liabilities			
Short-term financial liabilities	22	3	0
Payables to customers	24	4.124	6.713
Other current liabilities	25	1.152	3.831
Other provisions	23	1.316	412
Income tax payable	26	217	307
		6.811	11.262
Non-current liabilities, held for sale	19	0	7.365
Total liabilities		**15.099**	**22.241**
Total equity and liabilities		**35.886**	**65.645**

C-QUADRAT Investment AG

CONSOLIDATED CASH FLOW STATEMENT

from January 1, 2008 to December 31, 2008

	Notes	2008 *TEUR*	2007 *TEUR*
Net Loss/Profit		-12.159	5.682
Tax		-180	1.359
Financial result		-1.698	-1.077
Income from associates		1.378	-1.448
Depreciation of intangible assets, property, plant and equipment		4.074	1.225
Increase/decrease in long term provisions		-4	-19
Income/loss from the disposal of fixed and financial assets		735	893
Loss of discontinued operation		7.821	0
Increase/decrease in receivables and other assets		2.696	743
Increase/decrease in other provisions		904	-380
Increase/decrease in trade payables		-3.268	-2.138
Income tax paid		-549	-1.261
Cash flow from operating activities	VII	**-250**	**3.578**
Purchase of property, plant and equipment and intangible assets		-316	-7.296
Net payments made for the acquisition of subsidiaries		-2.000	-1.265
Payments made for purchase of shares from other shareholders		0	-35
Payments made for the investments in financial assets		-115	-5.738
		-1.326	0
Proceeds from sale of assets		6.500	25
Proceeds from sale of subsidiary company		100	200
Proceeds from sale of associated company		0	800
Proceeds from sale of financial assets		5.540	4.977
Interest received		524	258
Dividends received		2.046	1.602
Cash flow from investing activities	VII	**10.954**	**-6.472**
Dividends paid		-4.363	-2.880
Interest paid		-380	-598
Payment of finance lease liabilities		157	7.296
Proceeds from borrowings		0	-12
Cash flow from financing activities	VII	**-4.587**	**3.806**
Net increase in cash and cash equivalents	VII	**6.117**	**912**
Cash and cash equivalents at beginning of period		7.412	6.500
Cash and cash equivalents at end of period		**13.529**	**7.412**

C-QUADRAT Investment AG
Consolidated statement of changes in equity
for the year ended December 31, 2008

	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*
31.12.2006	**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	0	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 year recognised directly in equity	0	0	0	15	652	666	7	674
Net Profit	0	0	5.464	0	0	5.464	218	5.682
Total income and expense for the year	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
31.12.2007	**4.363**	**26.554**	**5.724**	**-22**	**652**	**37.271**	**6.132**	**43.404**
Net profit for available-for-sale financial assets	0	0	0	17	0	17	0	17
Currency-conversion	0	0	0	-22	0	-22	0	-22
Depletion of former revaluation reserve	0	0	0	0	-652	-652	0	-652
Total income and expense for the period recognised directly in equity	0	0	0	-5	-652	-657	0	-657
Loss for the financial year	0	0	-11.623	0	0	-11.623	-536	-12.159
Total income and expense for the year	0	0	-11.623	-5	-652	-12.280	-536	-12.816
Use of capital reserve	0	-8.605	8.605	0	0	0	0	0
Change in consolidation circle	0	0	0	0	0	0	-5.430	-5.430
Decrease in minority interest	0	0	0	0	0	0	-7	-7
Dividends	0	0	-4.363	0	0	-4.363	0	-4.363
31.12.2008	**4.363**	**17.948**	**-1.657**	**-27**	**0**	**20.628**	**159**	**20.787**

C-QUADRAT INVESTMENT AG and subsidiary and associated companies

2008

Company	Domicile	Issued Capital	Currency	Equity holding	Type of consoli-dation 1)
C-QUADRAT Investment AG	Wien	4.363.200	EUR	100,00%	FC
C-QUADRAT Deutschland AG	D-Frankfurt	50.000	EUR	100,00%	FC
C-QUADRAT Fonds-Analyse und Marketing AG	CH-Zürich	100.000	CHF	100,00%	FC
C-QUADRAT Kapitalanlage AG	Wien	2.700.000	EUR	100,00%	FC
C-QUADRAT Portfolio Fonds GmbH	D-Frankfurt	25.000	EUR	100,00%	FC
C-QUADRAT Portfolio-Fonds Vermittlung GmbH	D-Frankfurt	25.000	EUR	100,00%	FC
C-QUADRAT Private Investments AG (eh. Fonds & Co Fondsanteilsvermittlung AG)	Wien	295.572	EUR	98,39%	FC
Active Management & Advisory AG	CH-Zürich	100.000	CHF	50,00%	EQ
ARTS Asset Management GmbH	Wien	125.000	EUR	45,00%	EQ
Ariconsult Holding AG	Graz	180.000	EUR	25,10%	EQ

2007

Company	Domicile	Issued Capital	Currency	Equity holding	Type of consoli-dation 1)
C-QUADRAT Investment AG	Wien	4.363.200	EUR	100,00%	FC
Absolute Plus AG (eh. VPM Vermögensverwaltungs AG)	D-München	168.750	EUR	50,003%	FC
Absolute Plus Zurich AG	CH-Zürich	1.200.000	CHF	50,08%	FC
Absolute Portfolio Management Ltd.	Cayman Islands	50.000	USD	50,002%	FC
C-QUADRAT Deutschland AG	D-Frankfurt	50.000	EUR	100,00%	FC
C-QUADRAT Fonds-Analyse und Marketing AG	CH-Zürich	100.000	CHF	100,00%	FC
C-QUADRAT Kapitalanlage AG	Wien	2.700.000	EUR	100,00%	FC
Epicon Financial Services GmbH	Wien	225.500	EUR	100,00%	FC
Fonds & Co Fondsanteilsvermittlung AG (eh. Epicon Investment AG)	Wien	295.572	EUR	98,39%	FC
Absolute Plus.Com Ltd.	Cayman Islands	50.000	USD	50,00%	EQ
Active Management & Advisory AG	CH-Zürich	100.000	CHF	50,00%	EQ
ARTS Asset Management GmbH	Wien	125.000	EUR	45,00%	EQ
Ariconsult Holding AG	Graz	180.000	EUR	25,10%	EQ

1) FC - fully consolidated, EQ - at equity consolidated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. CORPORATE INFORMATION

The C-QUADRAT Group, including its subsidiaries and investments in associates, is a European investment fund company that is independent of any bank or insurance company. The core competencies of the company are, firstly, the analysis and brokerage of practically all investment funds licensed for sale in Austria and Germany, and, secondly, the management and marketing of its own funds of funds as well as special mandates for institutional clients. C-QUADRAT has also established itself in Austria and Germany as a broker for banks, and thus in another attractive business field. These business operations mainly generate commission income for the C-QUADRAT Group from the brokerage and asset management of the aforementioned products.

Due to its specific origins and historical development, the business operations of C-QUADRAT were previously concentrated in Austria. However, the Group is now steadily expanding into the Central and Eastern European Countries (CEE) and Germany.

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

II. ACCOUNTING POLICIES

2.1. Basis on which the consolidated financial statements were prepared

The consolidated financial statements as at 31 December 2008 were prepared, in accordance with Directive 83/349 EEC (Consolidated Accounts Directive), on the basis of the International Financial Reporting Standards (IFRSs) adopted and published by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the European Union (EU).

The present financial statements cover the period from 1 January 2008 to 31 December 2008 and consist of the consolidated income statement, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes to the consolidated financial statements.

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

It is expected that the consolidated financial statements of the C-QUADRAT Group for the financial year ending on 31 December 2008 will be released for publication by the Supervisory Board on 20 April 2009 (the date on which the Management Board releases the statements to the Supervisory Board).

Consolidation principles

As the parent company of the C-QUADRAT Group, C-QUADRAT Investment AG prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs). All subsidiaries under the direct or indirect control of the parent company are fully consolidated. The financial statements of the fully consolidated subsidiaries are prepared using uniform accounting policies and with the same balance sheet date as the financial statements of the parent company, and are included in the consolidated financial

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

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

Non-controlling interest is that share in profit/loss and net assets that is not attributable to the Group. Non-controlling interest is disclosed separately in the consolidated income statement and in the consolidated balance sheet. In the consolidated balance sheet, disclosure of non-controlling interest is made under equity, but separate from the equity attributable to the shareholders of the parent company. Acquisition of non-controlling interest is recognised according to the parent entity extension method, in which the difference between the purchase price and the carrying amount of the pro rata net assets acquired are recognised as goodwill.

All intragroup receivables, liabilities, revenues, other income and expenses arising between fully consolidated companies are eliminated. Deferred taxes are recognised to take account of the taxation consequences of consolidation entries recognised in profit or loss.

Profits and losses resulting from intragroup sales of goods and services that are recognised in fixed assets and current assets are eliminated.

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

2.2. Changes in accounting policies

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

In the 2008 financial year, the Group applied the new and revised IFRSs and IAS standards and interpretations as listed below. Application of these new or revised standards and interpretations did not have any effects on the consolidated financial statements.

IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions) addresses the question of whether rights to equity instruments (e.g. stock options) granted to employees should be considered as equity-settled or as cash-settled, and the question of how to treat share-based payment arrangements involving two or more entities within the same group. In the 2008 financial year, the Group did not issue any instruments to which this interpretation applies.

IFRIC 12 (Service Concession Agreements) applies to public-to-private service concession agreements in which a government or other public institution grants orders to private operators to provide public services such as roads, airports, prisons, energy and water supply, and distribution systems. This interpretation is applicable to financial years beginning on or after 1 January 2008 and may be applied earlier. It is expected that this interpretation will be adopted by the EU in the first quarter of 2009, but it will not apply to the C-QUADRAT Group due to the type of business operations and will therefore have no influence on the Group’s financial position, financial performance or cash flow.

IFRIC 14 (IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) provides rules for determining the maximum surplus from a defined benefit plan that may be recognised as assets in accordance with IAS 19 Employee Benefits. Since the Group does not provide any defined benefit pension plans, but only defined benefit

severance payments for employees who joined the Group before 31 December 2002, for whom there are no available plan assets with which to finance the severance liabilities and hence no encashment values carried as assets, this Interpretation does not have any effects on the Group's financial position or financial performance.

The Group has not made use of the amendments to **IAS 39** and **IFRS 7**, permitting the reclassification of individual financial instruments, which were adopted and published by the IASB on 13 October 2008 and by the EU on 15 October 2008, and which became effective as per 1 July 2008.

2.3. Published IFRSs that are not yet mandatory and which have not been applied prematurely

A number of other standards and interpretations have been adopted by the IASB that are not yet mandatory for the 2008 financial year. These were not applied prematurely by C-QUADRAT – if application was possible - and they will all be applied as from the dates on which the respective standards and interpretations become effective.

An amendment of **IFRS 2** (Share-based Payment) was published by the IASB in January 2008, in which vesting conditions for granting equity instruments are defined more precisely, and in which guidance is provided on the accounting treatment of cancellations. These amendments are applicable to financial years beginning on or after 1 January 2009 and were adopted by the EU on 16 December 2008. There were no effects on the Group's net assets, financial position or financial performance in 2008 as a result of this amendment, because no events coming under these new rules occurred.

The revised **IFRS 3R** (Business Combinations) and **IAS 27R** (Consolidated and Separate Financial Statements According to IFRS) standards were published in January 2008 and are applicable to financial years beginning on or after 1 July 2009. The EU is expected to adopt the amendments in the second quarter of 2009. The standards make changes to the accounting treatment of business combinations occurring after that date, which have impacts on the amount of recognised goodwill, the results of the reporting period in which an acquisition took place, and future results. IAS 27R requires that a change in the amount of interest held in a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore neither goodwill nor profit or loss will result from such transactions. Changes were also made to rules governing the distribution of losses to parent companies and non-controlling interests and to accounting rules for transactions leading to loss of control. The changes introduced by IFRS 3R and IAS 27R will have effects on future acquisitions, losses of control and on transactions with non-controlling interests. The Group does not plan to apply this standard prematurely.

In March 2009, the IASB issued “Improving Disclosures about Financial Instruments” (Amendments to **IFRS 7**). The amendments specify enhanced disclosures about fair value measurements and about the nature and extent of liquidity risk. The amended standard includes clarification that existing disclosures at fair value according to IFRS 7 must be made separately for each class of financial instrument, and that additional disclosure must be made about any change in methods used for determining the fair value, and about the reasons for such change. A three-level hierarchy for fair value measurements was also introduced, in which additional disclosure must be made for each fair value measurement in the list of assets, stating the level of hierarchy applied and any movement between levels. Additional disclosures are required whenever level 3 is applied, including a measure of sensitivity to a change in input data. Companies are required to apply the amendments for annual periods beginning on of after 1 January 2009, with earlier application being permitted. However, a company will not be required to provide comparative disclosures in the first year of

application. Adoption of the amendments by the EU is not expected until the second half of 2009.

IFRS 8 (Operating Segments), which aligns segment reporting rules with US GAAP by adopting the 'management approach' to reporting required by SFAS 131, was not applied. The rules are applicable to financial years beginning on or after 1 January 2009 and were adopted by the EU on 21 November 2007. The standard requires the disclosure of information about the Group's operating segments and replaces the requirement to determine primary (operating segments) and secondary (geographical segments) formats for the Group's segment reporting. Due to application of this standard and the management approach in segment reporting, operating segments will be defined, in contrast to the previous risks and rewards approach, on the basis of the internal management of Group divisions whose operating profits are routinely reviewed by company management with regard to decisions on the distribution of resources to this segment and the evaluation of its earnings power. The Group therefore expects only minimal changes in segment reporting, since the operating segments previously identified are largely identical to the 'Asset Management' and 'Brokerage & Advisory Services' segments identified by applying the management approach.

The amendments to **IAS 1** (Presentation of Financial Statements) published by the IASB in September 2007 contain rules according to which companies must disclose any non-owner changes in equity (i.e. 'comprehensive income'), either in one statement of comprehensive income or in two separate statements. There have also been changes within the IFRSs to the terminology used for certain components of the annual financial statements, although companies are not compelled to use the new terminology in their annual financial statements. The revised version applies to financial years beginning on or after 1 January 2009 and was adopted by the EU on 17 December 2008. The changes will not have any effects on the Group's net assets, financial position or financial performance, although the Group has not yet decided whether to present the annual income figures in one statement of comprehensive income or in two separate statements.

IAS 23 (Borrowing Costs, Revised) was published in April 2007 and applies for financial years beginning on or after 1 January 2009. It was adopted by the EU on 10 December 2008. The standard requires the capitalisation of borrowing costs which can be attributed to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or use. In accordance with the transitional provisions in the standard, the Group will apply the standard prospectively. Borrowing costs relating to qualifying assets will therefore be capitalised from 1 January 2009 onwards. No changes will result for borrowing costs incurred to date, which have been recognised immediately as expense.

The amendments to **IAS 32** and **IAS 1** (Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation) were published in February 2008 and apply for financial years beginning on or after 1 January 2009; they were adopted by the EU on 21 January 2009. The revisions allow a small number of exceptions that permit classification of puttable financial instruments as equity, provided that they meet certain criteria. The changes to the standard will not affect the net assets, financial position or financial performance of the Group because the Group has not issued any such instruments.

The amendments to **IAS 39** (Financial Instruments: Recognition and Measurement – Eligible Hedged Items) were published in August 2008 and apply for financial years beginning on or after 1 July 2009. The amendment specifies how the principles in IAS 39 for recognising and measuring hedging instruments are to be applied to the designation of a one-sided risk in a hedged item, and to the designation of inflationary risks as hedged items. The amendments clarify that it is permissible to designate only part of the changes in the cash flows or fair

value of a financial instrument as a hedged item. The Group assumes that the amendment will not affect the Group's net assets, financial position or financial performance, because the Group has not engaged in transactions of this kind.

On 22 December 2008, the IASB proposed a further amendment to **IAS 39** (Financial Instruments: Recognition and Measurement). The Board had amended the standard at short notice in October 2008, in order to permit the reclassification of financial assets out of the "available for sale" and "held for trading" measurement categories in certain circumstances. With the present draft, the IASB aims to close a gap in these rules. The issue being addressed is whether or not a company which classified a structured product on initial recognition as "held for trading" and would like to reclassify it must now test the product for the presence of derivatives that must be separated. In the draft, the IASB clarifies that **IFRIC 9** (Reassessment of Embedded Derivatives) is not applicable in such a case because the structured product has never been assessed for embedded derivatives due to its being measured at fair value through profit or loss. Hence, any initial assessment must be carried out at the date on which a company uses a different measurement criterion for the host contract on reclassification.

On 12 March 2009, the IASB clarified **IFRIC 9** in respect of embedded derivatives for those entities applying the reclassification amendment published by the IASB in October 2008. According to the reclassification amendment, entities are permitted, in limited circumstances, to reclassify certain financial instruments out of the fair value through profit or loss category. The published amendments to **IFRIC 9** and **IAS 39** clarify that all embedded derivatives must be reassessed and separately disclosed in the annual financial statements, if necessary, when they are reclassified out of the fair value through profit or loss category. These amendments are retroactively applicable for reporting period ending on or after 30 June 2009. Since the Group does not make use of reclassification, the amendments to this interpretation do not have any effects on the consolidated financial statements.

IFRIC 13 (Customer Loyalty Programmes) was published in June 2007 and applies for financial years beginning on or after 1 July 2008. The interpretation was adopted by the EU on 16 December 2008. According to this interpretation, benefits (award credits) granted to customers must be accounted for as separately identifiable components of the sales transactions in which they were granted. A part of the fair value of the consideration received is allocated to the benefits (award credits) granted, and deferring the revenue. The revenue is recognised in the period in which the benefits (award credits) granted are redeemed or expire. Since the Group has no customer loyalty programmes in operation at present, this interpretation is no expected to have any effects on the consolidated financial statements.

IFRIC 15 (Agreements for the Construction of Real Estate) was published in July 2008 and applies for financial years beginning on or after 1 January 2009. Adoption of this interpretation by the EU is expected in the second quarter of 2009 and will be applicable with retroactive effect. It clarifies when and how proceeds from the sale of a real estate entity, and associated expenses, are to be recognised when real estate developer and a buyer conclude an agreement before construction of the real estate has been completed. This interpretation also provides guidance for determining whether an agreement is within the scope of IAS 11 or within the scope of IAS 18. This interpretation will have no effects on the consolidated financial statements, because the Group does not conduct such business operations.

IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) was published in July 2008 and applies for financial years beginning on or after 1 October 2008. EU adoption of this interpretation is expected in the second quarter of 2009 and will be applicable with retroactive effect and provides guidance for net investment hedge accounting. The interpretation provides guidance for identifying the foreign exchange risk that can be hedged in the hedge of a net investment, which entities within the Group may hold hedging instruments to hedge the net investment, and how an entity should determine the amount of

foreign exchange gain or loss relating to the net investment and the hedging instrument, to be recycled on disposal of the net investment. Since the Group currently has only foreign subsidiaries in which the euro is the functional currency, and therefore has not entered into such hedging instruments, this interpretation will have no effects on the consolidated financial statements.

IFRIC 17 (Distributions of Non-cash Assets to Owners) was published in 27 November 2008 and applies for financial years beginning on or after 1 July 2009. Adoption of this interpretation by the EU is expected to apply from July 2009. The interpretation must be applied prospectively and clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the company. The dividend payable is to be measured at the fair value of the non-cash assets, and the difference between the dividend paid and the carrying amount of the net assets distributed is to be recognised in profit or loss. A company is also required to provide additional disclosures if the net assets intended for distribution to owners meet the definition of a discontinued operation. Since the dividend policy of C-QUADRAT Investment AG does not provide for distribution of non-asset assets, this interpretation has no effect on the consolidated financial statements.

