Annual Financial Statement 2010

the fund company

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

C-QUADRAT Investment AG

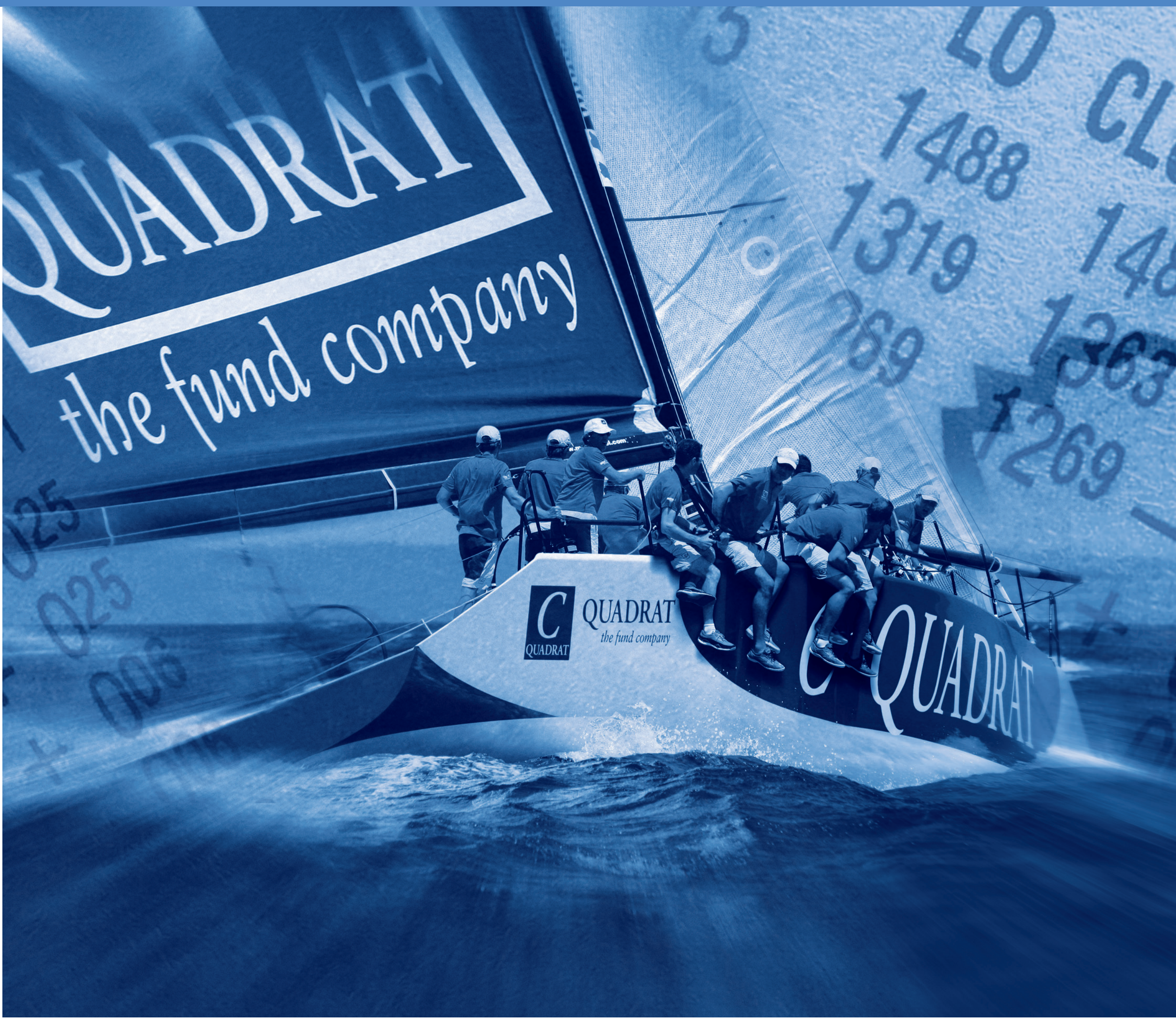


Table of contents

C-QUADRAT Investment AG
CONSOLIDATED INCOME STATEMENT
for the period 1 January 2010 to 31 December 2010

	Notes	2010	2009
		TEUR	*TEUR*
Fee and commission income	1	66.107	37.509
Other operating income	2	369	222
Operating income		**66.477**	**37.731**
Fee and commission expenses		-40.298	-21.109
Personnel expenses	3	-9.222	-7.431
Other administrative expenses	4	-5.440	-4.067
Other operating expenses	5	-1.614	-922
Operating profit before depreciation		**9.902**	**4.202**
Depreciation	6	-279	-1.599
Operating profit		**9.623**	**2.602**
Income from associates	7	6.368	2.153
Finance revenue	8	944	272
Finance expenses	9	-814	-973
Profit before taxes		**16.121**	**4.055**
Taxes	10	-831	1.643
Net Profit		**15.290**	**5.698**
thereof parent		15.290	5.697
thereof minorities		0	1

Earnings per share of the continued operation	11	*EUR*	*EUR*
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company		3,50	1,31

C-QUADRAT Investment AG
STATEMENT OF COMPREHENSIVE INCOME
for the period 1 January 2010 to 31 December 2010

	Notes	2010 *TEUR*	2009 *TEUR*
Net Profit		**15.290**	**5.698**
Total income and expenses recognised directy in equity:			
Net-profit from financial assets held for sale		0	19
Currency-conversion		-14	27
Tax		0	-5
Other comprehensive income		**-14**	**41**
Total comprehensive income		**15.276**	**5.738**
thereof shareholder's equity		15.276	5.737
thereof minority interest		0	1

C-QUADRAT Investment AG
CONSOLIDATED BALANCE SHEET
as at 31 December 2010

ASSETS	Notes	31.12.2010 TEUR	31.12.2009 TEUR
Non-current assets			
Intangible Assets	13	256	181
Property, plant and equipment	13	514	618
Investments in associates	14	10.387	7.070
Financial investments	15	4.168	136
Other assets	17	260	300
Deferred tax asset	26	2.752	1.606
		18.337	9.912
Current assets			
Receivables from customers	16	12.707	8.875
Financial investments	15	3.138	379
Other assets	17	799	2.940
Cash and cash equivalents	18	22.147	10.547
		38.791	22.742
Non-current assets, held for sale	19	747	3.857
Total assets		**57.875**	**36.511**
EQUITY and LIABILITIES			
Issued capital	21	4.363	4.363
Add paid-in capital	21	17.948	17.948
Retained earnings	21	16.701	4.039
Other reserves	21	0	14
Equity attributable to shareholders of the parents		**39.013**	**26.365**
Minority interests		0	151
Total equity		**39.013**	**26.516**
Non-current liabilities			
Non-current provisions	23	108	75
Deferred tax liabilities	26	215	5
		323	80
Current liabilities			
Short-term financial liabilities	22	0	2
Payables to customers	24	13.663	6.160
Other current liabilities	25	2.881	1.823
Other provisions	23	325	797
Income tax payable	26	1.670	145
		18.539	8.926
Non-current liabilities, held for sale	19	0	989
Total liabilities		**18.862**	**9.995**
Total equity and liabilities		**57.875**	**36.511**

C-QUADRAT Investment AG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2010

	Equity attributable to equity holder of the parent						
	Issued capital	Add paid-in capital	Retained earnings	Other reserves	Shareholders' equity	Non-controlling interest	Total equity
	TEUR	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*
31.12.2008	**4.363**	**17.948**	**-1.657**	**-27**	**20.628**	**159**	**20.787**
Increase in non-controlling interest	0	0	0	0	0	-9	-9
Total comprehensive income	0	0	5.697	41	5.737	1	5.738
31.12.2009	**4.363**	**17.948**	**4.039**	**14**	**26.365**	**151**	**26.516**

31.12.2009	**4.363**	**17.948**	**4.039**	**14**	**26.365**	**151**	**26.516**
Change in retained earnings	0	0	-10	0	-10	-151	-161
Dividends	0	0	-2.618	0	-2.618	0	-2.618
Total comprehensive income	0	0	15.290	-14	15.276	0	15.276
31.12.2010	**4.363**	**17.948**	**16.701**	**0**	**39.013**	**0**	**39.013**

C-QUADRAT Investment AG
CONSOLIDATED CASH FLOW STATEMENT
for the period 1 January 2010 to 31 December 2010

	Notes	2010	2009
		TEUR	*TEUR*
Net Profit		15.290	5.698
Tax		831	-1.643
Financial result		-130	701
Income from associates		-6.368	-2.153
Depreciation of intangible assets, property, plant and equipment		279	1.599
Depreciation of receivables		670	0
Increase/decrease in long term provisions		33	-10
Income/loss from the disposal of fixed and financial assets		65	-30
Increase/decrease in receivables and other assets		-1.651	-2.999
Increase/decrease in other provisions		-473	-518
Increase/decrease in trade payables		8.561	2.707
Income tax paid		-164	-205
Cash flow from operating activities	VI	**16.944**	**3.146**
Purchase of property, plant and equipment and intangible assets		-249	-156
Payments made for the investments in financial assets		-10.504	-9.187
Payments cash, operation held for sale	19	-1.531	0
Proceeds from sale of subsidiary company		0	1.000
Proceeds from sale of financial assets		4.943	8.228
Interest received		303	200
Dividends received		2.304	347
Cash flow from investing activities	VI	**-4.734**	**432**
Dividends paid		-2.618	0
Interest paid		-2	-98
Repayments of borrowings		-2	-4.451
Cash flow from financing activities	VI	**-2.622**	**-4.549**
Net increase in cash and cash equivalents	VI	**9.588**	**-971**
Cash and cash equivalents at beginning of period		12.559	13.529
Cash and cash equivalents at end of period	VI	**22.147**	**12.559**

C-QUADRAT INVESTMENT AG and subsidiary and associated companies

2010

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 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
ARTS Asset Management GmbH	Vienna	125.000	EUR	45,00%	EQ
Ariconsult Holding AG	Graz	180.000	EUR	25,10%	EQ

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

FC - fully consolidated
EQ - consolidated at equity

CONSOLIDATED FINANCIAL STATEMENTS

I. CORPORATE INFORMATION

The C-QUADRAT Group, including its subsidiaries and participations, is a European independent asset manager. 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 the analysis and management of investment funds and the management and marketing of its own funds of funds, stockpicking funds as well as special mandates for institutional clients. These business operations mainly generate fee and commission revenue for the C-QUADRAT Group from the brokerage and asset management of the aforementioned products.

Due to 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 countries 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 Companies Register held at Vienna Commercial Court under registration number 55148a.

II. ACCOUNTING POLICIES

2.1. Basis on which the consolidated financial statements were prepared

The consolidated financial statements as of 31 December 2010 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 2010 to 31 December 2010 and consist of the consolidated income statement, the consolidated statement of income and accumulated earnings, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the notes to the consolidated financial statements.

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

It is expected that the consolidated financial statements of the C-QUADRAT Group for the financial year ending 31 December 2010 will be released for publication on 14 March 2011 (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 of 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 interests correspond to the share in profit/loss and net assets that is not attributable to the Group. Non-controlling interests are disclosed separately in the consolidated income statement/consolidated statement of income and accumulated earnings and the consolidated balance sheet. In the consolidated balance sheet, disclosure of non-controlling interests is made under equity, but separate from the equity attributable to the shareholders of the parent company. An acquisition of interests in a subsidiary (without loss of control) is accounted for as an equity transaction. Neither goodwill nor profit or loss result from such transactions, therefore.

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.

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. The EU adopted the amendments on 23 March 2010. These amendments have not affected 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 EU adopted the amendments on 3 June 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.

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. This change does not affect the financial position or financial performance of the Group because the Group has not entered into any such transactions.

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 the income statement. 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.

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 EU adopted the amendments on 23 March 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

2.3. 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 7 October 2010 the IASB published amendments to **IFRS 7** (Disclosures – Transfers of Financial Assets). The amendments provide for extensive new qualitative and quantitative disclosures concerning transferred financial assets which have not been closed out and a commitment continuing beyond the reporting date in the case of transferred financial assets.

These amendments apply for a financial year beginning on or after 1 July 2011. The possible effects of these amendments for the consolidated financial statements are currently being assessed.

On 12 November 2009, the IASB published the first part of phase I of **IFRS 9** (Financial Instruments: Classification and Measurement). This standard includes new rules on the classification and measurement of financial assets. Under these rules, depending on their characteristics and according to the applicable business model debt instruments are to be recognized either at amortized cost or in income at fair value. Equity instruments are always to be recognized at fair value. However, fluctuations in the value of equity instruments may be recognized in other comprehensive income due to the granted instrument-specific option which may be exercised at the time of the financial instrument's addition. On 28 October 2010 the IASB completed phase I of the project by publishing the second part of phase I with the rules on financial liabilities. These new rules prescribe that the existing classification and measurement rules for financial liabilities are to be maintained, with the following exceptions: Effects resulting from the change to the credit risk for financial liabilities which have been classified as measured in income at fair value are to be recognized directly in equity and derivative liabilities on non-quoted equity instruments may no longer be carried at amortized cost. The new rules apply for a financial year beginning on or after 1 January 2013. The possible effects of the new standard for the consolidated financial statements are currently being assessed.

The amendment to **IAS 12** (Deferred Tax: Recovery of Underlying Assets) was published on 20 December 2010 and applies for a financial year beginning on or after 1 January 2012. This amendment prescribes that deferred tax assets or liabilities for certain specified assets be measured based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale. This amendment is not expected to have any significant effect on the consolidated financial statements.

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 is 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. The amendments to this standard were adopted by the EU on 19 July 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 amended **IAS 32** (Financial Instruments: Presentation – Classification of Rights Issues) applies for financial years beginning on or after 1 February 2010. The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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 was adopted by the EU on 19 July 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.

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 2010. Early adoption is permitted. The interpretation must be applied retroactively from the beginning of the earliest comparative period presented. The EU adopted this interpretation on 23 July 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 is not reporting any liabilities to lenders at the present time and in the event of a liability to lenders would not consider issuing equity instruments in order to repay such a liability, this interpretation will not have any effect on the consolidated financial statements.

