C
QUADRAT
the fund company

Annual Financial Statement 2009

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

C-QUADRAT Investment AG, Vienna

Table of contents

Group C-QUADRAT Investment AG as of 31 December 2009:

Consolidated income statement	1
Statement of comprehensive income	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Consolidated cash flow statement	5
List of subsidiary and associated companies	6
Notes to the consolidated Financial Statements	7
Management Report group	59
Auditors Report group	68

C-QUADRAT Investment AG as of 31 December 2009:

Balance sheet C-QUADRAT Investment AG	70
Income statement C-QUADRAT Investment AG	71
Notes C-QUADRAT Investment AG	72
Management report C-QUADRAT Investment AG	86
Auditors report C-QUADRAT Investment AG	92

Statement of all Legal Representatives	94
Financial calendar 2010	95
Chart C-QUADRAT Investment AG share	95
Contact	96

C-QUADRAT Investment AG
CONSOLIDATED INCOME STATEMENT
for the period 1 January 2009 to 31 December 2009

	Notes	2009 *TEUR*	2008 *TEUR*
Fee and commission income	1	37.509	28.061
Other operating income *)	2	222	2.988
Operating income		**37.731**	**31.050**
Fee and commission expenses		-21.109	-15.807
Personnel expenses	3	-7.431	-7.151
Other administrative expenses *)	4	-4.067	-6.740
Other operating expenses	5	-922	-1.023
Operating profit before depreciation		**4.202**	**327**
Depreciation and impairment losses	6	-1.599	-4.074
Operating profit		**2.602**	**-3.747**
Income from associates	7	2.153	-1.378
Finance revenue	8	272	2.855
Finance expenses	9	-973	-1.157
Profit before tax of continued operation		**4.055**	**-3.427**
Tax	10	1.643	180
Profit after tax of continued operation		**5.698**	**-3.247**
Loss after tax of discontinued operation	20	0	-8.912
Net Profit/Loss		**5.698**	**-12.159**
thereof parent		5.697	-11.623
thereof minorities		1	-536
Earnings per share of the continued operation			
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company	11	1,31	-0,74
Earnings per share of the discontinued operation			
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company	11	0,00	-1,92

*) figures of last year have been adjusted, see explanations to point 2 and 4 in the notes

C-QUADRAT Investment AG

STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January 2009 to 31 December 2009

	Notes	2009	2008
		TEUR	*TEUR*
Net Profit/Loss		**5.698**	**-12.159**
Other results:			
Net-profit from financial assets held for sale		19	23
Depletion of former revalution reserve		0	-652
Currency-conversion		27	-22
Tax		-5	-6
Other comprehensive income		**41**	**-656**
Total comprehensive income		**5.738**	**-12.816**
thereof shareholder's equity		5.737	-12.280
thereof minority interest		1	-536

C-QUADRAT Investment AG
CONSOLIDATED BALANCE SHEET
as at 31 December 2009

ASSETS	Notes	31.12.2009 *TEUR*	31.12.2008 *TEUR*
Non-current assets			
Intangible Assets	13	181	3.271
Property, plant and equipment	13	618	883
Investments in associates	14	7.070	5.296
Financial investments	15	136	3.272
Other assets	17	300	0
Deferred tax asset	26	1.606	171
		9.912	12.893
Current assets			
Receivables from customers	16	8.875	5.742
Financial investments	15	379	647
Other assets	17	2.940	3.075
Cash and cash equivalents	18	10.547	13.529
		22.742	22.994
Non-current assets, held for sale	19	3.857	0
Total assets		**36.511**	**35.886**
EQUITY and LIABILITIES			
Issued capital	21	4.363	4.363
Add paid-in capital	21	17.948	17.948
Retained earnings/Net profit	21	4.039	-1.657
Other reserves	21	14	-27
Equity attributable to shareholders of the parents		**26.365**	**20.628**
Minority interests		151	159
Total equity		**26.516**	**20.787**
Non-current liabilities			
Long-term financial liabilities	22	0	7.450
Non-current provisions	23	75	85
Deferred tax liabilities	26	5	754
		80	8.288
Current liabilities			
Short-term financial liabilities	22	2	3
Payables to customers	24	6.160	4.124
Other current liabilities	25	1.823	1.152
Other provisions	23	797	1.316
Income tax payable	26	145	217
		8.926	6.811
Non-current liabilities, held for sale	19	989	0
Total liabilities		**9.995**	**15.099**
Total equity and liabilities		**36.511**	**35.886**

C-QUADRAT Investment AG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

zum 31 December 2009

	Equity attributable to equity holder of the parent							
	Issued capital	Add paid-in capital	Retained earnings	Other reserves	Revaluation reserve	Shareholders' equity	Minority interest	Total equity
	TEUR	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*
31.12.2007	**4.363**	**26.554**	**5.724**	**-22**	**652**	**37.271**	**6.132**	**43.404**
Use of capital reserve	0	-8.605	8.605	0	0	0		0
Change in cosolidation circle	0	0	0	0	0	0	-5.430	-5.429.826
Decrease in minority interest	0	0	0	0	0	0	-7	-7
Dividends	0	0	-4.363	0	0	-4.363	0	-4.363
Total comprehensive income	0	0	-11.623	-5	-652	-12.280	-536	-12.816
31.12.2008	**4.363**	**17.948**	**-1.657**	**-27**	**0**	**20.628**	**159**	**20.787**
31.12.2008	**4.363**	**17.948**	**-1.657**	**-27**	**0**	**20.628**	**159**	**20.787**
Decrease in minority interest	0	0	0	0	0	0	-9	-9
Total comprehensive income	0	0	5.697	41	0	5.737	1	5.738
31.12.2009	**4.363**	**17.948**	**4.039**	**14**	**0**	**26.365**	**151**	**26.516**

C-QUADRAT Investment AG
CONSOLIDATED CASH FLOW STATEMENT
for the period 1 January 2009 to 31 December 2009

	Notes	2009 *TEUR*	2008 *TEUR*
Net Profit/Loss		5.698	-12.159
Tax		-1.643	-180
Financial result		701	-1.698
Income from associates		-2.153	1.378
Depreciation of intangible assets, property, plant and equipment		1.599	4.074
Increase/decrease in long term provisions		-10	-4
Income/loss from the disposal of fixed and financial assets		-30	735
Loss of discontinued operation		0	7.821
Increase/decrease in receivables and other assets		-2.999	2.696
Increase/decrease in other provisions		-518	904
Increase/decrease in trade payables		2.707	-3.268
Income tax paid		-205	-549
Cash flow from operating activities	VI	**3.146**	**-250**
Purchase of property, plant and equipment and intangible assets		-156	-316
Net payments made for the acquisition of subsidiaries		0	-2.000
Payments made for the investments in financial assets		-9.187	-115
Payments made of discontinued operation		0	-1.326
Proceeds from sale of assets		0	6.500
Proceeds from sale of subsidiary company	III, 20	1.000	100
Proceeds from sale of financial assets		8.228	5.540
Interest received		200	524
Dividends received		347	2.046
Cash flow from investing activities	VI	**432**	**10.954**
Dividends paid		0	-4.363
Interest paid		-98	-380
Payment of finance lease liabilities		0	157
Repayments of borrowings		-4.451	0
Cash flow from financing activities	VI	**-4.549**	**-4.587**
Net increase in cash and cash equivalents	VI	**-971**	**6.117**
Cash and cash equivalents at beginning of period		13.529	7.412
Cash and cash equivalents at end of period	VI	**12.559**	**13.529**

C-QUADRAT INVESTMENT AG and subsidiary and associated companies

2009

Company	Domicile	Issued Capital	Currency	Equity holding	Type of consolidation
C-QUADRAT Investment AG	Vienna	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-Zurich	100.000	CHF	100,00%	FC
C-QUADRAT Kapitalanlage AG	Vienna	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	Vienna	295.572	EUR	98,39%	FC
ARTS Asset Management GmbH	Vienna	125.000	EUR	45,00%	EQ
Ariconsult Holding AG	Graz	180.000	EUR	25,10%	EQ

2008

Company	Domicile	Issued Capital	Currency	Equity holding	Type of consolidation
C-QUADRAT Investment AG	Vienna	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-Zurich	100.000	CHF	100,00%	FC
C-QUADRAT Kapitalanlage AG	Vienna	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)	Vienna	295.572	EUR	98,39%	FC
Active Management & Advisory AG	CH-Zurich	100.000	CHF	50,00%	EQ
ARTS Asset Management GmbH	Vienna	125.000	EUR	45,00%	EQ
Ariconsult Holding AG	Graz	180.000	EUR	25,10%	EQ

FC - fully consolidated
EQ - consolidated at equity

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 company has owned its own investment trust company with bank licence since 2003, has been listed since November 2006 in the Prime Standard segment of the Frankfurt Stock Exchange and since May 2008 in the Prime Market segment on the Vienna Stock Exchange. The core competencies of the company are, 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, stockpicking 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 expanding steadily into the states of central and eastern Europe (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 2009 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 2009 to 31 December 2009 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 2009 will be released for publication by the Supervisory Board on 26 March 2010 (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 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 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 had the following effects on the consolidated financial statements.

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 financial position or financial performance in the consolidated financial statements as a result of this amendment, because no events coming under these new rules occurred.

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. The EU adopted the amendments on 27 November 2009. These amendments have no effect on the Group's financial position or financial performance, but they do lead to additional disclosures in the notes to the consolidated financial statements.

IFRS 8 (Operating Segments), which aligns segment reporting rules with US GAAP by adopting the 'management approach' to reporting required by SFAS 131, was 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 replace 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. For the Group, this leads to only minimal changes in segment reporting, besides the removal of geographical segmentation, 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. These amendments have no effect on the Group's financial position or financial performance. The Group has decided not to present the annual income figures in one statement of comprehensive income, but in the form of two separate statements, with one income statement and separate statement of comprehensive income for the changes in net assets resulting from non-owner transactions, and a statement of changes in equity for changes in net assets resulting from transactions with owners. The Group will not apply use the new terminology in the financial 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 are therefore capitalised from 1 January 2009 onwards. No changes will result for borrowing costs incurred to date, which have been recognised immediately as expense. These amendments have no effect on the Group's financial position or financial performance as presented in the consolidated financial statements as at 31 December 2009 because the Group did not procure any qualifying assets.

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 do not affect the financial position or financial performance of the Group because the Group has not issued any such instruments.

On 22 December 2008, the IASB proposed a further amendment to **IAS 39** (Financial Instruments: Recognition and Measurement). In October 2008, the Board had amended the standard at short notice 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. The amendment had no impact because the Group did not perform any reclassifications.

On 12 March 2009, the IASB clarified the IFRIC 9 interpretation in respect of embedded derivatives for those entities applying the new reclassification options published by the IASB in October 2008. According to these rules, 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 periods 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 not created any customer loyalty programmes, this interpretation has no effect 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. This interpretation was adopted by the EU on 22 December 2009 and applies retroactively. 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 has no effects on the consolidated financial statements, since the Group has not created any customer loyalty programmes.

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. The interpretation was adopted by the EU on 4 December 2009 and must be applied prospectively. This interpretation 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. Within the Group there is currently only one foreign subsidiary left whose functional currency is not the euro. The Group has not entered into any hedging instruments, so this interpretation has no effects 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 annual improvement project. The amendments are based on the exposure draft that was released in October 2007. The amendments enter into force for financial years beginning on or after 1 January 2009. The EU adopted the amendments on 23 January 2009; there are two groups of amendments:

- Amendments that involve accounting changes in respect of presentation, recognition or measurement. 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/IAS	**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

2.3. *Published standards and interpretations 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 consolidated financial statements. 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.

On 18 June 2009, the IASB issued amendments to **IFRS 2** (Share-based Payment) that clarify the accounting for group cash-settled share-based payment. The amendments respond to requests the IASB received to clarify how an individual subsidiary in a group should account for some share-based payment agreements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those employees or suppliers. The IASB revised its original proposals in the context of comments received from constituents. The published amendments clarify the following:

- An entity that receives goods or services in a share-based payment arrangement must account for those goods and services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

- The Board clarified that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 - Group and Treasury Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments apply to reporting periods beginning on or after 1 January 2010. They must be applied retroactively, with earlier application being permitted. The Group is not applying the standard prematurely. These amendments have not effect on the consolidated financial statements.

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 interpretation was adopted by the EU on 3 December 2009. The standard makes 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 on 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. Neither goodwill nor profit or loss result from such transactions, therefore. 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.

On 12 November 2009, the IASB published amendments to **IFRS 9** (Financial Instruments: Classification and Measurement), covering classification and measurement of financial assets. This draft is the first part of the IASB project to replace IAS 39. The effective date of the standard is 1 January 2013, with early adoption permitted as from 2009. Entities in Europe cannot apply the standard until it is has been adopted by the EU; such adoption is

forthcoming, however. The effects of the amendments cannot for foreseen at the present time.

On 4 November 2009, the IASB published amendments to **IAS 24** (Related Party Disclosures) in order to provide state-controlled entities with a partial exemption from disclosure requirements and to sharpen the definition of a 'related party'. The Board did not change the basic approach in the previous version of IAS 24 concerning related parties, according to which entities are required to provide information about related party transactions. The amendments are a response to concerns that the previous disclosure rules and the definition of a related party are too complex and difficult to apply in practice, especially in environments in which state control prevails. The revised standard aims to addresses these concerns as follows:

- State-controlled entities are granted a partial exemption. Until now, entities that are controlled or significantly influenced by a state have had to disclose information about all transactions with entities controlled or significantly influenced by the same state. According to the revised standard, disclosures that are important for the addressees of financial statements are also required. However, information that can only be provided at considerable cost or which is of little benefit for users are now exempted. This means that disclosures need only be made regarding transactions that are individually or collectively important.

- The definition of 'related party' has been revised.

The revised standard also clarifies that disclosure is required of any commitment of a related party to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised or unrecognised). The revised version applies to reporting periods beginning on or after 1 January 2011; early adoption is permitted. EU adoption of the amendments to this standard is expected in the second quarter of 2010. Since the Group is not associated with, does not work together with and is not materially influenced by governments, this standard will have no effect on the consolidated financial statements.

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 EU adopted the amendments on 15 September 2009. The amendments specify 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 financial position or financial performance, because the Group has not engaged in transactions of this kind.

On 26 November 2009, the IASB issued a minor amendment to its requirements on accounting for pension plans. The amendment applies to **IFRIC 14**, which is an interpretation of IAS 19 Employee Benefits. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. According to the amendment, an entity is now permitted to treat the benefit of such an early payment as an asset. The 'Prepayments of a Minimum Funding Requirement' amendment has an effective date for mandatory adoption of 1 January 2011, and is expected to be adopted by the EU in the second quarter of 2010. Early adoption is permitted for 2009 year-end financial statements. The amendment must be applied retroactively from the beginning of the earliest comparative period presented. Since the Group does not provide any pension plans, this interpretation has no effect on the consolidated financial statements.

