Annual Financial Statement 2011

C QUADRAT
the fund company

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

C-QUADRAT Investment AG

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C-QUADRAT Investment AG

CONSOLIDATED INCOME STATEMENT

for the period January 1, 2011 to December 31, 2011

	Notes	2011 *TEUR*	2010 *TEUR*
Fee and commission income	1	45.588	59.905
Other operating income	2	383	369
Operating income		**45.971**	**60.274**
Fee and commission expenses		-33.148	-36.209
Personnel expenses	3	-6.555	-8.401
Other administrative expenses	4	-4.503	-4.561
Other operating expenses	5	-883	-1.504
Operating profit before depreciation		**882**	**9.599**
Depreciation	6	-258	-219
Operating profit		**623**	**9.379**
Income from associates	7	2.541	6.368
Finance revenue	8	512	944
Finance expenses	9	-165	-814
Profit before taxes		**3.512**	**15.878**
Taxes	10	-274	-770
Profit after tax of continued operation		**3.238**	**15.107**
Loss/Profit after tax of discontinued operation	20	-262	183
Net Profit		**2.975**	**15.290**

	Notes		
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		0,74	3,46
Earnings per share of the discontinued operation			
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company		-0,06	0,04

C-QUADRAT Investment AG
STATEMENT OF COMPREHENSIVE INCOME
for the period January 1, 2011 to December 31, 2011

	Notes	2011 *TEUR*	2010 *TEUR*
Net Profit		**2.975**	**15.290**
Total income and expenses recognised directy in equity:			
Net-profit from financial assets held for sale		-110	0
Currency-conversion		0	-14
Taxes		28	0
Other comprehensive income		**-82**	**-14**
Total comprehensive income		**2.894**	**15.276**

C-QUADRAT Investment AG
CONSOLIDATED BALANCE SHEET
as of December 31, 2011

ASSETS	Notes	31.12.2011 *TEUR*	31.12.2010 *TEUR*
Non-current assets			
Intangible Assets	13	129	256
Property, plant and equipment	13	826	514
Investments in associates	14	7.378	10.387
Financial investments	15, 28	4.646	4.168
Other assets	17	0	260
Deferred tax asset	26	2.656	2.752
Total non-current asstes		**15.635**	**18.337**
Current assets			
Receivables from customers	16, 28	2.812	12.707
Financial investments	15, 28	635	3.138
Other assets	17	857	799
Cash and cash equivalents	18, 28	18.954	22.147
		23.258	38.791
Non-current assets, held for sale	19	353	747
Total current assets		**23.611**	**39.538**
Total assets		**39.246**	**57.875**
EQUITY and LIABILITIES			
Issued capital	21	4.363	4.363
Treasury shares	21	-2.109	0
Add paid-in capital	21	17.948	17.948
Retained earnings	21	10.082	16.701
Other reserves	21	-81	0
Total equity		**30.204**	**39.013**
Non-current liabilities			
Non-current provisions	23	90	108
Deferred tax liabilities	26	0	215
		90	323
Current liabilities			
Payables to customers	24, 28	6.990	13.663
Other current liabilities	25	1.661	2.881
Other provisions	23	231	325
Income tax payable	26	48	1.670
		8.931	18.539
Non-current liabilities, held for sale	19	22	0
		8.953	18.539
Total liabilities		**9.043**	**18.862**
Total equity and liabilities		**39.246**	**57.875**

C-QUADRAT Investment AG
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as of December 31, 2011

	Equity attributable to equity holder of the parent							
	Issued capital	Treasury shares	Add paid-in capital	Retained earnings	Other reserves	Shareholders' equity	Minority interest	Total equity
	TEUR	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*	*TEUR*
31.12.2009	**4.363**	**0**	**17.948**	**4.039**	**14**	**26.365**	**151**	**26.516**
Change in consolidation circle	0	0	0	0	0	0	-151	-151
Change in retained earnings	0	0	0	-10	0	-10	0	-10
Dividends	0	0	0	-2.618	0	-2.618	0	-2.618
Total comprehensive income	0	0	0	15.290	-14	15.276	0	15.276
31.12.2010	**4.363**	**0**	**17.948**	**16.701**	**0**	**39.013**	**0**	**39.013**
31.12.2010	**4.363**	**0**	**17.948**	**16.701**	**0**	**39.013**	**0**	**39.013**
Treasury shares	0	-2.109	0	0	0	-2.109	0	-2.109
Dividends	0	0	0	-9.595	0	-9.595	0	-9.595
Total comprehensive income	0	0	0	2.975	-81	2.894	0	2.894
31.12.2011	**4.363**	**-2.109**	**17.948**	**10.082**	**-81**	**30.204**	**0**	**30.204**

C-QUADRAT Investment AG
CONSOLIDATED CASH FLOW STATEMENT
for the period January 1, 2011 to December 31, 2011