Improvements to IFRS 2010

On 6 May 2010, the IASB published the final amendments to 7 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 for 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. Most amendments enter into force for financial years beginning on or after 1 January 2011 and have not been applied prematurely by the Group in those cases where application would have been possible. 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 1 *First-time Adoption of International Financial Reporting Standards*	• Accounting policies changes in the year of adoption • Revaluation basis as deemed cost • Use of deemed cost for operations subject to rate regulation	1 January 2011
IFRS 3 *Business Combinations*	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS • Measurement of non-controlling interests (NCI) • Un-replaced and voluntarily replaced share-based payment awards	1 January 2011
IFRS 7 *Financial Instruments: Disclosures*	Clarification of disclosures	1 January 2011
IAS 1 *Presentation of Financial Statements*	Clarification of statement of changes in equity	1 January 2011
IAS 27 *Consolidated and Separate Financial Statements*	Transition requirements for amendments made as a result of IAS 27	1 January 2011
IAS 34 *Interim Financial Reporting*	Significant events and transactions	1 January 2011
IFRIC 13 *Customer Loyalty Programmes*	Fair value of award credit	1 January 2011

2.4. Main estimates and assumptions

Estimates and assumptions

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

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

After applying the equity method, the Group determines whether it is necessary to recognise an additional change in value for the Group's shares in associates. With the framework of the sale of an entity consolidated according to the equity method, on the basis of the expected future cash flow for the period from 2011 to 2014 the value in use – consisting of fixed and variable components – for the agreed purchase price payment by instalments has been written up by an amount of EUR 606 thousand, applying a pre-tax discount rate of 3.50%.

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

The purchase price receivable resulting from the sale of a fully consolidated subsidiary in the previous year was reported at its present value, on the basis of the expected future cash flows for the period from 2010 to 2016 and assuming a pre-tax discount rate of 3.50%. Within the scope of an extension of the purchase price instalment agreement in the 2010 financial year, an impairment loss of EUR 670 thousand was recognized on the purchase price receivable subject to a risk markup on the discount rate.

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, derivatives and financial assets held for sale, which were measured at fair value.

Measurement was carried out on a going concern basis.

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

Foreign currency translation

The consolidated financial statements are prepared in EUR 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 applicable on the date of the 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 the income statement. Non-monetary items recognised at cost in a foreign currency are converted using the rate applicable on the transaction date. Non-monetary items carried at fair value that are denominated in a foreign currency are reported using the exchange rate applicable when the fair value was determined. Any goodwill resulting from the acquisition of a foreign operation and any adjustments on a fair value basis to the carrying amounts of the assets and liabilities resulting from the acquisition of this foreign operation are recognised as assets and liabilities of the foreign operation and translated using the rate applicable on the closing date.

Currency translation was based on the following exchange rates:

	Closing rate on		**Average rate for the year**	
in EUR	**31/12/2010**	31/12/2009	**2010**	2009
CHF	**0.802**	0.672	**0.737**	0.672
USD	**0.755**	0.698	**0.726**	0.704
HUF	**0.00358**	0.00368	**0.00363**	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 revenue 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 depreciation 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 items is assigned to the lessee when the lease transfers to the lessee substantially all the risks and opportunities incidental to ownership of the leased item. 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 the fair value of the leased item or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance costs and the reduction of the outstanding lease liability, in such a way that the remaining carrying amount of the lease liability is subject to a constant interest rate. Finance costs are 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. Operating lease payments are expensed on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations since 1 January 2010
Business combinations are accounted for using the acquisition method. The purchase costs of a business combination are calculated as the total consideration paid, measured at the fair value on the acquisition date and the non-controlling interests in the acquired company. Upon each business combination, the acquirer recognizes the non-controlling interests in the acquired company either at fair value or at the corresponding portion of the identifiable net assets of the acquired company. Costs incurred within the scope of the business combination are recognized as expense and reported as administrative costs.

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

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

The agreed contingent consideration is recognized at fair value on the acquisition date. Subsequent revisions of the fair value of a contingent consideration, which represent an asset or a liability, will be recognized in accordance with IAS 39 either in the income statement or in other comprehensive income. A contingent consideration that is classified as equity is not remeasured and its subsequent payment is recognized as equity.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquired company are assigned to those cash-generating units.

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

Business combinations before 1 January 2010
The previously applicable method for accounting for business combinations entailed the following principles which deviated from the above requirements.

Business combinations have been accounted for using the acquisition method. Transaction costs attributable to the business combinations represent a portion of the acquisition costs. The non-controlling interests (previously called minority interests) were valued as the corresponding portion of the identifiable net assets of the acquired company.

For successive business combinations, a special entry of the individual purchase transactions was made. An additional purchased share has no effect upon the goodwill from the preceding purchase transition.

When the Group acquired a company, the embedded derivatives recorded separately from the underlying contract by the acquired company were only revalued at the time of acquisition if the business combination altered the contract terms such that the cash flows which would otherwise have resulted from the contract were significantly changed.

A contingent consideration was only recorded if the Group had a present obligation, if there were more arguments to support an outflow of resources with economic benefit than reject it and if a reliable estimate was possible. Subsequent adjustments to the contingent consideration were reported as part of goodwill.

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 under the "Depreciation and impairment" item.

Shares in associates

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

According to the equity method, shares 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 relating to associates is recognised in the carrying amount of the Group's share 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 comprehensive income of the associate are recognised by the Group in the amount of its share in the associate and, where appropriate, are reported under other comprehensive income. Profits and losses from transactions between the Group and the associate are eliminated according to the investment held in the associate.

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

Impairment of non-financial assets

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

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. A 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. In principle, 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 shares in associates. At each balance sheet date, the Group assesses whether there are any objective indications that an investment in an associate may be impaired. When determining the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows that the associate as a whole is expected to generate. If the calculated share in the present value is lower than the carrying amount of the share, the difference between the recoverable amount of the investment in the associate and the carrying amount of the investment is recognised as an impairment loss in the income statement.

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 at their 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 the income statement.

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 gains and losses using different measurement methods; or (ii) the assets form part of a group of financial assets that are managed and whose performance is 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 payment amounts and fixed maturities 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 amount repayable at the maturity date 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 receivables 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 comprehensive 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. 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.

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. Classification of financial liabilities into the measurement categories is performed at their 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 the income statement.

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 gains and losses using different measurement methods; or (ii) the liabilities form part of a group of financial liabilities that are managed and whose performance is 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 in the income statement 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 the income statement.

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 measurement methods. Measurement methods 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 measurement 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 or repayments of principal. 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. 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.

Provisions

Provisions are recognised when the Group has a present (legal or factual) obligation arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group expects at least partial reimbursement for an accrued provision (as in the case of an insurance policy, for example), the reimbursement is 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 discounting gives rise to a significant interest rate effect, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability, if this is considered necessary on a case-by-case basis. In the event of discounting, the increase in provisions determined by the passage of time is recognised as financial expenses.

Employee benefits

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

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

The calculation is performed using the AVÖ 2008 P mortality tables for salaried employees (2009: 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% (2009: 1.53%) of gross salary must be paid into a company pension fund and is recognised as statutory personnel expenses. As a consequence, no provisions need be formed for these employees.

Pension insurance
Employer's contributions to the statutory pension scheme, which are likewise recognised as statutory personnel expenses, amount to 12.55% (2009: 12.55%) of gross monthly salary up to a maximum of EUR 4,110.00 (2009: EUR 4,020.00).

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 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 (2) No. 3 of the Austrian Stock Corporation Act. Each stock option entitles the bearer to purchase one share in C-QUADRAT Investment AG. The rights and 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 bank administering the account and the 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 was 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 which is 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 of 31 December 2010, 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 of 31 December 2010 (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 2010 must be estimated on the basis of expectations as of the balance sheet date. Owing to the share price performance in 2010 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 2010.

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
Fee and 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 external assets for a specified period and are deferred accordingly. Performance fees are dependent on the appreciation in value of the assets under management and are generally dependent on the value of assets reaching certain thresholds. These fees are therefore 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. Trail fees are payable for brokerage mandates, as long as these are maintained. For that reason, they are deferred according to the period in which they arise. Revenue from premiums refer to the sales charges payable when purchasing shares in investment funds and are deferred according to the period in which they arise. Fee and commission expenses are 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

Actual taxes on income
Actual assets and liabilities for taxes on income arising 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 differences 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 participations in subsidiaries, associates and shares in joint ventures, if the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are 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 participations 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 as of the balance sheet date. Future changes in tax rates are taken into account if substantive conditions for enactment have been fulfilled as of the balance sheet date within the scope of legislation.

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

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

Value added tax

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

- when the value added tax on purchases of assets or services cannot be reclaimed from the tax authority, the value added 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 four fully consolidated subsidiaries (31/12/2009: six) and two companies accounted for at equity (31/12/2009: two).

C-QUADRAT Investment AG (parent company)	1
Fully consolidated subsidiaries	4
Participations accounted for at equity	2
Total	**7**

The scope of consolidation developed as follows:

As of 31/12/2008	**10**
of which foreign companies	*5*
Deconsolidated in the 2009 financial year	1
As of 31/12/2009	**9**
of which foreign companies	*4*
Deconsolidated in the 2010 financial year	2
As of 31/12/2010	**7**
of which foreign companies	*3*

1. Changes in the scope of consolidation in 2010

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 contract was closed on 31 March 2010 because transfer of the company to the new majority owners and the changes in the management board were completed by that date. From that date onwards, C-QUADRAT Private Investments AG was no longer included as a fully consolidated company in the C-QUADRAT Group.

C-QUADRAT Fonds-Analyse und Marketing AG, Zurich, was liquidated in the 2010 financial year since this company no longer had any operations. The company was deleted in the commercial register for the canton of Zurich on 14 December 2010.

2. 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.

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.

	2010 EUR thou.	2009 EUR thou.
Management Fees	**35,848**	22,948
Performance fees	**22,928**	7,617
Trail fees	**6,224**	5,490
Upfront fees	**603**	868
Premiums	**118**	245
Other	**386**	341
Total	**66,107**	37,509

Due to the clear increase in assets under management in the 2010 financial year, the management fees were significantly increased from EUR 22,948 thousand to EUR 35,848 thousand. Due to the upward market trend, EUR 22,928 thousand (2009: EUR 7,617 thousand) in performance fees were generated in the current financial year.

2. Other operating income

	2010 EUR thou.	2009 EUR thou.
Advisory revenue	**40**	69
Passed-on expenses	**59**	6
Client magazine	**61**	0
Marketing contributions	**64**	7
Other	**145**	141
Total	**369**	222

3. Personnel expenses

	2010 EUR thou.	2009 EUR thou.
Wages and salaries	**7,845**	6,263
Statutory social insurance contributions	**1,212**	1,052
Other	**166**	116
Total	**9,222**	7,431

Personnel expenses include approx. EUR 985 thousand (2009: EUR 786 thousand) in employer contributions to statutory pension insurance and EUR 73 thousand (2009: EUR 55 thousand) in contributions to the company pension fund.

4. Other administrative expenses

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

	2010 EUR thou.	2009 EUR thou.
Rental expenses	**425**	429
Promotion expenses	**1,447**	721
Legal and consultancy fees	**637**	621
Stock exchange expenses	**82**	96
IT expenses	**956**	729
Other office and premises expenses	**200**	249
Fees and levies	**304**	186
Travel expenses	**295**	202
Vehicle expenses	**454**	406
Passed-on expenses	**54**	2
Business insurance	**153**	127
Damage claims	**31**	68
Donations	**55**	0
Other	**347**	231
Total	**5,440**	4,067

The legal and consultancy fees also include the expenses for the auditor. In the 2010 financial year, these totalled EUR 102 thousand (net) for the C-QUADRAT Group (2009: EUR 117 thousand) and comprised EUR 98 thousand in expenses for auditing 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.

5. Other operating expenses

	2010 EUR thou.	2009 EUR thou.
Non-deductible input tax	**927**	883
Losses on sales of assets	**0**	30
Impairment of financial assets	**670**	0
Other	**17**	9
Total	**1,614**	922

6. Depreciation and impairment

In the 2010 financial year the reported depreciation exclusively relates to systematic amortisation of intangible assets and depreciation of property, plant and equipment. In the previous year this item included impairment of intangible assets in the amount of EUR 605 thousand.

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 plus the increase in the interest held in Ariconsult Holding AG in the amount of EUR 606 thousand. Further details on associates are found under item 14 below.

8. Financial income

	2010 EUR thou.	2009 EUR thou.
Loans and receivables	**303**	200
Financial assets measured at fair value through profit or loss	**279**	72
Sale of related companies	**362**	0
Total	**944**	272

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.

9. Finance costs

	2010 EUR thou.	2009 EUR thou.
Liabilities to banks	**2**	98
Financial assets measured at fair value through profit or loss	**812**	875
Total	**814**	973

The interest on liabilities to banks results from interest charged on liabilities classified as other liabilities. The finance costs from financial assets measured at fair value relate to expenses resulting from investments in ordinary and preference shares and in investment funds.

10. Taxes on income

	2010 **EUR thou.**	2009 EUR thou.
Actual expense for taxes on income	**1,739**	133
Deferred taxes on income from temporary differences	**935**	413
Deferred taxes on income from differences not recognised to date	**-1,843**	-2,189
Tax expenditure	**831**	-1,643

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

	2010 **EUR thou.**	2009 EUR thou.
Net profit or loss before taxes on income for the continued operation	**16,121**	4,055
Expense for taxes on income at a tax rate of 25%	**-4,030**	-1,014
Deviating foreign tax rates	**-53**	-25
Non-temporary differences	**1,407**	497
Use of temporary differences not recognised to date	**1,843**	2,189
Other	**3**	-4
Effective tax burden	**-831**	1,643
Effective tax rate in %	**5.2%**	Negative

The effective tax rate in the reporting year was 5.2% (2009: negative) due to the increase in deferred tax assets. 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 of 31 December 2010, 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:

	2010	2009
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 measurement of its profitability. 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”.
The following companies are included in the Fund Brokerage segment:

C-QUADRAT Investment AG
C-QUADRAT Deutschland AG
C-QUADRAT Portfolio Fonds GmbH
C-QUADRAT Portfolio-Fonds Vermittlung GmbH

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 Asset Management segment includes the following company:

C-QUADRAT Kapitalanlage AG

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

Transactions between the segments mainly involve fee and commission revenue and expenses, as well as passed-on expenses. These are charged as pro rata costs, plus a profit margin. The segment result presented refers to the net income for the year after deduction of non-controlling interests. Segment assets and segment liabilities include any assets or liabilities for taxes on income.

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, in 2009 goodwill from business combinations and customer bases are not included in segment assets, since these assets are managed at Group level.