IFRIC 18 (Transfers of Assets from Customers) was published on 29 January 2009 and is effective for transfers of assets from customers received on or after 1 July 2009. Adoption of this interpretation by the EU is expected to apply from July 2009. This interpretation must be applied prospectively The interpretation clarifies the IFRS rules for agreements in which a company receives from a customer an item of property, plant or equipment that the company must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the company receives from a customer cash that it may use exclusively to acquire or produce the item of property, plant or equipment, to connect the customer to a network, or to provide the customer with ongoing access to a supply of goods or services (or to do both). Since customers of the Group are unable to transfer fixed assets in order to be provided with ongoing access to goods or services, this interpretation has no effect on the consolidated financial statements.

Improvements to IFRS 2008

In May 2008, the IASB published the final amendments to 20 IFRSs, as well as the associated guidance and Bases for Conclusions resulting from the Board's 2007 annual improvement project. The primary objectives were to eliminate inconsistencies and to clarify wording. Some amendments triggered amendments to other IFRSs. The amendments are based on the exposure draft released in October 2007. The IASB's Annual Improvements project provides an opportunity to making minor and non-urgent improvements to IFRSs. Most amendments enter into force for financial years beginning on or after 1 January 2009 and have not been applied prematurely by the Group in those cases where application would have been possible. The EU adopted the amendments on 23 January 2009. There are basically two kinds of amendment:

- Amendments that involve accounting changes in respect of presentation, recognition or measurement. The standards affected by these amendments are shown in the table below.
- Amendments involving terminology or editorial changes that have no or only minimal effects on accounting. These relate to IFRS 7, IAS 8, IAS 10, IAS 18, IAS 20, IAS 29, IAS 34, IAS 40 and IAS 41.

Improvements to IFRSs in respect of presentation, recognition or measurement	
IFRS	**Subject of amendment**
IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations*	• Plan to sell the controlling interest in a subsidiary
IAS 1 *Presentation of Financial Statements*	• Current/non-current classification of derivatives
IAS 16 *Property, plant and equipment*	• Recoverable amount • Sale of assets held for rental
IAS 19 *Employee Benefits*	• Curtailments and negative past service cost • Plan administration costs • Replacement of term 'fall due' • Guidance on contingent liabilities
IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*	• Government loans with a below-market rate of interest
IAS 23 *Borrowing costs*	• Components of borrowing costs
IAS 27 *Consolidated and Separate Financial Statements in Accordance with IFRS*	• Measurement in separate financial statements of investments in subsidiaries held for sale
IAS 28 *Investments in Associates*	• Required disclosures when investments in associates are accounted for at fair value through profit or loss • Impairment of investments in associates
IAS 29 *Financial Reporting in Hyperinflationary Economies*	• Description of historical cost financial statements
IAS 31 *Interests in Joint Ventures*	• Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss
IAS 36 *Impairment of Assets*	• Disclosure of estimates used to determine recoverable amount
IAS 38 *Intangible Assets*	• Advertising and sales promotion activities • Unit of production method of amortisation
IAS 39 *Financial Instruments: Recognition and Measurement*	• Reclassifying financial instruments into and out of the 'at fair value through profit or loss' category of classified instruments • Designating and documenting hedges at the segment level • Applicable effective interest rate on cessation of fair value hedge accounting
IAS 40 *Investment Property*	• Property under construction for future use as investment property
IAS 41 *Agriculture*	• Discount rate for fair value calculations • Additional biological transformation

2.4. Main discretionary decisions, estimates and assumptions

Discretionary decisions

In applying the Group's accounting policies, management made the following discretionary decision that significantly influences the amounts reported in the consolidated financial statements:

On 19 December 2008, the Management Board of C-QUADRAT Investment AG announced its plans to sell the Absolute Plus group of companies. The rationale behind this strategic

decision was that management anticipated persistent deterioration in the market environment in the ‘Hedge Funds’ field, accompanied by a significant increase in risks. The Absolute Plus Group was sold on the basis of contracts dated 27 December 2008. The view of management is that the discontinued ‘Hedge Funds’ operation division was a separate and significant business segment. Due to the close business relationships and the joint business operations within the Absolute Plus Group, consisting of Absolute Plus AG, Absolute Plus Zürich AG and Absolute Portfolio Management Ltd., these three companies were considered to be a cash-generating unit to which the goodwill acquired by the business combination was allocated. The Absolute Plus Group was therefore treated during its useful life as a fund-generating entity, since it could be clearly demarcated from the rest of the Group, both operationally and for accounting purposes, as a separate corporate entity or business division, including the associated cash flows.

Estimates and assumptions

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

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

At least once a year, the Group reviews goodwill for impairment. Impairment tests are also performed on other non-current, non-financial assets if there is specific evidence of impairment loss. This requires an estimate of the value in use of the cash-generating units to which the goodwill or the other non-current, non-financial assets are allocated. In order to estimate the value in use, the Group’s management must estimate the anticipated future cash flows from the cash-generating unit and choose a reasonable discount rate in order to determine the present value of these cash flows.

To determine this value in use, the estimated future cash flows are discounted to their present value by taking planning risk into account and by applying an 8.58% pre-tax discount rate (2007: 8.16%) that reflects current market expectations regarding the time value of money and the specific risks associated with the asset. The estimated future cash flows were derived for the years 2009 to 2011 from the detailed budget approved by the Supervisory Board, and a simplified forecast was used for the years 2012 to 2014. For all periods thereafter, the forecast figures for the year 2014 were assumed to be constant.

For further notes on the impairment tests performed in the financial year, on the impairments recognised in the 2008 financial year and on the carrying amounts of the respective assets, we refer to item 13 below.

After applying the equity method, the Group determines whether it is necessary to recognise an additional impairment loss for the Group’s investments in associates. Given that there are indications of impairment as at 31 December 2008 due to the impacts of the financial crisis, the value in use was calculated on the basis of the expected future cash flows. To determine this value in use, the estimated future cash flows are discounted to their present value by taking planning risk into account and by applying an 8.58% pre-tax discount rate (2007: 8.16%) that reflects current market expectations regarding the time value of money and the specific risks associated with the asset. The estimated future cash flows were derived for the years 2009 to 2011 from the detailed budget approved by the Supervisory Board, and a simplified forecast was used for the years 2012 to 2014. For all periods thereafter, the forecast figures for the year 2014 were assumed to be constant.

For further notes on the impairment test performed in the financial year, on the impairment recognised in the 2008 financial year and on the carrying amounts of the associated, we refer to items 7 and 14 below.

2.5. Summary of main accounting policies

General measurement methods

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

Measurement was carried out on a going concern basis.

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

Foreign currency translation

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

The annual financial statements of foreign companies are converted into euros using the functional currency method. The functional currency for all companies within the Group is the national currency, because they conduct their business independently in financial, economic and organizational respects. As at the balance sheet date, the assets and liabilities are translated into the functional currency of the Group (the euro) using the closing rate for that day. Income and expenses are translated using the weighted average exchange rate for the respective financial year. Currency translation differences are recognised as a separate component of equity. Differences in currency translation between the closing rate on the balance sheet date and the average rate used in the income statement are also recognised within this equity item.

Currency translation was based on the following exchange rates:

	Closing rate on		**Average rate for the year**	
in EUR	**31.12.2008**	31.12.2007	**2008**	2007
CHF	**0.672**	0.603	**0.638**	0.612
USD	**0.709**	0.679	**0.694**	0.718

Property, plant and equipment

Property, plant and equipment are carried at cost – except for the cost of ongoing maintenance – less accumulated depreciation and accumulated impairment. These costs include the cost of replacing part of such an item at the date the costs are incurred, provided that the criteria for recognition are met.

Systematic straight-line depreciation is based on the estimated useful lives of the respective assets. Property, plant and equipment are amortised over period of three to ten years.

The cost of major servicing is recognised in the carrying amount of the respective item of property, plant or equipment, provided that the criteria for recognition are met.

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

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

Leases

Whether an agreement contains a lease is determined from the substance of the agreement on the date it was concluded and requires an assessment of whether fulfilment of the agreement is dependent on the use of a particular asset and whether the agreement grants a right to use the asset.

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. This includes recognising identifiable assets (including intangible assets not previously recognised) and liabilities (including contingent liabilities, but excluding future restructuring) of the acquired business at fair value.

Goodwill arising from a business combination is initially recognised at cost, which is measured as the excess of the cost of the business combination over acquirer's interest in the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired

business. After initial recognition, goodwill is measured at cost less accumulated impairment losses. For impairment testing purposes, the goodwill acquired in a business combination is allocated, starting at the date of acquisition, to the cash-generating unit or groups of cash-generating units that benefit from the synergies generated by the business combination. This rule applies regardless of whether other assets or liabilities of the acquirer 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

- is the lowest level within the company at which goodwill is monitored for internal corporate management, and
- is no larger than a segment in the Group's primary or secondary reporting format as defined in IAS 14 'Segment Reporting'.

Within the Group, cash-generating units generally correspond to the legal entities that exist. Due to the close business relationships and the joint business operations within the Absolute Plus Group, consisting of Absolute Plus AG, Absolute Plus Zürich AG and Absolute Portfolio Management Ltd., these three companies are considered to be a cash-generating unit to which the goodwill acquired by the business combination is allocated.

In those cases in which the goodwill is part of the cash-generating unit (or Group of cash-generating units) and part of that unit's operations is sold, the goodwill attributable to the operations sold is 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 that part of goodwill which has been sold is calculated on the basis of the relative values of the sold operations and of the retained part of the cash-generating unit.

Intangible assets

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

Systematic straight-line depreciation is based on the estimated useful lives of the respective assets. Intangible assets are amortised over period of three to eight years.
Intangible assets with a finite useful life are amortised over the period over which future economic benefits are received and tested for potential impairment if there are any indications that an intangible asset may be impaired. In the case of intangible assets with a finite useful life, the useful life and the amortisation method are reviewed at least at the end of each financial year. Any necessary changes in the amortisation method and useful life are treated as changes in estimates. Amortisation of intangible assets with finite useful lives is reported in the income statement as a separate expense item.

Investments in associates

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

According to the equity method, investments in an associate are recognised in the balance sheet at cost plus any changes in the Group's share of net assets of the associate that have occurred since acquisition. The goodwill associated with associates is recognised in the carrying amount of the Group's interest and is not subjected to systematic amortisation. The income statement includes the Group's interest in the profit or loss of the associate. Changes recognised directly in the equity of the associate are recognised by the Group to the amount of its share in the associate and, where appropriate, are reported in the statement of

changes in equity. Profits and losses from transactions between the Group and the associate are eliminated according to the share held in the associate.

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

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there are any indications that an asset may be impaired. If such indications exist, or when annual impairment testing for an asset is required, the Group makes estimates the recoverable amount of the respective asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value, less cost to sell, and its value in use. The recoverable amount must be determined for each individual asset, unless an asset does not generate any cash flows that are largely independent of other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and must be reduced to its recoverable amount. To determine an asset's value in use, the estimated future cash flows are discounted to their present value by applying a pre-tax discount rate that reflects current market expectations regarding the time value of money and the specific risks associated with the asset. An appropriate valuation model is applied to determine the fair value less costs to sell. This model is based on valuation multiples or other available indicators of the fair value.

Impairment losses on continuing operations are recognised as a separate expense item in the income statement. This does not apply for remeasured assets if the revaluation gains are recognised in equity, in which case the impairment losses are recognised directly in equity to the amount recognised by previous revaluation.

For assets other than goodwill, a review is conducted at each balance sheet date to determine whether there are any indications that a previously recognised impairment loss no longer exists or has been reduced. If any such indications exist, the Group estimates the recoverable amount of the asset. Any previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. In that case, the carrying amount of the asset is increased to its recoverable amount. However, this amount may not exceed the carrying amount of the asset less depreciation or amortisation if no impairment losses in respect of the asset had been recognised in previous years. Any such reversals of impairment loss are recognised immediately in net income for the year, unless the asset is carried at its remeasured amount. In that case, the reversal of impairment loss must be treated as a revaluation gain. Impairment losses on goodwill may not be reversed in subsequent years, even if the recoverable amount increases.

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

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

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

Financial assets

Depending on the individual case, financial assets within the meaning of IAS 39 are classified as financial assets measured at fair value through profit and loss, as held-to-maturity investments, as loans and receivables or as available-for-sale financial assets.

Classification of financial assets into the measurement categories is performed after initial recognition. Any reclassifications, to the extent that they are permissible and appear necessary, are performed at the end of each financial year.

All 'regular way' purchases and sales of financial assets are recognised in the balance sheet using trade date accounting, i.e. on the basis of the date on which the company entered into a commitment to purchase the respective asset. 'Regular way' purchases and sales are purchases and sales of financial assets which require delivery of the assets within a fixed period as stipulated by market rules or conventions.

Financial assets are measured at fair value when initially recognised. In the case of financial investments that are not classified as measured at fair value through profit or loss, transaction costs that are directly attributable to acquisition of the assets are also taken into account.

The Group's financial assets include cash and cash equivalents, receivables from customers, other financial assets as well as listed and unlisted financial instruments.

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

Financial assets are classified as held for trading when they are acquired for the purpose of selling in the near term. Gains and losses from financial assets held for trading are recognised in profit or loss.

Financial assets may be classified on initial recognition as financial assets measured at fair value through profit or loss, provided that the following criteria are met: (i) classification eliminates or significantly reduces incongruities that would otherwise arise from measuring assets or recognising the gain and losses using different measurement methods; or (ii) the assets form part of a group of financial assets that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management strategy.

Held-to-maturity investments
Investments held to maturity are non-derivative financial assets with fixed or at least determinable payments and fixed maturity that the Group intends and is able to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortised cost, which is the amount at which the asset was measured at initial recognition, minus

principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any differences between the amount initially recognised and the maturity amount, and minus any reduction for impairment. All charges and other fees paid or received between the counterparties and which form an integral part of the effective interest rate, the transaction costs and all other premiums and discounts, are included in the calculation of amortised cost. Gains and losses are recognised in the net profit or loss for the year when the investments are derecognised or impaired, and when amortised.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale assets are non-derivative financial assets which are classified as available for sale and do not fall under any of the three categories referred to above. After initial recognition, held-for-sale financial assets are measured at fair value, with unrealised gains or losses being recognised directly as equity in the reserve for unrealised gains. Available-for-sale equity instruments for which the fair value cannot be determined reliably are recognised at cost minus any impairment that is necessary. When investments are sold, the accumulated gains or losses previously recognised in equity are removed from equity and recognised in the income statement through profit or loss. Any interest received or paid on investments is shown as interest income or expense.

Financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities are classified as held for trading when they were acquired for the purpose of selling them in the near term. Gains and losses from financial liabilities held for trading are recognised in profit or loss.
Financial liabilities may be classified on initial recognition as liabilities measured at fair value through profit or loss, provided that the following criteria are met: (i) classification eliminates or significantly reduces incongruities that would otherwise arise from measuring liabilities or recognising the gain and losses using different measurement methods; or (ii) the liabilities form part of a group of financial liabilities that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management strategy.

The Group has not classified any financial liabilities as being measured at fair value through profit or loss.

Other liabilities
Other liabilities, including liabilities to banks and liabilities to customers, are measured on initial recognition at fair value minus transaction costs. After initial recognition, other liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised through profit or loss when the investments are derecognised, and when amortised.

Fair value of financial instruments

The fair value of financial instruments traded on organised markets is determined by the quoted market price (bid price) on the balance sheet date. The fair value of financial instruments for which there is no active market is established by using a valuation technique. Valuation techniques include using the most recent arm's length transactions between knowledgeable, willing and independent parties, comparison with the current fair value of another financial instrument that is substantially the same, discounted cash flow analysis and the use of other pricing models.

Amortised cost of financial instruments

Amortised cost is calculated by applying the effective interest method, minus any impairment, repayments of principal, or reductions. Calculation takes into account all discounts and premiums on acquisition as well as any transaction costs, and includes all charges forming an integral part of the effective interest rate/APR. Dividends from financial investments are recognised through profit or less as received dividends when legal entitlement to payment arises.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is any impairment of financial assets or groups of financial assets.

Loans and receivables
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (with the exception of estimated future credit losses that have not yet occurred), discounted at the financial asset’s original effective interest rate/APR (i.e. the effective interest rate/APR computed at initial recognition). The carrying amount of the asset is reduced by the amount of impairment required, and the impairment loss is recognised in profit or loss.

The first step is to establish whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually for financial assets that are not individually significant. If the Group establishes that there is objective evidence of impairment for an individually assessed financial asset, whether significant or not, the financial asset is impaired by the assessed amount.

If the amount of impairment loss decreases in a subsequent reporting period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversed amount of impairment loss is limited to the amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

If, in the case of receivables from customers, there is objective evidence (e.g. the likelihood of insolvency or significant financial difficulties on the part of the debtor) that not all mounts due will be received in accordance with the originally agreed invoice terms, an impairment

loss is recognised. Impairment losses are derecognised when the underlying receivables are classified as irrecoverable.

Available-for-sale financial assets
When the fair value of an available-for-sale asset declines, an amount equal to the difference between cost (minus any repayments and amortisation) and the current fair value (minus any previous impairment of the financial asset recognised in profit and loss), is reclassified from equity to profit or loss. Impairment loss reversals for investments in equity instruments classified as available for sale are not recognised in the income statement.

Impairment loss reversals for debt instruments classified as available for sale are recognised in profit or loss if the increase in the fair value of the instrument can be objectively attributed to an event occurring after the impairment loss was recognised in profit or loss.

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 the cash flows from a financial asset have expired.
- Although the Group retains the rights to cash flows from financial assets, it has assumed a contractual obligation to pay those cash flows immediately to a third party under an agreement that satisfies the conditions of IAS 39.19 (pass-through arrangement).
- The Group has transferred its contractual rights to cash flows from a financial asset and in doing so (a) has transferred substantially all the risks and rewards associated with ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards associated with ownership of the financial asset, but has transferred control of the asset.

If the Group transfers its contractual rights to cash flows from an asset, neither transfers nor retains substantially all risks and rewards associated with ownership of that asset and also retains control over the transferred asset, the Group continues to recognise that transferred asset to the extent of its continuing involvement in it. If continuing involvement takes the form of guaranteeing the transferred asset, then the extent of continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

If continuing involvement takes the form of a written and/or purchased option on the transferred asset (including an option serviced by a cash settlement or in a similar manner), the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option on an asset measured at fair value (including an option serviced by cash settlement or in a similar manner), the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

Cash and cash equivalents

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

Non-current assets held for sale and liabilities associated with such assets

Non-current assets or disposal groups, and liabilities associated with such assets, are classified as held for sale if their associated carrying amount will be recovered principally through a sale transaction rather than through continuing use. This requirement is considered met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must have entered into a commitment to sell the asset. The sale should also be expected to qualify for recognition as a completed sale within one year from the date of such classification.

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

Discontinued operations

In the consolidated income statement for the reporting period, and in the periods for comparison, the income and expenses from discontinued operations are recognised separately from the income and expenses of continuing operations, and are disclosed separately as the post-tax profit or loss of the discontinued operation.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group expects reimbursement of at least part of the amount required to settle a provision (as in the case of an insurance policy, for example), the reimbursement is recognised as a separate asset if is virtually certain that the reimbursement will be received. The expense relating to formation of the provision is presented in the income statement net of the amount recognised for reimbursement. If the effect of the time value of money is substantial, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability, if this is considered necessary on a cash-by-case basis. In the event of discounting, the increase in provisions required by the passage of time is recognised as financial expense.