	Notes	2011 TEUR	2010 TEUR
Profit after tax of continued operation		3.238	15.107
Loss/Profit after tax of discontinued operation		-262	183
Net Profit		2.975	15.290
Taxes		274	770
Financial result		-347	-130
Income from associates		-2.541	-6.368
Depreciation of intangible assets, property, plant and equipment		258	219
Depreciation of receivables		0	670
Increase/decrease in long term provisions		-18	33
Income/loss from the disposal of fixed and financial assets		0	65
Loss/Profit after tax of discontinued operation		-262	183
Increase/decrease in receivables and other assets		10.097	-1.651
Increase/decrease in other provisions		-93	-473
Increase/decrease in trade payables		-7.892	8.561
Income tax paid		-1.514	-226
Cash flow from operating activities	VI	**936**	**16.944**
Purchase of property, plant and equipment and intangible assets		-495	-249
Payments made for purchase of shares from other shareholders		-2.109	0
Payments made for the investments in financial assets		-608	-10.504
Payments cash, operation held for sale		0	-1.531
Proceeds from sale of associated company		300	0
Proceeds from sale of financial assets		2.297	4.943
Interest received		512	303
Dividends received		5.832	2.304
Cash flow from investing activities	VI	**5.729**	**-4.734**
Dividends paid		-9.595	-2.618
Interest paid		-1	-2
Repayments of borrowings		0	-2
Cash flow from financing activities	VI	**-9.596**	**-2.622**
Net increase in cash and cash equivalents	VI	**-2.931**	**9.588**
Cash and cash equivalents at beginning of period		22.147	12.559
Cash and cash equivalents at end of period	VI	**19.216**	**22.147**

C-QUADRAT INVESTMENT AG and subsidiary and associated companies

2011

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
ARTS Asset Management GmbH	Vienna	125.000	EUR	45,00%	EQ
Sharpe Fund Marketing AG	CH-Zug	30.000	CHF	30,00%	EQ

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

FC - fully consolidated
EQ - consolidated at equity

NOTES TO THE 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 license 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 December 31, 2011 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 IFRS Interpretations Committee (IFRIC), as applicable in the European Union (EU).

The present financial statements cover the period from January 1, 2011 to December 31, 2011 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 totaled.

It is expected that the consolidated financial statements of the C-QUADRAT Group for the financial year ending December 31, 2011 will be released for publication on March 9, 2012 (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 recognized to take account of the taxation consequences of consolidation entries recognized in profit or loss.

Profits and losses resulting from intragroup sales of goods and services that are recognized 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 November 4, 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 were 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 also clarified 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 (recognized or unrecognized). The revised standard applies for reporting periods beginning on or after January 1, 2011. The amendments to this standard were adopted by the EU on July 19, 2010. Since the Group is not associated with, does not work together with and is not materially influenced by governments, this revision of the standard will have no effect on the consolidated financial statements.

The amended **IAS 32** (Financial Instruments: Presentation – Classification of Rights Issues) applied for financial years beginning on or after February 1, 2010. The EU adopted the amendments on December 23, 2009. 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. Since the Group does not issue any foreign-currency equity instruments, this revision of the standard will not have any effect on the consolidated financial statements.

On November 26, 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. The "Prepayments of a Minimum Funding Requirement" amendment had an effective date for mandatory adoption of January 1, 2011 and was adopted by the EU on July 19, 2010. Since the Group does not offer any pension plans with minimum provision obligations, this revision of the interpretation will not have any effect on the consolidated financial statements.

On November 26, 2009, the IASB published **IFRIC 19** (Extinguishing Financial Liabilities with Equity Instruments). The interpretation applies to financial years beginning on or after July 1, 2010. The EU adopted this interpretation on July 23, 2010. This interpretation is applicable where a borrower issues equity instruments to lenders for the full or partial redemption of a financial liability. 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 May 6, 2010 the IASB published amendments to 7 IFRSs which resulted from the Board's annual improvement project. The EU adopted these amendments on February 18, 2011. 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	January 1, 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	July 1, 2011
IFRS 7 *Financial Instruments: Disclosures*	Clarification of disclosures	January 1, 2011
IAS 1 *Presentation of Financial Statements*	Clarification of statement of changes in equity	January 1, 2011
IAS 27 Consolidated and Separate Financial Statements	Transition requirements for amendments made as a result of IAS 27	July 1, 2010
IAS 34 *Interim Financial Reporting*	Significant events and transactions	January 1, 2011
IFRIC 13 *Customer Loyalty Programmes*	Fair value of award credit	January 1, 2011

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

Further new and revised 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 October 7, 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 July 1, 2011. The EU adopted the amendments on November 22, 2011. Since the Group has not transferred any financial assets, the amendments to this standard would not currently affect the consolidated financial statements.

On November 12, 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 October 28, 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 January 1, 2015. The possible effects of the new standard on the consolidated financial statements are still being analyzed.

On May 12, 2011 the IASB published the standard **IFRS 10** (Consolidated Financial Statements). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard

- defines the principle of control, and establishes control as the basis for consolidation
- sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee
- sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 is applicable to financial years beginning on or after January 1, 2013. The EU is expected to adopt this standard in the 4th quarter of 2012.

On May 12, 2011 the IASB also published the standard **IFRS 11** (Joint Arrangements). The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 11 is applicable to financial years beginning on or after January 1, 2013. This standard includes special transitional provisions for the transition from proportionate consolidation to the equity method for joint ventures, the transition from the equity method to accounting for assets and liabilities for joint operations and the transition in an entity's separate financial statements for a joint operation previously accounted for as an investment at cost.

The EU is expected to adopt this standard in the 4th quarter of 2012. The possible effects of the new standard on the consolidated financial statements are still being analyzed.

On May 12, 2011 the IASB also published the standard **IFRS 12** (Disclosure of Interests in Other Entities). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities
- the effects of those interests on its financial position, financial performance and cash flows.