IFRIC 17 (Distributions of Non-cash Assets to Owners) was published on 27 November 2008 and applies for financial years beginning on or after 1 July 2009. This interpretation was adopted by the EU on 26 November 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. This interpretation was adopted by the EU on 27 November 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.

On 26 November 2009, the IASB published **IFRIC 19** (Extinguishing Financial Liabilities with Equity Instruments). The interpretation applies to financial years beginning on or after 1 July 2009. Early adoption is permitted. The interpretation must be applied retroactively from the beginning of the earliest comparative period presented. The EU is expected to adopt this interpretation in the second quarter of 2010. The interpretation stipulates that, if a debtor issues equity instruments to a creditor to extinguish all or part of a financial liability, these equity instruments are to be viewed as 'consideration paid' in accordance with IAS 39.41. The debtor must therefore extinguish the financial liability in full or in part. The debtor must measure the equity instruments issued to the creditor at fair value unless the fair value cannot be measured reliably. The equity instruments are then measured at the fair value of the financial liability extinguished. If only a part of the liability is extinguished, the debtor must assess whether some of the consideration paid has resulted in modification of the terms for the outstanding liability. If that is the case, the debtor must allocate the fair value of the consideration paid to the part of the liability extinguished and the part of the liability that remains outstanding. Any difference between the carrying amount of the extinguished financial (partial) liability and the initial measurement of the equity instruments is recognised in profit and loss. If only a part of the liability is extinguished, the debtor must assess whether the terms of the remaining liability have been substantially modified (taking the part of the consideration paid that was allocated to the remaining part of the liability into account). If there has been a substantial modification, the debtor must account for the modification as an extinguishment of the remaining original liability and recognise a new liability (see IAS 39.40). Since the Group does not state any liabilities to lenders and in the event of a liability to lenders would be unlikely to consider issuing equity instruments in order to repay such a liability, this interpretation is unlikely to have any effect on the consolidated financial statements.

Improvements to IFRS 2009

In April 2009, the IASB published the final amendments to 12 IFRSs, as well as the associated guidance and Bases for Conclusions resulting from the Board's annual improvement project. The IASB's Annual Improvements project provides an opportunity to

making minor and non-urgent improvements to IFRSs, that are not part of another major project. The primary objectives are to eliminate inconsistencies and to clarify wording. Some amendments triggered amendments to other IFRSs. The most recent amendments are based on the exposure draft of proposed amendments to the IFRS that were issued in October 2007, August 2008 and January 2009. Most amendments enter into force for financial years beginning on or after 1 January 2010 and have not been applied prematurely by the Group in those cases where application would have been possible. The EU is expected to adopt this interpretation in the first quarter of 2010. The following table shows the standards and the issues addressed by the amendments.

IFRS/IAS/IFRIC	Subject of amendment	Effective for years, beginning on or after [...]
IFRS 2 *Share-based Payment*	Applicability of IFRS 2 and the amended version of IFRS 3	1 July 2009
IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations*	Disclosure of non-current assets (or disposal groups) classified as held for sale or as discontinued operations	1 January 2010
IFRS 8 *Operating Segments*	Presentation of information about segment assets	1 January 2010
IAS 1 *Presentation of Financial Statements*	Classification of convertible bonds as current or non-current	1 January 2010
IAS 7 *Statement of Cash Flows*	Classification of expenditures for off-balance sheet assets	1 January 2010
IAS 17 *Leases*	Classification of leases of land and buildings	1 January 2010
IAS 18 *Revenue*	Determining whether an entity is acting as a principal or agent	Not applicable – amendment of non-binding guidance
IAS 36 *Impairment of Assets*	Valuation objects in the impairment test of goodwill	1 January 2010
IAS 38 *Intangible Assets*	• Additional follow-up amendments from the amended version of IFRS 3 • Measuring the fair value of an intangible asset acquired in a business combination	1 July 2009
IAS 39 *Financial Instruments: Recognition and Measurement*	• Treating loan prepayment penalties as closed related embedded derivatives • Scope exemption for business combination contracts • Cash flow hedge accounting	1 January 2010
IFRIC 9 *Reassessment of embedded derivatives*	Applicability of IFRS 9 and the amended version of IFRS 3	1 July 2009
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	Amendment to the restriction on the entity that can hold the hedging instrument	1 July 2009

2.4. *Main discretionary decisions, estimates and assumptions*

Discretionary decisions

In applying the Group's accounting policies, management made the following discretionary decisions in the prior year that significantly influenced 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 period covered by the financial statements. Although actual results may differ from these estimates, the Management Board is of the opinion that no material negative differences in the consolidated financial statements will arise as a result in the near future.

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

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 were discounted in prior years to their present value by taking planning risk into account and by applying a pre-tax discount rate (2008: 8.58%) 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.

With regard to presentation of the differing measurement of the value in use of the customer base classified as at 31 December 2009 as held for sale, which had to be allocated to the cash-generating units C-QUADRAT Private Investments AG – Fund Brokerage – and C-QUADRAT Private Investments AG – Asset Management – and with regard to the carrying amounts of the assets concerned, we refer to note 13.

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, due to the impacts of the financial crisis, there are indications of impairment as at 31 December 2009 in an entity consolidated according to the equity method, 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 9.10% pre-tax discount rate (2008: 8.58%) 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 2010 to 2012 from the detailed budget approved by the Supervisory Board, and a simplified forecast was used for

the years 2013 to 2015. For all periods thereafter, the forecast figures for the year 2015 were assumed to be constant. However, after measurement of the value in use, there was no need to make any impairments as at the closing date of 31 December 2009.

For further notes on the carrying amounts of the associates, we refer to items 7 and 14 in the notes.

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 closing 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	**31.12.2009**	31.12.2008	**2009**	2008
CHF	**0.672**	**0.672**	**0.672**	0.638
USD	**0.698**	0.709	**0.704**	0.694
HUF	**0.00368**	-	**0.00371**	-

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.

Systematic straight-line depreciation is based on the estimated useful lives of the respective assets. Property, plant and equipment are depreciated over a period of 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 reporting format as defined in IFRS 8 'Operating Segments'.

Within the Group, cash-generating units generally correspond to the legal entities that exist. 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 a 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 other income of the associate are recognised by the Group to the amount of its share in the associate and, where appropriate, are reported under other income. 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 remeasurement gains are recognised in equity. in which case the impairment losses are recognised directly in equity to the amount recognised by previous remeasurement.

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 remeasurement 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 for 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 associate may be impaired. When determining the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows that the associate as a whole is expected to generate. If the calculated share in the present value is lower than the carrying amount of the share, the difference between the recoverable amount of the share in the associate and the carrying amount of the share is recognised as impairment loss through profit or loss.

Financial assets

Initial recognition and measurement

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 instruments 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.

Remeasurement

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 in other income, 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.

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. 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 amounts due will be received in accordance with the originally agreed invoice terms, an impairment loss is recognised. Receivables from customers 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

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

Initial recognition and measurement

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.

Remeasurement

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 financial 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, or (iii) the financial liability contains an embedded derivative that must be separately recognised.

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.

Derecognition of 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.

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.

Reference is made to note 28 for an analysis of the fair values of financial instruments and for further details concerning the measurement of financial instruments.

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.

Reference is made to note 28 for an analysis of the amortised cost of financial instruments and for further details concerning the measurement of financial instruments.

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 comparative period, the income and expenses from discontinued operations were 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 case-by-case basis. In the event of discounting, the increase in provisions required by the passage of time are 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 payment 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 (2008: AVÖ 2008 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% (2008: 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% (2008: 12.55%) of gross monthly salary up to a maximum of EUR 4,020.00 (2007: EUR 3,930.00).

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 3 (1 – 31 May 2010, strike price EUR 65.00) or in exercise period 4 (1 – 31 May 2011, strike price EUR 75.00)

must be held by the participant 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 2009, 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 2009 (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 2009 must be estimated on the basis of expectations as at the balance sheet date. Owing to the share price performance in 2009 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 2009.

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 in the countries in which the Group operates and generates taxable income.

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 other income are not recognised in the income statement, but in other income; tax effects resulting from owner transactions are recognised directly in equity.

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. 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 (31.12.2008: six) and two companies accounted for at equity (31.12.2008: three).

C-QUADRAT Investment AG (parent company)	1
Fully consolidated subsidiaries	6
Investments accounted for at equity	2
Total:	**9**

The scope of consolidation developed as follows:

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*
Deconsolidated in the 2009 financial year	1
As at 31.12.2009	**9**
of which foreign companies	*4*

1. Changes in the scope of consolidation in 2009

In a contract of sale concluded on 30 June 2009, C-QUADRAT Fonds-Analyse und Marketing AG, Zurich, sold its 50% interest in Active Management & Advisory AG, Zurich, for a selling price equal to half of the CHF 55,000 in balance sheet equity, because the company no longer had any operations.

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 million. The purchase price was settled in the 2009 financial year (see also note 20).

IV. NOTES TO THE INCOME STATEMENT

1. Fee and commission income

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

	2009 **TEUR**	2008 TEUR
Management fees	**22,948**	19,851
Performance fees	**7,617**	523
Trail fees	**5,490**	5,755
Upfront fees	**868**	1,347
Premiums	**245**	420
Other	**341**	165
Total:	**37,509**	28,061

Premium revenues declined further as a consequence of the new settlement methods adopted by major sales partners. The associated sales expenses also declined in the same measure. Due to the upward market trend, EUR 7,617 thousand (2008: EUR 523 thousand) in performance fees were generated.

2. Other operating income

	2009 **TEUR**	2008 TEUR
Advisory revenue	**69**	631
Reimbursed expenses	**6**	74
Profit from sale of real estate	**0**	1,938
Other	**147**	345
Total:	**222**	2,988

In the prior year, income resulting from the C-QUADRAT Group charging costs to investment funds was recognised in the income statement. Due to changes in the system for charging such costs, these intercompany costs have been accounted for since 2009 using intercompany accounts, so the resultant income is no longer reported in the income statement. The figures for the prior year have therefore been adjusted by EUR 408 thousand.

3. Personnel expenses

	2009 **TEUR**	2008 TEUR
Wages and salaries	**6,263**	5,786
Statutory social insurance contributions	**1,052**	1,238
Other	**116**	128
Total:	**7,431**	7,151

Personnel expenses include around EUR 786 thousand (2008: EUR 743 thousand) in employer contributions to statutory pension insurance and EUR 55 thousand (2008: EUR 50 thousand) in contributions to the staff pension fund.

4. Other administrative expenses

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

	2009 TEUR	2008 TEUR
Rental expenses	**429**	518
Promotion expenses	**721**	1,543
Legal and consultancy fees	**621**	1,047
IT expenses	**729**	773
Other office and premises expenses	**249**	292
Fees and levies	**186**	195
Travel expenses	**202**	259
Vehicle expenses	**406**	546
Reimbursed expenses	**2**	9
Business insurance	**127**	107
Claims	**68**	818
Other	**327**	632
Total:	**4,067**	6,740

The legal and consultancy fees also include the expenses for the auditor. In the 2009 financial year, these totalled EUR 117 thousand (net) for the C-QUADRAT Group and comprised EUR 113 thousand in expenses for audits of the annual financial statements and the consolidated financial statements, and EUR 4 thousand for auditing compliance with the quality standards of the Austrian investment fund industry.

The auditor did not perform any other auditing, tax consultancy or other services.

In the prior year, costs charged by the C-QUADRAT Group to investment funds were recognised in the income statement. Due to changes in the system for charging such costs, these intercompany costs have been accounted for since 2009 using intercompany accounts, so these costs are no longer reported in the income statement. The figures for the prior year have therefore been adjusted by EUR 408 thousand.

5. Other operating income

	2009 TEUR	2008 TEUR
Non-deductible input tax	**883**	951
Losses on disposal of assets	**30**	60
Other	**9**	12
Total:	**922**	1,023

6. Depreciation and impairment losses

In addition to systematic depreciation, an impairment test of the customer base was carried out in the 2009 financial year, which is allocated to the cash-generating units C-QUADRAT Private Investments AG – Fund Brokerage and C-QUADRAT Private Investments AG – Asset Management. As a result of the impairment test, an impairment loss of EUR 605 thousand was recognised (2008: EUR 3,599 thousand). Further details on the impairment test are 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. Further details on associates are found under item 14 below.

8. Financial income

	2009 TEUR	2008 TEUR
Loans and receivables	**200**	503
Financial assets measured at fair value through profit or loss	**72**	644
Available-for-sale financial assets measured at cost	**0**	1,708
Total:	**272**	2,855

Financial income from loans and receivables relates solely to interest income from bank balances and to other interest income. The financial income from financial assets measured at fair value relates to income from investments in ordinary and preference shares and in investment funds. Financial income from available-for-sale financial assets recognised at cost includes only income from an atypical silent partnership that was sold the previous year at a profit of EUR 1,550 thousand.

9. Financing expenses

	2009 TEUR	2008 TEUR
Liabilities to banks	**98**	379
Financial assets measured at fair value through profit or loss	**875**	777
Total:	**973**	1,157

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

10. Taxes on income

	2009 TEUR	2008 TEUR
Actual income tax expense	**133**	459
Deferred taxes on income from temporary differences	**413**	-639
Deferred taxes on income from differences not recognised to date	**-2,189**	0
Tax income	**-1,643**	-180

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

	2009 TEUR	2008 TEUR
Net profit or loss before income tax for the continued operation	**4,055**	-3,427
Tax expense/income at a tax rate of 25%	**-1,014**	857
Net effect of foreign tax rates	**-25**	34
Non-temporary differences	**497**	-152
Unrecognised tax advantage	**0**	-648
Use of temporary differences not recognised to date	**2,189**	0
Tax expense/income for prior periods	**0**	80
Other	**-4**	9
Effective tax burden	**1,643**	180
Effective tax rate in %	**Negative**	5.3%

The effective tax rate in the reporting year was negative (2008: 5.3%) due to the increase in deferred tax assets (2008: 5,3%). Further remarks on deferred taxes can be found under item 26 below.

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 2009, 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:

	2009	2008
Weighted average number of ordinary shares	**4,363,200**	4,363,200

Reference is made to item 21 below for further remarks 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

Due to the applicability of the 'management approach' in segment reporting since 1 January 2009, operating segments are no longer defined in terms of primary and secondary segments, but 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 operating segments previously identified using the 'risks and rewards approach' are largely identical to the 'Fund Brokerage' and 'Asset Management' operating segments identified on the basis of the 'management approach'. Only the discontinued 'Hedge Funds' operation, which was assigned to the 'Asset Management' operating segment until the end of 2008, would have constituted a separate operating segment under this new approach.