Employee benefits

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

Under Austrian law, severance payments are once-only settlements that must be paid in accordance with employment law when employees are laid off by the employer, and generally when employees enter retirement. The amount of settlement paid is based on the final salary and the number of years' service. For employees who joined the Group up to and including 2002, the company therefore has direct obligations for which provisions must be

formed in accordance with IAS 19. As in the prior year, due to the fact that severance payments apply only to a small number of employees who have been employed by the C-QUADRAT Group for many years, no staff fluctuation deduction was made.

The calculation is performed using the AVÖ 2008 P mortality tables for salaried employees (2007: AVÖ 1999 P tables for salaried employees). Actuarial gains and losses in respect of severance obligations are recognised immediately in profit and loss.

In addition to defined benefit, there is also a defined contribution plan for employees in Austria who joined the company after 1 January 2003. A statutory amount equal to 1.53% (2007: 1.53%) of gross salary must be paid into a staff pension fund, and is recognised as statutory personnel expenses. As a consequence, no provisions need be formed for these employees.

Pension insurance
Contributions to the statutory pension scheme, which are likewise recognised as statutory personnel expenses, amount to 12.55% (2007: 12.55%) of gross monthly salary up to a maximum of EUR 4,020.00 (2007: EUR 3,840.00).

Share-based compensation
The Extraordinary General Meeting held on 28 August 2007 adopted a shareholder resolution to increase the contingent capital by EUR 436,320.00 by issuing 436,320 no-par bearer shares, with shareholders excluded from subscribing, in order to service stock options granted under a stock option plan, likewise adopted by shareholder resolution, for executive employees and for members of the Management Board and Supervisory Board.

Under this stock option plan, beneficiaries are given receive the right (option) to acquire shares in the company at a certain price which is fixed when the option is granted and is graduated in tranches (transaction settled with equity instruments). These options can be exercised on predefined occasions. If the share price and hence the market capitalisation of the company increases, beneficiaries have the advantage of acquiring shares at the lower strike price. The financial value of the option is directly linked, therefore, to the business success of the company as reflected in the growth in its market value.

The stock options granted under this stock option plan are stock options within the meaning of Section 159 (3) 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 duties of the respective participant under this stock option plan derive from conclusion of a participation agreement and issuance of an option certificate.

Any shares acquired by exercising stock options in exercise period 1 (1 to 31 May 2008, strike price EUR 45.00) or in exercise period 2 (1 to 31 May 2009, strike price EUR 55.00) must be held by the participant for 24 months, and any shares acquired by exercising stock options in exercise period 3 (1 to 31 May 2010, strike price EUR 65,00) or exercise period 4 (1 to 31 May 2011, strike price EUR 75.00) must be held for 18 months as from the date on which the respective notice of exercising the option is submitted to the company. The respective shares will only be transferred to participants by using a special blocked custody account, provided that the depot bank and participant make an irrevocable commitment to C-QUADRAT Investment AG not to sell the respective shares or transfer them to a third party during the applicable retention period.

The costs for granting equity instruments are measured at the fair value of these equity instruments on the date they are granted. The fair value is determined by an external expert using an appropriate option pricing model.

The expenses resulting from the granting of equity instruments and the corresponding increase in equity are recognised over the period in which the conditions for exercise and delivery must be fulfilled (the 'vesting period'). This period ends on the first possible date for exercise, i.e. the date on which the respective employee acquires an irrevocable right to purchase shares. The accumulated expenses from granting of equity instruments, recognised on each balance sheet date for the period until the date of first possible exercise, reflect that portion of the vesting period which has already elapsed and the number of equity instruments which according to the Group's best possible estimate can actually be exercised at the end of the vesting period. The income or expense recognised in the profit or loss for the period corresponds to the change in cumulative expenses recognised at the beginning and at the end of the reporting period. No expenses are recognised for non-exercisable compensation rights, with the exception of compensation rights for which certain market conditions must be fulfilled before they can be exercised. These rights are considered exercisable regardless of whether the market conditions are met, provided that all other vesting conditions are met.

If the conditions stipulated in a compensation agreement involving settlement with equity instruments are amended, expenses are recognised at least to the amount that would have been incurred if the contractual conditions had not been amended. The company also recognises the effects of changes that increase the total fair value of the share-based compensation agreement, or which involve some other employee benefit, measured at the time the respective change occurs.

If a compensation agreement involving settlement with equity instruments is cancelled, the agreement is treated as if it had been exercised on the cancellation date. Any expenses not previously recognised must be recognised immediately in that case. However, if the cancelled compensation agreement is replaced by a new compensation agreement and declared on the date of granting as being a replacement for the cancelled compensation agreement, the cancelled and the new compensation agreements are accounted for as a change in the original compensation agreement.

Due to the fact that, as at 31 December 2008, none of the potential beneficiaries had concluded an agreement to participate in the stock option plan and hence that no option certificates had been issued by that date, the options had not yet been issued as at 31 December 2008 (grant date method). Since the period for delivery of shares under the stock option plan began as early as 2007, the personnel expense to be recognised for 2008 must be estimated on the basis of expectations as at the balance sheet date. Owing to the share price performance in 2008 and the anticipated share price performance over the remaining term of the options, the personnel expense for the stock option program was measured at zero for 2008.

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

Recognition of revenue and expense

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be reliably measured. The following criteria must also be met before revenue can be recognised:

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

thresholds. These fees are therefore recognised when the respective value thresholds are reached. Up-front fees are charged for brokerage services and are recognised when the respective service has been performed. Subsequent brokerage commission is payable for brokerage mandates, as long as these are maintained. For that reason, they are deferred according to the period in which they arise. Revenue from premiums refer to the sales charges payable when purchasing shares in investment funds and are deferred according to the period in which they arise. Fee and commission expenses are recognised in the respective period in which they are incurred.

Interest and dividend revenue
Interest is recognised in profit or loss in the period in which it is generated or incurred. Dividends are recognised when the right to payment is established.

Taxes

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

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

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

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

- deferred tax assets resulting from deductible temporary differences arising from the initial recognition of goodwill or of a liability in respect of a business transaction that is not a business combination and which has no impact at the transaction date either on the net income for the year under commercial law or on the taxable income, and
- deferred tax assets resulting from taxable temporary differences relating to investments in subsidiaries, associates and shares in joint ventures, if it is probable that the temporary differences will not be reversed in the foreseeable future and insufficient taxable income will be available against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available against which the deferred tax assets can be used at least in part. Unrecognised deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it has become likely that future taxable income will allow realisation of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the period in which the asset is realised or a liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date. Future changes in tax rates are taken into account if substantive conditions for enactment have been met in the context of a legislative procedure.

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

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

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

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

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

III. BUSINESS COMBINATIONS

Business combinations in 2007

In a share purchase agreement dated 18 June 2007, C-QUADRAT Investment AG acquired a 50% share in Fonds & Co Fondsanteilsvermittlung AG previously held by Privatinvest Bank AG. Due to the fact that the approval by the Austrian Financial Markets Supervisory Authority was not received until early July 2007, said approval being a contractually agreed suspensory condition for the share transfer transaction, the company is no longer included at equity in the consolidated financial statements, but as a fully consolidated company with effect from July 2007 (successive business combination).

The acquisition-date fair values of the identifiable assets and liabilities of Fonds & Co Fondsanteilsvermittlung AG 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 liabilities 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 acquisition costs	-1,540
Original cost of acquisition for 50% share	40
Cash purchase price for 50%	-1,500
Minus acquired cash and cash equivalents	235
	-1,265

The increase in intangible assets relates to the acquisition of the customer base managed by the aforementioned company. This customer base 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. Systematic straight-line amortisation was based on a useful life of eight years. The deferred taxes on the difference resulting from fair value measurement were likewise recognised. The remaining difference of EUR 575 thousand in respect of Fonds & Co Fondsanteilsvermittlung AG was capitalised as goodwill. This goodwill comprises the fair value of the anticipated synergies resulting from the acquisition, primarily in sales operations. The revaluation of the assets and liabilities attributable to the equity interest previously held by the Group, as a result of their reconciliation to fair value, resulted in recognition of an additional EUR 652 thousand in revaluation reserve.

Since the acquisition date, the acquired company has contributed EUR 287 thousand to consolidated earnings and EUR 1,705 thousand to consolidated revenue. If the company had been acquired at the beginning of the reporting period, the revenue of the business combination would have amounted to EUR 52,789 thousand and its annual net income to EUR 6,143 thousand.

IV. SCOPE OF CONSOLIDATION

In addition to C-QUADRAT Investment AG, the consolidated financial statements of the C-QUADRAT Group include a total of six fully consolidated subsidiaries (31.12.2007: eight) and three companies accounted for at equity (31.12.2007: four).

C-QUADRAT Investment AG (parent company)	1
Fully consolidated subsidiaries	6
Investments accounted for at equity	3
Total	**10**

The scope of consolidation developed as follows:

As at 31.12.2006	**17**
of which foreign companies	*7*
Merged in the 2007 financial year	2
Deconsolidated in the 2007 financial year	2
As at 31.12.2007	**13**
of which foreign companies	*7*
Consolidated for the first time in the 2008 financial year	2
Deconsolidated in the 2008 financial year	5
As at 31.12.2008	**10**
of which foreign companies	*5*

1. Changes in the scope of consolidation in 2007

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

The EUR 800 thousand loan granted by C-QUADRAT Investment AG to Ariconsult Holding AG was converted into a shareholder contribution on the basis of the loan repayment waiver confirmed by C-QUADRAT Investment AG on 15 May 2007, and added to the company's share capital by resolution of the Annual General Meeting of Ariconsult Holding AG; the share in this associate thus increased by EUR 800 thousand.

In a share purchase agreement dated 18 June 2007, C-QUADRAT Investment AG acquired the 50% share in Fonds & Co Fondsanteilsvermittlung AG previously held by Privatinvest Bank AG, for a purchase price of EUR 1,500 thousand. The share purchase was subject to the contractually agreed suspensory condition that the transaction be approved by the Austrian Financial Markets Supervisory Authority. This approval was granted in early July 2007, so with effect from July 2007, the company is no longer included at equity in the consolidated financial statements, but as a fully consolidated company.

In a share purchase agreement dated 30 June 2007, C-QUADRAT Investment AG also acquired the 50% interest in Fonds & Co Fondsanteilsvermittlung AG held by the 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.

By virtue of a share purchase agreement dated 1 August 2007, C-QUADRAT Investment AG acquired an additional 200 shares from the free float of EPICON Investment AG, thus increasing its stake in the share capital of EPICON Investment AG to 97.63%.

The Extraordinary General Meeting of Epicon Investment AG, held on 24 September 2007, approved the merger agreement dated 14 August 2007 concerning the merger of Epicon Investment AG (as the acquiring company) and Fonds & Co Fondsanteilsvermittlung AG (as the transferring company). The aim of the transaction was to merge two companies that operate in essentially the same field of business, in order to make better use of scale effects. This primarily involved reducing administration and management costs, which have increased substantially, above all due to changes in the statutory framework following implementation of the Markets in Financial Instruments Directive (MiFID) and concomitant amendment of the Securities Supervision Act. At the aforementioned Extraordinary General Meeting, it was also resolved to change the name of Epicon Investment AG to Fonds & Co Fondsanteilsvermittlung AG. As a result of the share capital increase associated with the merger, which was assumed in full by C-QUADRAT Investment AG, the Group's percentage interest in the acquiring company increased to 98.39%. The two acquisitions of non-controlling interests in Epicon Investment AG increased the value of goodwill by EUR 35 thousand.

The Extraordinary General Meeting of C-QUADRAT Alternative Investment GmbH on 30 September 2007 adopted a resolution to merge C-QUADRAT Alternative Investment GmbH (as the transferring company) with C-QUADRAT Investment AG (as the acquiring company) on the basis of the merger agreement dated 17 September 2007. The aim of this transaction was to make the structure of the Group more streamlined. The licence held by C-QUADRAT Alternative Investment GmbH to perform securities services has already been returned, since alternative investments operations are handled by the Absolute Plus Group.

2. Changes in the scope of consolidation in 2008

In a share purchase and assignment contract dated 14 January 2008, Fonds & Co Fondsanteilsvermittlung AG (now C-QUADRAT Private Investments AG) sold its 100% interest in Epicon Financial Services GmbH to Ariconsult Holding AG for a consideration equal to the recognised shareholder equity of EUR 217 thousand.

By virtue of articles of incorporation dated 12 March 2008, C-QUADRAT Portfolio Fonds GmbH and C-QUADRAT Portfolio-Fonds Vermittlung GmbH were established by C-QUADRAT Deutschland AG, the sole member of these companies. Both companies have their registered office in Frankfurt am Main; their objects are confined to the formation, organisation and selling of closed funds of funds.

In contracts of sale dated 27 December 2008, due to abandonment of its 'Hedge Funds' operations, C-QUADRAT Investment AG sold its 50.003% interest in Absolute Plus AG, its 50.08% interest in Absolute Plus Zurich AG and its 50.002% interest in Absolute Portfolio Management Ltd., for a total selling price of EUR 1,000 thousand (see also item 20 below).

V. NOTES TO THE INCOME STATEMENT

1. Fee and commission income

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

	2008 **€ '000**	2007 € '000
Management fees	**19,851**	20,118
Performance fees	**523**	5,912
Trail fees	**5,755**	8,259
Upfront fees	**1,347**	4,028
Premiums	**420**	1,860
Other	**165**	42
Total	**28,061**	40,219

Premiums declined as a consequence of the new settlement methods adopted by major sales partners. The associated sales expenses also declined in the same measure, so the margin on premium revenue remained unchanged. Due to the downward market trend, only EUR 523 thousand (2007: EUR 5,912 thousand) in performance fees were generated.

2. Other operating income

	2008 **€ '000**	2007 € '000
Advisory revenue	**631**	262
Reimbursed expenses	**482**	486
Sales profit real estate Gußhausstraße	**1,938**	0
Other	**345**	749
Total	**3,397**	1,497

3. Personnel expenses

	2008 **€ '000**	2007 € '000
Wages and salaries	**5,786**	5,836
Statutory social insurance contributions	**1,238**	1,197
Other	**128**	161
Total	**7,151**	7,194

Personnel expenses include around EUR 743 thousand (2007: EUR 749 thousand) in employer contributions to statutory pension insurance and EUR 50 thousand (2007: EUR 57 thousand) in contributions to the staff pension fund.

4. Other administrative expenses

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

	2008 **€ '000**	2007 € '000
Rental expenses	**518**	657
Promotion expenses	**1,543**	2,278
Legal and consultancy fees	**1,047**	692
IT expenses	**773**	544
Other office and premises expenses	**292**	388
Fees and levies	**195**	225
Travel expenses	**259**	359
Vehicle expenses	**546**	454
Reimbursed expenses	**417**	459
Business insurance	**107**	111
Claims	**818**	48
Other	**632**	546
Total	**7,149**	6,763

5. Other operating expenses

	2008 **€ '000**	2007 € '000
Non-deductible input tax	**951**	1,057
Losses on disposal of assets	**60**	28
Other	**12**	20
Total	**1,023**	1,105

6. Depreciation and impairment losses

In addition to systematic depreciation, impairment losses of EUR 3,599 thousand (2007: EUR 0) were recognised in the 2008 financial year on the basis of an impairment test of the customer base and goodwill of C-QUADRAT Private Investments AG, of which EUR 854 thousand were offset against the revaluation reserve formed in the prior year. This includes EUR 202 thousand in deferred taxes that were not recognised in profit or loss. Further details on the impairment losses can be found under item 13 below.

7. Income from associates

The net income from associates relates to the Group's share in the profits and losses of associates, which are accounted for using the equity method. In the 2008 financial year, the investment in Ariconsult Holding AG was subjected to an impairment test, and impairment losses of EUR 1,725 thousand were recognised. Further details on impairment losses are found under item 14 below.

8. Financial income

	2008 € '000	2007 € '000
Loans and receivables	**503**	216
Financial investments held for trading	**644**	781
Available-for-sale financial investments recognised at cost	**1,708**	718
Total	**2,855**	1,715

Financial income from loans and receivables relates solely to interest income from bank balances and to other interest income. Financial income from available-for-sale financial investments recognised at cost relates solely to income from an atypical silent partnership. This includes EUR 1,550 thousand in profit generated in the financial year from selling the investment. Reference is made to the disclosures in item 15 below regarding the EUR 158 thousand (2007: EUR 718 thousand) in income generated until the sale was effected.

9. Financing expenses

	2008 € '000	2007 € '000
Liabilities to banks	**379**	343
Financial investments held for trading	**777**	296
Total	**1,157**	638

The interest on liabilities to banks results from interest charged on liabilities classified as other liabilities.

10. Tax expense

	2008 € '000	2007 € '000
Current income tax expense	**459**	955
Deferred taxes on income	**-639**	404
Total tax expense	**-180**	1,359

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

	2008 **€ '000**	2007 € '000
Net profit or loss before income tax for the continued operation	**-3,427**	6,611
Tax expense at a tax rate of 25%	**857**	-1,653
Net effect of foreign tax rates	**34**	-133
Non-temporary differences	**-152**	414
Unrecognised tax advantage	**-648**	0
Tax expense/income for prior periods	**80**	13
Other	**9**	0
Effective tax burden	**180**	-1,359
Effective tax rate in %	**5.3%**	20.6%

The effective tax rate in the reporting year was 5.3% (2007: 20.6%).

11. Earnings per share

At the 19th Extraordinary General Meeting held on 28 August 2007, resolutions were adopted to implement a stock option plan and a concomitant contingent share capital increase of EUR 436,320.00, to be raised by issuing 436,320 no-par bearer shares, with existing shareholders excluded from subscribing (see the relevant disclosures under 'Employee Benefits'). Since none of the potential beneficiaries had concluded an agreement to participate in the stock option plan, as at 31 December 2008, no diluting effect is taken into account when calculating the earnings per share.

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

	2008	2007
Weighted average number of ordinary shares	**4,363,200**	4,363,200

Reference is made to item 21 below for further notes concerning changes in the number of ordinary shares. For notes on the strike prices for shares issued under the stock option plan, we refer to the comments under 'Employee Benefits'.

12. Segment reporting

The Fund Brokerage and Asset Management segments are the primary format for segment reporting by the C-QUADRAT Group. Since 2007, secondary geographical information has been provided for Austria, Germany and other countries.

The following companies are included in the Fund Brokerage segment:

		Stake
C-QUADRAT Investment AG		100%
C-QUADRAT Deutschland AG		100%
C-QUADRAT Fonds-Analyse und Marketing AG		100%
C-QUADRAT Portfolio Fonds GmbH		100%
C-QUADRAT Portfolio-Fonds Vermittlung GmbH		100%
C-QUADRAT Private Investments AG (formerly Fonds & Co Fondsanteilsvermittlung AG)		50%

This operation is primarily engaged in handling the sale and purchase of securities for brokerage customers (principally banks) and in the development and marketing of structured products and alternative investments.

The following companies are included in the Asset Management segment:

		Stake
C-QUADRAT Kapitalanlage AG		100%
C-QUADRAT Private Investments AG (formerly Fonds & Co Fondsanteilsvermittlung AG)		50%

This operation is mainly engaged in the management of third-party assets within publicly traded investment funds.

Transactions between the segments mainly involve fee and commission income and expenses, as well as reimbursed costs. These are charged as pro rata costs, plus a profit margin. The segment result presented refers to the net income for the year after deduction of minority interest. Segment assets and segment liabilities include any income tax receivables or liabilities, respectively.

The 'Consolidation' column in the table below shows the effects of intercompany elimination, as well as income and expenses relating to Group level only. For this reason, the goodwill from business combinations and customer bases are not included in segment assets, since these assets are managed at Group level.