YEAR ENDED 2010

	Fund Brokerage EUR thou.	Asset Management EUR thou.	Consolidation EUR thou.	C-QUADRAT Group EUR thou.
Fee and commission income	9,065	59,285	-2,243	66,107
From external customers	*7,006*	*59,102*	*0*	*66,107*
Intersegment income	*2,059*	*184*	*-2,243*	*0*
Profit/loss from segment	2,775	8,748	3,767	15,290
Income from associates	6,368	0	0	6,368
Depreciation, systematic	-168	-112	0	-279
Impairment of receivables	-670	0	0	-670
Appreciation in value	606	0	0	606
Segment assets	33,296	23,065	1,514	57,875
Shares in associates	10,387	0	0	10,387
Segment liabilities	5,918	15,839	-2,896	18,862
Investments	48	201	0	249
Employees	35	45		80

YEAR ENDED 2009

	Fund Brokerage EUR thou.	Asset Management EUR thou.	Consolidation EUR thou.	C-QUADRAT Group EUR thou.
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 of intangible assets	-302	-302	0	-605
Segment assets	35,445	9,924	-8,858	36,511
Shares 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

Of the fee and commission income from external customers, 42% (2009: 56%) came from third countries. Approx. 34% (2009: 37%) came from Germany, approx. 2% (2009: 11%) from Great Britain and approx. 6% (2009: 8%) 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 2010 are shown in the following statement of changes in assets. The effects of changes in the scope of consolidation are shown in a separate column.

Intangible assets

Intangible assets exclusively consist of software licences. The intangible assets are carried at cost minus accumulated systematic straight-line depreciation.

Property, plant and equipment

Property, plant and equipment include the buildings used for operations, as well as office and operating equipment. Property, plant and equipment are carried at cost minus accumulated systematic straight-line depreciation.

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

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Up to one year	**106**	142
Longer than one year and up to five years	**177**	197
Total	**283**	339

STATEMENT OF CHANGES IN NON-CURRENT ASSETS, 2010

	Cost					Depreciation and amortisation						
	As of 1/1/2010	Changes in scope of consolidation	Additions	Disposals	As of 31/12/2010	As of 1/1/2010	Changes in scope of consolidation	Depreciation and amortisation for the year	Disposals	As of 31/12/2010	Carrying amount 31/12/2010	Carrying amount 31/12/2009
Software	528	0	198	0	726	347	0	144	1	490	**236**	**181**
Licences, rights	0	0	24	0	24	0	0	5	0	5	**20**	**0**
Intangible assets	**528**	**0**	**222**	**0**	**750**	**347**	**0**	**149**	**1**	**495**	**256**	**181**
Operating and office equipment	1,508	-20	27	7	1,508	890	-19	131	8	994	**514**	**618**
Property, plant and equipment	**1,508**	**-20**	**27**	**7**	**1,508**	**890**	**-19**	**131**	**8**	**994**	**514**	**618**

STATEMENT OF CHANGES IN NON-CURRENT ASSETS, 2009

	Cost				Depreciation and amortisation						
	As of 1/1/2009	Additions	Disposals	As of 31/12/2009	As of 1/1/2009	Depreciation and amortisation for the year	Impairments	Disposals	As of 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 of 31 December 2009 as a held-for-sale non-current asset (see also note 19).

14. Shares in associates

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Ariconsult Holding AG (25.1%)	**747**	141
ARTS Asset Management GmbH (45%)	**10,387**	6,929
	11,134	7,070
Reclassification of non-current assets classified as held for sale	**-747**	0
Total	**10,387**	7,070

For the purpose of further streamlining of the Group's structure, under a share purchase agreement of 4 February 2011 C-QUADRAT Investment AG sold its 25.1% interest in Ariconsult Holding AG for a selling price of EUR 770 thousand. Since the sales negotiations were already underway on the closing date of 31 December 2010, shares in associates of Ariconsult Holding AG were classified as an asset held for sale as of the closing date of 31 December 2010.

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

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
GROUP INTEREST IN THE ASSETS AND LIABILITIES OF ASSOCIATES		
Assets	**13,726**	8,392
Liabilities	**-2,591**	-1,322
Pro-rata net assets	**11,134**	7,070
of which associates classified as held for sale	**747**	0
GROUP INTEREST IN THE REVENUE AND EARNINGS OF ASSOCIATES		
Revenue	**9,654**	5,357
Net income for the year incl. valuation result	**6,368**	2,153
of which associates classified as held for sale	**606**	0

15. Financial assets

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Non-current assets:		
Available-for-sale financial assets measured at cost	**0**	0
Available-for-sale financial assets measured at fair value	**2,655**	136
Receivables	**1,513**	0
	4,168	136
Current assets:		
Financial assets measured at fair value through profit or loss	**2,638**	379
Receivables	**500**	0
	3,138	379
Total	**7,305**	515

The financial assets measured at fair value relate to investments in ordinary and preference shares and in investment funds and are entirely (31/12/2009: with the exception of shares with a carrying amount of EUR 300 thousand) traded on the stock market or at calculated values that are published daily.

On the one hand, the available-for-sale financial assets measured at fair value relate to shares in investment funds and therefore have no fixed maturity and no fixed interest rate. On the other hand this item includes investments in variable-interest bonds, some of which do not have any maturity date and some of which are not held to their maturity.

The receivables exclusively relate to purchase price receivables resulting from the sale of shares in C-QUADRAT Private Investments AG.

16. Receivables from customers

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Invoiced claims for the provision of services	**574**	342
Deferred fee and commission income	**12,133**	8,534
Total	**12,707**	8,875

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

The following table shows the age of receivables from customers as of 31 December 2010:

	Total	Neither overdue nor impaired	Overdue but unimpaired					Overdue and impaired
			< 30 days	30 - 90 days	90-180 days	180-360 days	> 360 days	> 360 days
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
2010	**12,707**	**9,085**	**2,361**	**1,246**	**0**	**0**	**15**	**0**
2009	8,875	7,277	602	981	0	0	2	14

17. Other assets

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Receivables from intercompany charges	**44**	1,752
Capitalised prepayments	**786**	1,050
Security deposits	**112**	121
Other	**117**	317
Other non-financial assets	**1,060**	3,240

Other assets are recognised at fair value; of the total, EUR 799 thousand (31/1/2009: EUR 2,940 thousand) are current.

18. Cash and cash equivalents

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Bank balances and cash in hand	**14,392**	7,545
Current deposits	**7,755**	3,002
Total	**22,147**	10,547

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 22,147 thousand (31/12/2009: EUR 10,547 thousand).

For the purposes of the consolidated statement of cash flows, cash and cash equivalents as of 31 December 2010 were comprised as follows:

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Bank balances and cash in hand	**14,392**	7,545
Current deposits	**7,755**	3,002
Bank balances, cash and cash equivalents classified as held for sale	**0**	2,012
Total	**22,147**	12,559

19. Non-current assets classified as held for sale

Associates

For the purpose of further streamlining of the Group's structure, under a purchase agreement of 4 February 2011 C-QUADRAT Investment AG sold its 25.1% interest in ARICONSULT Holding AG for a selling price of approx. EUR 770 thousand. The activities of this group of companies comprise marketing of investment products as well as asset management for its own investment funds.

As of the balance sheet date of 31 December 2010, final negotiations on the sale of the company were still in progress. Accordingly, the interest held in Ariconsult Holding AG as of 31 December 2010 was classified as an asset held for sale.

The following table shows the composition as of 31 December 2010 of the held-for-sale assets and liabilities of Ariconsult Holding AG:

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Group interest in the assets and liabilities of the associate		
Non-current assets	**1,126**	0
Current assets	**91**	0
Non-current liabilities	**-33**	0
Current liabilities	**-437**	0
Pro-rata net assets	**747**	0

The interest in the net income for the year of Ariconsult Holding AG which is classified as held for sale amounts to EUR 606 thousand (2009: EUR -179 thousand) including the impairment loss reversal which was recognised in 2010.

Related companies

In a contract of sale concluded on 29 January 2010, C-QUADRAT Investment AG sold its 98.39% interest in C-QUADRAT Private Investments AG. The activities of the latter company comprised the sale of investment products and advice for private customers.

As of 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 of 31 December 2009 as one of a group of held-for-sale assets.

The following table shows the composition, at the balance sheet date of 31 December 2009, of the held-for-sale assets and liabilities of C-QUADRAT Private Investments AG:

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Group interest in the assets and liabilities of the related company		
Non-current assets	**0**	1,777
Current assets	**0**	2,080
Non-current liabilities	**0**	-436
Current liabilities	**0**	-553
Pro-rata net assets	**0**	2,868

The cash and cash equivalents held by C-QUADRAT Private Investments AG amounted to EUR 1,531 thousand as of the date of sale 31 March 2010.

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:

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Group interest in the profits of the related company		
Net income for the year	**0**	30

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.

The Management Board is authorized with the consent of the Supervisory Board on one or more occasions to increase the company's share capital by up to EUR 1,090,800.00 in total for a period of five years from the date of the entry of the change to the articles of association in the Companies Register by issuing up to 1,090,800 no-par bearer or registered shares, each conferring a voting right, in return for cash contributions or contributions in kind – including by way of an indirect rights issue – and to stipulate the type of shares to be newly issued (bearer or registered), the issue price and the terms of issue (approved capital). The Supervisory Board is authorized to resolve changes to the articles of association resulting due to the issuance of shares out of the approved capital. The relevant resolution was passed at the 17th (Extraordinary) General Meeting held on 6 June 2006. The original authorization resolution related to a total of 1,818,000 shares (50% of the then share capital in the amount of EUR 3,636,000.00). This authorization was partially made use of within the scope of the stock market flotation in the 2006 financial year; accordingly, the authorization stipulated in the articles of association now relates to 1,090,800 shares.

At the Extraordinary General Meeting held on 11 December 2008 C-QUADRAT Investment AG authorized the Management Board to purchase no-par value bearer shares of the company amounting to up to 10% of the share capital of C-QUADRAT Investment AG. This authorization applies for a period of 30 months from the date of the resolution. The minimum price at which shares may be purchased is EUR 1.00, the maximum price is EUR 40.00. The Management Board is also authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the General Meeting has authorized the Management Board to re-sell purchased treasury stock other than through the stock market or a public offering, while excluding the shareholders from subscribing.

Changes in the number of ordinary shares:

Issued and fully paid	In thousands of shares	EUR thou.
As of 31/12/2009 = status as of 31/12/2010	**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 benefits for taxes on income, are accounted for as a deduction from capital reserves.

Other reserves

	Unrealised gains	Currency translation differences	Total
	EUR thou.	EUR thou.	EUR thou.
As of 31/12/2008	**-15**	**-12**	**-27**
Currency translation differences	0	27	27
Unrealised gains/losses from available-for-sale investments	15	0	15
As of 31/12/2009	**0**	**14**	**14**
Currency translation differences	0	-14	-14
Unrealised gains/losses from available-for-sale financial investments	0	0	0
As of 31/12/2010	**0**	**0**	**0**

Changes in the fair value of available-for-sale investments are recognised in the reserve for unrealised gains. The related deferred taxes total EUR 0 thousand (2009: EUR 4 thousand) and are included in these amounts.

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

Of the EUR 1 thousand net profit or loss attributable to non-controlling interests in the previous year, EUR 1 thousand related to profits attributable to non-controlling interests and EUR 0 thousand to losses attributable to non-controlling interests. In the reporting year there were no longer any non-controlling interests.

The dividend paid in the 2010 financial year for the 2009 financial year amounted to EUR 0.60 per share. No dividend was distributed for the 2008 financial year in the 2009 financial year.

22. Liabilities to banks

2010 FINANCIAL YEAR

As of the closing date of 31 December 2010 the C-QUADRAT Group does not have any liabilities to banks (31/12/2009: EUR 2 thousand).

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, in the amount of EUR 7,450 thousand. As of 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 is payable on demand. The effective rate of interest for this liability is 2.33%.

23. Provisions

Statement of provisions, 2010

	1/1/2010 EUR thou.	Utilisation EUR thou.	Reversal EUR thou.	Additions EUR thou.	**31/12/2010 EUR thou.**
Provisions for severance payments	75	0	0	33	**108**
Total non-current provisions	75	0	0	33	**108**
Other provisions	797	-778	-8	313	**325**
Total current provisions	797	-778	-8	313	**325**
Total provisions	871	-778	-8	346	**432**

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

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

	31/12/2010 EUR thou.	31/12/2009 EUR thou.	31/12/2008 EUR thou.	31/12/2007 EUR thou.	31/12/2006 EUR thou.
Provisions as of 1 January (=DBO)	**75**	85	89	107	138
Past service cost	**5**	5	4	9	9
Interest cost	**5**	4	4	4	4
Actuarial gains/losses	**23**	-19	-12	-38	-44
Change in scope of consolidation	**0**	0	0	7	0
Provisions as of 31 December (=DBO)	**108**	75	85	89	107

Both past service costs, interest costs and actuarial gains/losses are reported as personnel expenses in the income statement.

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

	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
Interest rate	**4.50%**	5.00%	5.75%	5.00%	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 2008, mixed	AVÖ-P 1999, mixed	AVÖ-P 1999, mixed

24. Payables to customers

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Liabilities from services received	**445**	189
Deferred fee and commission liabilities	**13,217**	5,971
Total	**13,663**	6,160

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

25. Other liabilities

Other current liabilities

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Liabilities to tax authorities	**221**	313
Liabilities to social insurance institutions	**93**	93
Liabilities for premiums and bonuses	**1,985**	1,106
Liabilities for outstanding leave	**196**	141
Other	**387**	170
Other non-financial liabilities	**2,881**	1,823

26. Deferred tax assets and liabilities

Deferred tax assets and liabilities as of 31 December 2010 and 31 December 2009 result from the following temporary difference between the recognised carrying amounts in the IFRS consolidated financial statements and the respective tax assessment bases:

EUR thou.	2010 Assets	2010 Liabilities	2009 Assets	2009 Liabilities
Shares in associates	0	-152	0	0
Financial assets	0	-64	0	-5
Other assets	2	0	1	0
Assets classified as held-for-sale		0	11	-436
	2	**-215**	**12**	**-441**
Provisions	14	0	31	0
Liabilities classified as held-for-sale	0	0	16	0
	14	**0**	**47**	**0**
Recognised loss carryforwards	0	0	35	0
Recognised one-seventh depreciation of investments	2,736	0	1,540	0
Deferred expenses and deferred income	2,752	-215	1,633	-441
Net deferral of tax assets and liabilities	**2,752**	**-215**	**1,633**	**-441**
Of which net deferral of tax assets and liabilities	**2,752**	**-215**	**1,606**	**-5**
Of which assets/liabilities classified as held-for-sale	**0**	**0**	**27**	**-436**

In accordance with IAS 12, deferred tax assets on existing loss carryforwards totalling EUR 35 thousand were capitalised in the previous year because these could be offset against taxable profits in the current financial year. The deferred tax assets arising from one-seventh depreciation of investments relate to the partial depreciation of participations over a seven-year period as required by Austrian tax law (2010: EUR 2,736 thousand; 2009: EUR 1,540 thousand). The deferred tax on partial depreciation of investments was capitalised to the extent that these are likely to be offset against taxable profits in the foreseeable future.