The following companies are included in the Fund Brokerage segment:

C-QUADRAT Investment AG	
C-QUADRAT Deutschland AG	
C-QUADRAT Fonds-Analyse und Marketing AG	
C-QUADRAT Portfolio Fonds GmbH	
C-QUADRAT Portfolio-Fonds Vermittlung GmbH	
C-QUADRAT Private Investments AG (Fund Brokerage)	Held for sale

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:

C-QUADRAT Kapitalanlage AG	
C-QUADRAT Private Investments AG (Asset Management)	Held for sale

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 2009

	Fund Brokerage TEUR	Asset Management TEUR	Consolidation TEUR	C-QUADRAT Group TEUR
Fee and commission income	8,183	31,158	-1,832	37,509
From external customers	*7,025*	*30,484*	*0*	*37,509*
intersegment income	*1,158*	*674*	*-1,832*	*0*
Profit/loss from segment	876	3,959	862	5,698
Income from associates	2,153	0	0	2,153
Depreciation, systematic	-543	-452	0	-995
Impairment	-302	-302	0	-605
Segment assets	35,445	9,924	-8,858	36,511
Investments in associates	7,070	0	0	7,070
Segment liabilities	4,523	7,262	-1,790	9,995
Investments	111	45	0	156
Employees	44	41		85

Year ended 2008

	Fund Brokerage TEUR	Asset Management TEUR	Discontinued operation TEUR	Consolidation TEUR	C-QUADRAT Group TEUR
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
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

Of the fee and commission income from external customers, 56% (2008: 33%) came from third countries. Around 37% (2008: 21%) came from Germany, around 11% (2008: 9%) from Great Britain and around 8% (2008: 3%) from other countries. The subdivision by country is taken from the statistical report on cross-border services (ZABIL) to be submitted each month by the C-QUADRAT Group to the Austrian National Bank (OeNB). No additional information on geographical regions is available.

V. NOTES TO THE BALANCE SHEET

13. Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment in 2009 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 disposal and impairments of customer bases and goodwill in the prior year, the remaining customer base was carried at EUR 3,000 thousand, which is allocated to the cash-generating units C-QUADRAT Private Investments AG – Fund Brokerage – and C-QUADRAT Private Investments AG – Asset Management. This amount was systematically amortised in the 2009 financial year, based on its remaining useful life as at 31 December 2009, to a carrying amount of EUR 2,347 thousand.

C-QUADRAT Private Investments AG was sold in a contract of sale concluded on 29 January 2010 (see also notes 19 and 30). Final negotiations were still being conducted as of the balance sheet date of 31 December 2009, but the purchase price was already agreed upon and fixed.

In order to measure the carrying amount of the customer base assignable to these cash-generating units, an impairment test involving a comparison of the present value of the purchase price and the disposed amount of net assets was performed as at 31 December 2009. The resultant impairment of the customer based is EUR -605 thousand (2008: EUR -3,599 thousand). Further comments can be found in note 19.

Due to the negotiations in progress as at the balance sheet date of 31 December 2009, C-QUADRAT Private Investments AG, including the customer base (after impairment) assigned to it and amounting to EUR 1,742 thousand, which is allocated to the cash-generating units C-QUADRAT Private Investments AG – Fund Brokerage – and C-QUADRAT Private Investments AG – Asset Management –, was classified as a held for sale non-current asset (see also note 19).

Property, plant and equipment

Property, plant and equipment includes the 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:

	31.12.2009 TEUR	31.12.2008 TEUR
Up to one year	**142**	150
Longer than one year and up to five years	**197**	256
Total:	**339**	406

Statement of changes in non-current assets, 2009

	Cost				Depreciation and amortisation						
	As at 1.1.2009	Additions	Disposals	As at 31.12.2009	As at 1.1.2009	Depreciation and amortisation for the year	Impairments	Disposals	As at 31.12.2009	Carrying amount 31.12.2009	Carrying amount 31.12.2008
Software	882	69	422	528	611	144	0	407	347	**181**	**271**
Customer base, rights	6,060	0	6,060	0	3,060	653	605	4,317	0	**0**	**3,000**
Goodwill	2,161	0	2,161	0	2,161	0	0	2,161	0	**0**	**0**
Intangible assets	**9,103**	**69**	**8,643**	**528**	**5,832**	**797**	**605**	**6,885**	**347**	**181**	**3,271**
Operating and office equipment	1,716	87	295	1,508	833	198	0	141	890	**618**	**883**
Property, plant and equipment	**1,716**	**87**	**295**	**1,508**	**833**	**198**	**0**	**141**	**890**	**618**	**883**

The carrying amount of the customer base, at EUR 1,742 thousand, was classified as at 31 December 2009 as a held-for-sale non-current asset (see also notes 13 and 19).

Statement of changes in non-current assets, 2008

	Cost						Depreciation and amortisation								
	As at 1.1.2008	Currency translation	Changes in scope of consolidation	Additions	Disposals	As at 31.12.2008	As at 1.1.2008	Currency translation	Changes in scope of consolidation	Depreciation and amortisation for the year	Impairments	Disposals	As at 31.12.2008	Carrying amount 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 office 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 remeasurement reserve in the 2008 financial year.

14. Investments in associates

	31.12.2009 TEUR	31.12.2008 TEUR
Active Management & Advisory AG, Switzerland (50%)	**0**	25
Ariconsult Holding AG (25.1%)	**141**	320
ARTS Asset Management GmbH (45%)	**6,929**	4,950
Total:	**7,070**	5,296

The shares held in Active Management & Advisory AG were sold in the 2009 financial year. The profit generated by the sale was EUR 7 thousand.

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

	31.12.2009 TEUR	31.12.2008 TEUR
Group interest in the assets and liabilities of associates		
Assets	**8,392**	5,920
Liabilities	**-1,322**	-625
Pro-rata net assets	**7,070**	5,296
Group interest in the revenue and earnings of associates		
Revenue	**5,357**	4,462
Net income for the year	**2,153**	829
of which associates assigned to a discontinued operation	**0**	482

15. Financial assets

	31.12.2009 TEUR	31.12.2008 TEUR
Current assets:		
Financial assets measured at fair value through profit or loss	**379**	647
Non-current assets:		
Available-for-sale financial assets measured at fair value	**136**	272
Held-to-maturity investments	**0**	3,000
Total:	**515**	3,919

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 (31.12.2008: EUR 300 thousand) are traded on the stock market or at calculated values that are published daily.

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 was concluded with the lending bank in the prior year in order to secure a liability to that bank. This deposit was therefore classified as a held-to-maturity financial investment. The term deposit was used in the course of repaying this liability to banks in full by 31 March 2009.

16. Receivables from customers

	31.12.2009 TEUR	31.12.2008 TEUR
Invoiced claims for the provision of services	**342**	2,764
Deferred fee and commission income	**8,534**	2,979
Total:	**8,875**	5,742

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 14 thousand (31.12.2008: EUR 15 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 2009:

			Overdue, but unimpaired					Overdue and impaired
	Total	Neither overdue nor impaired	< 30 days	30-90 days	90-180 days	180-360 days	> 360 days	> 360 days
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
2009	**8,875**	**7,277**	**602**	**981**	**0**	**0**	**2**	**14**
2008	5,742	4,845	398	463	0	13	8	15

17. Other assets

	31.12.2009 TEUR	31.12.2008 TEUR
Receivables from intercompany charges	**1,752**	1,515
Capitalised prepayments	**1,050**	630
Security deposits	**121**	121
Other	**317**	809
Other non-financial assets	**3,240**	3,075

Other assets are recognised at fair value; of the total, EUR 2,940 thousand (31.1.2008: EUR 3,075 thousand) are current.

18. Cash and cash equivalents

	31.12.2009 TEUR	31.12.2008 TEUR
Bank balances and cash in hand	**7,545**	13,529
Current deposits	**3,002**	0
Total:	**10,547**	13,529

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 10,547 thousand (31.12.2008: EUR 13,529 thousand).

For the purposes of the consolidated statement of cash flows, cash and cash equivalents as at 31 December 2009 were comprised as follows:

	31.12.2009 TEUR	31.12.2008 TEUR
Bank balances and cash in hand	**7,545**	13,529
Current deposits	**3,002**	0
Bank balances, cash and cash equivalents classified as held for sale	**1,712**	0
Total:	**12,259**	13,529

19. Non-current assets classified as held for sale

Subsidiaries

In a contract of sales concluded on 29 January 2010, C-QUADRAT Investment AG sold its 98.39% interest in C-QUADRAT Private Investments AG. The latter company was engaged in selling investment products and advising private customers.

As at the balance sheet date of 31 December 2009, final negotiations on the sale of the company were still in progress. C-QUADRAT Private Investments AG was therefore classified as at 31 December 2009 as one of a group of held-for-sale assets.

The following table shows the composition, at the respective balance sheet dates, of the held-for-sale assets and liabilities of C-QUADRAT Private Investments AG:

	31.12.2009 TEUR	31.12.2008 TEUR
Group interest in the assets and liabilities of the subsidiary		
Non-current assets	**1,777**	0
Current assets	**2,080**	0
Non-current liabilities	**-436**	0
Current liabilities	**-553**	0
Pro-rata net assets	**2,868**	0

The Group's interest in the net income for the year of C-QUADRAT Private Investments AG, which was classified as held for sale, is shown below for the financial years:

	31.12.2009 TEUR	31.12.2008 TEUR
Group interest in the profits of the subsidiary		
Net income for the year	**30**	0

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 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.

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

	2009 TEUR	2008 TEUR
Revenue	**0**	7,147
Expenses	**0**	-8,458
Pre-tax earnings	**0**	-1,311
Income tax expense	**0**	221
Net profit for the year	**0**	-1,090
Loss from the sale of assets representing the discontinued operation	**0**	-7,821
Total for discontinued operation	**0**	-8,912

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

	2009 TEUR	2008 TEUR
Cash flow from operating activities	**0**	1,516
Cash flow from investing activities	**0**	-88
Cash flow from financing activities	**0**	-1,763
Net change in cash and cash equivalents	**0**	-335
Cash and cash equivalents at beginning of period	**0**	1,651
Cash and cash equivalents at end of period	**0**	1,315

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	TEUR
As at 31.12.2009 = 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. The transaction costs of issuing the shares, net of any related income tax benefit, are accounted for as a deduction from capital reserves.

Other reserves	Unrealised gains	Currency translation differences	Total
	TEUR	TEUR	TEUR
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**
Currency translation differences	0	27	27
Unrealised gains/losses from available-for-sale financial investments	15	0	15
As at 31.12.2009	**0**	**14**	**14**

Changes in the fair value of available-for-sale financial investments are recognised in the reserve for unrealised gains. The related deferred taxes total EUR 4 thousand (2008: EUR 4 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 1 thousand net profit or loss attributed to minority interest (2008 EUR -536 thousand) relates to profits of EUR 1 thousand (2008: EUR 9 thousand) and losses of EUR 0 thousand (2008: EUR -545 thousand) attributable to minority interest.

22. Liabilities to banks

2009 financial year

On 31 March 2009, due to the changes in interest rates on the international money markets, the company repaid all its fixed-interest liabilities to banks , amounting to EUR 7,450 thousand. As at the closing date of 31 December 2009, the only remaining liability is an overdraft facility of EUR 2 thousand (31.12.2008: EUR 3 thousand), which is subject to variable interest and which is payable on demand. The effective rate of interest for this liability is 2.33%.

2008 financial year

	Currency	Nominal/ Scope TEUR	Carrying amount TEUR	Interest rate Effective 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 a property with the contract of sale dated 31 March 2008, the EUR 7,450 thousand loan was initially left unrepaid for cash flow reasons. The carrying amount of the repayable liabilities to banks was accounted for under non-current liabilities to banks. To secure the loan, a pledge agreement for a term deposit of EUR 3,000 thousand was concluded with the lending bank.

The following table shows the breakdown of the liabilities to banks:

	2008	
	Carrying amount TEUR	Term to maturity
Current account overdraft	3	On demand
Loan	7,450	1 March 2017
Total	**7,453**	

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

	On demand TEUR	Up to 1 year TEUR	1–5 years TEUR	> 5 years TEUR	**Total: TEUR**
2008	**3**	**0**	**0**	**7,450**	**7,453**

23. Provisions

Statement of provisions, 2009

	01.01.2009 TEUR	Held for sale TEUR	Utilisation TEUR	Reversal TEUR	Additions TEUR	**31.12.2009 TEUR**
Provisions for severance payments	85	0	-13	0	3	**75**
Total non-current provisions	85	0	-13	0	3	**75**
Other provisions	1,316	-356	-475	-165	477	**797**
Total current provisions	1,316	-356	-475	-165	477	**797**
Total provisions	1,401	-356	-489	-165	480	**871**

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

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

	31.12.2009 TEUR	31.12.2008 TEUR	31.12.2007 TEUR	31.12.2006 TEUR	31.12.2005 TEUR
Provisions as at 1.1. (=DBO)	**85**	89	107	138	96
Past service cost	**5**	4	9	9	27
Interest cost	**4**	4	4	4	5
Actuarial gains/losses	**-19**	-12	-38	-44	-35
Change in scope of consolidation	**0**	0	7	0	45
Provisions as at 31.12. (=DBO)	**75**	85	89	107	138

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

	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Interest rate	**5.00%**	5.75%	5.00%	4.50%	4.50%
Salary/wage increase	**4.00%**	4.00%	4.00%	4.00%	4.00%
Deductions for fluctuation	**0.00%**	0.00%	0.00%	0.00%	0.00%
Retirement age	**54-65 years**	54-65 years	54-65 years	54-65 years	54-65 years
Mortality tables for Austria	**AVÖ-P 2008, mixed**	AVÖ-P 2008, mixed	AVÖ-P 1999, mixed	AVÖ-P 1999, mixed	AVÖ-P 1999, mixed

24. Payables to customers

	31.12.2009 TEUR	31.12.2008 TEUR
Liabilities from services received	**189**	767
Deferred fee and commission liabilities	**5,971**	3,357
Total:	**6,160**	4,124

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

25. Other liabilities

Other current liabilities

	31.12.2009 TEUR	31.12.2008 TEUR
Liabilities to tax authorities	**313**	177
Liabilities to social insurance institutions	**93**	97
Liabilities for premiums and bonuses Employees	**1,106**	87
Liabilities for outstanding leave	**141**	165
Other	**170**	626
Other non-financial liabilities	**1,823**	1,152
Total:	**1,823**	1,152

26. Deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December 2009 and 31 December 2008 result from the following temporary difference between the recognised carrying amounts in the IFRS consolidated financial statements and the respective tax assessment bases:

	2009		**2008**	
in EUR '000	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	0	0	0	-750
Financial assets	0	-5	4	-4
Other assets	1	0	3	0
Assets classified as held-for-sale	11	-436	0	0
	12	**-441**	**7**	**-754**

Provisions	31	0	44	0
Liabilities classified as held-for-sale	16	0	0	0
	47	**0**	**44**	**0**
Recognised loss carryforwards	35	0	92	0
Recognised one-seventh depreciation of investments	1,540	0	29	0
Net deferral of tax assets and liabilities	**1,633**	**-441**	171	-754
Of which net deferral of tax assets and liabilities	**1,606**	**-5**	0	0
Of which assets/liabilities classified as held-for-sale	**27**	**-436**	0	0

In accordance with IAS 12, deferred tax assets on existing loss carryforwards totalling EUR 35 thousand (2008: EUR 92 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 (2009: EUR 1,540 thousand; 2008: EUR 29 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.