Where the disclosures required by IFRS 12, together with the disclosures required by other IFRSs, do not meet the above objective, an entity is required to disclose additional information which is necessary to meet the objective.

IFRS 12 is applicable to financial years beginning on or after January 1, 2013. The EU is expected to adopt this standard in the 4th quarter of 2012. The possible effects of the new standard on the consolidated financial statements are still being analyzed.

On May 12, 2011 the IASB also published the standard **IFRS 13** (Fair Value Measurement). The IASB is seeking to increase consistency and comparability in fair value measurements and related disclosures through a ‘fair value hierarchy’. This standard

- defines fair value
- sets out in a single IFRS a framework for measuring fair value
- requires disclosures about fair value measurements.

IFRS 13 is applicable to financial years beginning on or after January 1, 2013. A company may apply IFRS 13 to an earlier accounting period. Application is required prospectively as of the beginning of the financial year in which the IFRS is initially applied. Comparative information need not be disclosed for periods before initial application. The EU is expected to adopt this standard in the 3rd quarter of 2012. The possible effects of the new standard on the consolidated financial statements are still being analyzed.

The amendment to **IAS 12** (Deferred Tax: Recovery of Underlying Assets) was published on December 20, 2010 and is first applicable for a financial year beginning on or after January 1, 2012. The EU is expected to adopt these amendments in the 3rd quarter of 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 effect on the consolidated financial statements.

The revised standard **IAS 19** was published on June 16, 2011 and is first applicable in a financial year beginning on or after January 1, 2013. The adjustments made include basic changes – e.g. in relation to the calculation of the expected return on the plan assets and the elimination of the corridor method which provided for the deferral or smoothing of volatility resulting from pension commitments over a period of time – as well as mere clarifications and rewordings. Since the Group does not apply the corridor method, these changes have not affected the consolidated financial statements.

On May 12, 2011 the IASB also published **IAS 27 – as amended in 2011** (Separate Financial Statements). IAS 27 (as amended in 2011) has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IAS 27 (as amended in 2011) is applicable to financial years beginning on or after January 1, 2013. An entity may apply IAS 27 (as amended in 2011) to an earlier accounting period. The EU is expected to adopt these amendments in the 4th quarter of 2012. This amendment has not affected the consolidated financial statements.

The IASB also published **IAS 28 – as amended in 2011** on May 12, 2011 (Investments in Associates and Joint Ventures). The objective of IAS 28 (as amended in 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 (as amended in 2011) applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). IAS 28 (as amended in 2011) is applicable to financial years beginning on or after January 1, 2013. An entity may apply IAS 28 (as amended in 2011) to an earlier accounting period. The EU is expected to adopt these amendments in the 4th quarter of 2012. This amendment would not affect the consolidated financial statements.

The amendment to **IAS 32 and IFRS 7** was published in December 2011 and is first applicable in a financial year beginning on or after January 1, 2013. This amendment is intended to eliminate existing inconsistencies and to supplement the application guidance. However, the existing basic requirements for balancing of financial instruments have been maintained. This amendment also defines additional disclosures. The EU is expected to adopt these amendments in the 4th quarter of 2012. With the exception of additional disclosures in the Notes, this amendment would not have any effect on the consolidated financial statements.

In October 2011 the IASB published its interpretation **IFRIC 20**. This interpretation provides for recognition of a non-current asset for costs arising during mining operations for the removal of mine waste materials, where this enables improved access to ore deposits that will be mined in future periods and fulfills further mandatory requirements. This interpretation is applicable to financial years beginning on or after December 31, 2012. This interpretation will not have any effect on the consolidated financial statements.

2.4. Main estimates and assumptions

Discretionary decisions

In applying the Group's accounting policies, management made the following discretionary decisions in the financial year that significantly influenced the amounts reported in the consolidated financial statements.

In an ad hoc notice dated September 23, 2011 the Management Board of C-QUADRAT Investment AG announced the planned closure of its fund brokerage segment by the end of the 2011 financial year, within the scope of the Management Board's ongoing strategy of streamlining the Group's structure with the goal of improved profitability for the company. The changed economic and regulatory outline conditions were a key factor in this decision. The cost reductions/savings which are achievable by winding up this business field should in the medium term already compensate for – or even exceed – the loss of income from the fund brokerage segment, which is in any case declining. In future the C-QUADRAT Group thus intends to exclusively focus on its core competences of asset management and marketing of its own products.

The company thus closed its fund brokerage segment at the end of the 2011 financial year. Management considered that the wound-up fund brokerage division was a separate and significant operation within the "Securities Brokerage" segment, since this component/division was clearly distinct from the rest of the company in operational and accounting terms (incl. related cash flows).

Estimates and assumptions

When preparing the consolidated financial statements, it is necessary to a certain degree to make estimates and assumptions that affect the recognition of assets and liabilities, the disclosure of other liabilities as 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 – in the context of the current situation on the financial markets – to recognize an additional change in value for the Group's investments in associates by calculating the value in use on the basis of the expected future cash flows. To determine this value in use, the estimated future cash flows are discounted to their present value by taking planning risk into account and by applying an 5.6% pre-tax discount rate (2010: 7.9%) that reflects current market expectations regarding the time value of money and the specific risks associated with the asset. The estimated future cash flows were derived for the years 2012 to 2013 from the detailed budget approved by the general meeting, and a simplified forecast was used for the years 2014 to 2016. For all periods thereafter, the forecast figures for the year 2016 were assumed to be constant. However, after measurement of the value in use, there was no need to make any impairments as at the closing date of December 31, 2011.