Year ended 31 December 2008

	Fund Brokerage € '000	Asset Management € '000	Discontinued operation € '000	Consolidation € '000	C-QUADRAT Group total € '000
Fee and commission income	8,878	21,067	6,777	-8,661	28,061
from external customers	*7,780*	*20,281*	*6,552*	*-6,552*	*28,061*
intersegment income	*1,098*	*786*	*225*	*-2,109*	*0*
Profit/loss from segment	2,098	178	-8,912	-5,524	-12,159
Income from associates	-1,378	0	482	-482	-1,378
Depreciation, systematic	-265	-190	-2,572	1,698	-1,329
Impairment	0	0	0	-2,745	-2,745
Segment assets	40,885	1,783	-	-6,782	35,886
Goodwill	0	0	-	0	0
Investments in associates	5,296	0	-	0	5,296
Segment liabilities	12,737	4,409	-	-2,047	15,099
Investments	208	258	-	0	466
Employees	66	45	-		111

Income from external customers is shown in the following table, broken down geographically by country:

	Austria € '000	Germany € '000	Other € '000	Discontinued operation € '000	Consolidation € '000	C-QUADRAT Group total € '000
Fee and commission income	20,529	6,026	3,390	6,777	-8,661	28,061
from external customers	*18,732*	*5,939*	*3,390*	*6,552*	*-6,552*	*28,061*
intersegment income	*1,796*	*88*	*0*	*225*	*-2,109*	*0*
Profit/loss from segment	2,445	-389	220	-8,912	-5,524	-12,159
Income from associates	-1,378	0	0	482	-482	-1,378
Depreciation, systematic	-430	-25	0	-2,572	1,698	-1,329
Impairment	0	0	0	0	-2,745	-2,745
Segment assets	41,561	602	505	-	-6,782	35,886
Goodwill	0	0	0	-	0	0
Investments in associates	5,270	0	25	-	0	5,296
Segment liabilities	16,159	749	237	-	-2,047	15,099
Investments	455	11	0	-	0	466
Employees	99	10	2	-		111

Year ended 31 December 2007

	Fund Brokerage € '000	Asset Management € '000	Discontinued operation € '000	Consolidation € '000	Group total € '000
Fee and commission income	17,015	25,938	7,515	-10,249	40,219
from external customers	*15,425*	*24,794*	*7,218*	*-7,218*	*40,219*
intersegment income	*1,589*	*1,144*	*298*	*-3,032*	*0*
Profit/loss from segment	5,037	2,103	429	-1,887	5,682
Income from associates	1,448	0	464	-464	1,448
Depreciation, systematic	-280	-197	-1,553	806	-1,225
Segment assets	52,691	1,165	9,868	1,920	65,645
Goodwill	0	0	4,438	2,161	6,599
Investments in associates	7,843	0	1,115	0	8,959
Segment liabilities	16,448	4,626	3,968	-2,801	22,241
Investments	52	46	297	2,743	3,138
Employees	68	47	5		120

Income from external customers is shown in the following table, broken down geographically by country:

	Austria € '000	Germany € '000	Other € '000	Discontinued operation € '000	Consolidation € '000	Group total € '000
Fee and commission income	34,192	5,717	3,044	7,515	-10,249	40,219
from external customers	*31,523*	*5,652*	*3,044*	*7,218*	*-7,218*	*40,219*
intersegment income	*2,669*	*65*	*0*	*298*	*-3,032*	*0*
Profit/loss from segment	6,934	-148	353	429	-1,887	5,682
Income from associates	1,400	48	0	464	-464	1,448
Depreciation, systematic	-427	-50	0	-1,553	806	-1,225
Segment assets	50,517	2,871	468	9,868	1,920	65,645
Goodwill	2,161	0	0	4,438	0	6,599
Investments in associates	7,811	0	32	1,115	0	8,959
Segment liabilities	20,315	650	108	3,968	-2,801	22,241
Investments	81	17	0	297	2,743	3,138
Employees	106	7	2	5		120

VI. NOTES TO THE BALANCE SHEET

13. Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment in 2007 and 2008 are shown in the following statement of changes in assets. The effects of changes in the scope of consolidation are shown in a separate column.

Intangible assets

Customer bases and rights mainly include intangible assets acquired as a result of business combinations (customer base). This asset is depreciated over its useful life of eight years using the straight-line method. Due to the sale of the Absolute Plus group of companies, customer base disposals of EUR 8,461 thousand were made in the financial year.

A EUR 4,697 thousand reduction in goodwill was made in connection with the sale of the Absolute Plus group.

Due to the uncertainly caused by the financial crisis among private customers, and to the lower revenue and declining cash flow forecasts this entailed, an impairment test was performed as at 31 December 2008 for the non-current, non-financial assets of the cash-generating units C-QUADRAT Private Investments AG – Fund Brokerage – and C-QUADRAT Private Investments AG – Asset Management. This impairment test was performed in conjunction with the annual impairment test required for the goodwill attributed to these cash-generating units.

As in the prior year, the recoverable amount of each cash-generating unit was assessed on the basis of the value in use and by applying a method for discounted cash flow measurement. The expected future cash flows were assessed on the basis of the current budgets for the cash-generating units for the next three financial years, as approved by the Supervisory Board. For the two-year period covered by the detailed budget, a forecast based on a constant growth rate of -6.25% (2007: 2.00%) for revenue and corresponding expenses was applied. To calculate the perpetuity for subsequent periods, the forecast figures for the last year in the detailed budget was assumed, as in the prior year, to be constant. A pre-tax interest rate of 8.58% (2007: 8.16%), reflecting current market expectations regarding the time value of money and the special risks to which the respective entity is exposed, was applied as the discount rate in this calculation.

The impairment tests gave rise to impairment losses totalling EUR 3,599 thousand (prior year: EUR 0). This meant that the EUR 2,161 thousand in goodwill previously recognised for these cash-generating units had to be reduced to zero. The EUR 1,438 thousand surplus of impairment loss over the previously recognised goodwill was assigned to the customer bases of the cash-generating units, since the carrying amounts of the other non-current non-financial assets were almost identical to their fair values. Of these impairments, EUR 854 thousand were offset in equity against the revaluation reserve formed the previous year in connection with successive acquisitions of companies. As at 31 December 2008, customer bases are still recognised with a carrying amount of EUR 3,000 thousand.

Future revenue declines exceeding those already taken into account in the budget as at 31 December 2008, and/or any increase in the discount rate would thus lead to additional impairments. If revenues develop better than expected, in contrast, and/or the discount rate decreases, this would lead to (partial) reversal of the customer base impairments recognised in the 2008 financial year.

Property, plant and equipment

Property, plant and equipment includes the Group's assets in respect of buildings used for operations, as well as office and operating equipment. Property, plant and equipment is carried at cost minus accumulated systematic straight-line depreciation.

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

	31.12.2008 € '000	31.12.2007 € '000
Up to one year	**150**	243
Longer than one year and up to five years	**256**	257
Total	**406**	500

Statement of changes in non-current assets, 2008

	Cost						Depreciation								
	As at 1.1.2008	Currency translation	Changes in scope of con-solidation	Additions	Disposals	As at 31.12.2008	As at 1.1.2008	Currency translation	Changes in scope of con-solidation	Depreciation for the year	Impairments	Disposals	As at 31.12.2008	As at 31.12.2008	Carrying amount 31.12.2007
Software	760	0	-7	136	7	882	461	0	-2	157	0	5	611	**271**	**299**
Customer base, rights	20,190	821	-12,657	0	2,294	6,060	4,020	146	-4,196	928	1,438	-724	3,060	**3,000**	**16,169**
Goodwill	6,599	259	-4,697	0	0	2,161	0	0	0	0	2,161	0	2,161	**0**	**6,599**
Intangible assets	**27,548**	**1,080**	**-17,361**	**136**	**2,301**	**9,103**	**4,481**	**146**	**-4,198**	**1,085**	**3,599**	**-719**	**5,832**	**3,271**	**23,067**
Operating and equipment	1,491	-15	0	329	89	1,716	606	0	1	244	0	18	833	**883**	**885**
Advances paid and assets under construction	2	0	0	1	3	0	0	0	0	0	0	0	0	**0**	**2**
Property, plant and equipment	**1,493**	**-15**	**0**	**330**	**92**	**1,716**	**606**	**0**	**1**	**244**	**0**	**18**	**833**	**883**	**887**

Of total impairments, EUR 854 thousand were offset in equity against the revaluation reserve (see note 6).

Statement of changes in non-current assets, 2007

	Cost						Depreciation					
	As at 01.01.2007	Currency translation	Changes in scope of consolidation	Additions	Disposals	As at 31.12.2007	As at 01.01.2007	Depreciation for the year	Disposals	As at 31.12.2007	Carrying amount 31.12.2007	Carrying amount 31.12.2006
Software	593	0	0	273	107	760	335	171	46	461	**299**	**258**
Customer base, rights	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**	**2,630**	**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**
Operating and 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, which is classified as held for sale, accounts for a total cost of EUR 407.00 and cumulative depreciation of EUR 203.00. Due to the small amounts involved, the table above does not include a separate column for transfers has been waived. Depreciation and amortisation for the year includes EUR 1,563 thousand in depreciation from the discontinued operation.

14. Investments in associates

	31.12.2008 **€ '000**	31.12.2007 € '000
Absolute Plus.Com Ltd. (50%)	**0**	1.115
Active Management & Advisory AG, Switzerland (50%)	**25**	25
Ariconsult Holding AG (25.1%)	**320**	2.045
ARTS Asset Management GmbH (45%)	**4,950**	5,773
Total	**5,296**	8,959

Absolute Plus.Com Ltd. was sold in the 2008 financial year.

Due to the effects of the financial market crisis, there was evidence as at 31 December 2008 of impairment of the Group's investments in the Ariconsult Holding AG associate, which mainly functions as a sales platform for retail sales. The value in use was therefore calculated as at 31 December 2008 on the basis of expected future cash flows. Since the value in use thus determined is less than the carrying amount as at 31 December 2008, impairments amounting to EUR 1,725 thousand were made accordingly. The value in use was calculated using a discounted cash flow method. The expected future cash flows were assessed on the basis of the current budgets for the associate for the next three financial years, as approved by the Supervisory Board. For the two-year period covered by the detailed budget, a forecast based on a constant growth rate of 3% (2007: 2%) for revenue and corresponding expenses was applied. To calculate the perpetuity for subsequent periods, the forecast figures for the last year in the detailed budget was assumed, as in the prior year, to be constant. A pre-tax interest rate of 8.58% (2007: 8.16%), reflecting current market expectations regarding the time value of money and the special risks to which the respective investment is exposed, was applied as the discount rate in this calculation.

The following table contains summarised financial information on the Group's investments in associates:

	31.12.2008 **€ '000**	31.12.2007 € '000
Group interest in the assets and liabilities of associates		
Assets	**5,920**	12,517
Liabilities	**-625**	-3,559
Pro-rata net assets	**5,296**	8,959
Group interest in the revenue and earnings of associates		
Revenue	**4,462**	4,119
Net income for the year	**829**	1,912
of which associates assigned to a discontinued operation	**482**	464

15. Financial assets

	31.12.2008 **€ '000**	31.12.2007 € '000
Current assets:		
Financial assets measured at fair value through profit or loss	**647**	5,610
Non-current assets:		
Available-for-sale financial assets measured at cost	**272**	160
Available-for-sale financial assets measured at fair value	**0**	100
Held-to-maturity investments	**3,000**	0
Total	**3,919**	5,870

The financial assets measured at fair value relate to investments in ordinary and preference shares and in investment funds, and with the exception of shares with a carrying amount of EUR 300 thousand (31.12.2007: EUR 1,550 thousand) are traded on the stock market.

The available-for-sale financial assets measured at cost relate exclusively to an atypical silent partnership, the fair value of which could not be reliably measured. This asset was measured at cost and entitled the owner to a share in profit and loss and in the hidden reserves of the company. The atypical silent partnership has no influence on the company's management. The interest in the atypical silent partnership had no predefined maturity and did not bear interest. As from 1 January 2006, there has been an option to terminate to the end of a financial year. The atypical silent partnership was sold in June 2008, with profits from the sale amounting to EUR 1,550 thousand. The financial income resulting from the atypical silent partnership is recognised in the income statement under 'Financial income'.

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

A pledge agreement for a term deposit of EUR 3,000 thousand (2007: EUR 0) has been concluded with the lending bank to secure a liability to that bank. This deposit is therefore classified as a financial investment that is held to maturity.

16. Receivables from customers

	31.12.2008 **€ '000**	31.12.2007 € '000
Invoiced claims for the provision of services	**2,764**	2,918
Deferred fee and commission income	**2,979**	5,144
Total	**5,742**	8,061

In addition to invoiced claims for the provision of services, receivables from customers also include deferred fee and commission income recognised on an accrual basis. All receivables from customers are non-interest-bearing and are usually due within 30 days or less. With the exception of one receivable for EUR 15 thousand (31.12.2007: EUR 13 thousand) for which

an impairment of the carrying amount has been recognised, receivables from customers are not impaired.

The following table shows the age of receivables from customers as at 31 December 2008:

	Total	Neither overdue nor impaired	Overdue, but unimpaired				
			< 30 days	30 - 90 days	90-180 days	180-360 days	> 360 days
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
2008	**5,742**	**4,845**	**398**	**463**	**0**	**13**	**23**
2007	8,061	5,808	1,497	125	435	156	40

17. Other assets

	31.12.2008	31.12.2007
	€ '000	€ '000
Intercompany account for atypical silent partnership	**0**	718
Other financial assets	**0**	718
Receivables from intercompany charges	**1,515**	1,157
Capitalised prepayments	**630**	1,087
Security deposits	**121**	133
Other	**809**	358
Other non-financial assets	**3,075**	2,734
Total	**3,075**	3,452

All other assets are short term in nature and are recognised at fair value. As at 31 December 2008 and 31 December 2007, no other financial assets were overdue and/or impaired. We refer to note 15 regarding the intercompany account for the atypical silent partnership.

18. Cash and cash equivalents

	31.12.2008	31.12.2007
	€ '000	€ '000
Bank balances and cash in hand	**13,529**	5,312
Current deposits	**0**	2,100
Total	**13,529**	7,412

Bank balances bear interest at variable interest rates for bank balances available on demand. Current deposits are invested for periods of between one week and three months, depending on cash flow requirements. The fair value of cash and cash equivalents is EUR 13,529 thousand (31.12.2007: EUR 7,412 thousand).

19. Non-current assets classified as held for sale

Subsidiaries

In a share purchase and assignment contract dated 14 January 2008, Fonds & Co Fondsanteilsvermittlung AG (now C-QUADRAT Private Investments AG) sold its 100% interest in Epicon Financial Services GmbH to Ariconsult Holding AG. The latter company sold investment products.

As at the balance sheet date of 31 December 2007, final negotiations on the sale of this company were still in progress. Epicon Financial Services GmbH was therefore classified as at 31 December 2008 as assets held for sale.

The following table shows the composition, at the respective balance sheet dates, of the held-for-sale assets and liabilities of Epicon Financial Services GmbH:

	31.12.2008 **€ '000**	31.12.2007 € '000
Group interest in the assets and liabilities of the subsidiary		
Assets	**0**	380
Liabilities	**0**	-104
Pro-rata net assets	**0**	276

The Group's interest in the net income for the year of Epicon Financial Services GmbH, which was classified as held for sale, is shown below for the business year:

	2008 **€ '000**	2007 € '000
Group interest in the profits of the subsidiary		
Net income for the year	**0**	1

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 expenses, was financed entirely with loans, as were the adaptation measures that were implemented. The property serves as security for the mortgage loan provided. In 2008, the intention was that all the companies in the C-QUADRAT Group with registered offices in Vienna would move into this building, thus allowing synergy effects within the C-QUADRAT Group to be leveraged more efficiently.

However, prior to the balance sheet date of 31 December 2007, Group management decided to sell the property rather than use it for Group operations, and has already been conducting active negotiations with potential buyers. For this reason, the property was classified as held for sale in the 2007 consolidated financial statements. In a contract of sale concluded on 31 March 2008, the property was sold according to plan for EUR 9,500 thousand (carrying amount: EUR 7,562 thousand). Of that sum, EUR 3,000 thousand was pledged as security for a loan (see notes 15, 22 and VII).

As at 31 December 2008, the assets under construction and classified as held for sale were as follows:

	31.12.2008 **€ '000**	31.12.2007 € '000
Advances payments for assets under construction		
Carrying amount	**0**	7,296

As at 31 December 2008, the loan taken out to finance the property and the adaptation measures, which was classified as a liability directly relating to disposal groups held for sale, amounted to:

	31.12.2008 **€ '000**	31.12.2007 € '000
Liabilities to banks		
Carrying amount	**0**	7,261

20. Discontinued operation

At the end of the 2008 financial year, the Management Board of C-QUADRAT Investment AG made the strategic decision to sell the Absolute Plus group of companies due to expectations that the market environment for hedge funds would continue to deteriorate, and that the risks associated with this field of operations would increase significantly at the same time. Due to the completed sale of the Absolute Plus Group, based on contracts of sale dated 27 December 2008, the 'Hedge Funds' operation – a separate and significant business segment – was discontinued. Due to the close business relationships and the joint business operations within the Absolute Plus Group, consisting of Absolute Plus AG, Absolute Plus Zurich AG and Absolute Portfolio Management Ltd., these three companies were considered to be a cash-generating unit to which the goodwill acquired by the business combination was allocated. The Absolute Plus Group was therefore treated during its useful life as a fund-generating entity, since it could be clearly demarcated from the rest of the Group, both operationally and for accounting purposes, as a separate corporate entity or business division, including the associated cash flows.

The amount separately reported in the income statement in accordance with IFRS 5 is composed of the following amounts:

	31.12.2008 **€ '000**	31.12.2007 € '000
Revenue	**7,147**	7,929
Expenses	**-8,458**	-7,591
Pre-tax earnings	**-1,311**	338
Income tax expense	**221**	91
Net profit for the year	**-1,090**	429
Loss from the sale of assets representing the discontinued operation	**-7,821**	0
Total for discontinued operation	**-8,912**	429

The following table shows the statement of cash flows for the discontinued operation, in accordance with IFRS 5:

	31.12.2008 **€ '000**	31.12.2007 € '000
Cash flow from operating activities	**1,516**	1,123
Cash flow from investing activities	**-88**	-248
Cash flow from financing activities	**-1,763**	-478
Net change in cash and cash equivalents	**-335**	397
Cash and cash equivalents at beginning of period	**1,651**	1,254
Cash and cash equivalents at end of period	**1,315**	1,651

Reference is made to section VII of the notes with regard to the loss incurred from the discontinued operation.

21. Share capital and reserves

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

Changes in the number of ordinary shares:

Issued and fully paid	In thousands of shares	€ '000
As at 31.12.2007 = status as at 31.12.2008	**4,363**	**4,363**

Capital reserves relate to payments by shareholders over and above the reported share capital issued under the terms of an Initial Public Offering on the official market of the Frankfurt Stock Exchange (Prime Standard) on 23 November 2006 (nominal value EUR 1.00, issue price EUR 40.00). In accordance with IAS 32 Z 37, the transaction costs of issuing the shares, less the related income tax benefits, are deducted from the IPO proceeds in capital reserves.

Other reserves:	Unrealised gains	Currency translation differences	Total
	€ '000	€ '000	€ '000
As at 31.12.2006	**-32**	**-4**	**-36**
Currency translation differences	0	13	13
Unrealised gains/losses from available-for-sale financial investments	1	0	1
As at 31.12.2007	**-31**	**9**	**-22**
Currency translation differences	0	-22	-22
Unrealised gains/losses from available-for-sale financial investments	17	0	17
As at 31.12.2008	**-15**	**-12**	**-27**

Changes in the fair value of available-for-sale financial investments are recognised in the reserve for unrealised gains. The related deferred taxes totalling EUR 4 thousand (2007: EUR 7 thousand) and are 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 EUR -536 thousand net profit or loss attributed to minority interest (2007: EUR 218 thousand) relates to profits of EUR 9 thousand (2007: EUR 345 thousand) and losses of EUR -545 thousand (2007: EUR -127 thousand) attributable to minority interest.