As from the 2009 financial year, a tax group based on the group application of 14 December 2009 has existed under the Austrian regulations on group taxation (Section 9 (8) of the Corporation Tax Act (KStG)). The group parent is C-QUADRAT Investment AG, with C-QUADRAT Kapitalanlage AG being included as a member of the tax group. The taxable results of the group member are attributed to the group parent. Consolidation of income between the group parent and the group member was organised in the form of tax apportionment agreements, as follows:

If the group member generates a profit, the positive tax apportionment to be made by the group member is equal to 20% of the attributed taxable profit. If the group member generates a loss, the negative tax apportionment to be received by the group member is equal to 20% of the attributed taxable loss.

In accordance with IAS 12, a deferred tax asset is formed to account for the tax benefit from partial depreciation, since this deferred tax asset can be utilised in the foreseeable future from the tax group newly formed in the 2009 financial year, due to the uniform basis for tax assessment. The capitalised tax benefit amounts to EUR 1,540 thousand.

The tax group existing since 2006 under the Austrian regulations on Group taxation (Section 9 of the Austrian Corporation Tax Act) and comprising C-QUADRAT Investment AG as group parent and C-QUADRAT Private Investments AG as group member 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 was formed for this tax benefit from partial depreciation of assets in the 2008 financial year, because the perspective at the time was

that this deferred tax asset could be utilised in the foreseeable future. The difference as at 31 December 2008 amounted 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 Group has various other financial assets and liabilities, such as receivables from and payables to customers, which arise directly from it business activities. The Group does not deploy any derivative financial instruments, such as interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.

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

Cash flow risks related to interest rates

Given that, on 31 March 2009, the company repaid its fixed-rate non-current financial liability, which was in the form of a mortgage loan denominated in euros and originally taken out to finance a property, and that, as at the balance sheet date of 31 December 2009 , the company has only one overdraft facility subject to a variable interest rate amounting to EUR 2 thousand (31.12.2008: EUR 3 thousand), the company is not exposed to any risk of variations in market interest rates. Accordingly, 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. This applies to the C-QUADRAT 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, which is currently in liquidation, is the only subsidiary to prepare its financial statements in Swiss francs. The total amount of recognised assets and liabilities denominated in foreign currency (CHF, USD and HUF), was EUR 191 thousand as at 31.12.2009 (31.12.2008: EUR 344 thousand) and EUR 46 thousand (31.12.2008: EUR 237 thousand).

Within the C-QUADRAT Group, transactions were conducted in foreign currency to an insignificant extent (and only in CHF, USD and HUF). The foreign-currency revenue reported in USD amounts to 0.5% (2008: 5.3%) of total Group revenue, while expenses reported in USD amount to 0.0% (2008: 4.1%) of total Group expenses. Revenue denominated in CHF amounts to 0.0% (2008: 6.2%) of total Group revenue, while expenses denominated in CHF amount to 0.1% (2008: 7.6%) of total Group expenses. Revenue denominated in HUF amounts to 0.5% (2008: 0.0%) of total Group revenue, while expenses denominated in HUF amount to 0.4% (2008: 0.0%) 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, USD and HUF 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, USD or HUF 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**		**HUF effects**	
	2009	2008	**2009**	2008	**2009**	2008
	TEUR	TEUR	**TEUR**	TEUR	**TEUR**	TEUR
Pre-tax earnings	**5.8**	4.6	**1.3**	0.8	**0.1**	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 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 different terms for fixed deposits and by using overdraft facilities and loans. As at the balance sheet date, the Group has cash and cash equivalents amounting to EUR 10,547 thousand (31.12.2008: TEUR 13,529 thousand), which is equivalent to around 28% or the balance sheet total (31.12.2008: 38%). The company therefore has robust liquidity at its disposal.

As at 31 December 2009, the Group's undiscounted cash outflows for financial liabilities had the following maturities:

Maturities, 2009	On demand TEUR	< 3 months TEUR	3–12 months TEUR	1–5 years TEUR	> 5 years TEUR	**Total TEUR**
Liabilities to banks (including interest)	2	0	0	0	0	**2**
Payables to customers	2,949	3,210	0	0	0	**6,160**
Total:	2,951	3,210	0	0	0	**6,162**

Maturities, 2008	On demand TEUR	< 3 months TEUR	3–12 months TEUR	1–5 years TEUR	> 5 years TEUR	**Total TEUR**
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**

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% at any event (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):

	31.12.2009 **TEUR**	31.12.2008 TEUR
Share capital	**4,363**	4,363
Capital reserves	**17,948**	17,948
Other reserves	**14**	-27
Retained earnings	**-1,657**	-1,657
Shareholders' equity (according to WAG 2007)	**20,669**	20,628
Group profits	**5,697**	0
Non-controlling interest	**151**	159
Shareholders' equity (according to IFRS)	**26,516**	20,787
Liabilities	**9,995**	15,099
Total shareholders' equity and liabilities	**36,511**	35,886
Group equity ratio (according to WAG 2007)	**56.6%**	57.5%
Group equity ratio (according to IFRS)	**72.6%**	57.9%

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 2007 (WAG 2007). 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. In addition to the minimum amount of shareholders' equity, and the shareholders' equity required to hedge the credit risk, 12/88 of 25% of the fixed overheads of the most recently approved annual financial statements must also be held for hedging operational risk. 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 satisfy the cumulative application of these rules, as opposed to the alternative option, exercised hitherto, for application of the rules.

This means that the company would currently have to hold at least EUR 3,014 thousand in shareholders' equity (31.12.2008: EUR 1,977 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible shareholders' equity of the company, which according to Section 9 (3) WAG 2007 is comprised of the paid-in capital and the disclosed reserves, is EUR 23,135 thousand (31.12.2008: EUR 23,135 thousand), so the company has EUR 20,121 thousand in surplus shareholders' equity (31.12.2008: EUR 21,158 thousand):

Minimum shareholders' equity (Section9 (2) WAG)	**31.12.2009** **TEUR**	31.12.2008 TEUR
Start-up capital required to obtain a licence	**50**	50
Fixed overheads in the most recently approved annual financial statements	**5,301**	5,753
25% thereof	**1,325**	1,438
Minimum shareholders' equity required	**1,325**	1,438

	31.12.2009		
Credit risk capital (Section 9 (5) WAG)	**Assets Unweighted**	**Weighted Assets**	**Assets Weighted**
Cash in hand	3	0%	0
Receivables from banks	6,188	20%	1,238
Receivables from customers	1,544	100%	1,544
Shares	185	100%	185
Shares	300	150%	450
Subsidiaries	6,070	100%	6,070
Shares in associates	7,541	100%	7,541
Intangible assets	128	100%	128
Property, plant and equipment	321	100%	321
Other assets	1,504	0%	0
Other assets	4,709	20%	942
Other assets	374	100%	374
Prepaid expenses and accrued income	49	100%	49
Total assets	28,916		18,841
Required amount of shareholders' equity to cover credit risk		8%	**1,507**

Required amount of shareholders' equity to cover operational risk (Section 9 (6) WAG)	**31.12.2009** **TEUR**	31.12.2008 TEUR
Fixed overheads in the most recently approved annual financial statements	**5,301**	5,753
25% thereof	**1,325**	1,438
12/88 thereof	**181**	196
Required amount of shareholders' equity to cover operational risk	**181**	196

Required amount of shareholders' equity (Section 9 WAG)	**31.12.2009** **TEUR**	31.12.2008 TEUR
Total:	**3,014**	1,977

Eligible shareholders' equity (Section 9 (3) WAG)	**31.12.2009** **TEUR**	31.12.2008 TEUR
Subscribed capital	**4,363**	4,363
Capital reserves, tied up	**18,747**	18,747
Statutory retained earnings	**24**	24
Total:	**23,135**	23,135

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**	
	31.12.2009 **TEUR**	31.12.2008 TEUR	**31.12.2009** **TEUR**	31.12.2008 TEUR
Cash and cash equivalents	**10,547**	13,529	**10,547**	13,529
Financial assets measured at fair value through profit or loss	**379**	647	**379**	647
Loans and receivables measured at amortised cost:				
Receivables from customers	**8,875**	5,742	**8,861**	5,734
Available-for-sale financial assets measured at fair value	**136**	272	**136**	272
Held-to-maturity investments	**0**	3,000	**0**	3,000

Open-end certificates on the DAX were purchased in some months of the 2009 financial year in order to compensate for potential decreases, due to falling markets, in parts of the performance fee anticipated for the respective month. These certificates were sold again by the end of the respective month and for that reason are not included in the financial assets as at 31 December 2009. Since the relationship between the certificates and the inflow of performance fees did not meet the requirements for hedge accounting (cash flow hedge within the meaning of IAS 39), the profit or loss arising from the investment is recognised in full in profit or loss.

Financial liabilities	**Carrying amount**		**Fair value**	
	31.12.2009 **TEUR**	31.12.2008 TEUR	**31.12.2009** **TEUR**	31.12.2008 TEUR
Other liabilities:				
Liabilities to Banks	**2**	7,453	**2**	8,896
Payables to customers	**6,160**	4,124	**6,160**	4,124

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

Determination of fair values

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

- The fair values of cash and cash equivalents and of payables to customers are largely identical to the carrying amounts, due to their payability on demand or their short terms to maturity.

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

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

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

- The fair value of the liabilities to banks is estimated by discounting the future cash flow using interest rates currently available for loan capital borrowed with similar conditions, credit risks and remaining terms to maturity.

Fair value hierarchy

For financial instruments measured at fair value as at 31 December 2009, the Group uses the following hierarchy to determine and recognise the fair values of financial instruments according to the respective measurement method:

- Level 1: quoted and unadjusted prices on active markets for identical assets or liabilities

- Level 2: methods in which all input parameters having a material effect on the recognised fair value are observable either directly or indirectly

- Level 3: methods using input parameters that materially affect the recognised fair value and are not based on observable market data

Financial assets	**31.12.2009**			
	Total: TEUR	**Level 1 TEUR**	**Level 2 TEUR**	**Level 3 TEUR**
Financial assets measured at fair value through profit or loss	**379**	**79**	**0**	**300**
Available-for-sale financial assets measured at fair value	**136**	**136**	**0**	**0**

The fair value of the financial asset in Level 3 was determined on the basis of a private placement planned for this asset in March 2010 as part of a share capital increase, with recognition of a deduction for risk as at the closing date of 31 December 2009.

During the reporting period ending on 31 December 2009, there were no transfers between fair value measurements in Level 1 and Level 2, nor any transfers into or out of fair value measurements in Level 3.

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 2009 financial year, the Management Board of C-QUADRAT Investment AG consisted of the following persons:

Gerd Alexander Schütz
StB Mag. Roland Starha
Mag. Markus A. Ullmer
Mag. Andreas Wimmer

The remuneration paid to members of the C-QUADRAT Investment AG Management Board totalled EUR 556 thousand in the 2009 financial year, including variable remuneration components amounting to EUR 0 thousand (2008: EUR 20 thousand in variable components, EUR 677 thousand in total). Severance expenses for members of the Management Board amounted to EUR 7 thousand (2008: EUR 4 thousand).

As at 31 December 2009, the C-QUADRAT Group has no interest-bearing receivables from shareholders or members of the parent company Management Board, or from members of the management boards or management of subsidiaries (2009: EUR 0 thousand).

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 A. Ullmer (formerly Head of the Legal Department) joined the Management Board of the company with effect from 1 January 2009.

In her capacity as legal counsel of the C-QUADRAT Group, the wife of Management Board member Mr. Gerd Alexander Schütz invoiced a total gross amount of EUR 15 thousand for consultancy services in the 2009 financial year (2008: EUR 0 thousand), at arm's length conditions; this amount was settled in full by 31 December 2009.

Supervisory Board

In the 2009 financial year, the Supervisory Board of C-QUADRAT Investment AG consisted of the following persons:

Chairman:
Mag. Karl Heinz Grasser

Vice-Chairman:
Dr. Marcus Mautner-Markhof

Members:
Franz Fuchs
Dr. Arnulf Komposch
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 2009 financial year amounted to EUR 63 thousand (2008: EUR 63 thousand).

VALUECREATION GmbH, a company in which Mr. Karl Heinz Grasser is the sole managing director, invoiced the C-QUADRAT Group a total of EUR 105 thousand (2008: EUR 0 thousand) in the 2009 financial year, at arm's length conditions, for brokering institutional mandates; as at 31 December 2009, these amounts were no longer carried as liabilities of the C-QUADRAT Group.

Associates

Revenues amounting to EUR 3,603 thousand were generated from associates in 2009 (2008: EUR 2,352 thousand). These revenues relate mainly to fee and commission income and reimbursed expenses. Expenses amounting to EUR 3,022 thousand (2008: EUR 4,339 thousand) were charged to the company by associates in 2009. These charges mainly related to fee and commission expenses. As at 31 December 2009, receivables from associates amounted to EUR 192 thousand (31.12.2008: EUR 534 thousand) and payables to associates to EUR 1,587 thousand (31.12.2008: EUR 1,469 thousand).

30. Events after the balance sheet date

In a contract of sale dated 29 January 2010, C-QUADRAT Investment AG sold its entire interest (98.39%) in C-QUADRAT Private Investments AG for a selling price of EUR 3.0 million. The closing date for the contract was defined as 31 March 2010 because transfer of the company to the new majority owners and the changes in the management board and supervisory board will be completed by that date. From that date onwards, C-QUADRAT Private Investments AG will no longer be included as a fully consolidated company in the C-QUADRAT Group.

On 9 March 2010, F&C Asset Management plc, London, announced that it intends to submit a public takeover bid to acquire the shares in C-QUADRAT Investment AG for a prospective bidding price of EUR 12.50 per share, subject to fulfilment of all the regulatory and other requirements stipulated in Austria, Germany and Great Britain (including all regulatory requirements stipulated by the United Kingdom Listing Authority). A public takeover bid was submitted on the basis that the founders of C-QUADRAT, Alexander Schütz and Mag. Thomas Rieß, remain as investors and as members of the Management Board of the C-QUADRAT Group. F&C Asset Management plc does not aim to change the investment processes or the present business model of C-QUADRAT.