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

The purchase price receivable resulting from the sale of a fully consolidated subsidiary in the 2009 financial year was reported at its present value, on the basis of the expected future cash flows for the period from 2013 to 2019 – as a result of the purchase price installment agreement which was extended in the 2010 financial year – and assuming a pre-tax discount rate of 3.50% and while recognizing a risk markup. However, after measurement of the present value there was no need to make any further impairment as at the closing date of December 31, 2011 (December 31, 2010: impairment in the amount of EUR 670 thousand).

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 euros, which is the functional and reporting currency of the Group. Each company within the Group specifies its own functional currency. Items included in the financial statements of the respective company are measured using this functional currency. Foreign currency transactions are converted into the functional currency at the spot rate applying on the date of transaction. Monetary assets and liabilities in a foreign currency are converted into the functional currency using the official middle rates applicable at each reporting date. All currency translation differences are recognized in profit or loss. Non-monetary items recognized at cost in a foreign currency are converted using the rate applying on the transaction date. Non-monetary items carried at fair value that are denominated in a foreign currency are reported using the exchange rate 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 recognized 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	**Dec. 31, 2011**	Dec. 31, 2010	**2011**	2010
CHF	**0.822**	0.802	**0.812**	0.737
USD	**0.772**	0.755	**0.763**	0.726
HUF	**0.00321**	0.00358	**0.00339**	0.00363

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

The residual values, useful lives and amortization 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 fulfillment of the agreement is dependent on the use of a particular asset and whether the agreement grants a right to use the asset.

In accordance with IAS 17, the economic ownership of leased assets is assigned to the lessee when the lease transfers to the lessee substantially all the risks and opportunities incidental to ownership of the leased items. To the extent that economic ownership is assigned to the C-QUADRAT Group, the leased property, plant and equipment is capitalized in accordance with IAS 17 at amounts equal to the fair value of the leased item or, if lower, to the present value of the minimum lease payments. Lease payments are apportioned between the finance 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 recognized 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 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.

Intangible assets

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

Systematic straight-line depreciation is based on the estimated useful lives of the respective assets. Intangible assets are amortized over a period of three to eight years.

Intangible assets with a finite useful life are amortized 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 amortization method are reviewed at least at the end of each financial year. Any necessary changes in the amortization method and useful life are treated as changes in estimates. Amortization of intangible assets with finite useful lives is reported in the income statement under the "Depreciation and impairment" item.

Investments in associates

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

According to the equity method, shares in an associate are recognized 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 recognized in the carrying amount of the Group's share and is not subjected to systematic amortization. The income statement includes the Group's interest in the profit or loss of the associate. Changes recognized directly in the other comprehensive income of the associate are recognized 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 amortized 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 recognized 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 recognized 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 recognized. 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 if no impairment losses in respect of the asset had been recognized in previous years. Any such reversals of impairment loss are recognized 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 recognized. An impairment loss recognized for goodwill may not be reversed in subsequent periods. In principle, the Group performs annual impairment testing of goodwill on December 31.

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

recoverable amount of the share in the associate and the carrying amount of the share is recognized as impairment loss through profit or loss.

Financial assets

Initial recognition and measurement

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

Classification of financial assets into the measurement categories is performed 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 recognized 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 recognized. 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 recognized in profit or loss.

Financial assets may be classified on initial recognition as financial assets measured at fair value through profit or loss, provided that the following criteria are met: (i) classification eliminates or significantly reduces incongruities that would otherwise arise from measuring assets or recognizing 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 amortized cost, which is the amount at which the asset was measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization (using the effective interest method) of any differences between the amount initially recognized 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 amortized cost. Gains and losses are recognized in the net profit or loss for the year when the investments are derecognized or impaired, and when amortized.

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 amortized cost using the effective interest method, less any reductions for impairment. Amortized 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 recognized in the net profit or loss for the year if the loans and receivables are derecognized or impaired, and if amortized. 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 unrealized gains or losses being recognized in other income, in the reserve for unrealized gains. Available-for-sale equity instruments for which the fair value cannot be determined reliably are recognized at cost minus any impairment that is necessary. When investments are sold, the accumulated gains or losses previously recognized in equity are removed from equity and recognized 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 amortized 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 recognized 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 recognized, the previously recognized impairment loss is reversed. The reversed amount of impairment loss is limited to the amortized cost at the reversal date. The amount of reversal is recognized 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 recognized. Receivables from customers are derecognized 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 amortization) and the current fair value (minus any previous impairment of the financial asset recognized 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 recognized in the income statement.
Impairment loss reversals for debt instruments classified as available for sale are recognized 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 recognized 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 derecognized 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 recognize 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 categorized 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 recognized 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 recognizing 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 recognized.

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 amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the investments are derecognized and when amortized.

Derecognition of financial liabilities

A financial liability is derecognized 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 recognized in the income statement.

Fair value of financial instruments

The fair value of financial instruments traded on organized 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.

Amortized cost of financial instruments

Amortized 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 recognized through profit or less as received dividends when legal entitlement to payment arises.