22. Liabilities to banks

2008

	Currency	Nominal amount € '000	Carrying amount € '000	Effective interest rate in %
Current accounts (variable interest rate)	EUR	3	3	8.63%
Loans (fixed interest rate)	EUR	7,450	7,450	5.00%

After the sale of the property in 1040 Vienna (see below) with the contract of sale dated 31 March 2008, the EUR 7,450 thousand loans was initially left unrepaid for cash flow reasons. The carrying amount of the repayable liabilities to banks is now accounted for under non-current liabilities to banks. To secure the loan, a pledge agreement for a term deposit of EUR 3,000 thousand has been concluded with the lending bank.

The following table shows the breakdown of liabilities to banks:

	2008		2007	
	Carrying amount € '000	Residual term	Carrying amount € '000	Residual term
Current account overdraft	3	On demand	0	-
Loans	7,450	1 March 2017	0	-
Total	**7,453**		**0**	

The maturities of the Group's liabilities to bank are shown in the following table:

	On demand € '000	up to 1 year € '000	1–5 years € '000	> 5 years € '000	**Total € '000**
2008	**3**	**0**	**0**	**7,450**	**7,453**
2007	0	0	0	0	0

2007

For the loan taken out in the 2007 financial year to finance the property in 1040 Vienna, which has a 10-year term and a fixed interest rate of 5%, the property was used as mortgage security for the lending bank, so the loan was secured by an entry in the land title register. Due to intentions to sell the property, and hence its concomitant classification as a held-for-sale non-current asset in accordance with IFRS 5, the loan was similarly classified as a liability directly related to the non-current held-for-sale asset.

23. Provisions

Statement of provisions, 2008

	01.01.2008 **€ '000**	Utilisation **€ '000**	Reversals **€ '000**	Additions **€ '000**	**31.12.2008** **€ '000**
Provisions for severance payments	89	-5	-10	11	**85**
Total non-current provisions	89	-5	-10	11	**85**
Other provisions	412	-186	-2	1,093	**1,316**
Total current provisions	412	-186	-2	1,093	**1,316**
Total provisions	501	-191	-13	1,104	**1,401**

Changes in provisions for severance payments are shown in the following table for 2008:

	31.12.2008 **€ '000**	31.12.2007 € '000	31.12.2006 € '000	31.12.2005 € '000
Provisions as at 01.01. (DBO)	**89**	107	138	96
Past service cost	**4**	9	9	27
Interest cost	**4**	4	4	5
Actuarial gains/losses	**-12**	-38	-44	-35
Change in scope of consolidation	**0**	7	0	45
Provisions as at 31.12. (DBO)	**85**	89	107	138

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

	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Interest rate	**5.75%**	5.00%	4.50%	4.50%
Salary/wage increase	**4.00%**	4.00%	4.00%	4.00%
Deductions for fluctuation	**0.00%**	0.00%	0.00%	0.00%
Retirement age	**54-65 years**	54-65 years	54-65 years	54-65 years
Mortality tables for Austria	**AVÖ-P 2008, mixed**	AVÖ-P 1999, mixed	AVÖ-P 1999, mixed	AVÖ-P 1999, mixed

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

24. Payables to customers

	31.12.2008 € '000	31.12.2007 € '000
Invoiced claims for the provision of services	**767**	930
Deferred fee and commission income	**3,357**	5,783
Total	**4,124**	6,713

In addition to invoiced claims for the provision of services, payable to customers also include deferred fee and commission income recognised on an accrual basis. Payables to customers are not subject to interest and are all payable on demand. Their carrying amounts equal their fair values.

25. Other liabilities

Other current liabilities

	31.12.2008 € '000	31.12.2007 € '000
Remaining purchase price for the Absolute Plus Group	**0**	2,000
Other financial liabilities	**0**	2,000
Liabilities to tax authorities	**177**	508
Liabilities to social insurance institutions	**97**	112
Liabilities for premiums and bonuses	**87**	400
Liabilities for outstanding leave	**165**	278
Other	**626**	533
Other non-financial liabilities	**1,152**	1,831
Total	**1,152**	3,831

26. Deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December 2008 and 31 December 2007 result from the following temporary difference between the recognised carrying amounts in the IFRS consolidated financial statements and the respective tax assessment bases:

in € '000	2008 Assets	2008 Liabilities	2007 Assets	2007 Liabilities
Intangible assets	0	-750	0	-3,097
Financial assets	4	-4	8	-189
Receivables from customers	0	0	0	-134
Other assets	3	0	6	0
	7	**-754**	**14**	**-3,420**
Provisions	44	0	8	-15
Other liabilities	0	0	0	-91
	44	**0**	**8**	**-106**
Recognised loss carryforwards	92	0	148	0
Recognised one-seventh depreciation of investments	29	0	91	0
Deferral of assets and liabilities	171	-754	261	-3,526
Net deferral of tax assets and liabilities	**171**	**-754**	**261**	**-3,526**

In accordance with IAS 12, deferred tax assets on existing loss carryforwards totalling EUR 92 thousand (2007: EUR 148 thousand) were capitalised, because these can be offset against future taxable profits. The deferred tax assets arising from one-seventh depreciation of investments relate to the partial depreciation of investments over a seven-year period as required by Austrian tax law (2008: EUR 29 thousand; 2007: EUR 91 thousand). The deferred tax on loss carryforwards and partial depreciation of investments was capitalised to the extent that these are likely to be offset against taxable profits in the foreseeable future.

The tax group existing since 2006 pursuant to the Austrian regulations on Group taxation (Section 9 of the Austrian Corporation Tax Act) was reversed in the 2008 financial year because the partial depreciation of C-QUADRAT Private Investments AG, to be distributed over seven years (due to impairments), and the loss of goodwill depreciation spread over 15 years in accordance with Group taxation, due to selling the Absolute Plus Group, were brought forward. It is not permissible under tax law to continue goodwill depreciation parallel to additional partial depreciation of investments. In accordance with IAS 12, no deferred tax asset is formed for this tax benefit from partial depreciation of assets, since this deferred tax asset cannot be utilised in the foreseeable future. The difference as at 31 December 2008 amount to EUR 3,821 thousand (31.12.2007: EUR 2,613 thousand).

27. Risk report

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

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

Cash flow risks related to interest rates

As at 31 December 2008, in addition to a current account overdraft of EUR 3 thousand (31.12.2007: EUR 0), the Group had only one fixed-rate non-current financial liability in the form of a EUR 7,450 thousand mortgage loan (31.12.2007: EUR 7,365 thousand) that was originally taken out to finance a property and which is still in place for cash flow reasons. By fixing the interest rate at 5% for the entire ten-year term of the loan, the Group is not exposed to any risk of variations in market interest rates, as is the case with variable-rate financial liabilities, so no interest rate swaps were used to eliminate an interest rate risk.

Foreign exchange risk

Most of the Group's business operations are carried out within the Eurozone. The same applies to the C-QUDRAT Kapitalanlage AG, C-QUADRAT Private Investments AG and C-QUADRAT Deutschland AG subsidiaries, which prepare their annual financial statements in euros, like C-QUADRAT Investment AG. The Swiss subsidiary, C-QUADRAT Fonds-Analyse und Marketing AG, is the only subsidiary to prepare its financial statements in Swiss francs. The total amount of recognised assets and liabilities denominated in foreign currency (2008 exclusively in CHF, 2007 in CHF and USD), was EUR 344 thousand in 2008 (2007: EUR 3,604 thousand) and EUR 237 thousand (2007: EUR 2,200 thousand), respectively.

Transactions in foreign currencies (exclusively in CHF and USD) were conducted only by C-QUADRAT Fonds-Analyse und Marketing AG, and in the two companies sold at the end of the year, Absolute Plus Zürich AG and Absolute Portfolio Management Ltd. The foreign currency revenue reported in USD amounts to 5.3% (2007: 2.3%) of total Group revenue, while expenses reported in USD amount to 4.1% (2007: 1.7%) of total Group expenses. Revenue denominated in CHF amounts to 6.2% (2007: 4.0%) of total Group revenue, while expenses denominated in CHF amount to 7.6% (2007: 2.4%) of total Group expenses. Given that foreign-currency transactions are therefore of secondary importance and do not occur throughout the Group, the foreign-exchange risk is considered minor, so no forward foreign exchange contracts were used to eliminate the risk of exchange rate variations.

The following table shows the sensitivity of the Group's pre-tax consolidated net income, due to changes in the fair values of monetary assets and liabilities, to a 5% increase in the CHF and USD exchange rates, which is reasonably considered to be possible. A positive figure indicates an increase in the net income for the year, if the CHF or USD increases 5% in relation to the euro. If the respective currency falls by 5% against the euro, this has an equally large but opposite effect on the net income for the year, so the items shown below would then be negative. There are no effects on shareholders' equity.

	CHF effects		**USD effects**	
	2008	2007	**2008**	2007
	€ '000	€ '000	**€ '000**	€ '000
Profit before tax	**5**	23	**1**	48
Equity	**0**	575	**0**	0

Credit risk

The Group concludes transactions only with recognised and creditworthy third parties. All customers wishing to trade with the Group on credit terms are subjected to a credit assessment. Receivables are also monitored continuously, with the result that the Group is not exposed to any significant default risk.

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

Liquidity risk

The Group continuously monitors the risk of liquidity bottlenecks using a liquidity planning tool, with the aid of which the expected cash flows from business operations (fee and commission income and expenses), especially, are planned and checked. The aim of the Group is to maintain a balance between continuous coverage of funding requirements and maintenance of financial flexibility, by using overdraft facilities and loans, and, to a lesser extent, finance leases. As at the balance sheet date, the Group has cash and cash equivalents amounting to EUR 13,529 thousand (31.12.2007: EUR 7,412 thousand), which is equivalent to around 38% of the balance sheet total (31.12.2007: 11%). The company therefore has robust liquidity at its disposal.

As at 31 December 2008, the Group's financial liabilities had the following maturities:

Maturities, 2008	On demand € '000	< 3 months € '000	3–12 months € '000	1–5 years € '000	> 5 years € '000	**Total** **€ '000**
Liabilities to banks (including interest)	3	93	279	1,862	8,627	**10,865**
Payables to customers	2,923	1,201	0	0	0	**4,124**
Total	2,926	1,294	279	1,862	8,627	**14,988**

Maturities, 2007	On demand € '000	< 3 months € '000	3–12 months € '000	1–5 years € '000	> 5 years € '000	**Total** **€ '000**
Other financial liabilities	0	0	2,000	0	0	**2,000**
Payables to customers	5,195	1,518	0	0	0	**6,713**
Total	5,195	1,518	2,000	0	0	**8,713**

Capital management

The primary objective of the Group's capital management activities is to ensure that it maintains a high credit rating and a good equity ratio in order to support its business operations and maximise shareholder value. The Group manages its capital structure and makes adjustments in response to changes in macroeconomic conditions. In order to maintain or adjust its capital structure, the Group may adjust its dividend payments to shareholders, make capital repayments to shareholders or issue new shares. Due to discontinuation of the 'Hedge Funds' operation, adjustments were made to the aims, policies and procedures of capital management as at 31 December 2008.

The aim is to maintain an equity ratio at Group level of between 40% and 60% (in accordance with IFRS, adjusted for the provisions in the Austrian Securities Supervision Act of 2007 (WAG)) or between 50% and 70% (in accordance with IFRS):

	31.12.2008	31.12.2007
	€ '000	€ '000
Share capital	**4,363**	4,363
Capital reserves	**17,948**	26,554
Other reserves	**-27**	-22
Retained earnings	**-1,657**	-1,657
Shareholders' equity (according to WAG)	**20,628**	29,238
Group profits	**0**	7,382
Revaluation reserve	**0**	652
Minority interest	**159**	6,132
Shareholders' equity (according to IFRS)	**20,787**	43,404
Liabilities	**15,099**	22,241
Total shareholders' equity and liabilities	**35,886**	65,645
Equity ratio (according to WAG)	**57.5%**	44.5%
Equity ratio (according to IFRS)	**57.9%**	66.1%

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

The company is currently required to hold at least EUR 1,977 thousand (31.12.2007: EUR 4,351 thousand) in shareholders' equity, which according to WAG is comprised of the paid-in capital and the disclosed reserves. The company currently meets these requirements with EUR 23,135 thousand in shareholders' equity (31.12.2007: EUR 33,589 thousand), which is far in excess of the required minimum:

Minimum shareholders' equity (Section9 (2) WAG)	**31.12.2008** **€ '000**	31.12.2007 € '000
Start-up capital required to obtain a licence	**50**	50
Fixed overheads in the most recently approved annual financial statements	**5,753**	4,101
25% thereof	**1,438**	1,025
Minimum shareholders' equity required	**1,438**	1,025

Credit risk capital (Section 9 (5) WAG)	31.12.2008 Assets unweighted	 Weighting of assets	 Assets weighted
Cash in hand	2	0%	0
Receivables from banks	12,593	20%	2,519
Receivables from customers	2,930	100%	2,930
Shares	393	100%	393
Shares	300	150%	450
Investments in associates	6,070	100%	6,070
Investments in subsidiaries	7,858	100%	7,858
Intangible assets	173	100%	173
Property, plant and equipment	408	100%	408
Other assets	1,488	0%	0
Other assets	1,365	100%	1,365
Prepaid expenses and accrued income	89	100%	89
Total assets	33,670		22,255
Required amount of shareholders' equity to cover credit risk		8%	**1,780**

Operational risk capital (Section 9 (6) WAG)	31.12.2008 € '000
Fixed overheads in the most recently approved annual financial statements	5,753
25% thereof	1,438
12/88 thereof	196
Required amount of shareholders' equity to cover operational risk	**196**

Required amount of shareholders' equity (Section 9 WAG)	31.12.2008 € '000	31.12.2007 € '000
Total	**1,977**	4,351

Eligible shareholders' equity (Section 9 (3) WAG)	31.12.2008 € '000	31.12.2007 € '000
Subscribed capital	**4,363**	4,363
Capital reserves, tied up	**18,747**	29,149
Capital reserves, not tied up	**0**	52
Statutory retained earnings	**24**	24
Total	**23,135**	33,589

28. Financial instruments

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

Financial assets	Carrying amount		Fair value	
	31.12.2008 € '000	31.12.2007 € '000	**31.12.2008 € '000**	31.12.2007 € '000
Cash and cash equivalents	**13,529**	7,412	**13,529**	7,412
Financial assets measured at fair value through profit or loss	**647**	5,610	**647**	5,610
Loans and receivables measured at amortised cost:				
Receivables from customers	**5,742**	8,061	**5,734**	8,039
Other financial assets	**0**	718	**0**	718
Available-for-sale financial assets measured at cost	**0**	100	**0**	Not reliably determinable
Available-for-sale financial assets measured at fair value	**272**	160	**272**	160
Held-to-maturity investments	**3,000**	0	**3,000**	0

Financial liabilities	Carrying amount		Fair value	
	31.12.2008 € '000	31.12.2007 € '000	**31.12.2008 € '000**	31.12.2007 € '000
Other liabilities:				
Liabilities to banks	**7,453**	0	**8,896**	0
Payables to customers	**4,124**	6,713	**4,124**	6,713
Other financial liabilities	**0**	2,000	**0**	1,910

The fair value of the loans and receivables measured at amortised cost and of the other financial liabilities was calculating by discounting the expected future cash flows using standard market interest rates.

29. Related party disclosures

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

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

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

Management Board

In the 2008 financial year, the Management Board of C-QUADRAT Investment AG consisted of the following persons:

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

The remuneration paid to members of the C-QUADRAT Investment AG Management Board totalled EUR 677 thousand in the 2008 financial year (2007: EUR 49 thousand in variable components, EUR 572 thousand in total), including variable remuneration components amounting to EUR 20 thousand. Severance expenses for members of the Management Board amounted to EUR 4 thousand (2007: EUR 0).

As at 31 December 2008, the C-QUADRAT Group has no variable-interest receivables from shareholders or members of the parent company Management Board, or from members of the management boards or management of subsidiaries (2007: EUR 0).

Mr. Peter Reisenhofer did not extend his Board mandate beyond the end of the 2008 financial year and therefore left the company as of 31 December 2008. Mr. Thomas Rieß moved to the Management Board of C-QUADRAT Kapitalanlage AG with effect from 1 January 2009, so Messrs. Roland Starha (formerly Head of Finance and Accounting) and Markus Ullmer (formerly Head of the Legal Department) joined the Management Board of the company with effect from 1 January 2009.

Supervisory Board

In the 2008 financial year, the Supervisory Board of C-QUADRAT Investment AG consisted of the following persons:

Chairman:
Mag. Karl Heinz Grasser

Vice-Chairman:
Dr. Marcus Diego Mautner-Markhof

Members:
Christian Angermayer (until 10 March 2008)
Franz Fuchs
Dr. Arnulf Komposch (since 29 May 2008)
Dr. Thomas Lachs
Mag. Dr. Friedrich Schweiger
Dr. Kurt Waniek

In C-QUADRAT Investment AG, the remuneration paid to members of the Supervisory Board for the 2008 financial year amounted to EUR 63 thousand (2007: EUR 100 thousand).

Associates
Revenues amounting to EUR 2,352 thousand (2007: EUR 3,873 thousand) were generated from associated in 2008 (2007: EUR 3,873 thousand). These revenues relate mainly to fee and commission income and reimbursed expenses. Expenses amounting to EUR 4,339 thousand (2007: EUR 6,637 thousand) were charged to the company by associates in 2008. These charges mainly related to fee and commission expenses. As at 31 December 2008, receivables from associates amounted to EUR 534 thousand (31.12.2007: EUR 524 thousand) and payables to associates to EUR 1,469 thousand (31.12.2007: EUR 1.470 thousand).

Related parties
In the context of its asset management activities, C-QUADRAT Kapitalanlage AG concluded a consultancy agreement with VCH Investment Group AG ('VCH') on 30 June 2005. The agreement concerns consultancy services provided by C-QUADRAT Kapitalanlage AG to VCH with regard to investment funds created by VCH. Another consultancy agreement was concluded with VCH on 20 October 2005 as part of the company's fund brokerage activities. VCH is a member of the Angermayer, Brumme & Lange group of companies, of which Christian Angermayer, a former member of the Supervisory Board of the C-QUADRAT Group, is one of four shareholders. As from 30 September 2008, due to Christian Angermayer leaving the Supervisory Board as per 10 March 2008, these agreements are no longer to be treated as agreements with a related party.

30. Events after the balance sheet date

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

VII. NOTES TO THE CASH FLOW STATEMENT

The consolidated cash flow statement of the C-QUADRAT Group shows how the Group's cash and cash equivalents changed as a result of the inflow and outflow of funds during the year under review. The effects of company acquisitions and divestments are eliminated and are shown under 'Inflow of funds from changes in the scope of consolidation' and 'Outflow of funds from changes in the scope of consolidation'. Within the cash flow statement, a distinction is made between cash flows from operating activities, investing activities and financing activities. Amounts reported by fully consolidated foreign subsidiaries are translated at the exchange rate applying on the balance sheet date. The cash flow statement is prepared using the indirect method. The funds on which the cash flow statement is based are the cash and cash equivalents reported in the balance sheet, which comprise bank balances and cash in hand. The EUR 3,000 thousand term deposit pledged to the lending bank in the 2008 financial year as security for a loan is not included in the cash and cash equivalents because it has been classified as a held-to-maturity financial investment. The waiver of a loan repayment by Ariconsult Holding AG in 2007 did not cause any change in the volume of cash and cash equivalents and for that reason is not recognised in the cash flow statement.