VI. NOTES TO THE CASH FLOW STATEMENT

The consolidated cash flow statement of the C-QUADRAT Group shows how the Group's cash and cash equivalents changed as a result of the inflow and outflow of funds during the year under review. The effects of company acquisitions and divestments are eliminated and are shown under 'Inflow of funds from changes in the scope of consolidation' and 'Outflow of funds from changes in the scope of consolidation'. Within the cash flow statement, a distinction is made between cash flows from operating activities, investing activities and financing activities. 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, which comprise bank balances and cash in hand. Reference is made to item 18 above with regard to the reconciliation of these funds with the cash and cash equivalents reported in the balance sheet. The EUR 3,000 thousand term deposit pledged to the lending bank in the 2008 financial year as security for a loan was not included in the cash and cash equivalents because it has been classified as a held-to-maturity financial investment. Since this term deposit was used in the 2009 financial year to repay the loan, the cash flow statement includes only the difference between the amount of repaid loan and the term deposit as a recognised cash movement.

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

	2009 TEUR
Active Management & Advisory AG (Group interest therein)	
Total selling price	**36**
Portion of selling price discharged by means of cash and cash equivalents	**36**
Amount of cash and cash equivalents in the subsidiary disposed of	**1**
Non-current assets	**33**
Current assets (not including cash and cash equivalents)	**0**
Non-current liabilities	**3**
Current liabilities	**0**

	2008 TEUR
Absolute Plus Unternehmensgruppe (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	
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**

VII. OTHER DISCLOSURES

Volume of managed funds

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

	31.12.2009 EUR million	31.12.2008 EUR million
Total volume managed by Group's own investment company	**1,129**	873
Total volume of advisory and third-party mandates	**1,533**	807
Total volume	**2,662**	1,680

Average number of employees during the financial year

	2009 Total:	2008 Total
Group	**85**	102
of whom full-time employees	***69***	*89*
of whom part-time employees	***16***	*13*
of whom in Austria	***78***	*90*
of whom in other countries	***7***	*12*

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

Vienna, 12 March 2010

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

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

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

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

GROUP MANAGEMENT REPORT
C-QUADRAT Investment AG
on the Consolidated Financial Statements for the year ending 31 December 2009

Review of the economic situation and the capital markets in 2009

The 2009 business year - the year after the outbreak of the international finance and economic crisis - can be divided into two halves: the first half, and above all the first quarter, which was characterised by the impacts of the credit and commodities bubble, a global recession and dramatic slumps on the stock markets, and the second half, which was characterised by strong recovery of markets and renewed optimism.

After the collapse of the US investment bank Lehman Brothers in September 2008, the economy was slowed by restrictive lending policies and loss in value, thus constituting the first global recession for almost 50 years. Policymakers invested several billion US dollars in buying up risky assets and reducing borrowing costs. When conventional interest rate measures were exhausted, a number of central banks engaged in quantitative easing in order to boost the money supply and hence to provide liquidity and promote lending. Stock market volatility reached record levels, and consumer confidence collapsed when global stocks fell to 14-year lows. The highly indebted financial sector and the expensive raw materials sector showed the worst declines when the credit and commodities bubble burst.

Global stock markets suffered dramatic losses before prices started to recover in March 2009. This trend was spurred by low asset prices, a renewed sense of optimism, hope in a quick end to the recession, increasing liquidity, transfers from the money market to more profitable asset classes and the general situation for corporate profits, which exceeded consensus expectations. A corporate reporting season that exceeded expectations, combined with encouraging surprises in the form of GDP figures for the second quarter of 2009, both in the USA and in Europe, led to a good mood among investors. In the research reports published after the reporting season, higher profit expectations for 2011 were predominant. The economic estimates issued by central banks in the USA and Europe are also cautiously confident about the future. As a result of these factors, international stock market indexes achieved double-digit growth rates despite the severe weaknesses evidenced in the first quarter. The American Dow Jones Industrial index finished 2009 18.8% higher, at 10,428.05 points. The European EuroStoxx 50 index rose 21.0% in 2009 to 2,966.24 points, while the ATX climbed no less than 42.5% over the year to finish at 2,495.56 points.

One significant risk factor that remains, however, is the development of the global employment market. Rising unemployment depresses consumer confidence and private consumption. According to statements by central banks, economic conditions will make it necessary to keep interest rates at their unusually low level, not only in the USA but also in Europe, for some considerable time.

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 year of ups and downs. The segments within the C-QUADRAT Group developed differently in the 2009 financial year.

The earnings situation in funds brokerage remained largely constant, whereas it declined significantly in the field of designing structured products. Despite the problematic market conditions, earnings performance in asset management operations was substantially improved, and the C-QUADRAT Group succeeded in increasing its total 'assets under management', despite volatilities in market performance.

In the course of the 2009 financial year, the central banks successively reduced interest rates in an effort to revitalise their economies in the wake of the global financial and economic crisis. The 3-M-EURIBOR rate, for example, was cut from 2.89% to 0.70%, the 3-M-CHF-LIBOR from 0.66% to 0.25% and the 3-M-USD-LIBOR from 1.43% to 0.25%. Due to these changes in interest rates on the international money markets, the C-QUADRAT Group prematurely repaid all its fixed-interest liabilities to banks, amounting to EUR 7,450 thousand.

The C-QUADRAT Group continued the process, begun the previous year, of cleansing and streamlining its subsidiaries portfolio and in the 2009 financial year sold Active Management & Advisory AG, Zurich. C-QUADRAT Fonds-Analyse und Marketing AG, Zurich, is also in liquidation because the company no longer conducts any operating business. After selling another subsidiary at the beginning of 2010 (see below), the C-QUADRAT Group will be concentrating more strongly on its core competencies in asset management.

C-QUADRAT shares are currently listed on the Frankfurt Stock Exchange (Prime Standard) and on the Vienna Stock Exchange (Standard Market Auction). When listing in Vienna failed to produce the additional, hoped-for benefit for investors in the company and C-QUADRAT shares were reclassified in March 2009 from the Prime Market to the Standard Market Auction on the Vienna Stock Exchange, the Management Board of C-QUADRAT Investment AG decided to terminate the second listing on the Vienna Stock Exchange, in place since May 2008, and hence to have the shares listed only in the Prime Standard segment in Frankfurt, as in years 2006 and 2007. This step does not involve any disadvantages for C-QUADRAT shareholders, since the strict transparency criteria of the Prime Market in Vienna apply in exactly the same way to the Prime Standard segment in Frankfurt. Moreover, the liquidity of the shares can now be concentrated on one stock exchange.

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 (32.63%), San Gabriel Privatstiftung (23.67%) and T. R. Privatstiftung (23.34%), 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, primarily on the stock exchange, and currently holds 32.63% of the shares in the company. In addition to its stake in C-QUADRAT Investment AG, AvW Gruppe AG also has investments in major industrial and service undertakings, most of which are listed on the stock exchange. AvW Gruppe AG is involved purely as a strategic investor and does not exercise any influence on the operations of C-QUADRAT.

During a dispute between AvW Gruppe AG and Capital Bank – GRAWE Group AG – a subsidiary of the Graz-based Wechselseitige Versicherung AG, essentially relating to the settlement of alleged outstanding debts/liabilities owed by the AvW Group to Capital Bank, the latter initiated the sale of most of its pledged shares in C-QUADRAT Investment AG in an accelerated bookbuilding auction. No shares were allocated during the auction carried out on

29 January 2009. Since then, Capital Bank has been conducting regular meetings with potential investors for the share package, which repeatedly leads to takeover rumours concerning the C-QUADRAT Group.

The aforementioned occurrences have nothing to do with either the business operations of the C-QUADRAT Group nor with the management of funds by C-QUADRAT. Investors in C-QUADRAT funds are not affected by this situation in any way whatsoever. The dispute is solely between a shareholder in C-QUADRAT Investment AG and the aforementioned bank, but has unfortunately led to a very unpleasant media publicity for C-QUADRAT on account of the position of AvW Gruppe AG as shareholder.

Fund brokerage

The share price increases on the world's stock exchanges and the allocation shifts from money markets to higher-yield asset classes since early April 2009 have basically has positive impacts on the total brokerage volume placed with investment fund companies in Austria and other countries. Despite setbacks in the period up to March 2009, this volume has grown by a total of EUR 359 million to EUR 1,437 million. However, trail fees remained at approximately the same level as the year before, at EUR 5,503 thousand, because a large volume of ETFs and I-shares are handled by the company. No trail fees are charged for these products, however. In order to compensate for declining or stagnating trail fees, the company had already begun to introduce ticket fees in the 2008 financial year; in the year under review, these generated EUR 184 thousand in income (2008: EUR 88 thousand).

Special products/structured products

Emissions of structured products came to an virtual standstill as a result of the international financial crisis and the associated lack of investor trust in investment banks that were active as issuers and/or guarantors for structured products. For this reason, no new emissions could be made during the 2009 financial year, and it was only possible to increase the volume of existing products. This had a substantial impact on the generation of income from upfront fees, which decreased significantly compared to the prior year.

Asset Management

Although the economic environment for Austrian investment companies was generally difficult, C-QUADRAT Kapitalanlage AG in particular was able to assert its strengths. The volume of investments managed by the company increased significantly over the reporting period by 59% from EUR 1,679.3 million to EUR 2,661.9 million at the end of the year. In relation to the total managed by Austrian investment companies, our relative share of market increased from 0.69% to 0.83%. By comparison, the total volume managed by all investment companies in Austrian rose by EUR 10,684.9 million or 8%.

This substantially increased volume of investments managed by C-QUADRAT Kapitalanlage AG is attributable to three main factors, namely the stable performance of the managed funds even when markets are showing dramatic falls, the numerous awards conferred on investment funds managed by C-QUADRAT, and the steady inflow of cash from private and institutional investors. As a result of the stockpicking funds first created three years ago, which have achieved a positive performance, even in falling markets, on account of their innovative management approach, many new fund management and advisory mandates were acquired in 2009. Due to the fusion of funds, the number of investment company mandates as at 31 December 2009 was 33 (31.12.2008: 36). At the same time, the number of advisory mandates grew significantly from 29 to 39, with a total volume of EUR 1,532.5 million (31.12.2008: EUR 806.7 million). At the end of the year 2009, C-QUADRAT

Kapitalanlage AG pushed forwards with its product diversification by integrating a new ETF management team.

In this year's 'Austrian Funds Awards 2009', C-QUADRAT ARTS Best Momentum and C-QUADRAT Best Funds Strategy each won first place in the categories 'Funds of Funds Shares Five Years Balanced' and 'Funds of Funds Mixed Global Three Years Balanced', respectively; the Europe Return Fund also won first place in the category 'European Shares Three Years'. This means that, as in previous years, the C-QUADRAT Group was able to demonstrate once again the constant quality of its fund management activities and to strengthen its market positioning as 'C-QUADRAT – the fund company'. In January 2010, the results of the 'Fund Awards 2010' in Germany were especially encouraging. In what is now the most important sales market for the C-QUADRAT Group, seven funds managed by C-QUADRAT and ARTS won a total of eleven awards, as in the previous year, in the categories 'Funds of Funds Mixed Global', 'Funds of Funds Bonds Global' and 'Funds of Funds Equities Global', including seven first places in the rankings.

On the sales side, C-QUADRAT reinforced its market position outside Austria by extending its partnerships with well-known sales partners in Germany and the CEE countries, more recently in Italy and Spain as well, and with well-known institutional partners in Germany, especially. This has resulted in investment inflows in Germany exceeding those in Austria over the past two years. 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. By deploying a new 'Head of Institutional Sales' since January 2010, efforts are now focused more strongly on acquiring and supporting institutional customers in Austria, Switzerland and the CEE countries.

Another key focus of sales activity was on further expansion of coverage in the rapidly growing CEE states, where C-QUADRAT has now been operating for four years. 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 over the past two years by the assignment of separate Country Heads to the Polish and Czech markets.

Income statement

In the 2009 financial year, gross fee and commission income rose substantially by EUR 9,448 thousand or 34% from EUR 28,061 thousand to EUR 37,509 thousand; fee and commission expenses also increased by EUR 5,302 thousand or 33% from EUR 15,807 thousand to EUR 21,109 thousand. This trend is attributable above all to the substantial increase in the volume of assets under management and hence to a concomitant increase of EUR 3,097 thousand or 16% in the management fees allocated to the 'Asset Management', and to the generation of EUR 7,617 thousand (2008: EUR 523 thousand) in performance fees likewise allocated to the 'Asset Management' segment. In contrast, the upfront fees for structured products, allocated to the 'Fund Brokerage' segment, fell substantially because hardly any new emissions occurred in the 2009 financial year due to the financial crisis. A large proportion of the upfront fees remained within the company, but declined in the 2009 financial year from EUR 1,347 thousand to EUR 868 thousand. The trail fees similarly allocated to the 'Fund Brokerage' segment remained essentially constant in relation to the prior year. In addition to fee and commission revenue, other operating income contributed a further EUR 222 thousand (2008: EUR 2,988 thousand) to the total income of EUR 37,731 thousand (2008: EUR 31,050 thousand). Operating income thus showed a significant year-on-year rise of EUR 6,681 thousand, or around 22%. However, other operating income in the prior year also included once-only proceeds of EUR 1,938 thousand from the sale of a property.

At the same time, total operating expenses were significantly reduced by EUR 2,495 thousand or 17% from EUR 14,915 thousand to EUR 12,420 thousand. Personnel expenses rose slightly by EUR 280 thousand due to new employees in sales and to a new fund management team, whereas other administrative expenses were substantially reduced by EUR 2,775 thousand, or 36%. The main reductions in administrative expenses related to the vehicle pool, business travel, marketing, legal counsel and the stock market listing. In the previous year, precautions were also taken to provide the maximum statutory cover against potential claims by claims by AeW (Anlegerentschädigung von Wertpapierfirmen GmbH) arising from the AMIS fraud case dating from 2004.

The changes described above led in the 2009 financial year to a significantly higher operating profit before depreciation and amortisation of EUR 4,202 thousand, compared to the prior-year figure of EUR 327 thousand). In the 2009 financial year, it was necessary to recognise slight impairments of customer bases relative to the prior year, as a result of which the amounts of depreciation in the financial year fell substantially by EUR 2,475 thousand or 61%, and a positive operating profit of EUR 2,602 thousand (2008: EUR -3,747 thousand) could be generated.

Associates made a positive EUR 2,153 thousand contribution to pre-tax profits (2008: EUR -1,378 thousand) due to their much better earnings situation compared to 2008 and to the impairments carried out the previous year.