Reference is made to note 28 for an analysis of the amortized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 (2010: AVÖ 2008 P tables for salaried employees): Actuarial gains and losses in respect of severance obligations are recognized 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 January 1, 2003. A statutory amount equal to 1.53% (2010: 1.53%) of gross salary must be paid into a company pension fund and is recognized as statutory personnel expenses. As a consequence, no provisions need be formed for these employees.

Pension insurance
Contributions to the statutory pension scheme, which are likewise recognized as statutory personnel expenses, amount for the employer to 12.55% (2010: 12.55%) of gross monthly salary up to a maximum of EUR 4,200.00 (2010: EUR 4,110.00).

Share-based compensation
The Extraordinary General Meeting held on August 28, 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 capitalization 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 (May 1-31, 2010, strike price EUR 65.00) or in exercise period 4 (May 1-31, 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 recognized 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, recognized 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 recognized in the profit or loss for the period corresponds to the change in cumulative expenses recognized at the beginning and at the end of the reporting period. No expenses are recognized 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 recognized at least to the amount that would have been incurred if the contractual conditions had not been amended. The company also recognizes 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 recognized must be recognized 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 the expiry of the final exercise period on May 31, 2011 and thus as at the closing date of December 31, 2011 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 December 31, 2011 (grant day method) and the stock option plan expired. Since the period for delivery of shares under the stock option plan began as early as 2007, it would have been necessary to estimate the personnel expense to be recognized for 2011 on the basis of expectations as of the balance sheet date. Due to the expiry of the stock option plan on May 31, 2011 without any of the beneficiaries participating, no personnel expenses resulted under the stock option plan for the 2011 financial year.

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

Recognition of revenue and expense

Revenue is recognized 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 recognized:

Fee and commission revenue

Fee and commission revenue comprises the revenue received for rendering services in the securities and fund management field. This is recognized 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 recognized when the respective value thresholds are reached. Up-front fees are charged for brokerage services and are recognized 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 recognized in the respective period in which they are incurred.

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

Taxes

Actual taxes
Actual assets and liabilities for taxes 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 recognized carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax liabilities are recognized 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 recognized 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. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent that it has become likely that future taxable income will allow realization 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 realized 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 recognized directly in other comprehensive income are not recognized in the income statement, but in other comprehensive income; tax effects resulting from owner transactions are recognized 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 for the same taxable entity and levied by the same taxation authority.

Value added tax

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

- when the input tax on purchases of assets or services cannot be reclaimed from the tax authority, the input tax is recognized as part of the asset cost or as part of the expenditure.

- Receivables and payables are recognized inclusive of value added tax.

The amount of value added tax refunded by or paid to the tax authority is recognized 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 three fully consolidated subsidiaries (December 31, 2010: 4) and two companies accounted for at equity (December 31, 2010: 2).

C-QUADRAT Investment AG (parent company)	1
Fully consolidated subsidiaries	3
Participations accounted for at equity	2
Total	**6**

The scope of consolidation developed as follows:

As of Dec. 31, 2009	**9**
of which foreign companies	*4*
Deconsolidated in the 2010 financial year	2
As of Dec. 31, 2010	**7**
of which foreign companies	*3*
Accounted for at equity for the first time in the 2011 business year	1
Merged in the 2011 business year	1
Deconsolidated in the 2011 financial year	1
As of Dec. 31, 2011	**6**
of which foreign companies	*3*

1. Changes in the scope of consolidation in 2011

In the 1st half of 2011 C-QUADRAT Portfolio-Fonds Vermittlung GmbH, Frankfurt, was retrospectively merged with C-QUADRAT Portfolio-Fonds GmbH, Frankfurt, as of January 1, 2011.

With the goal of the continuing reorganization of the Group's structure, in a purchase agreement of February 4, 2011 and an addendum to the purchase agreement of December 15, 2011 the company sold its 25.1% interest in ARICONSULT Holding AG for a selling price of EUR 500 thousand and acquired a 30% interest in Sharpe Fund Marketing AG, Switzerland, for CHF 30,000, corresponding to a EUR 297 thousand share in the company.

Through a contract of sale dated September 19, 2011 C-QUADRAT Deutschland AG sold its 100% interest in C-QUADRAT Portfolio-Fonds GmbH for a selling price of EUR 1.00. Due to the conditions precedent agreed in the contract – for the assignment to the purchaser of the shares as well as all rights and obligations – which were only fully realized in January 2012, as of December 31, 2011 C-QUADRAT Portfolio-Fonds GmbH was classified as one of a group of held-for-sale assets.

2. Changes in the scope of consolidation in 2010

In a contract of sale dated January 29, 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 March 31, 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 December 14, 2010.

IV. NOTES TO THE INCOME STATEMENT

1. Fee and commission income

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

	2011 **EUR thou.**	2010 EUR thou.
Management Fees	**44,656**	35,848
Performance fees	**314**	22,928
Trail fees	**423**	448
Upfront fees	**153**	603
Other	**41**	78
Total	**45,588**	59,905

While assets under management declined slightly in the 2011 financial year for market related-reasons, through restructuring of the overall volume away from lower-margin institutional assets to higher-margin retail assets management fees were once again significantly increased, by 25%, from EUR 35,848 thousand to EUR 44,656 thousand. Due to the negative market trend, only EUR 314 thousand (2010: EUR 22,928 thousand due to the positive market trend) in performance fees were generated in the current financial year.