From the 2009 financial year onwards, 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 Austrian 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.

27. Risk report

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

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

Cash flow risks relating to interest rates
Since the C-QUADRAT Group does not have any liabilities to banks as of the closing date of 31 December 2010 (31/12/2009: EUR 2 thousand), the company is not exposed to any risk of variations in market interest rates. Accordingly, no hedges were used to eliminate an interest rate risk.

Foreign exchange risk
Most of the company's business operations are carried out within the Eurozone. This also applies for the subsidiaries C-QUADRAT Kapitalanlage AG and C-QUADRAT Deutschland AG. As a sole exception the Swiss subsidiary C-QUADRAT Fonds-Analyse und Marketing AG – which was liquidated in the 2010 financial year – prepared its financial statements in Swiss francs. As of 31 December 2010 total recognised assets and liabilities denominated in foreign currency (USD and HUF) were EUR 93 thousand (31/12/2009: EUR 191 thousand) and EUR 19 thousand (31/12/2009: EUR 46 thousand) respectively.

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 0.1% (2009: 0.5%) of total Group revenue, while expenses reported in USD amount to 0.1% (2009: 0.0%) of total Group expenses. Revenue denominated in CHF amounts to 0.0% (2009: 0.0%) of total Group revenue, while expenses denominated in CHF amount to 0.0% (2009: 0.1%) of total Group expenses. Revenue denominated in HUF amounts to 0.1% (2009: 0.5%) of total Group revenue, while expenses denominated in HUF amount to 0.1% (2009: 0.4%) of total Group expenses. Given that foreign-currency transactions are therefore of secondary importance and do not occur throughout the Group, the foreign-exchange risk is considered minor, so no hedges 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**	
	2010 EUR thou.	2009 EUR thou.	**2010 EUR thou.**	2009 EUR thou.	**2010 EUR thou.**	2009 EUR thou.
Pre-tax earnings	**0.0**	5.8	**3.2**	1.3	**0.1**	0.1
Shareholders' equity	**0**	0	**0**	0	**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 which are recognised and creditworthy, collateral is not required.

Liquidity risk
The company continuously monitors the risk of liquidity bottlenecks using a liquidity planning tool, which is used in particular to plan and monitor expected cash flows from business operations (fee and commission income and expenses). The company aims to maintain a balance between continuous coverage of funding requirements and safeguarding of financial flexibility, by using different terms for fixed deposits and also overdraft facilities and loans. As of the balance sheet date, as well as securities which may be liquidated at any time the Group has cash and cash equivalents in the amount of EUR 22,147 thousand (31/12/2009: 10,547), which is equivalent to approx. 38% of the balance sheet total (31/12/2009: 28%). The company therefore has robust liquidity at its disposal.

As of 31 December 2010, the Group's undiscounted cash outflows for financial liabilities had the following maturities:

Maturities, 2010	On demand EUR thou.	< 3 months EUR thou.	3-12 months EUR thou.	1-5 years EUR thou.	> 5 years EUR thou.	**Total EUR thou.**
Payables to customers	4,869	8,794	0	0	0	**13,663**
Total	4,869	8,794	0	0	0	**13,663**

Maturities, 2009	On demand EUR thou.	< 3 months EUR thou.	3-12 months EUR thou.	1-5 years EUR thou.	> 5 years EUR thou.	**Total EUR thou.**
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**

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.

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

	31/12/2010 EUR thou.	31/12/2009 EUR thou.
Share capital	**4,363**	4,363
Reserves	**16,281**	16,306
Shareholders' equity according to WAG	**20,644**	20,669
Group profits	**18,369**	5,697
Non-controlling interests	**0**	151
Shareholders' equity according to IFRS	**39,013**	26,516
Liabilities	**18,862**	9,995
Total shareholders' equity and liabilities	**57,875**	36,511
Equity ratio according to WAG	**35.7%**	56.6%
Equity ratio according to IFRS	**67.4%**	72.6%

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 laid down in the Austrian Securities Supervision Act 2007 (WAG 2007). For example, the company is required to maintain shareholders' equity at a minimum level of 25% of 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 of credit and operational risks. In the same way as for banks, shareholders' equity equal to at least 8% of the risk-weighted assets must be held to cover the credit risk. In addition to the minimum amount of shareholders' equity, and the shareholders' equity required to hedge the credit risk, 12/88 of 25% of the fixed overheads of the most recently approved annual financial statements must also be held for hedging of operational risk.

This means that the company would currently have to hold at least EUR 3,133 thousand in shareholders' equity (31/12/2009: EUR 3,014 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 (31/12/2009: EUR 23,135 thousand) so that the company has EUR 20,002 thousand in surplus shareholders' equity (31/12/2009: EUR 20,121 thousand).

Minimum shareholders' equity (Section 9 (2) WAG)	**31/12/2010 EUR thou.**	31/12/2009 EUR thou.
Start-up capital required to obtain a licence	**50**	50
Fixed overheads in the most recently approved annual financial statements	**4,224**	5,301
25% thereof	**1,056**	1,325
Minimum shareholders' equity required	**1,056**	1,325

Required amount of shareholders' equity to cover credit risk (Section 9 (5) WAG)	**Assets Unweighted**	**31/12/2010 Weighted Assets**	**Assets Weighted**	**31/12/2009 Assets Weighted**
Cash in hand	3	0%	0	0
Receivables from banks	6,215	20%	1,243	1.238
Receivables from customers	3,908	100%	3,908	1.544
Shares	4,677	100%	4,677	185
Shares	300	150%	450	450
Participations	6,070	100%	6,070	6.070
Shares in associates	4,793	100%	4,793	7.541
Intangible assets	73	100%	73	128
Property, plant and equipment	275	100%	275	321
Other assets	32	0%	0	0
Other assets	11,016	20%	2,203	942
Other assets	356	100%	356	374
Prepaid expenses and accrued income	110	100%	110	49
Total assets:	37,826		24,157	18.841
Required amount of shareholders' equity to cover credit risk		8%	**1,933**	**1,507**

Required amount of shareholders' equity to cover operational risk (Section 9 (6) WAG)	**31/12/2010 EUR thou.**	31/12/2009 EUR thou.
Fixed overheads in the most recently approved annual financial statements	**4,224**	5,301
25% thereof	**1,056**	1,325
12/88 thereof	**144**	181
Required amount of shareholders' equity to cover operational risk	**144**	181

Required amount of shareholders' equity (Section 9 WAG)	**31/12/2010 EUR thou.**	31/12/2009 EUR thou.
Total	**3,133**	**3,014**

Eligible shareholders' equity (Section 9 (3) WAG)	**31/12/2010** **EUR thou.**	31/12/2009 EUR thou.
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**	
	31/12/2010 **EUR thou.**	31/12/2009 EUR thou.	**31/12/2010** **EUR thou.**	31/12/2009 EUR thou.
Cash and cash equivalents	**22,147**	10,547	**22,147**	10,547
Financial assets measured at fair value through profit or loss	**2,638**	379	**2,638**	379
Loans and receivables measured at amortised cost:				
Receivables from customers	**12,707**	8,875	**12,691**	8,862
Purchase price receivables	**2,013**	0	**2,013**	0
Available-for-sale financial assets measured at fair value	**2,655**	136	**2,655**	136

Open-end certificates on the DAX were purchased in some months in the 2010 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 of 31 December 2010. 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 the income statement.

Financial liabilities	**Carrying amount**		**Fair value**	
	31/12/2010 **EUR thou.**	31/12/2009 EUR thou.	**31/12/2010** **EUR thou.**	31/12/2009 EUR thou.
Other liabilities:				
Liabilities to banks	**0**	2	**0**	2
Payables to customers	**13,663**	6,160	**13,663**	6,160

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

Determination of fair values

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

- The fair values of 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 of 31 December 2010, 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

	31/12/2010				31/12/2009			
Financial assets	**Total EUR thou.**	**Level 1 EUR thou.**	**Level 2 EUR thou.**	**Level 3 EUR thou.**	Total EUR thou.	Level 1 EUR thou.	Level 2 EUR thou.	Level 3 EUR thou.
Financial assets measured at fair value through profit or loss	**2,638**	**2,638**	**0**	**0**	379	79	0	300
Available-for-sale financial assets measured at fair value	**2,655**	**2,655**	**0**	**0**	136	136	0	0

The fair value of the financial asset in Level 3 was determined on the closing date of 31 December 2009 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 of the closing date of 31 December 2009.

During the reporting period ending 31 December 2010, there were no transfers between fair value measurements in Level 1 and Level 2. Due to a stock market listing for the financial asset measured in Level 3 in the previous year, this was transferred from fair value measurements in Level 3 to Level 1. Through this reclassification its fair value has increased by EUR 180 thousand to EUR 480 thousand.

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 2010 financial year, the Management Board of C-QUADRAT Investment AG consisted of the following persons as in the previous year:

Gerd Alexander Schütz
Roland Starha
Markus A. Ullmer
Andreas Wimmer

The remuneration paid to members of the C-QUADRAT Investment AG Management Board totalled EUR 1,046 thousand in the 2010 financial year, including variable remuneration components for the 2009 financial year in the amount of EUR 393 thousand (2009: EUR 0 thousand in variable components for the 2008 financial year, EUR 556 thousand in total). Severance expenses for members of the Management Board of C-QUADRAT Investment AG amounted to EUR 19 thousand (2009: EUR 7 thousand). Contributions to defined contribution pension schemes for the Management Board members of C-QUADRAT Investment AG amounted to EUR 11 thousand in the 2010 financial year (2009: EUR 6 thousand)

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

Supervisory Board

In the 2010 financial year, the Supervisory Board of C-QUADRAT Investment AG consisted of the following persons:

Chairman:
Karl Heinz Grasser (to 27 September 2010)
Marcus Mautner-Markhof (since 27 September 2010)

Vice-Chairman:
Marcus Mautner-Markhof (to 27 September 2010)
Franz Fuchs (since 27 September 2010)

Members:
Hubert Cussigh (since 27 May 2010)
Franz Fuchs (to 27 September 2010)
Arnulf Komposch (to 27 May 2010)
Thomas Lachs
Friedrich Schweiger
Kurt Waniek (to 27 May 2010)
Hans Zavesky (since 27 May 2010)

At C-QUADRAT Investment AG the remuneration paid to members of the Supervisory Board for the 2010 financial year amounted to EUR 159 thousand (2009: EUR 63 thousand).

VALUECREATION GmbH – whose sole managing partner is Mr. Karl Heinz Grasser – invoiced the C-QUADRAT Group a total of EUR 75 thousand (2009: EUR 105 thousand) in the 2010 financial year (at arm's length conditions) for brokering institutional mandates; as of 31 December 2010, these amounts were no longer carried as liabilities of the C-QUADRAT Group.

Associates

Revenues in the amount of EUR 2,384 thousand were generated from associates in 2010 (2009: EUR 3,603 thousand). These revenues relate mainly to fee and commission income and passed-on expenses. Expenses in the amount of EUR 9,340 thousand (2009: EUR 3,022 thousand) were charged to the company by associates in 2010. These charges mainly related to fee and commission expenses. As of 31 December 2010, receivables from associates amounted to EUR 514 thousand (31/12/2009: EUR 192 thousand) and payables to associates to EUR 5,288 thousand (31/12/2009: EUR 1,587 thousand).

30. Events after the balance sheet date

For the purpose of further streamlining of the Group's structure, under a share purchase agreement of 4 February 2011 C-QUADRAT Investment AG sold its 25.1% interest in Ariconsult Holding AG for a selling price of EUR 770 thousand.

VI. NOTES TO THE CASH FLOW STATEMENT

The consolidated cash flow statement of the C-QUADRAT Group shows how the Group's cash and cash equivalents changed as a result of the inflow and outflow of funds during the year under review. The effects of company acquisitions and divestments are eliminated and are shown under "Inflow of funds from changes in the scope of consolidation" and "Outflow of funds from changes in the scope of consolidation". Within the cash flow statement, a distinction is made between cash flows from operating activities, investing activities and financing activities. The cash flow statement is prepared using the indirect method. The funds on which the cash flow statement is based are the cash and cash equivalents, which comprise bank balances and cash in hand. 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 separate disclosures required by IAS 7 on the sale of subsidiaries are as follows:

	31/3/2010 EUR thou.
C-QUADRAT Private Investments AG	
Total selling price	**2,683**
Portion of selling price discharged by means of cash and cash equivalents	**0**
Amount of cash and cash equivalents in the subsidiary disposed of	**1,531**
Non-current assets	**1,134**
Current assets (not including cash and cash equivalents)	**231**
Non-current liabilities	**-412**
Current liabilities	**-164**

VII. OTHER DISCLOSURES

Volume of managed funds

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

	31/12/2010 EUR million	31/12/2009 EUR million
Total volume managed by Group's own investment company	**1,546**	1,129
Total volume of advisory and third-party mandates	**1,785**	1,533
Total volume	**3,331**	2,662

Average number of employees during the financial year

	2010 Total	2009 Total
Group	**80**	85
of whom full-time employees	***70***	*69*
of whom part-time employees	***10***	*16*
of whom in Austria	***72***	*78*
of whom in other countries	***8***	*7*

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

Vienna, 14 March 2011

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

Roland Starha, m.p.
Member of the Management Board

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

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

CONSOLIDATED MANAGEMENT REPORT C-QUADRAT Investment AG on the Consolidated Financial Statements for the year ending 31 December 2010

Review of the economic situation and the capital markets in 2010

In the aftermath of the international financial crisis, from the 2nd quarter of 2009 a clear price recovery began on the international markets. This trend was encouraged 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. Global growth continued to pick up as far as the early summer of 2010 before world leading indicators once again pointed downward, particularly in the USA. The continuing economic optimism should have a positive impact on the stock markets but the risks should also be borne in mind. The key risks relate to a worsening debt crisis in southern Europe and overheating economies in the emerging markets. Accordingly, the predicted generally positive market trend will not be continuous and linear and will instead be characterized by recurrent strong fluctuations.