The financial result was negative, at EUR -701 thousand, compared to EUR 1,698 thousand in the prior year, mainly on account of losses from securities investments. However, the financial result for the prior year also included the once-only proceeds from the sale of an atypical silent partnership, which contributed a profit of EUR 1,550 to financial income.

The recognition of loss carryforwards and the fiscal effects of the impairments of investments in subsidiaries in the prior year, as well as group taxation with C-QUADRAT Kapitalanlage AG, result in tax income of EUR 1,643 thousand for the C-QUADRAT Group (2008: EUR 180 thousand), thus leading to a very encouraging post-tax profit and net income for the year of EUR 5,698 thousand (2008: net loss for the year of EUR 12,159 thousand). Of that net income for the year, EUR 1 thousand is allocated to non-controlling interest (2008: EUR -536 thousand).

Balance sheet

The balance sheet total as at 31 December 2009 is EUR 36,511 thousand - a EUR 625 thousand or 2% increase on the balance sheet total as at 31 December 2008, despite the reduction of all fixed-interest liabilities to banks by expanding business activities. The reduction of liabilities to banks led to a decrease in cash and cash equivalents, which fell year-on-year by EUR 2,982 thousand or 22% to EUR 10,547 thousand. However, the decrease also includes the EUR 1,712 thousand in cash and cash equivalents of C-QUADRAT Private Investments AG, which were classified as held-for-sale assets as at the balance sheet date of 31 December 2009. The C-QUADRAT Group continues to have a robust liquidity at its disposal, however, with cash and cash equivalents comprising around 29% of the balance sheet total (31.12.2008: around 38%).

The customer bases included in intangible assets and amounting to EUR 1,742 thousand, which had to be allocated exclusively to the cash-generating units C-QUADRAT Private Investments AG – Fund Brokerage – and C-QUADRAT Private Investments AG – Asset Management –, were classified as a held for sale non-current asset due to the negotiations in progress as at the balance sheet date of 31 December 2009 concerning the sale of C-QUADRAT Private Investments AG.

In the prior year, non-current financial assets included a term deposit of EUR 3,000 thousand that was not recognised under cash and cash equivalents because it had been pledged to secure a EUR 7,450 thousand loan. This term deposit was used for repayment in connection with the full redemption of said loan. Other assets mainly include receivables from intercompany charges of EUR 1,752 thousand (31.12.2008: EUR 1,635 thousand) and capitalised prepayments of EUR 1,050 thousand (31.12.2008: EUR 630 thousand).

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 of 2007 (WAG 2007). 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. In addition to the minimum amount of shareholders' equity, and the shareholders' equity required to hedge the credit risk, 12/88 of 25% of the fixed overheads of the most recently approved annual financial statements must also be held for hedging operational risk.

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 satisfy the cumulative application of these rules, as opposed to the alternative option, exercised hitherto, for application of the rules.

This means that the company would currently have to hold at least EUR 3,014 thousand in shareholders' equity (31.12.2008: EUR 1,977 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible shareholders' equity of the company, which according to Section 9 (3) WAG 2007 is comprised of the paid-in capital and the disclosed reserves, is EUR 23,135 thousand (31.12.2008: EUR 23,135 thousand), so the company has EUR 20,121 thousand in surplus shareholders' equity (31.12.2008: EUR 21,158 thousand).

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. As a consequence, the Group equity ratio in the 2009 financial year fell slightly from 57.5% to 56.6% due to a slightly increased balance sheet total and constant shareholders' equity.

Cash flow from operating activities rose sharply year-on-year from EUR -250 thousand to EUR 3,146 thousand. Cash flow from investing activities was EUR 432 thousand compared to EUR 10,954 thousand in the comparative period, in which the cash flow from sale of a property amounted to EUR 6,500 thousand. Due to the repayment of financial liabilities, cash flow from financing activities is EUR -4,549 thousand, compared to the prior-year figure of EUR -4,587 thousand, which was due to dividend payments. Due to the activities described above, the Group's total cash flow amounted to EUR -971 thousand in the 2009 financial year, compared to the EUR 6,117 thousand cash flow achieved in the prior year.

The C-QUADRAT Group had an average of 85 employees on its payroll over the financial year (2008: 102 employees). Three training courses on ‘Compliance’ and two courses on the Investment Fund Act (InvFG) were conducted for employees of the C-QUADRAT Group in the first half of 2009. These courses covered general principles and investment regulations. In the second half of 2009, a further two courses on Compliance were held.

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

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, commodities, etc.), and according to different management styles (total return approach, benchmark approach, hedging strategies, short/neutral strategies and, since the end of 2009, ETF 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), and on further concentration on institutional sales.

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. This risk is countered with intensified controlling of receivables and shorter reminder intervals for outstanding fees and commission.

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

Disclosures on the Internal Accounting Control System

The basis for the Internal Accounting Control System at C-QUADRAT Investment AG are the organisation manuals produced for all companies in the C-QUADRAT Group. In each main area of activity, a framework is defined that must be implemented and complied with by all entities in the C-QUADRAT Group. The management boards and the internal auditing department are jointly responsible for regularly monitoring each entity for compliance with the specified guidelines and work instructions. The Finance and Accounting department supports all the companies in the C-QUADRAT Group in matters relating to bookkeeping, payroll accounting, accounting and consolidation (with support from an external trustee firm), controlling, treasury, payment transactions, cash flow management and reporting. The bookkeeping for C-QUADRAT Investment AG, C-QUADRAT Kapitalanlage AG and C-QUADRAT Private Investments AG is carried out internally. Due to country-specific

regulations, the bookkeeping for C-QUADRAT Deutschland AG is delegated to an external trustee firm. The main accounting policies are defined in a Group Manual and must be complied with and implemented by all companies within the Group on a mandatory basis.

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

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

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

Financial instruments in use

The main financial instruments used by the C-QUADRAT Group are financial investments in ordinary and preference shares, index certificates, shares in investment funds, equity instruments, cash and cash equivalents and finance leases.

In the 2009 financial year, as in previous years, the C-QUADRAT Group did not deploy any derivative financial instruments, such as options, interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes. In the C-QUADRAT Group, open-end certificates on the DAX were purchased in the 2009 financial year in order to compensate for potential decreases, due to falling markets, in parts of the performance fee anticipated for the individual months. These certificates were sold again during the year and for that reason are not included in the financial instruments as at 31 December 2009.

The principal risks to which the C-QUADRAT Group is exposed as a result of holding these financial instruments are cash flow risks relating to interest rates, as well as liquidity, foreign exchange and credit risks. The management of the company establishes and reviews risk management policies for each of these risks, which are described item 27 of the notes to the consolidated financial statements.

Outlook for the company

Continuing uncertainties on volatile markets, the long-term impacts of the financial crisis on unemployment rates and the absence of any clear-cut trend make it difficult to provide an outlook for the year 2010. Except for some isolated cases, the C-QUADRAT Group has been immune to any flood of litigation or increase in complaints arising from the numerous scandals and negative events within the financial sector. In legal opinions, the folders and sales prospecti for the structured products sold by the C-QUADRAT Group have been examined and classified as being complete and correct. However, it remains to be seen how the courts will ultimately rule on the innumerable cases currently pending in the financial sector in respect of various financial products. However, a first-instance verdict in favour of a subsidiary of C-QUADRAT Investment AG corroborates the view that present sales prospecti are complete and correct. The C-QUADRAT Group has taken appropriate precautions for pending litigation.

The C-QUADRAT Group has already responded to the current situation by implementing cost-saving measures in respect of its expense items and by streamlining its portfolio of investments. When streamlining of the investment portfolio is completed, the C-QUADRAT Group will concentrate more strongly on its core competencies in asset management. Following the positive stimuli generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2010 financial year will be on further expansion in Germany, in the countries of central and eastern Europe and in other European countries, with the overall focus on institutional customers being further intensified. Despite the volatile situation on the financial markets, the Management Board expects the company to achieve continued and good progress in the year 2010.

Events after the balance sheet date

Reference is made to item 30 in the notes to the consolidated financial statements regarding the sale of C-QUADRAT Private Investments AG in January 2010 and the intended takeover bid for C-QUADRAT Investment AG shares by F&C Asset Management plc, London, in March 2010.

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

Vienna, 12 March 2010

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

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

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

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

AUDITORS' REPORT *)
(TRANSLATION)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of ***C-QUADRAT Investment AG, Vienna*** and its subsidiaries (hereinafter referred to as "the Company"), for the financial year from January 1, 2009 to December 31, 2009. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2009, and the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

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

The management of C-QUADRAT Investment AG is responsible for the group accounting as well as the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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 and Description of the Type and Extent of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and 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 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 December 31, 2009, and of its financial performance and its cash flows for the financial year from January 1, 2009 to December 31, 2009 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Statement on the Consolidated Management Report

Laws and regulations applicable in Austria require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report are misleading to the group's position. The audit report must also include a statement as to whether the consolidated management report is consistent with the consolidated financial statements and if the disclosures pursuant to section 243a UGB are appropriate. In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a UGB are appropriate.

Vienna, March 12, 2009

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto	Mag. Ernst Schönhuber
Certified Public Accountant	Certified Public 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 auditor's report, without the express written consent of the auditors.

B A L A N C E S H E E T AS AT 31 DECEMBER 2009

A S S E T S

	As at 31.12.2009 EUR	As at 31.12.2008 EUR '000
1. CASH IN HAND, BALANCES AT CENTRAL BANKS AND POSTAL GIRO OFFICES	2.808,10	2
2. RECEIVABLES FROM BANKS		
On demand	6.187.590,72	12.593
3. RECEIVABLES FROM CUSTOMERS	1.544.339,82	2.930
thereof associates	54.055,74	
4. SHARES AND OTHER NON-FIXED-YIELD SECURITIES	484.541,44	693
5. SUBSIDIARIES	6.070.400,00	6.071
6. SHARES IN ASSOCIATES	7.541.268,73	7.858
7. INTANGIBLE ASSETS	127.513,67	173
8. PROPERTY, PLANT AND EQUIPMENT	321.336,74	408
9. OTHER ASSETS	6.587.619,67	2.853
10. ACCRUED INCOME AND DEFERRED EXPENSE	48.576,65	89
	28.915.995,54	33.670
1. Foreign assets	2.085.771,00	3.653

E Q U I T Y A N D L I A B I L I T I E S

	EUR	As at 31.12.2009 EUR	As at 31.12.2008 EUR '000
1. LIABILITIES TO BANKS			
On demand		0,00	7.452
2. LIABILITIES TO CUSTOMERS			
Other liabilities			
On demand		1.696.116,89	1.528
thereof associates		7.781,45	
3. OTHER LIABILITIES		267.177,70	587
4. DEFERRED INCOME AND ACCRUED EXPENSE		14.160,00	19
5. PROVISIONS			
a) Provisions for severance payments	20.701,60		19
b) Other provisions	1.017.770,21		931
		1.038.471,81	950
6. SUBSCRIBED CAPITAL		4.363.200,00	4.363
7. CAPITAL RESERVES			
a) Appropriated capital reserves		18.747.171,50	18.747
8. REVENUE RESERVE			
Statutory reserve		24.240,00	24
9. BALANCE SHEET PROFIT		2.765.457,64	0
		28.915.995,54	33.670
1. Eligible shareholders' equity pursuant to Section 9 (3) WAG 2007		23.134.612,00	23.135
2. Required shareholders' equity pursuant to Sect. 9 (2,5,6) WAG 2007		3.013.500,00	1.977
3. Foreign liabilities		111.929,00	462

INCOME STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 DECEMBER 2009

	2009		2008	
	EUR	EUR	EUR '000	EUR '000
1. Interest and similar income		123.565,86		300
2. Interest and similar expense		-100.059,61		-401
I. Net interest income		**23.506,25**		**-101**
3. Income from securities and subsidiaries				
a) Income from shares, other participatory rights				
and variable-yield securities	13.866,71		15	
b) Income from subsidiaries	346.500,00		1.328	
c) Income from shares in associates	3.915.436,00	4.275.802,71	1.943	3.286
4. Fee and commission income		5.907.017,90		6.921
5. Fee and commission expense		-3.532.967,83		-3.746
6. Other operating income		767.749,25		2.568
II. Operating income		**7.417.602,03**		**9.029**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-2.044.032,40		-2.155	
bb) Expenses for severance payments and contributions				
to company pension scheme	-24.321,17		-30	
cc) Expenses for statutory social				
insurance, charges based on pay,				
and compulsory contributions	-357.113,22		-504	
dd) Other social insurance expenses	-14.487,65	-2.439.954,44	-19	-2.708
b) Other administrative expenses (non-personnel)		-1.890.278,02		-2.998
8. Impairment losses on assets included		-175.291,81		-176
in asset items 7 and 8				
9. Other operating expenses		-312.681,48		-293
III. Operating expenses		**-4.818.205,75**		**-6.175**
IV. Operating profit		**2.622.902,53**		**2.753**
10. Impairment losses on receivables and				
additions for provisions for contingent liabilities				
and credit risk		-495.651,68		0
11. Impairment losses on securities measured as financial				
assets and on subsidiaries and shares in				
associates		-317.000,00		-17.498
12. Income from remeasurement of securities				
measured as financial assets and on				
subsidiaries and shares in associates		0,00		2.250
V. Result of ordinary operations		**1.810.250,85**		**-12.495**
13. Taxes on income and earnings		955.926,34		-38
14. Other taxes, not disclosed in item 13		-719,55		-5
VI. Net profit/loss for the year		**2.765.457,64**		**-12.538**
15. Transferred reserves		0,00		10.454
VII. Net profit/loss for the year after transfer of reserves		**2.765.457,64**		**-2.084**
16. Profit carried forward		0,00		2.084
VII. Balance sheet profit		**2.765.457,64**		**0**

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	3 - 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 € 400.00 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. No staff fluctuation deduction was made when calculating the amount of provisions, because the provisions relate to only two employees.

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

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

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 27,132.44	EUR 18,929.70
BA-CA	HUF 70,282.20	EUR 257.77
Receivables from customers		
Fee and commission receivables	USD 15,168.67	EUR 10,529.42
Fee and commission receivables	HUF 5,850,000.00	EUR 21,456.20
Payables to customers		
Fee and commission liabilities	HUF 5,250,000.00	EUR 19,255.56

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 60,907.71

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 (VFP, premium):	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 (TEUR)
Other securities			
Meinl Investment Funding II	Fixed assets		115
Savings plans			
SGA Societe Generale Acc. N.V.	Current assets	12	
C-QUADRAT Best Fonds Strategy	Current assets	1	
C-QUADRAT Active Conservative	Current assets	1	
C-QUADRAT Arts TR Special	Current assets	48	
C-QUADRAT Arts Bets Momentum	Current assets	8	70
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 768 thousand, mainly includes proceeds from intercompany charges, at EUR 678 thousand, and reversals of provisions, at EUR 61 thousand.