2. Other operating income

	2011 EUR thou.	2010 EUR thou.
Advisory revenue	**63**	40
Passed-on expenses	**16**	59
Client magazine	**110**	61
Marketing contributions	**8**	64
Other	**186**	145
Total	**383**	369

3. Personnel expenses

	2011 EUR thou.	2010 EUR thou.
Wages and salaries	**5,255**	7,198
Statutory social insurance contributions	**1,181**	1,047
Other	**119**	156
Total	**6,555**	8,401

Personnel expenses include approx. EUR 750 thousand (2010: EUR 904 thousand) in employer contributions to statutory pension insurance and EUR 63 thousand (2010: EUR 63 thousand) in contributions to the company pension fund.

4. Other administrative expenses

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

	2011 EUR thou.	2010 EUR thou.
Rental expenses	**364**	357
Promotion expenses	**1,550**	1,277
Legal and consultancy fees	**362**	604
Stock exchange expenses	**53**	82
IT expenses	**583**	586
Other office and premises expenses	**183**	184
Fees and levies	**163**	241
Travel expenses	**228**	278
Vehicle expenses	**420**	428
Passed-on expenses	**13**	54
Business insurance	**134**	133
Claims	**30**	6
Other	**421**	331
Total	**4,503**	4,561

The legal and consultancy fees also include the expenses for the auditor. In the 2011 financial year, these totaled EUR 67 thousand for the C-QUADRAT Group (2010: EUR 102 thousand) and comprised EUR 63 thousand in expenses for auditing of the annual financial statements and the consolidated financial statements, and EUR 4 thousand for auditing of the quality standards for the Austrian investment fund industry.

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

5. Other operating expenses

	2011 EUR thou.	2010 EUR thou.
Non-deductible input tax	**860**	817
Losses on sales of assets	**4**	0
Impairment of financial assets	**0**	670
Other	**19**	17
Total	**883**	1,504

6. Depreciation

In the 2011 financial year, as in the previous year reported depreciation exclusively relates to systematic amortization of intangible assets and depreciation of property, plant and equipment.

7. Income from associates

The income from associates relates to the Group's share in the profits and losses of associates which are accounted for using the equity method and, in the previous year, the increase in the interest held in Ariconsult Holding AG in the amount of EUR 606 thousand. Further details on associates may be found under note 14 below.

8. Finance revenue

	2011 EUR thou.	2010 EUR thou.
Loans and receivables	**512**	303
Financial assets measured at fair value through profit or loss	**0**	279
Sale of related companies	**0**	362
Total	**512**	944

Finance revenue from loans and receivables relates solely to interest income from bank balances and to other interest income. The finance revenue from financial assets measured at fair value relates to income from investments in ordinary and preference shares and in investment funds.

9. Finance expenses

	2011 EUR thou.	2010 EUR thou.
Liabilities to banks	**1**	2
Financial assets measured at fair value through profit or loss	**164**	812
Total	**165**	814

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

10. Taxes

	2011 EUR thou.	2010 EUR thou.
Actual expense for taxes	**393**	1,678
Deferred taxes from temporary differences	**-120**	935
Deferred taxes from differences not recognized to date	**0**	-1,843
Tax expenditure	**274**	770

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

	2011 EUR thou.	2010 EUR thou.
Net profit or loss before taxes for the continued operation	**3,512**	15,878
Expense for taxes at a tax rate of 25%	**-878**	-3,969
Deviating foreign tax rates	**-64**	-53
Non-temporary differences	**668**	1,407
Use of temporary differences not recognized to date	**0**	1,843
Other	**0**	3
Effective tax burden	**-274**	-770
Effective tax rate in %	**7.8%**	4.9%

The effective tax rate in the reporting year was 7.8% (2010: 4.9% due to the increase in deferred tax assets). Further remarks on deferred taxes can be found under note 26 below.

11. Earnings per share

At the 19th Extraordinary General Meeting held on August 28, 2007, resolutions were adopted to implement a stock option plan and a concomitant contingent share capital increase of EUR 436,320.00, to be raised by issuing 436,320 no-par bearer shares, with existing shareholders excluded from subscribing (see the relevant disclosures under "Employee Benefits"). Since none of the potential beneficiaries had concluded an agreement to participate in the stock option plan, as at December 31, 2011, 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:

	2011	2010
Weighted average number of ordinary shares	**4,363,200**	4,363,200

Reference is made to note 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

At the end of the 2011 financial year the fund brokerage operation was closed. Management considered that the wound-up fund brokerage division was a separate and significant operation within the “Securities Brokerage” segment, since this component/division was clearly distinct from the rest of the company in operational and accounting terms (incl. related cash flows). Due to the closure of the fund brokerage division, this segment was renamed “Participations” instead of “Securities Brokerage”. At the same time, the companies C-QUADRAT Deutschland AG and C-QUADRAT Portfolio Fonds GmbH which had previously been included in the “Securities Brokerage” segment were also incorporated in the “Asset Management” segment since these companies handle marketing of their own investment funds and products, as does C-QUADRAT Kapitalanlage AG in addition to asset management. The existing “Asset Management” segment was thus renamed “Asset Management and Sales”. The segment information for the previous year was revised accordingly.