Despite generally positive company reports in the USA and Europe, investors continued to focus on the risk of a clear downturn in the global economy on account of the large number of international savings measures and feared a possible slip into recession. In the USA these fears were borne out by economic indicators including the largest trade deficit since 2008, a GDP figure revised downward for 2010, unemployment levels which remain a cause for concern and sceptical consumer confidence and also by the sobering economic outlook presented by the Fed. These concerns over the economy overshadowed developments on the stock markets. In the third quarter of 2010 the Dow Jones and the European stock market indexes remained in sideways corridors, as did the ATX. The economic trend was also very sluggish in Europe but several items of macroeconomic data provided positive signals – such as GDP growth which exceeded expectations, an ifo business climate index at its highest level in 20 years and growth in incoming orders for industry and the retail sector. In addition, listed companies' profit expectations were continuously revised upward and have improved the picture since the start of the fourth quarter of 2010. The DAX has risen around 14% since the middle of the year and the ATX by as much as 19%. But investors have nonetheless sought out lower-risk investments. For large periods of time, as investors' risk propensity declined German and American government securities were seen as safe investments and were in strong demand. However, the debt crisis in Greece in the first half of 2010 accelerated the decline in yields. This trend was only calmed through the establishment of the EUR 750 billion euro bailout mechanism, the EFSF, but the issue of Ireland's excessive indebtedness presented a further test in November 2010. The European stock market EuroStoxx 50 suffered a total loss of 5.80% in the past year. The entirely different economic trend in Germany – which was extremely strong and ultimately saw the DAX achieve a gain of 16.1% – and the prospect of impending large-scale issuance of new bonds caused yields on German Bund bonds to pick up toward the 3.0% mark. US Treasuries also recorded a yield gain to 3.3% in an environment of improved economic data.

Statements from the central banks indicate that the prospect of a turnaround in interest-rate policy – i.e. an end to the low interest-rate policies of the Fed and the ECB – has been further deferred as the economic trend has slowed. The Fed may be expected to move beyond the present interest-rate level in 2012 at the earliest while the ECB may implement a key interest-rate hike as soon as late 2011. This scenario is in turn having a significant impact on the exchange-rate trend. In 2010 the euro was once again caught between tensions triggered by the Fed's additional bond purchasing and the resurgent debt crisis in the Eurozone. In this context the euro lost ground against the US dollar. In the first half of the year in particular it suffered significant losses and temporarily fell below the USD 1.20 mark. The second half of the year then saw a pronounced recovery trend which led to a level of USD 1.40. However, with a year-end closing rate of USD 1.34 per euro the single European currency suffered a fall of 6.50% against the USD in 2010. This volatile trend should continue in 2011. Safe havens such as the Swiss franc reached historical peaks in 2010 and the Swiss franc is unlikely to fall again until investors are once again prepared to take higher risks.

Business development and situation of the C-QUADRAT Group

The C-QUADRAT Group can look back on a positive financial year despite the volatile market conditions. In the 2010 financial year the financial performance of its fund brokerage segment improved on the previous year thanks to increased trade volumes and significantly increased equity product holdings. Some structured products were once again created in the 2010 financial year. The financial performance of the Group's portfolio of participations improved significantly on the previous year due to the significantly improved results of its subsidiaries. While market circumstances were still far from easy and extremely volatile, the C-QUADRAT Group performed very well and, despite a fluctuating market performance, in overall terms it was once again able to increase its assets under management in the 2010 financial year.

The C-QUADRAT Group continued the adjustment and streamlining of its portfolio of participations which it had begun over the last few financial years and in the 2010 financial year it sold its majority interest in C-QUADRAT Private Investments AG. It also liquidated the Swiss-based C-QUADRAT Fonds-Analyse und Marketing AG, since this company no longer conducted any operating business. After selling another participation in early 2011 (see below), the C-QUADRAT Group will now concentrate even more strongly on its core competence of asset management.

C-QUADRAT shares are currently listed on the Frankfurt Stock Exchange (Prime Standard) and on the Vienna Stock Exchange (Standard Market Auction).

The share capital of C-QUADRAT Investment AG 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 AmpegaGerling Asset Management GmbH (25.10%), San Gabriel Privatstiftung (21.92%) and T. R. Privatstiftung (21.54%), 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.

Fund brokerage

The share price increases on the world's stock exchanges and the allocation shifts from money markets to higher-yield asset classes have basically had positive impacts on the total brokerage volume placed with investment fund companies in Austria and other countries. Despite fluctuations, this volume has grown by a total of EUR 352 million to EUR 1,789 million since the start of the year. Trail fees also increased significantly – by EUR 734 thousand or 13% to EUR 6,224 thousand, compared to EUR 5,490 thousand in the previous year – even though the company continues to handle a large volume of ETFs and I-shares. No trail fees are charged for these products, however. The ticket fees which were already introduced three years ago by way of partial compensation contributed income of EUR 308 thousand (2009: EUR 184 thousand) in the reporting year.

Special products

Issuance of special products – which almost came to a standstill in the previous year – picked up again slightly in the 2010 financial year. While in the previous year there were no new issues and activities were limited to increases in the volumes of existing products, in the past financial year some new products were once again issued for institutional clients. Nonetheless, the upfront fees generated from these products fell from EUR 868 thousand to EUR 603 thousand in the 2010 financial year.

Asset management

The overall volume managed by C-QUADRAT Kapitalanlage AG (investment company mandates and advisory mandates) increased significantly in the reporting period by EUR 669.5 million or 25% from EUR 2,661.9 million to EUR 3,331.4 million as of the end of the year. By comparison with the total managed by Austrian investment companies, our relative market share of investment company mandates also increased from 0.83% to 1.06%. By comparison, the total volume managed by all investment companies in Austrian rose by EUR 8,515.6 million or 6%.

This once again 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 investors. Due to fund mergers, the number of investment company mandates as of 31 December 2010 was 29 (31/12/2009: 33) with an overall volume of EUR 1,546.1 million (31/12/2009: EUR 1,129.3 million). At the same time, the number of advisory mandates declined from 39 to 26 but their total volume increased from EUR 1,532.5 million to EUR 1,785.3 million.

At this year's Fund of Funds Award 2010, with a total of 7 first places, 5 second places and 3 third places as in previous years C-QUADRAT and ARTS demonstrated the consistent quality of their fund management and reinforced the market positioning of "C-QUADRAT – the fund company". Since the first Fund of Funds Award in 2001, funds of C-QUADRAT and ARTS have gained a total of 64 first places and 72 second and third places.

In January 2011, the results of the "Fund Awards 2011" in Germany were especially encouraging. In what is now the most important sales market for C-QUADRAT Kapitalanlage AG, funds managed by C-QUADRAT and ARTS won a total of nine awards in the categories "Funds of Funds Mixed Global - Balanced", "Funds of Funds Mixed Global - Conservative", "Funds of Funds Bonds Global" and "Funds of Funds Equities Global", including four first places in the rankings.

Another highly positive result for C-QUADRAT and ARTS was the award "Fund Boutique of the Year 2011" which was presented by one of Germany's leading business magazines in January 2011.

On the sales side, the company reinforced its market position outside Austria by further strengthening its partnerships with well-known sales partners in Germany and the CEE countries and also Italy and Spain, and worked 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 marketing companies. C-QUADRAT also developed acquisition and account management activities for institutional clients in Austria, Switzerland and the CEE region.

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 five years. Institutional customers in Poland, the Czech Republic, Slovakia and Hungary are handled directly by staff in Vienna. The efficiency of sales activities have been further enhanced over the past three years by the assignment of separate Country Heads to the Polish, Czech and Slovak markets.

Income statement

In the 2010 financial year, fee and commission income rose substantially by EUR 28,598 thousand or 76% from EUR 37,509 thousand to EUR 66,107 thousand; fee and commission expenses also increased, by EUR 19,189 thousand or 91% from EUR 21,109 thousand to EUR 40,298 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 12,900 thousand or 56% in the management fees allocable to the "Asset Management" segment, and to the generation of EUR 22,298 thousand (2009: EUR 7,617 thousand) in performance fees likewise allocable to the "Asset Management" segment. In contrast, the upfront fees for special products in the "Fund Brokerage" segment fell by EUR 265 thousand or 31% from EUR 868 thousand to EUR 603 thousand since only a small volume of special products were issued in the 2010 financial year. Trail fees also attributable to the "Fund Brokerage" segment increased slightly on the previous year – by EUR 734 thousand or 13% from EUR 5,490 thousand to EUR 6,224 thousand – due to price gains on the international markets and increased trade volumes. In addition to fee and commission income, other operating income contributed a further EUR 369 thousand (2009: EUR 222 thousand) to the total income of EUR 66,477 thousand (2009: EUR 37,731 thousand). Operating income thus showed a significant year-on-year rise of EUR 28,745 thousand or approx. 76%.

At the same time, total operating expenses increased by EUR 3,856 thousand or 31% from EUR 12,420 thousand to EUR 16,276 thousand. Personnel expenses rose by EUR 1,791 thousand or 24% – mainly due to a new fund management team as well as variable salaries which were higher than in the previous year due to the positive net income for the year – whereas other administrative expenses and other operating expenses increased by EUR 2,065 thousand or 41%. In the administrative expenses segment, expenses for marketing and sales activities in particular increased and updates and investments were implemented in the area of IT. An impairment loss of EUR 670 thousand was also recognized on a purchase price receivable. The other operating expenses mainly consist of expenses for non-deductible input tax which has risen due to the increased administrative expenses.

The changes described above led to an operating profit before depreciation and amortisation of EUR 9,902 thousand in the 2010 financial year which was significantly higher than in the previous year (2009: EUR 4,202 thousand). Due to the ordinary depreciation of customer bases which was recognized in the previous year on a final occasion and a corresponding impairment, depreciation and impairment declined significantly – by EUR 1,320 thousand or 83% – in the 2010 financial year so that a positive operating profit of EUR 9,623 thousand (2009: EUR 2,602 thousand) was realized.

Due to their significantly improved financial performance and a write-up of EUR 606 thousand, at EUR 6,368 thousand (2009: EUR 2,153 thousand) the associates contributed significantly higher earnings to the C-QUADRAT Group's pre-tax profit than in the previous year.

The financial result was once again positive, at EUR 130 thousand (2009: EUR -701 thousand), mainly on account of profits from securities investments.

Recognition of fiscal effects of the impairments of participations in previous years as well as group taxation with C-QUADRAT Kapitalanlage AG led to a tax burden of EUR -831 thousand (2009: tax income of EUR 1,643 thousand) for the C-QUADRAT Group, thus leading to a very encouraging post-tax profit and net income for the year of EUR 15,290 thousand (2009: EUR 5,698 thousand).

Balance sheet

The balance sheet total as of 31 December 2010 amounts to EUR 57,875 and has increased significantly on the balance sheet total as of 31 December 2009 due to an increase in business activities of EUR 21,364 thousand or 59%. Due to the improved results of associates, the investments in associates item increased by EUR 3,317 thousand or 47%. Investments of free liquidity in securities (units in investment funds and bonds) and the purchase price receivable resulting from the sale of C-QUADRAT Private Investments AG have led to an increase of EUR 4,032 thousand for non-current financial assets and of EUR 2,759 thousand for current assets. Nonetheless, the cash and cash equivalents item has increased significantly by EUR 11,600 thousand or 110% to EUR 22,147 thousand. In the 2010 financial year the C-QUADRAT Group has maintained robust liquidity as well as its securities investments since cash and cash equivalents comprise approx. 38% of its balance sheet total (31/12/2009: approx. 29%).

Due to increased business activities and a significant increase on the previous year in the generation of management and performance fees attributable to the “Asset Management” segment, in the 2010 financial year receivables from customers and payables to customers have both increased significantly, by EUR 3,832 thousand or 43% and by EUR 7,503 thousand or 122% respectively.

Due to the negotiations which were underway on the closing date of 31 December 2010 regarding the sale of the investment in an associate (see the “Events after the balance sheet” section below), as of 31 December 2010 the EUR 747 thousand investment in this associate was reported as a non-current asset which is classified as held for sale.

Key performance figures

As a securities company, C-QUADRAT Investment AG is subject to the provisions on shareholders’ equity laid down in the Austrian Securities Supervision Act 2007 (WAG 2007). For example, the company is required to maintain shareholders’ equity at a minimum level of 25% of 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.

This means that the company would currently have to hold at least EUR 3,133 thousand in shareholders’ equity (31/12/2009: EUR 3,014 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 (31/12/2009: EUR 23,135 thousand), so that the company has EUR 20,002 thousand in surplus shareholders' equity (31/12/2009: EUR 20,121 thousand).

At Group level the aim is for the equity ratio not to fall below 20% (in accordance with IFRS, adjusted for the provisions laid down in the Austrian Securities Supervision Act 2007 (WAG)) or 30% (in accordance with IFRS). When calculating the equity ratio in accordance with WAG 2007, only the paid-in capital and the disclosed reserves are taken into account, but not any balance sheet profit. As a consequence, the Group equity ratio in the 2010 financial year fell from 56.6% to 35.7% due to a significantly increased balance sheet total, with unchanged shareholders' equity.

Cash flow from operating activities rose sharply year-on-year from EUR 3,146 thousand to EUR 16,944 thousand due to the increased net profit for the year. Cash flow from investing activities amounts to EUR -4,734 thousand, compared to EUR 432 thousand in the previous year. This is mainly due to the investment of free liquidity in securities. Cash flow from financing activities amounts to EUR -2,622 due to the dividend payment, compared to an amount of EUR -4,549 thousand in the previous year due to the repayment of financial liabilities. The overall cash flow for the Group amounts to EUR 9,588 thousand in the 2010 financial year due to the activities outlined above, while the cash flow in the previous year totalled EUR -971 thousand.

The C-QUADRAT Group had an average of 80 employees on its payroll over the past financial year (2009: 85 employees). The employees of the C-QUADRAT Group received training on compliance and fund taxation in the first half of 2010. In the 2nd half of 2010 training was provided on compliance and the EU's UCITS IV directive and a workshop was held on Section 27 of the Austrian Banking Act (BWG)/major investments.

No disclosures are made regarding non-financial performance indicators, such as environmental performance, because these do not apply to the C-QUADRAT Group. 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 and savings banks. At the same time, C-QUADRAT Investment AG significantly reduced its portfolio of participations and thus sold off all its investments in marketing companies.

At C-QUADRAT Kapitalanlage AG, risks are actively minimised by apportioning the portfolio to a variety of asset classes with little correlation between individual classes (shares, bonds, real estate shares, commodities, etc.) and by means of a variety of management styles (total return approach, benchmark approach, long/neutral strategies and multi-asset approach). On the sales side, risks are spread with a continued focus on sales markets in Germany and eastern Europe (especially the Czech Republic, Slovakia, 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 credit worthiness. This risk was further reduced through intensified controlling of receivables and shorter reminder intervals for outstanding fees and commission.