Other operating expenses, at EUR 313 thousand, mainly include losses on sale of assets, at ERU 26 thousand, and current input tax that cannot be offset, at EUR 286 thousand.

No. 14 – the total amount of income from the bank's management and agency services is EUR 5,907 thousand.

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

A trading book for securities is not kept.

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 with 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 31.12.2009 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 1.1.2009 31.12.2009 EUR	Additions Transfers EUR	Disposals Transfers EUR	Cumulative depreciation 1.1.2009 31.12.2009 EUR	Carrying amount 1.1.2009 31.12.2009 EUR	Depreciation Appreciation EUR
I. Intangible assets						
1. Software	563,399.04	57,603.22	235,209.07	390,622.68	172,776.36	102,597.55
	385,793.19	0.00	0.00	258,279.52	127,513.67	0.00
II. Property, plant and equipment						
1. Operating and office equipment	791,069.46	50,201.16	122,773.55	383,187.03	407,882.43	72,694.26
	718,497.07	0.00	0.00	397,160.33	321,336.74	0.00
III. Financial assets						
1. Shares in associates	14,620,639.09	0.00	0.00	6,762,370.36	7,858,268.73	317,000.00
	14,620,639.09	0.00	0.00	7,079,370.36	7,541,268.73	0.00
2. Subsidiaries	7,550,400.00	0.00	0.00	1,480,000.00	6,070,400.00	0.00
	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*	*1,480,000.00*	*6,070,400.00*	*0.00*
	7,550,000.00	*0.00*	*0.00*	*1,480,000.00*	*6,070,400.00*	*0.00*
3. Marketable securities (book-entry securities) classified as fixed assets	115,000.00	0.00	0.00	0.00	115,000.00	0.00
	115,000.00	0.00	0.00	0.00	115,000.00	0.00
	22,286,039.09	0.00	0.00	8,242,370.36	14,043,668.73	317,000.00
	22,286,039.09	0.00	0.00	8,559,370.36	13,726,668.73	0.00
Total assets	23,640,507.59	107,804.38	357,982.62	9,016,180.07	14,624,327.52	492,291.81
	23,390,329.35	0.00	0.00	9,214,810.21	14,175,519.14	0.00

Notes to partial depreciation of shares in associates

In the course of streamlining the portfolio of subsidiaries, initiated in the previous year, C-QUADRAT Investment AG will sell all its shares in C-QUADRAT Private Investments AG in March 2010.

The discounted value of C-QUADRAT Private Investments AG, according to the conditions for the sale (purchase price EUR 3.0 million, payable in six annual instalments), is calculated at EUR 2,683 thousand. The EUR 317 thousand amount less than the carrying value therefore had to be recognised as partial depreciation.

Disclosures concerning financial instruments

Open-end certificates on the DAX were purchased during the financial year in order to compensate for potential decreases, due to falling markets, in parts of the anticipated performance fee. The certificates were sold before the balance sheet date and for that reason are not included in the financial assets. Since the relationship between the certificates and the inflow of performance fees did not meet the requirements for hedge accounting, the profit or loss arising from the investment is recognised in full in the income statement.

Receivables and other assets

Receivables from customers, at EUR 1,544 thousand, include EUR 1,124 thousand in foreign receivables.

Receivables from customers include receivables from banks that are not based on bank transactions.

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 TEUR)

	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	61	0	0	0	61

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 1,518 thousand in receivables from charging expenses to other entities, as well as EUR 3,924 thousand 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 1.1.2009 TEUR	Used TEUR	Reversal TEUR	Allocation TEUR	As at 31.12.2009 TEUR
Provisions for severance payments					
for FiM severance payments	19	0	0	1	21
Other provisions					
for overtime owed	2	2	0	5	5
for holiday entitlements	80	80	0	54	54
for legal and consulting costs	175	175	0	78	78
for premiums and bonuses	17	6	10	436	436
for leasing expenses	11	0	11	0	0
for other expenses	645	150	50	0	445
	930	413	72	**573**	1,018
Total provisions	949	413	72	574	1,038

Provisions for other expenses were formed in the 2008 financial year for various potential claims. Some of these provisions were formed on the basis of newly obtained information and statements of opinion from the courts concerning the compensation of investors in Wertpapierfirmen GmbH (AeW), in order to cover any claims by AeW against the company in connection with the AMIS bankruptcy case. Nothing occurred during the reporting year to change this assessment of the situation. The other changes in provisions for other expenses relate to penalties in connection with premature repayment of loans, which occurred and were able to be reversed.

Liabilities

The EUR 1,696 thousand in liabilities to customers includes EUR 41 thousand in foreign liabilities.

Liabilities to customers include EUR 1,549 thousand in liabilities to banks that are not based on bank transactions.

All liabilities reported in the balance sheet are repayable on demand.

Other liabilities

Other liabilities, amounting to EUR 267 thousand (prior year: EUR 587 thousand) comprise the following amounts:

	2009 TEUR	2008 TEUR
for taxes	59	69
PAYE tax	32	55
DB, DZ, KommSt, DGA	10	14
Payment charges	17	0
	59	69
Social insurance contributions	36	42
Other liabilities remaining	173	476

'Other liabilities' include amounts totalling EUR 147 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.

These mainly relate to EUR 46 thousand in liabilities from current payroll accounting, at EUR 46 thousand, and EUR 70 thousand in Supervisory Board remuneration.

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 244 thousand.

These obligations relate specifically to the following items:

	Total obligation TEUR	Up to 1 year TEUR	Up to 5 years TEUR
Leasing liabilities	146	63	83
Rental liabilities	98	98	0

INCOME STATEMENT

Taxes on income and earnings

Taxes on income and earnings result from normal business operations and include the tax apportionment payable to the group parent under the group agreement.

Other mandatory disclosures

Objects of the company:

The objects of the company, according to the articles of association in the most recent version dated 02.07.2008, are as follows:

1. to provide services relating to financial instruments insofar as these do not include the keeping of money, securities or other instruments, so that the provider of the services cannot become a debtor of its customers at any time (financial services within the meaning of Section 1 (1) No. 19 BWG):
a) to provide advice to customers on the investment of assets;
c) to broker business opportunities involving the acquisition or sale of one or more of the instruments specified in Section 1 (1) No. 7 b-f BWG;

2. to buy and sell and broker real estate and to manage own built-upon or unbuilt-upon properties;

3. to broker capital participations;

4. to conduct activities as a business consultancy;

5. to acquire, hold and sell and to manage subsidiaries and participations in other domestic and foreign companies

6. To operate, take over and broker all business and enterprises associated with the objects of the company, and to establish branch offices and subsidiaries in Austria and foreign countries.

The objects of the company do not include banking business within the meaning of Section 1 of the Banking Act (BWG), with the exception of the business specified in the aforementioned Section 1 (1) No. 19 BWG. The company holds a concession pursuant to the Securities Supervision Act (Wertpapieraufsichtsgesetz) for performing services within the meaning of Section 1 (1) No. 19 BWG.

Concessions of securities companies have been transferred pursuant to Section 102 WAG 2007 as follows:

Section 1 (1) No. 19a BWG corresponds to authorisation pursuant to Section 3 (2) No. 1 WAG 2007.
Section 1 (1) No. 19c BWG corresponds to authorisation pursuant to Section 3 (2) No. 3 WAG 2007.

Established: 25.11.1991

Financial year: 1.1.2009 to 31.12.2009

Legal form: stock corporation

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

Companies register: Vienna Commercial Court, No. 55148a

Share capital: the share capital of the company comprises 4,363,200 par-value shares

each with a par value of € 1.00.

The share capital is therefore € 4,363,200.00 and has been paid in full.

Director:	Name	Representation	Dated
	Gerd Alexander Schütz	Collective	16.10.1998
	Mag. Roland Starha	Collective	1.1.2009
	Mag. Markus A. Ullmer	Collective	1.1.2009
	Mag. Andreas Wimmer	Collective	17.3.2006

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

Members of the Supervisory Board:	Name	Since
	Mag. Karl Heinz Grasser (Chairman)	27.4.2007
	Dr. Marcus Mautner Markhof	29.7.1998
	Dr. Thomas Lachs	29.7.1998
	Franz Fuchs	27.8.2004
	Dr. Fritz Schweiger	5.9.2001
	Dr. Kurt Waniek	28.8.2007
	Dr. Arnulf Komposch	29.5.2008

Stock market: Market of the

the shares of the company have been listed since 24.11.2006 on the Official Frankfurt Stock Exchange, in the Prime Standard segment

Symbol: C8I
Securities code: AOHG3U
ISIN: AT0000613005
Type of shares: par-value shares

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

Miscellaneous: a tax group within the meaning of Section 9 (8) of the Corporation Tax Act (KStG) has been in existence since the year 2009, pursuant to the group application of 14.12.2009.

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

2. Group member

C-QUADRAT Kapitalanlage AG
Vienna Tax Office 1/23

The taxable results of the group member are attributed to the group parent. Consolidation of income between the group parent and the group member was organised in the form of tax apportionment agreements, as follows:
If the group member generates a profit, the positive tax apportionment to be made by the group member is equal to 20% of the attributed taxable profit. If the group member generates a loss, the negative tax apportionment to be received by the group member is equal to 20% of the attributed taxable loss.

In accordance with Section 2 (2) Sales Tax Act (UStG), C-QUADRAT Investment AG is a dominant company for sales tax purposes. The companies listed below are subsidiaries for sales tax purposes:

- C-QUADRAT Private Investments AG since 01.01.2007
- C-QUADRAT Kapitalanlage AG since 01.01.2007

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 (UGB), a report is submitted on the following entities:

Company name	Registered office	Stake in %	Shareholders' equity TEUR	Last net profit/loss for the year TEUR	Reporting date
C-QUADRAT Kapitalanlage AG	Vienna	100%	6,830	3,860	31.12.2009
C-QUADRAT Private Investments AG	Vienna	98.4%	1,359	87	31.12.2009
C-QUADRAT Deutschland AG	Frankfurt	100%	318	251	31.12.2009
C-Quadrat Fondsanalyse AG	Zurich	100%	105	-19	31.12.2009
ARTS Asset Management GmbH	Vienna	45%	5,526	5,118	31.12.2009
Ariconsult Holding AG	Graz	25.1%	838	-714	31.12.2008

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.

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):

	2009	2008
Board members	4	4
White-collar employees	38	44
Total	42	48

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 556 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

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

Development of loans/advances	of which for Management Board members	of which for Supervisory Board members
Previous amount of loans/advances	1.00	0.00
Interest in the reporting year	0.00	0.00
New loans/advances	43.00	0.00
Repayments in the reporting year	-38.00	0.00
= new status as at 31.12.2009	6.00	0.00

Severance expenses

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

	2009	2008
	TEUR	TEUR
To members of the Management Board	7.00	4.00
To executive employees	3.00	3.00
To other employees	14.00	23.00
	24.00	30.00

The severance expenses include EUR 23 thousand in staff pension fund contributions (prior year: EUR 30 thousand).

Disclosures concerning the type of shares

The shares of the company are par 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 par 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 par-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. The resolution to this effect was adopted at the 17th (Extraordinary) General Meeting on 6.6.2006. The original authorisation resolution related to a total of 1,818,000 shares (50% of the total 3,636,000 in outstanding shares). Partial use was made of this authorisation in the context of the IPO, with the consequence that the authorisation now included in the articles of association pertains to 1,090,800 shares.

By resolution of the General Meeting held on 28.08.2007, a contingent increase of € 436,320.00 was made in the share capital of the company pursuant to Section 159 (2) No. 3 of the Stock Corporation Act, by issuing 436,320 par-value bearer shares and with exclusion of subscription rights on the part of existing shareholders (contingent capital). This 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 par-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 par value held. Each € 1.00 of par 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, 26 February 2010

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

Management Report
C-QUADRAT Investment AG
on the Financial Year ending 31 December 2009

Review of the economic situation and the capital markets in 2009

The 2009 business year - the year after the outbreak of the international finance and economic crisis - can be divided into two halves: the first half, and above all the first quarter, which was characterised by the impacts of the credit and commodities bubble, a global recession and dramatic slumps on the stock markets, and the second half, which was characterised by strong recovery of markets and renewed optimism.

After the collapse of the US investment bank Lehman Brothers in September 2008, the economy was slowed by restrictive lending policies and loss in value, thus constituting the first global recession for almost 50 years. Policymakers invested several billion US dollars in buying up risky assets and reducing borrowing costs. When conventional interest rate measures were exhausted, a number of central banks engaged in quantitative easing in order to boost the money supply and hence to provide liquidity and promote lending. Stock market volatility reached record levels, and consumer confidence collapsed when global stocks fell to 14-year lows. The highly indebted financial sector and the expensive raw materials sector showed the worst declines when the credit and commodities bubble burst.

Global stock markets suffered dramatic losses before prices started to recover in March 2009. This trend was spurred by low asset prices, a renewed sense of optimism, hope in a quick end to the recession, increasing liquidity, transfers from the money market to more profitable asset classes and the general situation for corporate profits, which exceeded consensus expectations. A corporate reporting season that exceeded expectations, combined with encouraging surprises in the form of GDP figures for the second quarter of 2009, both in the USA and in Europe, led to a good mood among investors. In the research reports published after the reporting season, higher profit expectations for 2011 were predominant. The economic estimates issued by central banks in the USA and Europe are also cautiously confident about the future. As a result of these factors, international stock market indexes achieved double-digit growth rates despite the severe weaknesses evidenced in the first quarter. The American Dow Jones Industrial index finished 2009 18.8% higher, at 10,428.05 points. The European EuroStoxx 50 index rose 21.0% in 2009 to 2,966.24 points, while the ATX climbed no less than 42.5% over the year to finish at 2,495.56 points.

One significant risk factor that remains, however, is the development of the global employment market. Rising unemployment depresses consumer confidence and private consumption. According to statements by central banks, economic conditions will make it necessary to keep interest rates at their unusually low level, not only in the USA but also in Europe, for some considerable time.

Business development and situation of the company

Due to the impacts of the international financial crisis, the company looks back on an year of ups and downs. In the 2009 financial year, the earnings situation in funds brokerage remained largely constant, whereas it declined significantly in the field of designing structured products. Only the portfolio of subsidiaries showed a marked year-on-year improvement in earnings.