The Participations segment comprises the company:

C-QUADRAT Investment AG

Following the winding-up of its key segment “Fund Brokerage” and the transfer of the sales companies to the segment “Asset Management and Sales”, this division now primarily handles management of participations and the development and marketing of structured products and alternative investments.

The following companies are included in the Asset Management segment:

C-QUADRAT Kapitalanlage AG
C-QUADRAT Deutschland AG
C-QUADRAT Portfolio Fonds GmbH (held for sale)

This division mainly handles the management of external assets within the scope of publicly launched investment funds as well as the marketing of its own investment funds and products.
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 profit for the year after deduction of non-controlling interests. Segment assets and segment liabilities include any assets or liabilities for taxes.

The “Consolidation” column in the table below shows the effects of intercompany elimination, as well as income and expenses relating to Group level only.

Year ended 2011	Participations	Asset Management and Sales	Consolidation	Continuing operation	Discontinued operation	C-QUADRAT Group
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Fee and commission income	775	46,844	-2,031	45,588	4,821	50,409
From external customers	*775*	*45,344*	*0*	*46,120*	*4,290*	*50,409*
Intersegment income	*0*	*1,500*	*-2,031*	*-531*	*531*	*0*
Profit/loss from segment	1,411	1,827	0	3,238	-262	2,975
Income from associates	2,541	0	0	2,541	0	2,541
Depreciation, systematic	-89	-169	0	-258	-16	-275
Segment assets	29,793	7,697	596	38,086	1,161	39,246
Investments in associates	7,378	0	0	7,378	0	7,378
Segment liabilities	939	7,510	-508	7,941	1,102	9,043
Investments	121	374	0	495	0	495
Employees	22	39		61	12	73

Year ended 2010	Participations	Asset Management and Sales	Consolidation	Continuing operation	Discontinued operation	C-QUADRAT Group
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Fee and commission income	1,091	61,056	-2,243	59,905	6,203	66,107
From external customers	*958*	*59,444*	*0*	*60,402*	*5,705*	*66,107*
Intersegment income	*133*	*1,612*	*-2,243*	*-498*	*498*	*0*
Profit/loss from segment	1,975	9,365	3,767	15,107	183	15,290
Income from associates	6,368	0	0	6,368	0	6,368
Depreciation, systematic	-87	-132	0	-219	-60	-279
Impairment of receivables	-670	0	0	-670	0	-670
Appreciation in value	606	0	0	606	0	606
Segment assets	30,557	23,962	1,514	56,033	1,841	57,875
Investments in associates	10,387	0	0	10,387	0	10,387
Segment liabilities	3,210	16,502	-2,896	16,816	2,046	18,862
Investments	48	201	0	249	0	249
Employees	23	45		68	12	80

Of the fee and commission income from external customers, 37% (2010: 42%) came from third countries. Approx. 29% (2010: 34%) came from Germany, approx. 3% (2010: 3%) from the CEE countries, approx. 2% (2010: 2%) from the United Kingdom and approx. 3% (2010: 3%) from other countries. The subdivision by country is taken from the statistical report on cross-border services (ZABIL) to be submitted each month by the C-QUADRAT Group to the Austrian National Bank (OeNB). No additional information on geographical regions is available.

V. NOTES ON THE BALANCE SHEET

13. Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment in 2010 and 2011 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 licenses. 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 at the balance sheet date, future minimum lease payments due to operating leases not subject to termination were as follows:

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Up to one year	**255**	106
Longer than one year and up to five years	**116**	177
Total	**371**	283

Statement of changes in non-current assets, 2011

	Cost				Depreciation						
	As of Jan. 1, 2011	Additions	Disposals	As of Dec. 31, 2011	As of Jan. 1, 2011	Depreciation for the year	Discontinued operation	Disposals	As of Dec. 31, 2011	Carrying amount Dec. 31, 2011	Carrying amount Dec. 31, 2010
Software	726	8	161	572	490	91	0	114	467	**105**	**236**
Licenses, rights	24	11	0	35	5	7	0	0	12	**24**	**20**
Intangible assets	**750**	**19**	**161**	**608**	**495**	**97**	**0**	**114**	**479**	**129**	**256**
Operating and office equipment	1,508	523	172	1,859	994	161	16	137	1,034	**826**	**514**
Property, plant and equipment	**1,508**	**523**	**172**	**1,859**	**994**	**161**	**16**	**137**	**1,034**	**826**	**514**

A carrying amount for operating and office equipment, at EUR 1 thousand, was classified as of December 31, 2011 as a held-for-sale non-current asset (see also note 19).

Statement of changes in non-current assets, 2010

	Cost					Depreciation							
	As of Jan. 1, 2010	Changes in scope of consolidation	Additions	Disposals	As of Dec. 31, 2010	As of Jan. 1, 2010	Changes in scope of consolidation	Depreciation for the year	Discontinued operation	Disposals	As of Dec. 31, 2010	Carrying amount Dec. 31, 2010	Carrying amount Dec. 31, 2009
Software	528	0	198	0	726	347	0	144	0	1	490	**236**	**181**
Licenses, rights	0	0	24	0	24	0	0	5	0	0	5	**20**	**0**
Intangible assets	**528**	**0**	**222**	**0**	**750**	**347**	**0**	**149**	**0**	**1**	**495**	**256**	**181**
Operating and office equipment	1,508	-20	27	7	1,508	890	-19	71	60	8	994	**514**	**618**
Property, plant and equipment	**1,508**	**-20**	**27**	**7**	**1,508**	**890**	**-19**	**71**	**60**	**8**	**994**	**514**	**618**