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

Internal control and risk management system

The basis for the Internal Accounting Control System for the C-QUADRAT Group 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 and C-QUADRAT Kapitalanlage 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 company supports the companies of the C-QUADRAT Group in all reporting, controlling and accounting matters. The management boards of the Group companies are informed daily (in the form of an Excel report) about the level of cash and cash equivalents and about the individual companies' investments. A system of monthly management reporting is also in place throughout the Group and mainly comprises the reported results of all the Group companies (including IFRS management consolidation, budgets, budget comparisons, forecasts and forecast comparison), a report on the revenue-generating volume (above all the assets under management), sales statistics and cash flow management. The controlling and accounting departments work closely together to conduct ongoing comparisons of budgeted and actual figures, as well as analyses of budgets and actual figures; they also perform reciprocal checks and controls. Internal reporting also includes monthly discussions of financial performance and deviance analyses between the controlling department and the respective management boards. In the 2010 financial year, in addition to the existing reporting system a cost accounting/profitability tool was installed with the assistance of an external service provider. This enables a database link for all of the above-mentioned reports.

In addition to the published standalone financial statements of the individual companies of the C-QUADRAT Group, external reporting also includes the preparation of consolidated quarterly financial statements and half-yearly financial statements. The Supervisory Board and the Audit Committee meet at least once each quarter and are informed at these meetings (in the form of 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 means of regular reporting to the Audit Committee and the Supervisory Board and by audits conducted by the internal auditing department, which works closely with the respective Management Board members and reports on a quarterly basis to the Management Board and at least once a year to the Supervisory Board.

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, participations, cash and cash equivalents and finance leases. The main purpose of these financial instruments is to finance the business activities of the C-QUADRAT Group. To minimise the default risk cash and deposits are held by multiple credit institutions, most of which are systemically important.

In the 2010 financial year, as in previous years, the C-QUADRAT Group did not hold any commodities positions or 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 2010 financial year the C-QUADRAT Group purchased open-end certificates on the DAX 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 of 31 December 2010.

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

In view of the continuing uncertainty on the volatile markets and regarding the euro's stability in the context of several EU countries' debt scenarios and the lack of a clear trend, it is difficult to predict the outlook for 2011.

The C-QUADRAT Group has already reacted to the current situation by streamlining its portfolio of participations and expanding its range of products. Once it has largely completed this streamlining of its portfolio of participations in early 2011, the C-QUADRAT Group will concentrate even more strongly on its core competence of asset management. At the same time, the goal is to further develop the company's strengths. In accordance with its slogan "C-QUADRAT – the fund company" the C-QUADRAT Group will continuously develop the quality of its products and services. Sales activities will be further developed in the company's core markets of Germany (now its most important sales market), Austria and in central and eastern Europe and new markets are to be tapped in order to safeguard the company's existing market position and to expand it where possible. The addition of further stockpicking funds to the company's existing product range and the use of innovative management concepts will provide key contributions to this goal. Despite the volatile situation on the financial markets, in 2011 the Management Board expects the company to once again realize a positive performance.

The development of a joint collaboration platform, realization of synergy effects and the development and marketing of joint products together with the new major shareholder AmpegaGerling Asset Management GmbH will be a further area of focus in the 2011 financial year.

Events after the balance sheet date

For the purpose of further streamlining of the Group's structure, under a purchase agreement of 4 February 2011 the C-QUADRAT Group sold its 25.1% interest in ARICONSULT Holding

AG for a selling price of approx. EUR 770 thousand. This sale is subject to the approval of the Austrian Financial Market Authority. In addition, ARICONSULT Holding AG's other shareholders have preemption and acquisition rights which they may exercise for a total period of three months.

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

Vienna, 14 March 2011

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

Roland Starha, m.p.
Member of the Management Board

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

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

AUDITOR'S REPORT (TRANSLATION) *)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **C-QUADRAT Investment AG, Vienna,** for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010, and the notes.

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

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

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

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

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the consolidated Management Report

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

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

March 14, 2011

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto, m.p. Wirtschaftsprüfer	Mag. Ernst Schönhuber, m.p. Wirtschaftsprüfer

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

BALANCE SHEET AS AT 31 DECEMBER 2010

A S S E T S

		As at 31.12.2010 EUR	As at 31.12.2009 EUR '000
1. CASH IN HAND, BALANCES AT CENTRAL BANKS AND POSTAL GIRO OFFICES		2.526,39	3
2. RECEIVABLES FROM BANKS			
a) On demand	3.175.810,29		3.186
b) Other receiables	3.039.315,44		3.002
		6.215.125,73	6.188,00
3. RECEIVABLES FROM CUSTOMERS		3.907.711,24	1.544
thereof associates		53.326,70	
4. SHARES AND OTHER NON-FIXED-YIELD SECURITIES		4.976.557,62	484
5. SUBSIDIARIES		6.070.400,00	6.071
6. SHARES IN ASSOCIATES		4.792.922,07	7.541
7. INTANGIBLE ASSETS		72.802,97	127
8. PROPERTY, PLANT AND EQUIPMENT		274.918,60	321
9. OTHER ASSETS		11.403.807,07	6.588
10. ACCRUED INCOME AND DEFERRED EXPENSE		109.527,68	49
		37.826.299,37	28.916
1. **Foreign assets**		4.389.913,00	2.086

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

	EUR	As at 31.12.2010 EUR	As at 31.12.2009 EUR '000
1. LIABILITIES TO CUSTOMERS			
Other liabilities			
On demand		2.046.767,37	1.697
Thereof associates		1.160,00	
2. OTHER LIABILITIES		336.351,44	267
3. DEFERRED INCOME AND ACCRUED EXPENSE		9.440,00	14
4. PROVISIONS			
a) Provisions for severance payments	30.528,75		21
b) Tax provisions	1.594.910,00		0
b) Other provisions	989.681,79		1.018
		2.615.120,54	1.039
5. SUBSCRIBED CAPITAL		4.363.200,00	4.363
6. CAPITAL RESERVES			
a) Appropriated capital reserves		18.747.171,50	18.747
7. REVENUE RESERVE			
Statutory reserve		24.240,00	24
8. BALANCE SHEET PROFIT		9.684.008,52	2.765
		37.826.299,37	28.916
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		3.132.600,00	3.014
3. Foreign liabilities		40.398,00	112

I N C O M E S T A T E M E N T
FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

	2010		2009	
	EUR	EUR	EUR '000	EUR '000
1. Interest and similar income		210.209,93		123
2. Interest and similar expense		-43,55		-100
I. Net interest income		**210.166,38**		**23**
3. Income from securities and subsidiaries				
a) Income from shares, other participatory rights and variable-yield securities	231,74		14	
b) Income from subsidiaries	2.304.000,00		347	
c) Income from shares in associates	9.098.911,25	11.403.142,99	3.915	4.276
4. Fee and commission income		7.127.250,72		5.907
5. Fee and commission expense		-4.436.525,49		-3.533
6. Other operating income		667.604,44		768
II. Operating income		**14.761.472,66**		**7.418**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-2.392.139,27		-2.044	
bb) Expenses for severance payments and contributions to company pension scheme	-36.112,30		-24	
cc) Expenses for statutory social insurance, charges based on pay, and compulsory contributions	-352.652,96		-357	
dd) Other social insurance expenses	-14.851,34	-2.795.755,87	-15	-2.440
b) Other administrative expenses (non-personnel)		-2.221.332,49		-1.890
8. Impairment losses on assets included in asset items 7 and 8		-146.796,67		-175
9. Other operating expenses		-258.500,42		-313
III. Operating expenses		**-5.422.385,45**		**-4.818**
therof fixed overhead costs		-4.293.466,72		-4.224
IV. Operating profit		**9.549.253,59**		**2.623**
10. Impairment losses on receivables and additions for provisions for contingent liabilities and credit risk		-670.000,00		-496
11. Income from release of reserves of receivables and from provisiones for contingent liabilities and credit risk		41.254,87		0
12. Impairment losses on securities measured as financial assets and on subsidiaries and shares in associates		0,00		-317
13. Income from remeasurement of securities measured as financial assets and on subsidiaries and shares in associates		6.052,08		0
V. Result of ordinary operations		**8.926.560,54**		**1.810**
14. Taxes on income and earnings		613.753,12		956
15. Other taxes, not disclosed in item 13		-3.842,78		-1
VI. Net profit for the year		**9.536.470,88**		**2.765**
16. Profit carried forward		147.537,64		0
VII. Balance sheet profit		**9.684.008,52**		**2.765**

Accounting policies

General principles

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

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

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

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

The precautionary principle was adhered to by reporting only those profits that were actually realised as of 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 individual risks.

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

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

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

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

Acquired intangible assets

Acquired intangible assets were 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 were 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 EUR 400.00 and intended for provision in return for 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 year of purchase.

Liabilities

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

Provisions

Provisions for severance payment entitlements

These provisions were calculated in accordance with the expert opinion KFS/RL 2 issued by the department for commercial law and auditing at the institute for business administration, tax law and organisation incorporated within the Austrian chamber of professional accountants and tax advisers.

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. Experience in recent decades shows that the latter is 3.5 to 4.0% p.a.

The company's provisions for severance payments were recognised in accordance with Section 211 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 provision because the provision relates to two employees who have worked for the company for many years.

Other provisions

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

Reserves

Capital reserves

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

Retained earnings

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

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

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

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

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

Receivables from banks		
BA-CA	USD 46,517.77	EUR 34,738.09
BA-CA	HUF 2,406,389.44	EUR 8,656.08
Receivables from customers		
Fee and commission receivables	USD 38,140.63	EUR 28,544.11
Fee and commission receivables	HUF 5,850,000.00	EUR 20,957.80
Payables to customers		
Fee and commission liabilities	HUF 5,250,000.00	EUR 18,808.30

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 (trail fees, premium):	Austria/EU
Income/expenditure from financial transactions:	Austria
Other operating income:	Austria

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

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

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

Stock marked-listed securities:

Designation	Classification	Carrying amount (EUR thousand)	Cost (EUR thousand)	Market value (EUR thousand)
Securities held as current assets				
Global R.E.I.T. AG ADC	CA	300	300	480

Non-stock market-listed securities:

Designation	Classification		Carrying amount (EUR thousand)
Other securities			
Meinl Investment Funding II	FA		115
Wiener Städtische Vers. AG, Hybridanleihe 2008	FA		2,073
Österreichische Volksbanken AG Step Up-Erg.Anleihe	FA		445
Savings plans			
SGA Socciete Generale Acc. N.V.	CA	6	
C2 Best Fonds Strategy	CA	1	
C2 Arts Best Momentum	CA	7	
C2 Arts TR Special	CA	29	43
Securities held as current assets			
C-Quadrat ARTS Total Ret. Flex. Inhaber- Anteile	CA		1,000
C-Quadrat ARTS Total Ret. Flex. Inhaber- Anteile T	CA		1,000

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

The other operating income in the amount of EUR 668 thousand (previous year: EUR 768 thousand) mainly consists of proceeds from intercompany charges in the amount of EUR 527 thousand (previous year: EUR 678 thousand) and advertising and marketing proceeds in the amount of EUR 125 thousand (previous year: EUR 7 thousand).

The other operating expenses in the amount of EUR 259 thousand (previous year: EUR 313 thousand) include current input tax that cannot be offset in the amount of EUR 259 thousand (previous year: EUR 286 thousand).

No. 14 – the total amount of income from the bank's management and agency services is EUR 7,127 thousand (previous year: 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.

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

The amounts totalling EUR 5,422 thousand (previous year: EUR 4,818 thousand) reported under the item "III. Total operating expenses" included fixed overheads in the amount of EUR 4,293 thousand (previous year: EUR 4,224 thousand).

Notes on the balance sheet

General disclosures

Basis for conversion of foreign exchange items into EUR

The annual financial statements contain foreign-currency items that have been converted into EUR. Currency translation for assets and liabilities denominated in foreign currencies is carried out in accordance with Section 58 BWG at the respective middle rates at the end of the month in which the transaction took place. The middle rate as of 31 December 2010 had to be applied at the balance sheet date. Rate changes as of the balance sheet date led to corresponding appreciation or depreciation.

Development of fixed assets

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

	Cost 1/1/2010 31/12/2010 EUR	Additions Transfers EUR	Disposals Transfers EUR	Cumulative depreciation 1/1/2010 31/12/2010 EUR	Carrying amount 1/1/2010 31/12/2010 EUR	Depreciation Appreciation EUR
I. Intangible assets						
1. Software	385,793.19	28,887.09	0.00	258,279.52	127,513.67	83,597.79
	414,680.28	0.00	0.00	341,877.31	72,802.97	0.00
II. Property, plant and equipment						
1. Operating and office equipment	718,497.07	16,780.74	4,487.65	397,160.33	321,336.74	63,198.88
	730,790.16	0.00	0.00	455,871.56	274,918.60	0.00
III. Financial assets						
1. Shares in related companies	14,620,639.09	0.00	9,827,717.02	7,079,370.36	7,541,268.73	0.00
	4,792,922.07	0.00	0.00	0.00	4,792,922.07	0.00
2. Participations	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*	*6,070,000.00*	*0.00*
	7,550,000.00	*0.00*	*0.00*	*1,480,000.00*	*6,070,000.00*	*0.00*
3. Investments (book-entry securities) held as fixed assets	115,000.00	2,518,200.00	0.00	0.00	115,000.00	0.00
	2,633,200.00	0.00	0.00	0.00	2,633,200.00	0.00
	22,286,039.09	2,518,200.00	9,827,717.02	8,559,370.36	13,726,668.73	0.00
	14,976,522.07	0.00	0.00	1,480,000.00	13,496,522.07	0.00
Total fixed assets	23,390,329.35	2,563,867.83	9,832,204.67	9,214,810.21	14,175,519.14	146,796.67
	16,121,992.51	0.00	0.00	2,277,748.87	13,844,243.64	0.00

Notes on shares in related companies

Within the framework of its streamlining of its portfolio of participations which was already initiated in previous years, in March 2010 C-QUADRAT Investment AG sold all its shares in C-QUADRAT Private Investments AG. In addition, in December 2010 C-QUADRAT Fonds-Analyse AG, Switzerland, was liquidated.

Disclosures concerning financial instruments

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

Receivables and other assets

Receivables from customers in the amount of EUR 3,908 thousand (previous year: EUR 1,544 thousand) include foreign receivables in the amount of EUR 1,411 thousand (previous year: EUR 1,124 thousand).

Receivables from customers include receivables from banks that are not based on bank transactions in the amount of EUR 1,841 thousand (previous year: EUR 1,519 thousand).