The separate disclosures required by IAS 7 on the disposal of subsidiaries are as follows:

	2008 € '000
Absolute Plus Group (Group interest therein)	
Total selling price	**1,000**
Portion of selling price discharged by means of cash and cash equivalents	**0**
Amount of cash and cash equivalents in the subsidiary disposed of	**663**
Non-current assets	**8,227**
Current assets (not including cash and cash equivalents)	**493**
Non-current liabilities	**0**
Current liabilities	**561**
Epicon Financial Services GmbH (Group interest therein)	
Total selling price	**217**
Portion of selling price discharged by means of cash and cash equivalents	**100**
Amount of cash and cash equivalents in the subsidiary disposed of	**253**
Non-current assets	**59**
Current assets (not including cash and cash equivalents)	**127**
Non-current liabilities	**0**
Current liabilities	**104**

VIII. OTHER DISCLOSURES

Volume of managed funds

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

	31.12.2008 EUR million	31.12.2007 EUR million
Total volume managed by Group's own investment company	**873**	960
Total volume of advisory and third-party mandates	**807**	704
Total volume	**1,680**	1,664

Average number of employees during the financial year

	2008 **Total**	2007 Total
Group	**102**	117
of whom full-time employees	***89***	*99*
of whom part-time employees	***13***	*18*
of whom in Austria	***90***	*103*
of whom in other countries	***12***	*14*

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

Vienna, 24 March 2009

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

Mag. Andreas Wimmer m.p.
Member of the Management Board

Mag. Markus A. Ullmer m.p.
Member of the Management Board

StB Mag. Roland Starha m.p.
Member of the Management Board

GROUP MANAGEMENT REPORT
C-QUADRAT Investment AG
on the Financial Year ending 31 December 2008

Review of the economic situation and the capital markets in 2008

From the economic perspective, 2008 was characterised by a number of events in the global economy that were without precedent in the past 40 years of economic history. The subprime crisis in the USA, the fall of Lehman Brothers that triggered an international financial crisis which in turn has given rise to numerous bankruptcies and government aid packages across the world for major international banks, insurance companies and major companies in the 'real economy' culminated in the Madoff fraud case at the end of December. The uncertainty this provoked among both institutional and private investors led to massive falls in share prices on international equity markets. All the world's share price indexes, such as Dow Jones, Nikkei, DAX, ATX, etc., suffered losses of historical proportions. Despite the unprecedentedly huge packages of aid and aid fiscal stimuli launched by governments, and the large-scale cuts in interest rates by all central banks, recessionary fears and prevailing uncertainty among investors with regard to forthcoming market trends remained unassuaged, and confidence in the financial markets has yet to be restored.

Business development and situation of the C-QUADRAT Group

Due to the impacts of the international financial crisis, the C-QUADRAT Group looks back on an exceptionally difficult and ambivalent financial year. In the 2008 financial year, as a result of book losses incurred by disposing of investments and recognising impairments of the investment portfolio, the C-QUADRAT Group posted a net loss for the year of EUR -12,159 thousand, of which EUR -8,912 thousand is allocated to the discontinued 'Hedge Funds' operation included in the 'Fund Brokerage' segment so far. Without adjustment for these book losses and impairments, net income for the year of approximately EUR 2,100 thousand could have been achieved. All the Group's business operations showed a decline in financial performance.

In December 2008, the Management Board of C-QUADRAT Investment AG decided to sell the Absolute Plus group of companies comprising Absolute Plus AG, Absolute Plus Zurich AG and Absolute Portfolio Management Ltd. The rationale behind this strategic decision was that management anticipated persistent deterioration in the market environment in the 'Hedge Funds' field, accompanied by a significant increase in risks. Due to discontinuation of its 'Hedge Funds' operations, C-QUADRAT Investment AG therefore disposed of its 50.003% interest in Absolute Plus AG, its 50.08% interest in Absolute Plus Zurich AG and its 50.002% interest in Absolute Portfolio Management Ltd. for a total selling price of EUR 1,000 thousand, in contracts of sale dated 27 December 2008.

As a consequence of discontinuing the 'Hedge Funds' operation and disposing of the Absolute Plus Group for a selling price of EUR 1,000 thousand, disposals equal to EUR -13,158 thousand in carrying amounts had to be recognised in the consolidated annual statements for 2008 on account of these sales of investments. In the course of this divestment and recognition of book losses, and the associated streamlining of the Group as a whole, and due to the uncertainty that the financial crisis had prompted among private clients, accompanied by falling turnover, impairment tests were carried out on C-QUADRAT Private Investments AG and Ariconsult Holding AG, resulting in total impairments of EUR -5,324 thousand.

In C-QUADRAT Investment AG, the negative result for the 2008 financial year reported as a consequence of investment portfolio impairments was compensated by the profit carried forward from 2007 and by partial reversal of the additional paid in capital and unappropriated capital reserve, with the result that C-QUADRAT Investment AG posted zero net income in 2008. This means that, although the company is unable to pay a dividend for the 2008 financial year, the fact that no loss carry forward arises as a result of said measure means that the company will be able to distribute dividends again from 2009 onwards if business develops accordingly and profits are generated, and that it will also be able to implement the share buy-back programme agreed upon in 2008.

The share capital is unchanged at EUR 4,363,200.00 and is fully paid-up. It is divided into 4,363,200 no-par bearer shares with a nominal value of EUR 1.00. Voting rights for all shares are exercised according to nominal value held. Each EUR 1.00 of nominal value entitles the holder to one vote. There are no shareholder rights or duties beyond those defined in law. The three principal shareholders are AvW Gruppe AG (30.54%), T. R. Privatstiftung (23.04%) and San Gabriel Privatstiftung (23.38%), with the latter two foundations being parties to a syndication agreement. All other disclosures required by Section 243a of the Austrian Commercial Code (UGB) are either not applicable to the company, or derive from law.

Since early 2007 AvW Gruppe AG – an Austrian holding company – has continuously acquired shares in C-QUADRAT Investment AG on the stock exchange and currently holds about 31% of C-QUADRAT Investment AG shares. In addition to its stake in C-QUADRAT Investment AG, the AvW Group also has investments in major industrial and service undertakings, most of which are listed on the stock exchange. The AvW Group is involved purely as a strategic investor and does not exercise any influence on the operations of C-QUADRAT. Alleged malversation within the AvW Gruppe AG, and the consequences thereof, has led unfortunately to unpleasant media presence and to a severe decline in the C-QUADRAT share price.

Mr. Peter Reisenhofer did not extend his Management Board mandate at C-QUADRAT Investment AG beyond the end of the 2008 financial year and therefore left the company as of 31 December 2008. Mr. Thomas Rieß moved to the Management Board of C-QUADRAT Kapitalanlage AG with effect from 1 January 2009, so Messrs. Roland Starha (formerly Head of Finance and Accounting) and Markus Ullmer (formerly Head of the Legal Department) joined the Management Board of the company with effect from 1 January 2009.

Funds brokerage

The persistently difficult situation on the equity markets had impacts on the total brokerage volume, which has fallen by around 28% since the beginning of the year. There have also been significant reallocations within this total brokerage volume away from equity products to money market products, REITS, ETFs and iShares. However, these products generate minimal or no trail fee income. To compensate for the decline in trail fees, the company has begun to introduce ticket fees in the current financial year. The volume of investment in Austrian and international investment companies amounted to around EUR 1.1 billion at the end of 2008.

Special and structured products

Emissions of structured products have also come to a standstill in the wake of bankruptcies among US investment banks that were active as issuers and/or guarantors for structured products, with the result that structured products could only be issued and sold at the beginning of 2008. In retail sales, the Trend Fox II was successfully placed with a volume of EUR 16.3 million; institutional customers are mostly holding cash at present, with little or no investments being made in structured products.

Asset management

Despite the problematic market conditions prevailing and negative market performance, C-QUADRAT Kapitalanlage AG asserted itself strongly and managed to increase its total assets under management. Although the volume of Austrian investments managed by the company decreased over the reporting period by 9% from EUR 960.0 million to EUR 872.6 million at the end of the year, the relative share of market increased from 0.59% to 0.69% of the total managed by Austrian investment companies, although the latter amount fell by EUR 37,720.1 million or 23%.

This essentially stable volume of Austria investments managed by C-QUADRAT Kapitalanlage AG is attributable to two main factors, namely the stable performance of the managed funds even when markets are showing dramatic falls, and the steady inflow of cash from private and institutional investors. Another factor is that, for the first time in 2007, the investment company created stockpicking funds that have achieved a positive performance, even in falling markets, on account of their innovative management approach. Thanks to the successes of the entire fund management team, many new fund management and advisory mandates were acquired in 2008. As at 31 December 2008, the number of investment company mandates was 36 (31.12.2007: 37). At the same time, the number of advisory mandates grew from 27 to 29, with a total volume of EUR 806.7 million (31.12.2007: EUR 704.1 million). Total assets under management at C-QUADRAT Kapitalanlage AG increased from EUR 1,664.1 million to EUR 1,679.3 million.

In the '8th Austrian Fund of Funds Awards 2008', C-QUADRAT Kapitalanlage AG won four firsts and nine additional placements among the top three, demonstrating once again the quality of its funds and further enhancing the market positioning of 'C-QUADRAT – the Fund Company'. The results achieved in the 'Fund Award 2009' in Germany in January 2009 were particularly gratifying. On what is now the most important market for C-QUADRAT Kapitalanlage AG, six funds managed by C-QUADRAT won a total of eight awards, three of them for first place.

On the sales side, C-QUADRAT Kapitalanlage AG reinforced its market position outside Austria by extending its partnerships with well-known sales partners in Germany and the CEE countries. This resulted in investment inflows in Germany exceeding those in Austria for the first time. In the core markets of Austria and Germany, insurance companies, savings banks, public-sector companies and pension funds have also been approached, in addition to investment companies.

Another key focus of sales activity was on further expansion of coverage in the rapidly growing CEE states, where C-QUADRAT has been operating for three years so far. Institutional customers in Poland, the Czech Republic, Slovakia and Hungary are serviced directly by staff in Vienna. The efficiency of sales activities have been further enhanced by assigning separate Country Heads to the Polish and Czech markets.

Mr. Eric Samuiloff did not extend his Management Board mandate at C-QUADRAT Kapitalanlage AG beyond the end of the 2008 financial year and therefore left the company as of 31 December 2008. Mr. Thomas Rieß joined the Management Board of the company with effect from 1 January 2009.

Income statement

In the 2008 financial year, gross fee and commission income fell substantially by EUR 12,158 thousand or 30% from EUR 40,219 thousand to EUR 28,061 thousand; fee and commission expenses decreased to a similar extent by EUR 5,535 thousand or 26% from EUR 21,342 thousand to EUR 15,807 thousand. In addition to the trail and upfront fees generated by the Fund Brokerage segment, the performance fees generated by the Asset

Management segment declined significantly on account of the prevailing market situation, whereas the volume of management fees earned by the same segment were kept very constant. Total revenues, including other operating income (especially advisory revenue and reimbursed expenses), fell 25% or EUR 10,258 thousand year on year from EUR 41,716 thousand to EUR 31,458 thousand.

Operating expenses rose simultaneously by only 2% or EUR 261 thousand from EUR 15,062 thousand to EUR 15,324 thousand. This increase is mainly attributable to EUR 818 thousand in provisions made for potential damages cases (above all for potential claims for AeW investor compensation arising from the AMIS fraud case in 2004) and to once-only due diligence expenses of around EUR 203 thousand that were incurred in 2008. Expenses for advertising and representation, in contrast, were substantially reduced by around EUR 735 thousand or 32% to EUR 1,543 thousand.

The developments described result in a positive operating profit for 2008 of EUR 327 thousand before depreciation and impairment losses, a figure that is significantly lower than the prior-year operating profit before depreciation. Depreciation and impairment losses increased considerably by EUR 2,849 thousand or 233% from EUR 1,225 thousand to EUR 4,074 thousand, mainly due to impairment losses of EUR 3,599 thousand on investments (of which EUR 854 thousand were offset in equity against the revaluation reserve), thus resulting in a negative operating profit (after depreciation and impairment losses). Without adjusting for the once-only events referred to above, the company would have achieved an operating profit slightly above zero in 2008.

The financial result increased by EUR 621 thousand or 58% from EUR 1,077 thousand to EUR 1,698 thousand, mainly due to divestment from an atypical silent partnership, which generated profits from sale amounting to EUR 1,550 thousand.

In the 2008 financial year, net income from associates decreased substantially by EUR -2,826 thousand or -195% from EUR 1,448 thousand to EUR -1,378 thousand; this was mainly attributable to EUR 1,725 thousand in impairments on associates made on the basis of impairment tests. Due to the significant year-on-year decrease in operating profit from associates, the pre-tax result from continuing operations fell radically from EUR 6,611 thousand to EUR -3,427 thousand.

Taking into account the EUR -8,912 thousand loss incurred by the discontinued 'Hedge Funds' operation, the net loss for the year thus amounts to EUR -12,159 thousand; this is offset against the profit carry forward from 2007 and by partially reversing the additional paid in capital and unappropriated capital reserve. Of that net loss for the year, EUR 536 thousand are assigned to minority interest.

Balance sheet

The balance sheet total for 2008 is EUR 35,886 thousand and is substantially lower by EUR 29,759 thousand or 45% in relation to the balance sheet total of EUR 65,645 thousand for 2007, due above all to the disposal and impairment of investments. However, the substantial increase in receivables from banks, which increased by year on year by EUR 6,117 thousand to EUR 13,529 thousand, whereas liabilities to banks increased only slightly by EUR 157 thousand to EUR 7,453 thousand, is worthy of mention in this context. The company therefore has robust liquidity at its disposal.

In the prior year, liabilities to banks were reported under 'Liabilities directly related to held-for sale disposal groups', since this loan is to be repaid by selling the property in 1040 Vienna. However, the EUR 7,450 thousand has not been repaid to date for cash flow reasons, and is therefore recognised in the 2008 financial year under 'liabilities to banks'. Provisions have been formed to cover an anticipated penalty payable to the lending bank due to the ongoing

discussions held with the financing bank as at the balance sheet date regarding premature repayment of the loan. Term deposits amounting to EUR 3.000 million have been pledged as security for the loan, so these were not recognised as cash and cash equivalents.

Key performance figures

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

According to Section 9 (2) WAG 2007, the company is currently required to hold at least EUR 1,977 thousand in shareholders' equity (31.12.2007: EUR 4,351 thousand), which according to WAG is comprised of the paid-in capital and the disclosed reserves. The eligible shareholders' equity of the company pursuant to Section 9 (3) WAG 2007 is EUR 23,135 thousand as at 31 December 2008 (31.12.2007: EUR 33,559 thousand), so the company has EUR 21,158 thousand in surplus shareholders' equity.

It should also be noted that, on 12 February 2009, the Austrian Financial Market Authority published a statement on the requirements for shareholders' equity and capital resources to be met by securities companies. That statement contains clarification that, in the view of the supervisory authority, additional capital resources must be available, in addition to the 25% of fixed overheads or the start-up capital (Section 9 (2) WAG 2007), to cover the credit risk (Section 9 (5) WAG 2007) and the operating risk (Section 9 (6) WAG 2007). The deadline for transition was defined as the first of April 2009. The company also has sufficient funds to meet the cumulative application of these rules, rather than the alternative application of the rules hitherto.

At Group level, the aim is to maintain an equity ratio of between 40% and 60% (in accordance with IFRS, adjusted for the provisions in the Austrian Securities Supervision Act of 2007 (WAG)) or between 50% and 70% (in accordance with IFRS): When calculating the equity ratio in accordance with WAG 2007, only the paid-in capital and the open reserves are taken into account, but not any balance sheet profit. Thus, despite consumption of capital reserve to cover the net loss for the year, the Group's equity ratio in the 2008 financial year increased from 44.5% to 57.5%.

Cash flow from operating activities declined significantly year on year from EUR 3,578 thousand to EUR -250 thousand, whereas cash flow from investing activities rose considerably from EUR -6,472 thousand to EUR 10,954 thousand. The Group's total cash flow amounted to EUR 6,117 thousand the financial year 2008, which means that the C-QUADRAT Group achieved the highest cash flow in its history.

No disclosures are made regarding non-financial performance indicators, such as number of employees and environmental aspects, because these do not apply to the Group. The C-QUADRAT Group does not conduct any research and development activities.

Risks

The financial services industry is associated with inherent risks. Any downward price correction on the world's stock exchanges involves deterioration in the Group's earnings performance. This is accompanied by less willingness among investors to buy securities, and by lower fee and commission income due to the smaller volume of assets under management.

C-QUADRAT Investment AG actively offsets this risk by diversifying operations through the development of new products and by expanding sales to institutional customers. In the midst of an international financial crisis in which inherent risks as well as market risks are intensifying, these risks are significantly reduced by abandoning certain operations – an example being the discontinuation of the 'Hedge Funds' operation in 2008.

At C-QUADRAT Kapitalanlage AG, risks are actively minimised by apportioning the portfolio into different asset classes with little correlation between classes (shares, bonds, property shares, raw materials, etc.), and according to different management styles (total return approach, benchmark approach, hedging strategies and short/neutral strategies. On the sales side, risks are spread with a continued focus on sales markets in Germany and Eastern Europe (especially the Czech Republic, Slovakia, Poland and Hungary).

The default risk in respect of fee and commission receivables from business partners – principally investment companies and banks – is almost negligible due to their diversification and creditworthiness even in times of financial crisis. Intensified controlling of receivables and shorter reminder intervals for outstanding fees and commission are aimed at further reducing this type of risk.

Contrary to the approach previously adopted, provisions were formed in the annual financial statements of C-QUADRAT Investment AG and C-QUADRAT Private Investments AG as at 31 December 2008 to cover possible claims by AeW following the judgement by the Vienna Commercial Court in first-instance proceedings against the compensation of investors in WPF GmbH (AeW) in the AMIS fraud case dating from 2004, in favour of investors. These provisions were formed to the maximum statutory amount of 10% of the equity held by the company when bankruptcy proceedings were opened against the AMIS financial assets group in 2004.

For further details on risk management, reference is made to item 27 in the notes to the consolidated financial statements.

Financial instruments in use

The main financial instruments used by the Group include financial investments in ordinary and preference shares, shares in investment funds, equity instruments, cash and cash equivalents, bank loans and finance leases. The main purpose of these financial instruments is to finance the company's business operations. For further details on financial instruments, reference is made to item 28 in the notes to the consolidated financial statements.

The principal risks to which the Group is exposed as a result of holding financial instruments are cash flow risks relating to interest rates, as well as liquidity, foreign exchange and credit risks, details of which are provided in item 27 of the notes to the consolidated financial statements.

In the 2008 financial year, as in previous years, the company did not deploy any derivative financial instruments, such as interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.

Outlook for the C-QUADRAT Group

The uncertainties prevailing on the markets, the fears of impending recession and the absence of any clear-cut trend make it difficult to provide an outlook for the year 2009. The C-QUADRAT Group has already responded to the current situation by implementing cost-saving measures in respect of personnel and administrative expenses. Following the adjustments made to the investment portfolio this financial year, the C-QUADRAT Group will now be concentrating more strongly on its core competencies in asset management. The main focus in the financial year 2009 will be on further expansion in Germany and the countries of Central and Eastern Europe, given the positive stimuli generated by the sales activities initiated in the CEE countries between 2006 and 2008. In spite of the strains currently affecting the financial markets, the Management Board expects the company to progress well in the year 2009.

Events after the balance sheet date

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

Vienna, 24 March 2009

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

Mag. Andreas Wimmer m.p.
Member of the Management Board

Mag. Markus A. Ullmer m.p.
Member of the Management Board

StB Mag. Roland Starha m.p.
Member of the Management Board

1 AUDITORS' REPORT (REPORT OF THE INDEPENDENT AUDITORS) *)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of C-QUADRAT Investment AG, Wien and its subsidiaries (hereinafter referred to as "the Company"), for the financial year from 1 January 2008 to 31 December 2008. These consolidated financial statements comprise the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

C-QUADRAT's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

Our audit did not give rise to any objections.

Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008, and of its financial performance and its cash flows for the financial year from 1 January 2008 to 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, 24 March 2009

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto
Certified Accountant

Mag. Ernst Schönhuber
Certified Accountant

*) The report (in the German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in part or in whole to the auditors report, without the express written consent of the auditors.

This report has been translated from German to English for referencing purposes only. Please refer to the official legally binding version as written and signed in German.

STATEMENT BY THE EXECUTIVE BOARD

Pursuant to Article 82 (4) of the (Austrian) Stock Exchange Act, the Executive Board of C-QUADRAT Investment AG herewith confirms:

1. that, to its knowledge, the Consolidated Financial Statements 2008 drawn up in compliance with applicable financial reporting standards present, as fairly as possible, the financial position and financial performance of the entirety of the companies included in the consolidated figures of the C-QUADRAT GROUP;

2. that the Status Report presents the business development, the earnings, and the position of the entirety of the companies included in the consolidated figures of the C-QUADRAT GROUP in such a manner as to present, as fairly as possible, the Group's financial position and financial performance, and to describe the essential risks and uncertainties to which the C-QUADRAT GROUP is exposed.

The Executive Board of C-QUADRAT Investment AG

Vienna, April 2009

Gerd Alexander Schütz
(Member of the board)

Mag. Andreas Wimmer
(Member of the board)

StB Mag. Roland Starha
(Member of the board)

Mag. Markus A. Ullmer
(Member of the board)

C QUADRAT

the fund company

FINANCIAL STATEMENTS

As of December 31, 2008

C-QUADRAT Investment AG, Wien

BALANCE SHEET AS AT 31 DECEMBER 2008

ASSETS

	As at 31.12.2008 EUR	As at 31.12.2007 EUR '000
1. CASH IN HAND, BALANCES AT CENTRAL BANKS AND POSTAL GIRO OFFICES	2.308,49	1
2. RECEIVABLES FROM BANKS		
On demand	12.593.163,98	646
3. RECEIVABLES FROM CUSTOMERS	2.930.279,40	2.713
4. SHARES AND OTHER NON-FIXED-YIELD SECURITIES	693.274,73	4.418
5. SUBSIDIARIES	6.070.400,00	7.650
6. SHARES IN ASSOCIATES	7.858.268,73	25.116
7. INTANGIBLE ASSETS	172.776,36	213
8. PROPERTY, PLANT AND EQUIPMENT	407.882,43	330
9. OTHER ASSETS	2.852.625,82	13.198
10. ACCRUED INCOME AND DEFERRED EXPENSE	88.983,50	120
	33.669.963,44	54.405
1. Foreign assets	3.652.684,00	16.010

EQUITY AND LIABILITIES

	EUR	As at 31.12.2008 EUR	As at 31.12.2007 EUR '000
1. LIABILITIES TO BANKS			
On demand		7.452.069,97	7.261
2. LIABILITIES TO CUSTOMERS			
Other liabilities			
On demand		1.527.641,42	3.895
3. OTHER LIABILITIES		587.271,04	2.762
4. DEFERRED INCOME AND ACCRUED EXPENSE		18.880,00	24
5. PROVISIONS			
a) Provisions for severance payments	19.274,74		21
b) Other provisions	930.214,77		407
		949.489,51	428
6. SUBSCRIBED CAPITAL		4.363.200,00	4.363
7. CAPITAL RESERVES			
a) Appropriated capital reserves	18.747.171,50		29.149
b) Unappropriated capital reserves	0,00		52
		18.747.171,50	29.201
8. REVENUE RESERVE			
Statutory reserve		24.240,00	24
9. BALANCE SHEET PROFIT		0,00	6.447
		33.669.963,44	54.405
1. Contingent liabilities		0,00	150
2. Eligible shareholders' equity pursuant to Section 9 WAG 2007		23.134.611,50	33.589
3. Required shareholders' equity pursuant to Section 9 WAG 2007		1.976.700,00	4.351
4. Foreign liabilities		461.954,00	3.385

I N C O M E S T A T E M E N T
FOR THE PERIOD FROM 1 JANUARY 2008 TO 31 DECEMBER 2008

	2008		2007	
	EUR	EUR	EUR '000	EUR '000
1. Interest and similar income		299.933,99		40
2. Interest and similar expense		-400.654,42		-374
I. Net interest income		**-100.720,43**		**-334**
3. Income from securities and subsidiaries				
a) Income from shares, other participatory rights				
and variable-yield securities	15.537,48		6	
b) Income from subsidiaries	1.328.026,90		1.708	
c) Income from shares in associates	1.942.634,58	3.286.198,96	5.104	6.818
4. Fee and commission income		6.920.613,66		12.954
5. Fee and commission expense		-3.745.784,41		-7.242
6. Other operating income		2.567.650,71		386
II. Operating income		**9.028.678,92**		**12.916**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-2.154.681,06		-2.168	
bb) Expenses for severance payments and contributions				
to company pension scheme	-30.312,12		-23	
cc) Expenses for statutory social				
insurance, charges based on pay,				
and compulsory contributions	-503.976,88		-463	
dd) Other social insurance expenses	-18.765,98	-2.707.736,04	-26	-2.680
b) Other administrative expenses (non-personnel)		-2.997.652,95		-2.754
8. Impairment losses on assets included		-175.775,48		-169
in asset items 7 and 8				
9. Other operating expenses		-293.535,92		-364
III. Operating expenses		**-6.174.700,39**		**-5.967**
IV. Operating profit		**2.753.258,10**		**6.615**
10. Impairment losses on securities measured as financial				
assets and on subsidiaries and shares in				
associates		-17.497.461,87		-286
11. Income from remeasurement of securities				
measured as financial assets and on				
subsidiaries and shares in associates		2.249.539,34		114
V. Result of ordinary operations		**-12.494.664,43**		**6.443**
12. Taxes on income and earnings		-38.090,36		-4
13. Other taxes, not disclosed in item 12		-5.093,66		-11
VI. Net profit/loss for the year		**-12.537.848,45**		**6.428**
14. Transferred reserves		10.453.938,06		0
VII. Net profit/loss for the year after transfer of reserves		**-2.083.910,39**		**6.428**
15. Profit carried forward		2.083.910,39		19
VII. Balance sheet profit		**0,00**		**6.447**

Accounting and measurement methods

General principles

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

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

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

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

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

Receivables and other assets

Receivables and other assets were recognised at their nominal value.

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

Shares and other non-fixed-interest securities, investments in subsidiaries and shares in associates

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

Extraordinary depreciations were only carried out when impairments are likely to be permanent.

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

Acquired intangible assets

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

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

	Useful life in years
• IT software	4

Property, plant and equipment

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

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

	Useful life in years
• Other plant, operating and office equipment	4 - 10

Moveable fixed assets with a value of up to € 400 and intended for provision against a consideration, were capitalised in the year they were added, in accordance with fiscal regulations, and systematically depreciated.

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

Liabilities

Liabilities are measured at the redemption value and by applying the precautionary principle.

Provisions

Provisions for severance payment entitlement

These provisions were calculated in accordance with Expertise KFS/RL 2 issued by the Department for Commercial Law and Auditing at the Institute for Business Administration, Tax Law and Organisation within the Austrian Chamber of Tax Consultants and Public Auditors.

Since variations in cash value are reflected in the pay received by employees, and since the severance obligations are commitments with a secured value, the calculation of provisions is not based on a nominal interest rate, but on the real interest rate that can be achieved in the long term. The latter is 3.5 to 4.0% p.a., according to experience in recent decades.

The company’s provisions for severance payments were recognised in accordance with Section 211 of the Austrian Commercial Code (UGB) at their financial value, based on an interest rate of 3.5% and the statutory retirement age.

Other provisions

Other provisions were formed to the amounts necessary for due diligence, in accordance with the precautionary principle, in order to cover all risks discernible when the balance sheet was prepared as well as all liabilities of uncertain amount or basis in fact. Other provisions include remaining holiday entitlement, legal and consultancy costs, bonuses, leasing expenses and other provisions.

Reserves

Capital reserves

Of the appropriated reserves, meaning the appropriated capital reserves and the statutory reserves, a sum of EUR 10.454 million was reversed in accordance with Section 130 (4) of the Stock Corporation Act (AktG), in order to offset a recognised balance sheet loss.

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

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

Receivables from banks:

BA-CA	USD	18,705.82	EUR	13,271.00

Liabilities to banks

BA-CA	HUF	1,678.97	EUR	6.35

No. 4 – a breakdown, by the following remaining terms, of receivables and balances and of liabilities to banks and non-banks which are not repayable on demand:

a) more than five years:
Other assets
Security deposits EUR 37,907.71

No. 8 – a statement of the assets which banks have pledged as collateral for their own liabilities or for those of third parties (including contingent liabilities), in sufficient detail to indicate the total amount of the assets pledged as collateral for each liability item and for each off-balance-sheet item:

A pledge agreement has been concluded with Bawag PSK Bank für Arbeit und Wirtschaft und Österreichische Postsparkassen AG in respect of a term deposit of EUR 3.0 million, which has been pledged to secure a loan.

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

interest income: Austria
income from securities: Austria
Fee and commission income (premium, trail fee): Austria/EU
Income/expenditure from financial transactions: Austria
other operating income: Austria

No. 10 – a breakdown, into listed and unlisted securities, of the securities admitted to exchange trading and included under the asset items Convertible bonds and other fixed-interest securities, Shares and other variable-yield securities, Participations and shares in associates:

All securities included in the asset items Shares and other variable-yield securities, or Participations and shares in associates, are not admitted to trading on exchanges.

No. 11 – a breakdown of the securities admitted to trading and included in the asset items Convertible bonds and other fixed-interest securities, or Other variable-yield securities, according to whether the securities are measured according to Section 56 (1) as fixed assets, and the criterion used to distinguish these two categories of securities:

Unlisted securities:

Designation	Classification	Carrying amount (EUR '000)	
Other securities			
Meinl Investment Funding II	Fixed assets		115
Savings plans			
SGA Societe Generale Acc. N.V.	Current assets	1	
C-QUADRAT Best Fonds Strategy	Current assets	1	
C-QUADRAT Active Conservative	Current assets	1	
C-QUADRAT Arts TR Special	Current assets	70	
C-QUADRAT Arts Bets Momentum	Current assets	15	
Morgan Stanley Twin Win	Current assets	190	278
Marketable securities			
Global R.E.I.T. AG ADC	Current assets		300

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

Other operating income, amounting to EUR 2.568 million, mainly includes the profits from the sale of the building in Gusshausstrasse, at EUR 1.938 million, proceeds from passing on charges, at EUR 588 thousand, and proceeds from consultancy services, at EUR 18 thousand.

Other operating expenses, at EUR 294 thousand, mainly include the book values of assets disposed of, as well as current input tax that cannot be offset, at EUR 293 thousand.

No. 14 – the total amount of income from the bank's management and agency services to third parties is EUR 6.921 million.

No. 15 – disclosure of whether the bank keeps a trading book and, if so, the volume of the securities and other financial instruments included in the trading book. Monetary, currency and credit law, and the National Bank.

A trading book for securities is not kept.

Notes to the balance sheet

General disclosures

Basis for conversion of foreign exchange items into euros

The annual financial statements contain foreign-currency items that are converted into euros. Currency translation for assets and liabilities denominated in foreign currencies is carried out in accordance wtih Section 58 of the Banking Act at the respective middle rates at the end of the month in which the transaction took place. The middle rate as at 31.12.2008 had to be applied at the balance sheet date.

Changes in assets

The following table shows the changes in individual asset items and the breakdown of annual depreciation by individual item (Section 226 (1) of the Austrian Commercial Code):

	Cost 1.1.2008 31.12.2008 EUR	Additions Transfer EUR	Disposals Transfer EUR	Cumulative depreciation 1.1.2008 31.12.2008 EUR	Carrying amount 1.1.2008 31.12.2008 EUR	Depreciation Appreciation EUR
I. Intangible assets						
1. Software	500,670.47	62,728.57	0.00	287,817.07	212,853.40	102,805.61
	563,399.04	0.00	0.00	390,622.68	172,776.36	0.00
II. Property, plant and equipment						
1. Operating and office equipment	682,294.06	151,249.14	42,473.74	352,389.09	329,904.97	72,969.87
	791,069.46	0.00	0.00	383,187.03	407,882.43	0.00
III. Financial assets						
1. Shares in associates	25,116,308.26	0.00	10,495,669.17	0.00	25,116,308.26	7,002,948.02
	14,620,639.09	0.00	0.00	6,762,370.36	7,858,268.73	0.00
2. Subsidiaries	7,650,000.00	400.00	100,000.00	0.00	7,650,000.00	1,480,000.00
	7,550,400.00	0.00	0.00	1,480,000.00	6,070,400.00	0.00
of which shares in associates	*7,550,000.00*	*0.00*	*0.00*	*0.00*	*7,550,000.00*	*1,480,000.00*
	7,550,000.00	*0.00*	*0.00*	*1,480,000.00*	*6,070,000.00*	*0.00*
3. Marketable securities (book-entry securities) classified as fixed assets	24,365.01	115,000.00	24,365.01	8,461.52	15,903.49	0.00
	115,000.00	0.00	0.00	0.00	115,000.00	0.00
	32,790,673.27	115,400.00	10,620,034.18	8,461.52	32,782,211.75	8,482,948.02
	22,286,039.09	0.00	0.00	8,242,370.36	14,043,668.73	0.00
Total assets	33,973,637.80	329,377.71	10,662,507.92	648,667.68	33,324,970.12	8,658,723.50
	23,640,507.59	0.00	0.00	9,016,180.07	14,624,327.52	0.00

Notes to significant asset disposals

The disposal of shares in associates relates to the sale of the APLUS Group. The disposal of investments relates to the sale of the share in the atypical silent partnership with Privatinvest Bank AG.

Disclosures concerning financial instruments

No derivative financial instruments were used.

Receivables and other assets

Receivables from customers, at EUR 2.930 million, include EUR 1.991 million in foreign receivables.

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

Statement of receivables pursuant to Section 64 (1) No. 4 Banking Act (in EUR '000)

	Total	of which with a remaining term of up to 3 months	of which with a remaining term of up to 1 year	of which with a remaining term of up to 5 years	of which with a remaining term of more than 5 years
9. Other assets					
Security deposits	38	0	0	0	38

Other assets

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

These mainly relate to EUR 1.469 million in receivables from charging expenses to other entities, as well as EUR 1.170 in dividends from associates for the same period.

Provisions

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

	As at 01.01.08 € '000	Used € '000	Reversal € '000	Allocation € '000	As at 31.12.08 € '000
Provisions for severance payments					
for FiM severance payments	20	0	1	0	19
Other provisions					
for overtime owed	0	0	0	2	2
for holiday entitlements	135	135	0	80	80
for legal and consulting costs	53	53	0	175	175
for premiums and bonuses	200	200	0	17	17
for leasing expenses	20	0	8	0	11
for other expenses	0	0	0	645	645
	407	388	8	919	930
Total provisions	428	388	9	919	949

Provisions for other expenses were made, on the basis of information and statements of opinion newly received from the courts concerning the compensation of investors in WPF GmbH (AeW), to cover any claims by investors against the company in connection with the AMIS bankruptcy case.

Liabilities

The EUR 1.528 in liabilities to customers includes EUR 186 thousand in foreign liabilities.

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

Statement of liabilities (in EUR '000)

	Total	of which with a remaining term of up to 3 months	of which with a remaining term of up to 1 year	of which with a remaining term of up to 5 years	of which with a remaining term of more than 5 years
1. Liabilities to Banks					
BAWAG	7,450	0	0	0	7,450

Other liabilities

Other liabilities, amounting to EUR 587 thousand (prior year: EUR 2.762 million) comprise the following amounts:

	2008 € '000	2007 € '000
for taxes	69	54
Income tax	55	40
DB, DZ, KommSt, DGA	14	13
Payment charges	0	2
	69	54
Social insurance contributions	42	49
Other liabilities remaining	476	2.658

'Other liabilities' include amounts totalling EUR 255 thousand that are already recognised as expense as at the balance sheet date, in order to calculate profits for the accounting period, but which will not flow until after the balance sheet date.

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

In addition to the liabilities reported in the balance sheet, there are also other financial obligations amounting in total to EUR 300 thousand.

These obligations relate specifically to the following items:

	Total obligation EUR '000	up to 1 year EUR '000	up to 5 years EUR '000
Leasing liabilities	300	103	197
Rental liabilities	0	0	0

INCOME STATEMENT

Taxes on income and earnings

Taxes on income and earnings result from normal business operations.

The change in untaxed reserves had no effect on the 'Taxes on income and earnings' item.

The deferred tax assets not separately disclosed in the balance sheet amount to EUR 3.909 million. No use was made of the option to capitalise deferred tax assets pursuant to Section 198 (10) of the Austrian Commercial Code.

Other mandatory disclosures

Corporate relations

As the parent company of the Group, C-QUADRAT Investment AG prepares the consolidated financial statements. These are published the Official Journal of the 'Wiener Zeitung' (the Austrian Gazette) and is filed with the Companies Register at the Vienna Commercial Court.

Disclosures concerning subsidiaries

In accordance with Section 238 No. 2 of the Austrian Commercial Code, a report is submitted on the following entities:

Company name	Registered office	Stake in %	Shareholder equity* € '000	Latest net profit/loss for the year* € '000	Reporting date
C-QUADRAT Kapitalanlage AG	Vienna	100%	2,791	-1	31.12.2008
C-QUADRAT Private Investments AG	Vienna	98.4%	1,863	594	31.12.2008
C-Quadrat Deutschland AG	Frankfurt	100%	437	379	31.12.2008
C-Quadrat Fondsanalyse AG	Zurich	100%	323	220	31.12.2008
ARTS Asset Management GmbH	Vienna	45%	1,129	771	31.12.2008
Ariconsult Holding AG	Graz	25.1%	1,552	-88	31.12.2007

* The shareholder equity was calculated in accordance with Section 224 (3) of the Austrian Commercial Code.
* The net profit/loss for the last financial year was calculated in accordance with Section 231 (2) No. 22 of the Austrian Commercial Code.

All investments in the companies listed above were recognised as assets.

As the parent company of the Group, C-QUADRAT Investment AG is responsible for handling the operations (brokerage, settlement) of the C-QUADRAT Group.

Disclosures concerning corporate transactions in the year under review

C-QUADRAT Investment AG is withdrawing from the 'Hedge Funds' operation. The rationale behind this strategic decision is that management anticipates persistent deterioration in the market environment, accompanied by a significant increase in risks.

As a consequence of this focus on the core Asset Management operation, C-QUADRAT Investment AG sold

its stake, amounting to 50% + 1 share in the Absolute Plus Group, which is specialised in selling alternative investments, for the sum of EUR 1.0 million as at 31 December 2008. The share in the atypical silent partnership with Privatinvest Bank AG was also disposed of for the sum of EUR 1.650 million.

In the course of streamlining the investment portfolio, investments in Ariconsult Holding AG and in C-QUADRAT Private Investments AG were also subjected to remeasurement. Both these companies are financial service companies operating in the field of brokerage to private individuals and as such do not form part of the core business of the C-QUADRAT Group, namely asset management.

Number of employees

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

	2008	2007
Board members	4	4
White-collar employees	44	41
Total	48	45

Remuneration for members of the Management Board and the Supervisory Board

The total amount of remuneration paid to members of the Management Board in the past financial year was EUR 677 thousand.
Emoluments paid to members of the Supervisory Board amounted to EUR 63 thousand in the past financial year.

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

No advances, loans or assumptions of liability were provided for members of the Management Board or the Supervisory Board.