In the course of the 2009 financial year, the central banks successively reduced interest rates in an effort to revitalise their economies in the wake of the global financial and economic crisis. The 3-M-EURIBOR rate, for example, was cut from 2.89% to 0.70%, the 3-M-CHF-LIBOR from 0.66% to 0.25% and the 3-M-USD-LIBOR from 1.43% to 0.25%. Due to these changes in interest rates on the international money markets, the company prematurely repaid all its fixed-interest liabilities to banks, amounting to EUR 7,450 thousand. Because of this premature repayment, a penalty of EUR 150 thousand was payable, but provisions to that amount had already been formed in the annual financial statements as at 31 December 2008.

The company continued the process, begun the previous year, of cleansing and streamlining its subsidiaries portfolio and in the 2009 financial year sold Active Management & Advisory AG and wound up C-QUADRAT Fonds-Analyse und Marketing AG in Switzerland. After selling another subsidiary at the beginning of 2010 (see below), the C-QUADRAT Group will be concentrating more strongly on its core competencies in asset management.

C-QUADRAT shares are currently listed on the Frankfurt Stock Exchange (Prime Standard) and on the Vienna Stock Exchange (Standard Market Auction). When listing in Vienna failed to produce the additional, hoped-for benefit for investors in the company and C-QUADRAT shares were reclassified in March 2009 from the Prime Market to the Standard Market Auction on the Vienna Stock Exchange, the Management Board of C-QUADRAT Investment AG decided to terminate the second listing on the Vienna Stock Exchange, in place since May 2008, and hence to have the shares listed only in the Prime Standard segment in Frankfurt, as in years 2006 and 2007. This step does not involve any disadvantages for C-QUADRAT shareholders, since the strict transparency criteria of the Prime Market in Vienna apply in exactly the same way to the Prime Standard segment in Frankfurt. Moreover, the liquidity of the shares can now be concentrated on one stock exchange.

The share capital of the company is unchanged at EUR 4,363,200.00 and is fully paid-up. It is divided into 4,363,200 no-par bearer shares with a nominal value of EUR 1.00. Voting rights for all shares are exercised according to nominal value held. Each EUR 1.00 of nominal value entitles the holder to one vote. There are no shareholder rights or duties beyond those defined in law. The three principal shareholders are AvW Gruppe AG (32.63%), San Gabriel Privatstiftung (23.67%) and T. R. Privatstiftung (23.34%), 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, primarily on the stock exchange, and currently holds 32.63% of the shares in the company. In addition to its stake in C-QUADRAT Investment AG, AvW Gruppe AG also has investments in major industrial and service undertakings, most of which are listed on the stock exchange. AvW Gruppe AG is involved purely as a strategic investor and does not exercise any influence on the operations of C-QUADRAT.

During a dispute between AvW Gruppe AG and Capital Bank – GRAWE Group AG – a subsidiary of the Graz-based Wechselseitige Versicherung AG, essentially relating to the settlement of alleged outstanding debts/liabilities owed by the AvW Group to Capital Bank, the latter initiated the sale of most of its pledged shares in C-QUADRAT Investment AG in an accelerated bookbuilding auction. No shares were allocated during the auction carried out on 29 January 2009. Since then, Capital Bank has been conducting regular meetings with potential investors for the share package, which repeatedly leads to takeover rumours concerning the C-QUADRAT Group.

The aforementioned occurrences have nothing to do with either the business operations of the C-QUADRAT Group nor with the management of funds by C-QUADRAT. Investors in C-QUADRAT funds are not affected by this situation in any way whatsoever. The dispute is solely between a shareholder in C-QUADRAT Investment AG and the aforementioned bank, but has unfortunately led to a very unpleasant media publicity for C-QUADRAT on account of the position of AvW Gruppe AG as shareholder.

Fund brokerage

The share price increases on the world's stock exchanges and the allocation shifts from money markets to higher-yield asset classes since early April 2009 have basically has positive impacts on the total brokerage volume placed with investment fund companies in Austria and other countries. Despite setbacks in the period up to March 2009, this volume has grown by a total of EUR 359 million to EUR 1,427 million. However, trail fees remained at approximately the same level as the year before, at EUR 5,503 thousand, because a large volume of ETFs and I-shares are handled by the company. No trail fees are charged for these products, however. In order to compensate for declining or stagnating trail fees, the company had already begun to introduce ticket fees in the 2008 financial year; in the year under review, these generated EUR 184 thousand in income (2008: EUR 88 thousand).

Special products/structured products

Emissions of structured products came to an virtual standstill as a result of the international financial crisis and the associated lack of investor trust in investment banks that were active as issuers and/or guarantors for structured products. For this reason, no new emissions could be made during the 2009 financial year, and it was only possible to increase the volume of existing products. This had a substantial impact on the generation of income from upfront fees, which decreased severely compared to the prior year.

Income statement

In the 2009 financial year, fee and commission income fell substantially by EUR 1,014 thousand or 15% from EUR 6,921 thousand to EUR 5,907 thousand; fee and commission expenses decreased by EUR 213 thousand or 6% from EUR 3,746 thousand to EUR 3,533 thousand. This trend is mainly attributable to the decline in upfront fees for structured products, because hardly any new emissions occurred in the 2009 financial year due to the financial crisis. A large proportion of the upfront fees remained within the company, but collapsed in the 2009 financial year from EUR 1,062 thousand to EUR 80 thousand. In addition to the fee and commission income, amounting to EUR 2,374 thousand (2008: EUR 3,175 thousand), EUR 768 thousand in other operating income (2008: EUR 2,568 thousand) and EUR 4,276 thousand in income from securities, subsidiaries and shares in associates (2008: EUR 3.286 thousand) contributed substantially to the total operating income of EUR 7,418 thousand (2008: EUR 7,418 thousand). Operating income therefore decreased year-on-year by EUR 1,611 thousand, or around 18%. However, other operating income in the prior year also included proceeds of EUR 1,938 thousand from the sale of a property.

At the same time, total operating expenses were significantly reduced by EUR 1,357 thousand or 22% from EUR 6,175 thousand to EUR 4,818 thousand. Personnel expenses were cut by EUR 268 thousand, while non-personnel expenses were substantially reduced by EUR 1,108 thousand. The main reductions in non-personnel expenses related to the expenses for vehicles, business travel, marketing, legal counsel and the stock market listing. In the previous year, precautions were also taken to provide the maximum statutory cover against potential claims by claims by AeW (Anlegerentschädigung von Wertpapierfirmen GmbH) arising from the AMIS fraud case dating from 2004.

The changes described above led in the 2009 financial year to an operating profit of EUR 2,623 thousand (2008: EUR 2,753 thousand), and after measurement of securities and subsidiaries to profits from ordinary operations of EUR 1,810 thousand (2008: EUR -12,495 thousand due to considerable impairments of subsidiaries). The prior-year loss carryforwards from impairments of investments in subsidiaries and the group taxation with C-QUADRAT Kapitalanlage AG result in tax assets of EUR 956 thousand for the company, thus leading to a net income for the year of EUR 2,766 thousand (2008: net loss for the year of EUR 12,159 thousand). The annual profit and the balance sheet profit are equal to the net income for the year because no movements in reserves occurred in the 2009 financial year and because no profits or losses were carried forward from the prior year. The net loss reported for the prior year is compensated by the partial reversal of the EUR 10,454 thousand in appropriated and unappropriated capital reserve, and by the EUR 2,084 thousand profit carryforward from 2007, as a result of which the company reported a net income of zero for 2008.

Balance sheet

The balance sheet total as at 31 December 2009 is EUR 28,916 thousand and has therefore decreased year-on-year by EUR 4,754 thousand. This was mainly due to the repayment of all liabilities to banks in the course of the year. The reduction of liabilities to banks led to a decrease in receivables from banks, which fell year-on-year by EUR 6,405 thousand to EUR 6,188 thousand. However, the company continues to have a robust liquidity at its disposal, with cash and cash equivalents comprising around 21% of the balance sheet total. Other assets mainly include receivables from intercompany charges of EUR 1,518 thousand (31.12.2008: EUR 1,469 thousand), a capitalised receivable from C-QUADRAT Kapitalanlage AG of EUR 959 thousand resulting from group taxation (31.12.2008: EUR 0) and EUR 3,924 thousand in receivables from subsidiaries due to equiphased dividends (31.12.2008: EUR 1,170 thousand).

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 of 2007 (WAG 2007). 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 3,014 thousand in shareholders' equity (31.12.2008: EUR 1,977 thousand), which according to WAG 2007 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 (31.12.2008: EUR 23,135 thousand), so the company has EUR 20,121 thousand in surplus shareholders' equity (31.12.2008: EUR 21,158 thousand).

The equity ratio (calculated in accordance with WAG 2007, i.e. without taking any balance sheet profit into account) increased from 69% to 80% in the 2009 financial year, due to constant equity and a reduction in the balance sheet total. Cash flow from operating activities decreased year-on-year from EUR 4,670 thousand to EUR 2,246 thousand. The rate of return on cash flow likewise decreased year-on-year, relative to the fee and commission result (the gross profit resulting from fee and commission income and from fee and commission expenditure), from 147% to 95%.

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 satisfy the cumulative application of these rules, as opposed to the alternative option, exercised hitherto, for application of the rules.

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 has further reduced this type of risk.

Financial instruments in use

The main financial instruments used by C-QUADRAT Investment AG are financial investments in ordinary and preference shares, index certificates, shares in investment funds, equity instruments,

cash and cash equivalents and finance leases. The main purpose of these financial instruments is to finance the company's business operations.

In the 2009 financial year, as in previous years, the company did not deploy any derivative financial instruments, such as options, interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.

The principal risks to which the company is exposed as a result of holding 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
Given that, on 31 March 2009, the company repaid its fixed-rate non-current financial liability, which was in the form of a mortgage loan denominated in euros and originally taken out to finance a property, and that the company has had no bank liabilities since that date, the company is not exposed to any risk of variations in market interest rates. Accordingly, 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-QUADRAT Kapitalanlage AG, C-QUADRAT Private Investments AG and C-QUADRAT Deutschland AG subsidiaries. The Swiss subsidiary, C-QUADRAT Fonds-Analyse und Marketing AG, was the only subsidiary to prepare its financial statements in Swiss francs, but that company has since been liquidated. 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 7 thousand (2008: 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 different terms for fixed deposits and by using overdraft facilities and loans. As at the balance sheet date, the company has cash and cash equivalents amounting to EUR 6,188 thousand, which is equivalent to around 21% of the balance sheet total. The company therefore has robust liquidity at its disposal.

Outlook for the company

Continuing uncertainties on volatile markets, the long-term impacts of the financial crisis on unemployment rates and the absence of any clear-cut trend make it difficult to provide an outlook for the year 2010. Except for some isolated cases, the company has been immune to any flood of litigation or increase in complaints arising from the numerous scandals and negative events within the financial sector. In legal opinions, the folders and sales prospecti for the structured products sold by the company have been examined and classified as being complete and correct. However, it remains to be seen how the courts will ultimately rule on the innumerable cases currently pending in respect of various financial products. However, first-instance verdicts in favour of a subsidiary of C-QUADRAT Investment AG corroborates the view that present sales prospecti are complete and legally correct.

C-QUADRAT Investment AG has already responded to the current situation by implementing cost-saving measures in respect of personnel and administrative expenses and by streamlining its portfolio of subsidiaries. When streamlining of the investment portfolio is completed, the C-QUADRAT Group will concentrate more strongly on its core competencies in asset management. Following the positive stimuli generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2010 financial year will be on further expansion in Germany, in the countries of central and eastern Europe and in other European countries, with the overall focus on institutional customers being further intensified. Despite the volatile situation on the financial markets, the Management Board expects the company to achieve continued and good progress in the year 2010.

Events after the balance sheet date

In a contract of sale dated 29 January 2010, the company sold its entire interest (98.39%) in C-QUADRAT Private Investments AG for a selling price of EUR 3.0 million. The closing date for the contract was defined as 31 March 2010 because transfer of the company to the new majority owners and the changes in the management board and supervisory board will be completed by that date. From that date onwards, C-QUADRAT Private Investments AG will no longer be included as a fully consolidated company in the C-QUADRAT Group.

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

Vienna, 24 February 2010

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

AUDITORS' REPORT *)

(TRANSLATION)

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of **C-QUADRAT Investment AG, Vienna,** for the fiscal year from January 1, 2009 to December 31, 2009. These financial statements comprise the balance sheet as of December 31, 2009, the income statement for the fiscal year ended December 31, 2009, and the notes.

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

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

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

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

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

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

Opinion
Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the financial statements present fairly, in all material respects, the financial position of the C-QUADRAT Investment AG as of December 31, 2009 and of its financial performance for the financial year from January 1, 2009 to December 31, 2009 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report
Law and regulations applicable in Austria require us to perform audit procedures to determine whether the management report is consistent with the financial statements and whether the other disclosures made in the management report are misleading to the entity's position. The audit report must also include a statement as to whether the management report is consistent with the financial statements and if the disclosures pursuant to section 243a UGB are appropriate. In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a UGB are appropriate.

Vienna, February 26, 2010

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto
Certified Public Accountant

Mag. Ernst Schönhuber
Certified Public 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 auditor's report, without the express written consent of the auditors.

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

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as at 31.12.2009 prepared in accordance with the applicable accounting standards provide a fair view of the financial position and financial performance of the Group, that the Group management report presents the business development and situation of the company in such a way that a true and fair view of the financial position and financial performance of the Group is provided, and that the Group management report describes the main risks and uncertainties to which the Group is exposed.

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as at 31.12.2009 prepared in accordance with the applicable accounting standards provide a fair view of the financial position and financial performance of the Group, that the Group management report presents the business development and situation of the company in such a way that a true and fair view of the financial position and financial performance of the Group is provided, and that the Group management report describes the main risks and uncertainties to which the Group is exposed.

Vienna, March 2010

Gerd Alexander Schütz, e.h.
Member of the Management Board

Mag. Andreas Wimmer, e.h.
Member of the Management Board

StB Mag. Roland Starha, e.h.
Member of the Management Board

Mag. Markus A. Ullmer, e.h.
Member of the Management Board

FINANCIAL CALENDAR 2010

31 March 2010	Publication of the financial results for 2009 (2009 Annual Report. The English version will be published on 12.04.2010)
17 May 2010	Interim Report on the First Quarter of 2010
18 May 2010	Record date for participation at the Annual General Meeting
28 May 2010	Annual General Meeting
1 June 2010	Ex-dividend day
7 June 2010	Dividend day
16 August 2010	Interim Report on the First Six Months of 2010
15 November 2010	Interim Report on the First Nine Months of 2010

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

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

Frankfurt Xetra, 1 January 2009 – 31 Dec. 2009

CONTACT

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PUBLISHER'S NOTES

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1010 Vienna
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We have prepared this report with utmost care and have checked all facts and figures therein. Nevertheless, no guarantee can be given that there are no rounding, typographic and printing errors. Arithmetic differences may result when rounded amounts and percentages are totalled using automatic calculating devices.

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

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