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

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

	Total	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
2. Receivables from banks					
Raiffeisenbk Attersee-Süd 110.817	3,039	3,039	0	0	0
Previous year	0	0	0	0	0
3. Receivables from customers					
Trade debtors, Austria	2,013	0	0	761	1,252
Previous year	0	0	0	0	0
9. Other assets					
Clearing account C-QUADRAT KAG	2,216	0	2,216	0	0
Security deposits	52	0	0	0	52
	2,268	0	2,216	0	52
Previous year	61	0	0	0	61

Other assets

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

These mainly relate to EUR 2,216 thousand (previous year: 959 thousand) in receivables from the allocation of taxes to other entities as well as EUR 9,100 thousand (previous year: EUR 3,924 thousand) in dividends from related companies for the same period.

Provisions

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

	As of 1/1/2010 EUR thou.	Used EUR thou.	Reversal EUR thou.	Allocation EUR thou.	As of 31/12/2010 EUR thou.
Provisions for severance payments					
For severance payments - financial value	21	0	0	10	31
Previous year	19	0	0	1	21
Tax provisions					
For corporate income tax	0	0	0	1,595	1,595
Previous year	0	0	0	0	0
Other provisions					
For overtime owed	5	5	0	0	0
Previous year	2	2	0	5	5
For holiday entitlements	54	54	0	53	53
Previous year	80	80	0	54	54
For legal and consulting costs	78	78	0	77	77
Previous year	175	175	0	78	78
For premiums and bonuses	436	436	0	826	826
Previous year	17	6	10	436	436
For leasing expenses	0	0	0	0	0
Previous year	11	0	11	0	0
For other expenses	445	445	0	34	34
Previous year	645	150	50	0	445
	1,018	1,018	0	990	990
Previous year	930	413	72	573	1,018
Total provisions	1,038	1,018	0	2,594	2,615
Previous year	949	413	72	574	1,038

The release of the provisions for other expenses relates to the AMIS damage event. The amounts allocated relate to minor damage events plus Financial Market Authority fees.

Liabilities

Payables to customers in the amount of EUR 2,047 thousand (previous year: EUR 1,696 thousand) include foreign liabilities in the amount of EUR 40 thousand (previous year: EUR 41 thousand).

Payables to customers include liabilities to banks that are not based on bank transactions in the amount of EUR 1,817 thousand (previous year: EUR 1,549 thousand).

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

Other liabilities

The other liabilities in the amount of EUR 336 (previous year: 267 thousand) comprise the following amounts:

	2010 EUR thou.	2009 EUR thou.
For taxes	40	59
Wage tax	31	32
Employer's contribution (DB), addition to employer's contribution (DZ), municipal tax (KommSt), employer's charge (DGA)	9	10
Payment charges	0	17
	40	59
Social security contributions	32	36
Other liabilities remaining	264	173

"Other liabilities" include amounts totalling EUR 305 thousand (previous year: EUR 147 thousand) that are already recognised as expense as of the balance sheet date, in order to calculate profits for the accounting period, but which will not flow until after the balance sheet date.

These mainly relate to EUR 41 thousand (previous year: EUR 46 thousand) in liabilities from current payroll accounting, EUR 141 thousand (previous year: EUR 70 thousand) in Supervisory Board remuneration and liabilities for legal counselling in the amount of EUR 49 thousand (previous year: EUR 15 thousand).

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

In addition to the liabilities reported in the balance sheet, there are also other financial obligations totalling EUR 270 thousand (previous year: EUR 244 thousand).

These obligations relate specifically to the following items:

	Total obligation EUR thou.	Up to 1 year EUR thou.	Up to 5 years EUR thou.
Leasing liabilities	169	53	116
Previous year	146	63	83
Rental liabilities	102	102	0
Previous year	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 in the amount of EUR 2,216 (previous year: EUR 959 thousand) which is payable to the group parent under the group agreement.

Other mandatory disclosures

Business objective:	According to its articles of association last amended 27 May 2010, the company has the following business objectives: 1. investment advice relating to financial instruments pursuant to Section 3 (2) Item 1 of the Austrian Securities Supervision Act 2007 (Austrian Federal Law Gazette I 2007/60) as amended and; 2. acceptance and forwarding of orders pursuant to Section 3 (2) Item 3 of the Austrian Securities Supervision Act 2007 (Austrian Federal Law Gazette I 2007/60) as amended, where such activities relate to one or more financial instruments; 3. purchasing, selling and brokerage of real estate and management of own developed or undeveloped properties; 4. brokerage of capital participations; 5. activities as a business consultancy; 6. acquisition, holding and selling and management of participations in other domestic and foreign companies 7. operation, takeover and brokerage of all businesses and enterprises associated with the objectives of the company and establishment of branch offices and subsidiaries in Austria and foreign countries. The company does not provide any financial instrument-related services which encompass the holding of money, securities or other instruments of customers. Accordingly, the company may not at any time become a debtor of its customers.
Established:	25 November 1991
Financial year:	1 January 2010 to 31 December 2010
Legal form:	Stock corporation
Size of company:	Major corporation within the meaning of Section 221 UGB
Companies register:	Vienna Commercial Court, Companies Register no. 55148a
Share capital:	The share capital of the company comprises 4,363,200 par-value shares each with a value of EUR 1.00. The share capital therefore amounts to EUR 4,363,200.00 and has been paid in full.

Management:	Name	Representation	as of
	Gerd Alexander Schütz	Collective	16/10/1998
	Roland Starha	Collective	1/1/2009
	Markus A. Ullmer	Collective	1/1/2009
	Andreas Wimmer	Collective	17/3/2006

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

Members of the Supervisory Board:

Name	since	to
Hubert Cussigh	27/5/2010	
Franz Fuchs	27/8/2004	
Karl Heinz Grasser (Chairman)	27/4/2007	27/9/2010
Arnulf Komposch	29/5/2008	27/5/2010
Thomas Lachs	29/7/1998	
Marcus Mautner Markhof (Vice-Chairman)	29/7/1998	27/9/2010
Marcus Mautner Markhof (Chairman)	27/9/2010	
Fritz Schweiger	5/9/2001	
Kurt Waniek	28/8/2007	27/5/2010
Hans Zavesky	27/5/2010	

Stock market:

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

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

The shares of C-QUADRAT Investment AG were admitted to official trading on the Vienna Stock Market (Prime Market segment) on 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 reassigned to the Standard Market Auction in early April 2009.

Miscellaneous:

A tax group within the meaning of Section 9 (8) of the Austrian Corporation Tax Act (KStG) has been in existence since the year 2009, pursuant to the group application of 14 December 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) of the Austrian Valued Added Tax Act (UStG), C-QUADRAT Investment AG is a dominant company for VAT purposes. The following companies are subsidiaries for VAT purposes:

- C-QUADRAT Private Investments AG from 1/1/2007 to 31/3/2010
- C-QUADRAT Kapitalanlage AG since 1/1/2007

Corporate relations

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

Disclosures concerning participations

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

Company name	Registered office	Interest	Shareholders' equity EUR thou.	Last net profit/loss for the year EUR thou.	Reporting date
C-QUADRAT Kapitalanlage AG	Vienna	100%	11,785	8,804	31/12/2010
C-QUADRAT Deutschland AG	Frankfurt	100%	387	169	31/12/2010
ARTS Asset Management GmbH	Vienna	45%	13,211	12,554	31/12/2010
Ariconsult Holding AG	Graz	25.1%	221	-617	31/12/2009

All participations in the above companies were recognised as fixed 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):

	2010	2009
Management Board members	4	4
White-collar employees	22	30
Total	26	34

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 1,046 thousand (previous year: EUR 556 thousand).
The total amount of remuneration paid to members of the Supervisory Board in the past financial year was EUR 159 thousand (previous year: EUR 63 thousand).

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

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

Development of loans/advances Management Board	2010 EUR thou.	2009 EUR thou.
Previous amount of loans/advances	6.00	1.00
Interest in the reporting year	0.00	0.00
New loans/advances in the reporting year	32.00	43.00
Repayments in the reporting year	-34.00	-38.00
New status as of 31 December 2010	4.00	6.00

Severance expenses

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

	2010 EUR thou.	2009 EUR thou.
Members of the Management Board	19.00	7.00
Executive employees	3.00	3.00
Other employees	13.00	14.00
	35.00	24.00

The severance expenses include EUR 26 thousand (previous year: EUR 23 thousand) in staff pension fund contributions.

Disclosures concerning the type of shares

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

According to Section 10 (6) of the Austrian 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, particularly those laid down in the Austrian Safe Custody Act (DepotG).

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

The Management Board is authorized with the consent of the Supervisory Board on one or more occasions to increase the company's share capital by up to EUR 1,090,800.00 in total for a period of five years from the date of the entry of the change to the articles of association in the Companies Register by issuing up to 1,090,800 no-par bearer or registered shares, each conferring a voting right, in return for cash contributions or contributions in kind – including by way of an indirect rights issue – and to stipulate the type of shares to be newly issued (bearer or registered), the issue price and the terms of issue terms (approved capital). The Supervisory Board is authorized to resolve changes to the articles of association resulting due to the issuance of shares out of the approved capital. The relevant resolution was passed at the 17th (Extraordinary) General Meeting held on 6 June 2006. The original authorization resolution related to a total of 1,818,000 shares (50% of the then share capital in the amount of 3,636,000). This authorization was partially made use of within the scope of the stock market flotation; accordingly, the authorization stipulated in the articles of association now relates to 1,090,800 shares.

By means of a resolution passed by the General Meeting held on 28 August 2007, a conditional increase of EUR 436,320.00 was made in the share capital of the company pursuant to Section 159 (2) No. 3 AktG, by issuing 436,320 par-value bearer shares, while excluding subscription rights on the part of existing shareholders (conditional capital). This conditional share capital increase is only to be carried out if persons eligible for stock options under the company's Stock Option Programme exercise their option rights. No options had been issued by the balance sheet date.

At the Extraordinary General Meeting held on December 11, 2008 C-QUADRAT Investment AG authorized the Management Board to purchase no-par bearer shares of the company amounting to up to 10% of the share capital of C-QUADRAT Investment AG. This authorization applies for a period of 30 months from the date of the resolution. The minimum price at which shares may be purchased is EUR 1.00, the maximum price is EUR 40.00. The Management Board is also authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the General Meeting has authorized the Management Board to re-sell purchased treasury stock other than through the stock market or a public offering, while excluding the shareholders from subscribing.

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

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

Vienna, 25 February 2011

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

Roland Starha, m.p.
Member of the Management Board

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

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

Management Report
C-QUADRAT Investment AG
on the Financial Statements for the year ending 31 December 2010

Review of the economic situation and the capital markets in 2010

In the aftermath of the international financial crisis, from the 2nd quarter of 2009 a clear price recovery began on the international markets. This trend was encouraged 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. Global growth continued to pick up as far as the early summer of 2010 before world leading indicators once again pointed downward, particularly in the USA. The continuing economic optimism should have a positive impact on the stock markets but the risks should also be borne in mind. The key risks relate to a worsening debt crisis in southern Europe and overheating economies in the emerging markets. Accordingly, the predicted generally positive market trend will not be continuous and linear and will instead be characterized by recurrent strong fluctuations.

Despite generally positive company reports in the USA and Europe, investors continued to focus on the risk of a clear downturn in the global economy on account of the large number of international savings measures and feared a possible slip into recession. In the USA these fears were borne out by economic indicators including the largest trade deficit since 2008, a GDP figure revised downward for 2010, unemployment levels which remain a cause for concern and sceptical consumer confidence and also by the sobering economic outlook presented by the Fed. These concerns over the economy overshadowed developments on the stock markets. In the third quarter of 2010 the Dow Jones and the European stock market indexes remained in sideways corridors, as did the ATX. The economic trend was also very sluggish in Europe but several items of macroeconomic data provided positive signals – such as GDP growth which exceeded expectations, an ifo business climate index at its highest level in 20 years and growth in incoming orders for industry and the retail sector. In addition, listed companies' profit expectations were continuously revised upward and have improved the picture since the start of the fourth quarter of 2010. The DAX has risen around 14% since the middle of the year and the ATX by as much as 19%. But investors have nonetheless sought out lower-risk investments. For large periods of time, as investors' risk propensity declined German and American government securities were seen as safe investments and were in strong demand. However, the debt crisis in Greece in the first half of 2010 accelerated the decline in yields. This trend was only calmed through the establishment of the EUR 750 billion euro bailout mechanism, the EFSF, but the issue of Ireland's excessive indebtedness presented a further test in November 2010. The European stock market EuroStoxx 50 suffered a total loss of 5.80% in the past year. The entirely different economic trend in Germany – which was extremely strong and ultimately saw the DAX achieve a gain of 16.1% – and the prospect of impending large-scale issuance of new bonds caused yields on German Bund bonds to pick up toward the 3.0% mark. US Treasuries also recorded a yield gain to 3.3% in an environment of improved economic data.

Statements from the central banks indicate that the prospect of a turnaround in interest-rate policy – i.e. an end to the low interest-rate policies of the Fed and the ECB – has been further deferred as the economic trend has slowed. The Fed may be expected to move beyond the present interest-rate level in 2012 at the earliest while the ECB may implement a key interest-rate hike as soon as late 2011. This scenario is in turn having a significant impact on the exchange-rate trend. In 2010 the euro was once again caught between tensions triggered by the Fed's additional bond purchasing and the resurgent debt crisis in the Eurozone. In this context the euro lost ground against the US dollar. In the first half of the year in particular it suffered significant losses and temporarily fell below the USD 1.20 mark. The second half of the year then saw a pronounced recovery trend which led to a level of USD 1.40. However, with a year-end closing rate of USD 1.34 per euro the single European currency suffered a fall of 6.50% against the USD in 2010. This volatile trend should continue in 2011. Safe havens such as the Swiss franc reached historical peaks in 2010 and the Swiss franc is unlikely to fall again until investors are once again prepared to take higher risks.

Business development and situation of the company

The company can look back on a positive financial year despite the volatile market conditions. In the 2010 financial year the financial performance of its fund brokerage segment improved on the previous year thanks to increased trade volumes and significantly increased equity product holdings. Some structured products were once again created in the 2010 financial year. The financial performance of the Group's portfolio of participations improved significantly on the previous year due to the significantly improved results of its subsidiaries.

The company continued the adjustment and streamlining of its portfolio of participations which it had begun over the last few financial years and in the 2010 financial year it sold its majority interest in C-QUADRAT Private Investments AG. It also liquidated the Swiss-based C-QUADRAT Fonds-Analyse und Marketing AG, since this company no longer conducted any operating business. After selling another participation in early 2011 (see below), the C-QUADRAT Group will now concentrate even more strongly on its core competence of asset management.