Severance expenses

In the financial year under review, severance expenses for members of management were as follows:

	2008	2007
	€ '000	€ '000
to members of the Management Board	4.00	0.00
to executive employees	3.00	3.00
to other employees	23.00	18.00
	30.00	21.00

Disclosures concerning the type of shares

The shares of the company are nominal value shares. The shares may be issued to the bearer or to specific names, unless registered shares are required by law. Shares are indivisible. Interim certificates must be issued to specific names. If a decision to increase the share capital does not specify whether the new shares are to be bearer shares or registered shares, they shall be issued as bearer shares.

According to Section 10 (6) of the Stock Corporation Act, there is no entitlement to individual share certificates. It is permitted to issue collective deeds for shares. However, the type and form of collective

deeds must conform to statutory requirements, in particular to the statutory requirements in the Safe Custody Act (DepotG).

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

The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company by a maximum of € 1,090,800.00 within a period of up to five years as from amended Articles being filed at the register of companies, by issuing up to 1,090,800 nominal-value bearer shares or registered shares, with voting rights, against cash contributions or contributions in kind, on one or more occasions, also by way of direct subscription rights, and to specify the type of shares to be newly issued (bearer or registered shares), the issue price and the issue terms and conditions (approved capital). The Supervisory Board is authorised to amend the Articles of Association accordingly, if shares are issued from the approved capital.

By resolution of the General Meeting held on 28.08.2007, a contingent increase of um € 436,320.00 was made in the share capital of the company pursuant to Section 159 (2) No. 3 of the Stock Corporation Act, by issuing 436,320 nominal-value bearer shares and with exclusion of subscription rights on the part of existing shareholders (contingent capital). This contingent share capital increase is only to be carried out if persons eligible to stock options under the company's Stock Option Programme exercise their option rights. No options had been exercised by the balance sheet date.

At the Extraordinary General Meeting held on 11 December 2008, C-QUADRAT Investment AG authorised the Management Board to acquire nominal-value bearer shares equivalent to a maximum 10% of the share capital of C-QUADRAT Investment AG. This authorisation applies for a period of 30 months as from the date of resolution; the minimum price at which shares can be acquired in EUR 1.00, the maximum price EUR 40.00. The Management Board is also authorised to redeem repurchased treasury shares without a resolution to that effect by the General Meeting. The General Meeting also authorised the Management Board to resell purchased treasury shares, under exclusion of subscription rights for shareholders, in ways other than through the stock exchange, or by making a public offer of shares.

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

The form and content of share certificates or interim certificates, as well as the form and content of profit sharing certificates and renewal certificates, is determined by the Management Board in mutual agreement with the Supervisory Board, and in compliance with statutory requirements.

Vienna, 12 March 2009

Gerd Alexander Schütz
Member of the Management Board

Andreas Wimmer
Member of the Management Board

Markus A. Ullmer
Member of the Management Board

Roland Starha
Member of the Management Board

Management Report
C-QUADRAT Investment AG
on the Financial Year ending 31 December 2008

Review of the economic situation and the capital markets in 2008

From the economic perspective, 2008 was characterised by the international financial crisis that was triggered by the subprime crisis in the USA and the collapse of Lehman Brothers (one of the biggest investment banks ever to exist) and accompanied by numerous bankruptcies and by government aid packages across the world for major international banks, insurance companies and major companies in the 'real economy'. This extremely difficult environment on the market, which reached an interim climax in the Madoff fraud case at the end of the year, combined with a mood of general uncertainty among institutional and private investors, led to massive falls in share prices on international equity markets. All the world's share price indexes, such as Dow Jones, Nikkei, DAX, ATX, etc., suffered losses of historical proportions. Despite the unprecedentedly huge packages of aid and fiscal stimuli launched by governments, and the large-scale cuts in interest rates by all central banks, recessionary fears and prevailing uncertainty among investors with regard to forthcoming market trends remained unassuaged, and confidence in the financial markets has yet to be restored.

Business development and situation of the company

As a result of the international financial crisis, the company looks back on a very turbulent financial year. In fiscal 2008, C-QUADRAT Investment AG produced a net loss for the year of EUR 12.538 million, mainly due to impairment losses on the investment portfolio. After adjusting for these losses, a net profit of EUR 4.960 million was generated; this figure is only around EUR 1.468 million less than the prior year result. All the company's business operations – especially funds brokerage and the design of structured products – showed a decline in financial performance.

In December 2008, the Management Board of C-QUADRAT Investment AG decided to sell the Absolute Plus group of companies comprising Absolute Plus AG, Absolute Plus Zurich AG and Absolute Portfolio Management Ltd. The rationale behind this strategic decision was that management anticipated persistent deterioration in the market environment in the 'Hedge Funds' field, accompanied by a significant increase in risks. Due to discontinuation of its 'Hedge Funds' operations, C-QUADRAT Investment AG therefore disposed of its 50.003% interest in Absolute Plus AG, its 50.08% interest in Absolute Plus Zurich AG and its 50.002% interest in Absolute Portfolio Management Ltd. for a total selling price of EUR 1 million, in contracts of sale dated 27 December 2008.

As a consequence of discontinuing the 'Hedge Funds' operation and disposing of the Absolute Plus Group for a selling price of EUR 1 million, book losses amounting to EUR 9.3 million had to be recognised in the 2008 financial year due to the disposal of investments. In the course of this divestment and recognition of book losses, and the associated streamlining of the Group as a whole, and due to the uncertainty that the financial crisis had prompted among private clients, accompanied by falling turnover, the values of C-QUADRAT Private Investments AG and Ariconsult Holding AG were remeasured, resulting in partial depreciation to the amount of around EUR 8.240 million.

The negative result for the 2008 financial year reported as a consequence of investment portfolio impairments is compensated by the profit carried forward from 2007 and by partial reversal of the appropriated and unappropriated capital reserve, so the company is reporting zero net income in 2008. This means that, although the company is unable to pay a dividend for the 2008 financial year, the fact that no loss carryforward arises as a result of said measure means that the company will be able to distribute dividends again from 2009 onwards if business develops accordingly and profits are generated, and that it will also be able to implement the share buy-back programme agreed upon in 2008. Appropriated capital reserves were reduced from EUR 29.149 million in 2007 to EUR 18.747 million in 2008.
The share capital is unchanged at EUR 4,363,200.00 and is fully paid-up. It is divided into 4,363,200 no-par bearer shares with a nominal value of EUR 1.00. Voting rights for all shares are exercised according to nominal value held. Each EUR 1.00 of nominal value entitles the holder to one vote. There are no shareholder rights or duties beyond those defined in law. The three principal

shareholders are AvW Gruppe AG (30.54%), T. R. Privatstiftung (23.04%) and San Gabriel Privatstiftung (23.38%), with the latter two foundations being parties to a syndication agreement. All other disclosures required by Section 243a of the Austrian Commercial Code (UGB) are either not applicable to the company, or derive from law.

Since early 2007, AvW Gruppe AG – an Austrian holding company – has continuously acquired shares in C-QUADRAT Investment AG on the stock exchange and currently holds around 31% of C-QUADRAT Investment AG shares. In addition to its stake in C-QUADRAT Investment AG, the AvW Group also has investments in major industrial and service undertakings, most of which are listed on the stock exchange. The AvW Group is involved purely as a strategic investor and does not exercise any influence on the operations of C-QUADRAT. Alleged malversation within the AvW Gruppe AG, and the consequences thereof, have led unfortunately to unpleasant media presence and to a severe decline in the C-QUADRAT share price.

Mr. Peter Reisenhofer did not extend his Board mandate beyond the end of the 2008 financial year and therefore left the company as of 31 December 2008. Mr. Thomas Rieß moved to the Management Board of C-QUADRAT Kapitalanlage AG with effect from 1 January 2009, so Messrs. Roland Starha (formerly Head of Finance and Accounting) and Markus Ullmer (formerly Head of the Legal Department) joined the Management Board of the company with effect from 1 January 2009.

Funds brokerage

The persistently difficult situation on the equity markets has also had impacts on the total brokerage volume, which has fallen by around 28% since the beginning of the year. There have also been significant reallocations within the total brokerage volume away from equity products to money market products, REITS, ETFs and iShares. However, these products generate minimal or no trail fee income. To compensate for the decline in trail fees, the company has begun to introduce ticket fees in the current financial year. The volume of investment in Austrian and international investment companies amounted to around EUR 1.1 billion at the end of 2008.

Special and structured products

Emissions of structured products have also come to a standstill in the wake of bankruptcies among US investment banks that were active as issuers and/or guarantors for structured products, with the result that structured products could only be issued and sold at the beginning of 2008. In retail sales, the Trend Fox II fund was successfully placed with a volume of EUR 16.3 million; institutional customers are mostly holding cash at present, with little or no investments being made in structured products.

Income statement

In the 2008 financial year, gross fee and commission income fell substantially from EUR 12.954 million to EUR 6.921 million; fee and commission expenses decreased to a similar extent from EUR 7.242 million to EUR 3.746 million. Revenue and expenses from/for premiums each fell considerably by around 86% as a consequence of new settlement methods adopted by major sales partners, but this had insignificant impacts on the net fee and commission income of the C-QUADRAT Group because almost 100% of the revenue from premiums is allocated to other entities. In addition to the net fee and commission income, amounting to EUR 3.175 million (2007: EUR 5.712 million), and EUR 2.568 million in other operating income (2007: EUR 386 thousand), income from securities, subsidiaries and shares in associates contributed a substantial EUR 3.286 million (2007: EUR 6.818 million) to the total operating income of EUR 9.029 million (2007: EUR 12.916 million). Operating income thus fell year-on-year by EUR 3.887 million, or around 30%.

Operating expenses rose simultaneously by EUR 208 thousand from EUR 5.967 million to EUR 6.175 million. This increase is mainly attributable to EUR 645 thousand in provisions made for potential damages cases (above all for potential claims for AeW investor compensation arising from the AMIS fraud case in 2004), to increased IT expenditure in connection with the implementation of new asset management and fee/commission software (TAMBAS) at the end of 2007, and to once-only due diligence expenses of around EUR 203 thousand that were incurred in 2008. Expenses for advertising and representation, in contrast, were substantially reduced by around EUR 473 thousand or 57%.

The developments described above result in negative pre-tax earnings of EUR -12.495 million for 2008, a figure that is significantly lower than the pre-tax earnings in 2007. After adjustment for

extraordinary impairment and book losses in respect of subsidiaries, the company generated a positive pre-tax earnings of around EUR 5.0 million in 2008.

The net loss of around EUR 12.538 reported for the 2008 financial year is compensated by the EUR 2.084 million profit carryforward from 2007 and by partial reversal of the EUR 10.454 million in appropriated and unappropriated capital reserve, as a result of which the company is reporting the zero net income for 2008.

Balance sheet

The balance sheet total for 2008 is EUR 33.670 million and is significantly lower by EUR 20.735 million in relation to the balance sheet total for 2007, due to sale of the property in 1040 Vienna and to the disposal and impairment of investments. The substantial increase in receivables from banks, which increased year on year by EUR 11.947 million to EUR 12.593 million, whereas liabilities to banks increased only slightly by EUR 191 thousand to EUR 7.452 million, is worthy of mention in this context. The company therefore has robust liquidity at its disposal. Provisions have been formed to cover an anticipated penalty payable to the BAWAG bank, due to the ongoing discussions held with BAWAG as at the balance sheet date regarding premature repayment of the loan.

Key performance figures

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

According to Section 9 (2) WAG 2007, the company is currently required to hold at least EUR 1.977 million in shareholders' equity, which according to WAG is comprised of the paid-in capital and the disclosed reserves. The eligible shareholders' equity of the company pursuant to Section 9 (3) WAG 2007 is EUR 23.135 million (31.12.2007: EUR 33.559 million), so the company has EUR 21.158 million in surplus shareholders' equity.

The equity ratio (calculated in accordance with WAG, i.e. without taking any balance sheet profit into account) increased from 62% to 69% in the 2008 financial year, despite capital reserves being used to cover the net loss for the year. Cash flow from operating activities (excluding the sale of the Gußhausstrasse property) showed a year-on-year decrease from EUR 6.598 million to EUR 4.670 million. However, the rate of return on cash flow, in relation to the gross profit resulting from fee and commission income and from fee and commission expenditure, showed a year-on-year increase from 116% to 147%. The company's total cash flow amounted to EUR 11.949 million in the 2008 financial year, which means that C-QUADRAT Investment AG achieved the highest cash flow in its history.

It should also be noted that, on 12 February 2009, the Austrian Financial Markets Supervisory Authority published a statement on the requirements for shareholders' equity and capital resources to be met by securities companies. That statement contains clarification that, in the view of the supervisory authority, additional capital resources must be available, in addition to the 25% of fixed overheads or the startup capital (Section 9 (2) WAG 2007), to cover the credit risk (Section 9 (5) WAG 2007) and the operating risk (Section 9 (6) WAG 2007).. The deadline for transition was defined as the first of April 2009. The company also has sufficient funds to meet the cumulative application of these rules, rather than the alternative application of the rules hitherto**.

No disclosures are made regarding non-financial performance indicators, such as number of employees and environmental aspects, because these do not apply to the company. The company does not conduct any research and development activities.

Risks

The financial services industry is associated with inherent risks. Any downward price correction on the world's stock exchanges involves a deterioration in the company's earnings performance. This is accompanied by less willingness among investors to buy securities, and by lower fee and commission income due to the smaller volume of assets under management. This risk is actively offset by diversifying operations through the development of new products and by expanding sales to institutional customers. In the midst of an international financial crisis in which inherent risks as well as market risks are intensifying, these risks are significantly reduced by abandoning certain operations – an example being the discontinuation of the 'Hedge Funds' operation in 2008.

The default risk in respect of fee and commission receivables from business partners – principally investment companies and banks – is almost negligible due to their diversification and creditworthiness even in times of financial crisis. Intensified controlling of receivables and shorter reminder intervals for outstanding fees and commission are aimed at further reducing this type of risk.

Contrary to the approach previously adopted, provisions were formed in the annual financial statements as at 31 December 2008 to cover possible claims by AeW following the judgement by the Vienna Commercial Court in first-instance proceedings against the compensation of investors in WPF GmbH (AeW) in the AMIS fraud case dating from 2004, in favour of investors. These provisions were formed to the maximum statutory amount of 10% of the equity held by the company when bankruptcy proceedings were opened against the AMIS financial assets group in 2004.

Financial instruments in use

The main financial instruments used by C-QUADRAT Investment AG include financial investments in ordinary and preference shares, shares in investment funds, equity instruments, cash and cash equivalents, bank loans and finance leases. The main purpose of these financial instruments is to finance the company's business operations. Reference is made to the comments in the notes section regarding the investment, in investment funds and in ordinary shares, in the 2007 financial year, of the EUR 693 thousand in free liquidity left over from the share capital increase.

In the 2008 financial year, as in previous years, the company did not deploy any derivative financial instruments, such as interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.

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

Cash flow risks related to interest rates:

As at 31 December 2008, the company had only one fixed-rate non-current financial liability in the form of a mortgage loan denominated in euros, which was originally taken out to finance a property and which is still in place for cash flow reasons. By fixing the interest rate at 5% for the entire ten-year term of the loan, the company is not exposed to any risk of variations in market interest rates, as is the case with variable-rate financial liabilities, so no interest rate swaps were used to eliminate an interest rate risk.

Foreign exchange risk

Most of the company's business operations are carried out within the Eurozone. The same applies to the C-QUDRAT Kapitalanlage AG, C-QUADRAT Private Investments AG and C-QUADRAT Deutschland AG subsidiaries. The Swiss subsidiary, C-QUADRAT Fonds-Analyse und Marketing AG, is the only subsidiary to prepare its financial statements in Swiss francs. Foreign-currency transactions (mainly in CHF) were conducted almost exclusively in C-QUADRAT Fonds-Analyse und Marketing AG. The foreign exchange losses incurred by the company in the financial year amount to EUR 4 thousand and as such are considered of secondary importance only. The foreign exchange risk is therefore considered to be minor, so no forward foreign exchange contracts were used to eliminate the risk of exchange rate variations.

Credit risk

The company concludes transactions only with recognised and creditworthy third parties. All customers wishing to trade with the company on credit terms are subjected to a credit assessment.

Receivables are also monitored continuously, with the result that the company is not exposed to any significant default risk. For the company's other financial assets, such as cash and cash equivalents, the maximum default risk in the event of counterparty default is the carrying amount of the respective instruments. Since the company concludes transactions only with third parties who are recognised and creditworthy, collateral is not required.

Liquidity risk

The company continuously monitors the risk of liquidity bottlenecks using a liquidity planning tool, with the aid of which the expected cash flows from business operations (fee and commission income and expenses), especially, are planned and checked. The aim of the company is to maintain a balance between continuous coverage of funding requirements and maintenance of financial flexibility, by using overdraft facilities and loans. As at the balance sheet date, the company has cash and cash equivalents amounting to EUR 12.593 million, which is equivalent to around 37% of the balance sheet total. The company therefore has robust liquidity at its disposal.

Outlook for the company

The uncertainties prevailing on the markets, the fears of impending recession and the absence of any clear-cut trend make it difficult to provide an outlook for the year 2009. C-QUADRAT Investment AG has already responded to the current situation by implementing cost-saving measures in respect of personnel and administrative expenses. Following the adjustments made to the investment portfolio this financial year, the C-QUADRAT Group will now be concentrating more strongly on its core competencies in asset management. The main focus in the 2009 financial year will be on further expansion in Germany and the countries of central and eastern Europe, given the positive stimuli generated by the sales activities initiated in the CEE countries between 2006 and 2008. In spite of the strains currently affecting the financial markets, the Management Board expects the company to progress well in the year 2009.

Events after the balance sheet date

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

Vienna, 12 March 2009

Gerd Alexander Schütz Member of the Management Board	Andreas Wimmer Member of the Management Board
Markus A. Ullmer Member of the Management Board	Roland Starha Member of the Management Board

AUDITOR´S REPORT *)
(TRANSLATION)

"We have audited the financial statements, including the accounting records of C-QUADRAT Investment AG, Vienna for the fiscal year from January 1, 2008 to December 31, 2008. The Company's management is responsible for the accounting records, the preparation and the content of the financial statements and the management report in accordance with Austrian regulations. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is in accordance with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and whether we can state that the management report is in accordance with the financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the Company as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements are in accordance with legal requirements and present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and of the results of its operations for the fiscal year from January 1, 2008 to December 31, 2008 in accordance with Austrian generally accepted accounting principles. The management report is in accordance with the financial statements."

Vienna, March 12, 2009

MAG. ALEXANDER WLASTO
Wirtschaftsprüfer

MAG. ERNST SCHÖNHUBER
Wirtschaftsprüfer

* On disclosure or reproduction of the financial statements in a form differing from the audited original German version (e.g. shortened version and/or version translated into another language), the auditor's report may neither be quoted nor referred to without our approval.

STATEMENT BY THE EXECUTIVE BOARD

Pursuant to Article 82 (4) of the (Austrian) Stock Exchange Act, the Executive Board of C-QUADRAT Investment AG herewith confirms:

1. that, to its knowledge, the Consolidated Financial Statements 2008 drawn up in compliance with applicable financial reporting standards present, as fairly as possible, the financial position and financial performance of the entirety of the companies included in the consolidated figures of the C-QUADRAT GROUP;

2. that the Status Report presents the business development, the earnings, and the position of the entirety of the companies included in the consolidated figures of the C-QUADRAT GROUP in such a manner as to present, as fairly as possible, the Group's financial position and financial performance, and to describe the essential risks and uncertainties to which the C-QUADRAT GROUP is exposed.

The Executive Board of C-QUADRAT Investment AG

Vienna, April 2009

Gerd Alexander Schütz
(Member of the board)

Mag. Andreas Wimmer
(Member of the board)

StB Mag. Roland Starha
(Member of the board)

Mag. Markus A. Ullmer
(Member of the board)