C-QUADRAT shares are currently listed on the Frankfurt Stock Exchange (Prime Standard) and on the Vienna Stock Exchange (Standard Market Auction).

The share capital of the company is unchanged at EUR 4,363,200.00 and is fully paid-up. It is divided into 4,363,200 no-par bearer shares with a nominal value of EUR 1.00. Voting rights for all shares are exercised according to nominal value held. Each EUR 1.00 of nominal value entitles the holder to one vote. There are no shareholder rights or duties beyond those defined in law. The three principal shareholders are AmpegaGerling Asset Management GmbH (25.10%), San Gabriel Privatstiftung (21.92%) and T. R. Privatstiftung (21.54%), 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.

Fund brokerage

The share price increases on the world's stock exchanges and the allocation shifts from money markets to higher-yield asset classes have basically had positive impacts on the total brokerage volume placed with investment fund companies in Austria and other countries. Despite fluctuations, this volume has grown by a total of EUR 352 million to EUR 1,789 million since the start of the year. Trail fees also increased significantly – by EUR 884 thousand or 16% to EUR 6,387 thousand, compared to EUR 5,503 thousand in the previous year – even though the company continues to handle a large volume of ETFs and I-shares. No trail fees are charged for these products, however. The ticket fees which were already introduced three years ago by way of partial compensation contributed income of EUR 308 thousand (2009: EUR 184 thousand) in the reporting year.

Special products

Issuance of special products – which almost came to a standstill in the previous year – picked up again slightly in the 2010 financial year. While in the previous year there were no new issues and activities were limited to increases in the volumes of existing products, in the past financial year some new products were once again issued for institutional clients. Accordingly, in the 2010 financial year a larger volume of upfront fees were generated than in the previous year (EUR 333 thousand, 2009: EUR 80 thousand).

Income statement

In the 2010 financial year, fee and commission income rose by EUR 1,220 thousand or 21% from EUR 5,907 thousand to EUR 7,127 thousand; fee and commission expenses increased by EUR 904 thousand or 26% from EUR 3,533 thousand to EUR 4,437 thousand. This development was mainly due to the increase in trail fees since money market products were once again transferred in higher volumes to equity products. In addition to the net fee and commission income – which amounts to EUR 2,690 thousand (2009: EUR 2,374 thousand) – the other operating income in the amount of EUR 668 thousand (2009: EUR 768 thousand) provided a key contribution to the operating income which totalled EUR 14,761 thousand (2009: EUR 7,418 thousand). However, this was due in particular to the income from securities, participations and shares in related companies in the amount of EUR 11,403 thousand (2009: EUR 4,276 thousand). Operating income thus showed a significant year-on-year rise of EUR 7,343 thousand or approx. 99%.

At the same time, total operating expenses increased by just EUR 604 thousand or 13% from EUR 4,818 thousand to EUR 5,422 thousand. Personnel expenses rose by EUR 356 thousand, mainly due to an increase in variable salaries for 2010, and operating expenses increased by EUR 331 thousand. Of the operating expenses, the fees for the Austrian Financial Market Authority, legal counselling and business insurance plus renewals to the company's IT infrastructure were the main items that increased.

In the 2010 financial year these trends gave rise to a highly favourable operating profit in the amount of EUR 9,549 thousand (2009: EUR 2,623 thousand) and, after measurements of securities and participations, a profit on ordinary activities of EUR 8,927 thousand (2009: EUR 1,810 thousand). A group taxation arrangement with C-QUADRAT Kapitalanlage AG and the use of partial depreciation of participations in previous years which this arrangement enables for tax purposes has resulted in a tax credit for the company in the amount of EUR 614 thousand (2009: EUR 956 thousand), leading overall to a net income for the year of EUR 9,536 thousand (2009: EUR 2,765 thousand). The annual profit corresponds to the net income for the year since in the 2010 financial year (as in 2009) there was no movement of reserves. Following a profit carryforward in the amount of EUR 148 thousand, the distributable balance sheet profit amounts to EUR 9,684 thousand (2009: EUR 2,765 thousand).

Balance sheet

The balance sheet total as of 31 December 2010 amounts to EUR 37,826 thousand and has increased significantly in relation to the balance sheet total as of 31 December 2009, by EUR 8,910 thousand or 31%. This is mainly due to investments in securities and receivables from the subsidiaries' dividends for the same period. As well as securities which may be liquidated at any time in the amount of EUR 4,977 thousand (31/12/2009: EUR 485 thousand), the company has robust liquidity since cash and cash equivalents in the amount of EUR 6,215 thousand (31/12/2009: EUR 6,188 thousand) comprise approx. 16% (31/12/2009: 21%) of its balance sheet total. Receivables from customers have increased due to the purchase price receivable resulting from the sale of the majority interest in C-QUADRAT Private Investments AG while the shares in related companies item has decreased accordingly. The other assets mainly consist of a receivable from C-QUADRAT Kapitalanlage AG due to a group taxation arrangement in the amount of EUR 2,216 thousand (31/12/2009: EUR 959 thousand) and receivables from subsidiaries due to dividends for the same period in the amount of EUR 9,100 thousand (31/12/2009: EUR 3,928 thousand).

Key performance figures

As a securities company, C-QUADRAT Investment AG is subject to the provisions on shareholders' equity laid down in the Austrian Securities Supervision Act 2007 (WAG 2007). For example, the company is required to maintain shareholders' equity at a minimum level of 25% of 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.

This means that the company would currently have to hold at least EUR 3,133 thousand in shareholders' equity (31/12/2009: EUR 3,014 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 (31/12/2009: EUR 23,135 thousand), so that the company has EUR 20,002 thousand in surplus shareholders' equity (31/12/2009: EUR 20,121 thousand).

In the 2010 financial year the equity ratio (calculated according to WAG 2007, i.e. excluding a balance sheet profit) decreased from 80% to 61% while equity remained unchanged and the balance-sheet total increased. Cash flow from operating activities rose year-on-year from EUR 2,246 thousand to EUR 4,210 thousand. The cash flow yield in terms of the net fee and commission income (gross yield from fee and commission income and fee and commission expenses) also increased significantly on the figure for the previous year, from 94.6% to 156.5%.

The company had an average of 26 employees on its payroll over the past financial year (2009: 34 employees). The employees of C-QUADRAT Investment AG received training on compliance and fund taxation in the first half of 2010. In the 2nd half of 2010 training was provided on compliance and the EU's UCITS IV directive.

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. The company actively offsets this risk by diversifying operations through the development of new products and by expanding sales to institutional customers and savings banks.

The default risk in respect of fee and commission receivables from business partners – principally investment companies and banks – is almost negligible due to their diversification and credit worthiness, even in times of financial crisis. This risk was further reduced through intensified controlling of receivables and shorter reminder intervals for outstanding fees and commission.

Internal control and risk management system

The basis for the Internal Accounting Control System for 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 and C-QUADRAT Kapitalanlage 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 company supports the companies of the C-QUADRAT Group in all reporting, controlling and accounting matters. The management boards of the Group companies are informed daily (in the form of an Excel report) about the level of cash and cash equivalents and about the individual companies' investments. A system of monthly management reporting is also in place throughout the Group and mainly comprises the reported results of all the Group companies (including IFRS management consolidation, budgets, budget comparisons, forecasts and forecast comparison), a report on the revenue-generating volume (above all the assets under management), sales statistics and cash flow management. The controlling and accounting departments work closely together to conduct ongoing comparisons of budgeted and actual figures, as well as analyses of budgets and actual figures; they also perform reciprocal checks and controls. Internal reporting also includes monthly discussions of financial performance and deviance analyses between the controlling department and the respective management boards. In the 2010 financial year, in addition to the existing reporting system a cost accounting/profitability tool was installed with the assistance of an external service provider. This enables a database link for all of the above-mentioned reports.

In addition to the published standalone financial statements of the individual companies of the C-QUADRAT Group, external reporting also includes the preparation of consolidated quarterly financial statements and half-yearly financial statements. The Supervisory Board and the Audit Committee meet at least once each quarter and are informed at these meetings (in the form of 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 means of regular reporting to the Audit Committee and the Supervisory Board and by audits conducted by the internal auditing department, which works closely with the respective Management Board members and reports on a quarterly basis to the Management Board and at least once a year to the Supervisory Board.

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, participations, cash and cash equivalents and finance leases. The main purpose of these financial instruments is to finance the business activities of the company. In the 2010 financial year, as in previous years, the company did not hold any derivative financial instruments such as options, interest rate swaps or forward exchange transactions, either to hedge interest and foreign exchange risks, or for trading purposes.

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

Cash flow risks related to interest rates
Since the company does not have any liabilities to banks – as in the previous year – it is not exposed to any risk of fluctuating market interest rates. Accordingly, no hedges were used to eliminate interest rate risk.

Foreign exchange risk
Most of the company's business operations are carried out within the Eurozone. This also applies for the subsidiaries C-QUADRAT Kapitalanlage AG and C-QUADRAT Deutschland AG. As a sole exception the Swiss subsidiary C-QUADRAT Fonds-Analyse und Marketing AG – which was liquidated in the 2010 financial year – prepared its financial statements in Swiss francs. A small volume of foreign-currency transactions were executed, exclusively in USD and HUF. In the 2010 financial year the company did not suffer any foreign-currency exchange losses (2009: EUR 7 thousand). Accordingly, the foreign-exchange risk should be classified as marginal and no hedges are 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. In the event of counterparty default, the maximum default risk for the company's other financial assets – such as cash and cash equivalents – amounts to the corresponding instruments' carrying amount. Since the company concludes transactions only with third parties who are 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 of the balance sheet date, as well as securities which may be liquidated at any time the company has cash and cash equivalents amounting to EUR 6,215 thousand (31/12/2009: 6,188), which is equivalent to around 16% of the balance sheet total. The company therefore has robust liquidity at its disposal.

Outlook for the company

In view of the continuing uncertainty on the volatile markets and regarding the euro’s stability in the context of several EU countries’ debt scenarios and the lack of a clear trend, it is difficult to predict the outlook for 2011.

C-QUADRAT Investment AG has already reacted to the current situation by streamlining its portfolio of participations. Once it has largely completed this streamlining of its portfolio of participations in early 2011, the C-QUADRAT Group will concentrate even more strongly on its core competence of asset management. Following the positive impulses generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2011 financial year will be on further expansion in Germany, in the countries of central and Eastern Europe and in other European countries. Despite the volatile situation on the financial markets, in 2011 the Management Board expects the company to once again realize a positive performance.

The development of a joint collaboration platform, realization of synergy effects and the development and marketing of joint products together with the new major shareholder AmpegaGerling Asset Management GmbH will be a further area of focus in the 2011 financial year.

Events after the balance sheet date

For the purpose of further streamlining of the Group’s structure, under a purchase agreement of 4 February 2011 the company sold its 25.1% interest in ARICONSULT Holding AG for a selling price of approx. EUR 770 thousand. This sale is subject to the approval of the Austrian Financial Market Authority. In addition, ARICONSULT Holding AG’s other shareholders have preemption and acquisition rights which they may exercise for a total period of three months.

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

Vienna, 25 February 2011

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

Roland Starha, m.p.
Member of the Management Board

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

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

AUDITOR'S REPORT *)

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, 2010 to December 31, 2010. These financial statements comprise the balance sheet as of December 31, 2010, the income statement for the fiscal year ended December 31, 2010, and the notes.

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

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

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

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

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2010 and of its financial performance for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

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

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

February 25, 2011

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto, m.p.
Wirtschaftsprüfer

Mag. Ernst Schönhuber, m.p.
Wirtschaftsprüfer

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

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

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as at 31.12.2010 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 31.12.2010 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 2011

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

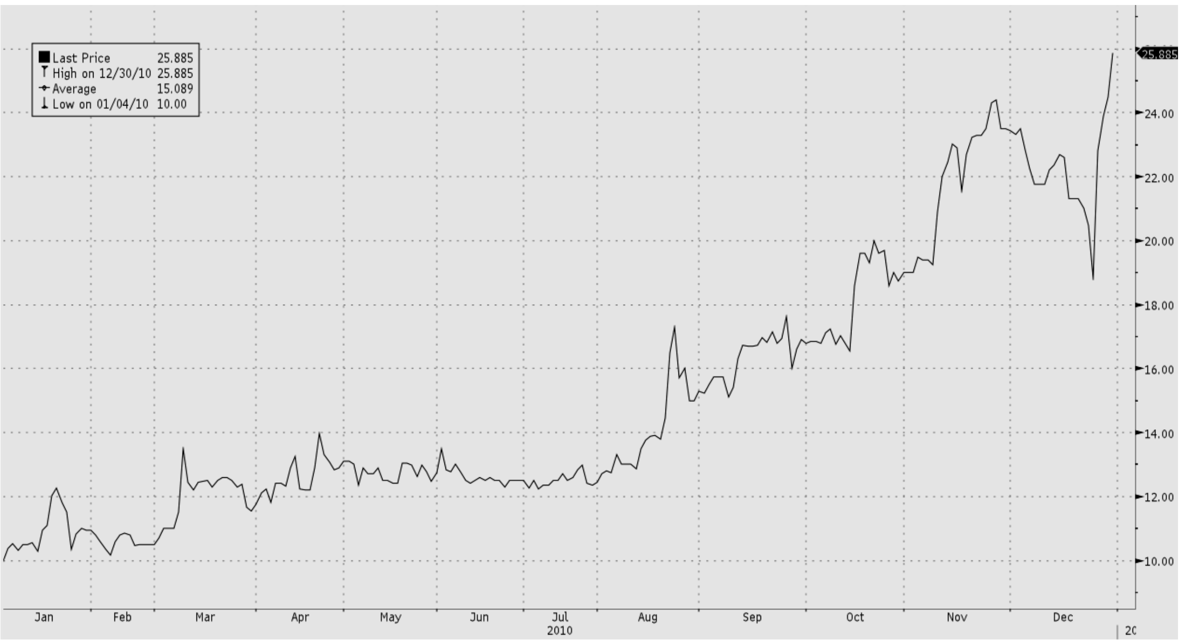
Mag. Andreas Wimmer
Member of the Management Board

FINANCIAL CALENDAR 2011

28 March 2011	Results 2010
09 May 2011	Interim Report as of 31 March 2011
17 May 2011	Record date for participation at the Annual General Meeting
27 May 2011	Annual General Meeting
31 May 2011	Ex-dividend day
06 June 2011	Dividend payment date
16 August 2011	Interim Report as of 30 June 2011
07 November 2011	Interim Report as of 31 September 2011

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

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



Frankfurt Xetra, 1 January 2010 – 31 Dec. 2010

CONTACT

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PUBLISHER'S NOTES

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

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

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