14. Investments in associates

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Ariconsult Holding AG (25.1%)	**0**	747
ARTS Asset Management GmbH (45%)	**7,082**	10,387
Sharpe Fund Marketing AG (30%)	**297**	0
	7,378	11,134
Reclassification of non-current assets classified as held for sale	**0**	-747
Total	**7,378**	10,387

With the goal of the continuing reorganization of the Group's structure, in a purchase agreement of February 4, 2011 and an addendum to the purchase agreement of December 15, 2011 the company sold its 25.1% interest in ARICONSULT Holding AG for a selling price of EUR 500 thousand and acquired a 30% interest in Sharpe Fund Marketing AG, Switzerland, for CHF 30,000, corresponding to a EUR 297 thousand share in the company. Since the sales negotiations were already underway on the closing date of December 31, 2010, investments in associates of Ariconsult Holding AG were classified as an asset held for sale as of the closing date of December 31, 2010.

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

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Group interest in the assets and liabilities of associates		
Assets	**7,620**	13,726
Liabilities	**-241**	-2,591
Pro-rata net assets	**7,378**	11,134
of which associates classified as held for sale	**0**	747
Group interest in the revenue and earnings of associates		
Revenue	**3,897**	9,654
Net profit for the year incl. valuation result	**2,541**	6,368
of which associates classified as held for sale	**0**	**606**

15. Financial investments

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Non-current assets:		
Available-for-sale financial investments measured at fair value	**2,943**	2,655
Receivables	**1,703**	1,513
	4,646	4,168
Current assets:		
Financial investments measured at fair value through profit or loss	**135**	2,638
Receivables	**500**	500
	635	3,138
Total	**5,281**	7,305

On the one hand, the available-for-sale financial investments 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 (now Perseus Investment AG) and Ariconsult Holding AG. A receivable in the amount of EUR 2,013 thousand resulting from the sale of shares is partly overdue. For this reason, an impairment of this receivable has already been recognized in line with the current carrying amount. The company has a share pledge as collateral for this receivable. As of the preparation of the balance sheet, C-QUADRAT is involved in negotiations with a potential investor for the acquisition of these shares. The investor has already prepared a letter of intent (LOI). Accordingly, the Management Board of C-QUADRAT Investment AG deems that the existing receivable is recoverable so a positive outcome to the takeover negotiations will be realized, in line with the terms indicated in the LOI.

The financial investments measured at fair value in the income statement relate to investments in ordinary and preference shares and in investment funds and are entirely (December 31, 2010: entirely) traded on the stock market or at calculated values that are published daily.

16. Receivables from customers

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Invoiced claims for the provision of services	**653**	574
Deferred fee and commission income	**2,159**	12,133
Total	**2,812**	12,707

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 December 31, 2011:

	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.
2011	**2,812**	**2,471**	**209**	**132**	**0**	**0**	**0**	**0**
2010	12,707	9,085	2,361	1,246	0	0	15	0

17. Other assets

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Receivables from intercompany charges	**4**	44
Capitalized prepayments	**723**	786
Security deposits	**114**	112
Other	**17**	117
Other non-financial investments	**857**	1,059

Other assets are recognized at fair value and are all (December 31, 2010: EUR 799 thousand) current.

18. Cash and cash equivalents

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Bank balances and cash in hand	**10,459**	14,392
Current deposits	**8,494**	7,755
Total	**18,954**	22,147

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 18,954 thousand (December 31, 2010: EUR 22,147 thousand).

For the purposes of the consolidated statement of cash flows, cash and cash equivalents as at December 31, 2011 were comprised as follows:

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Bank balances and cash in hand	**10,459**	14,392
Current deposits	**8,494**	7,755
Bank balances, cash and cash equivalents classified as held for sale	**262**	0
Total	**19,216**	22,147

19. Non-current assets classified as held for sale

Associates

With the goal of the continuing reorganization of the Group's structure, in a purchase agreement of February 4, 2011 and an addendum to the purchase agreement of December 15, 2011 the company sold its 25.1% interest in ARICONSULT Holding AG for a selling price of EUR 500 thousand and acquired a 30% interest in Sharpe Fund Marketing AG, Switzerland, for CHF 30,000, corresponding to a EUR 297 thousand share in the company. 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 December 31, 2010, final negotiations on the sale of the company were still in progress. Accordingly, the interest held in Ariconsult Holding AG as of December 31, 2010 was classified as an asset held for sale.

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

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Group interest in the assets and liabilities of the associate		
Non-current assets	**0**	1,126
Current assets	**0**	91
Non-current liabilities	**0**	-33
Current liabilities	**0**	-437
Pro-rata net assets	**0**	747

The interest in the 2010 net income for the year of Ariconsult Holding AG which is classified as held for sale amounted to EUR 606 thousand including the impairment loss reversal which was recognized in 2010.

Related companies

Through a contract of sale dated September 19, 2011 C-QUADRAT Deutschland AG sold its 100% interest in C-QUADRAT Portfolio-Fonds GmbH. As an equity investment company, this investment company invested in participations in closed fund products. Due to the conditions precedent agreed in the contract – for the assignment to the purchaser of the shares as well as all rights and obligations – which were only fully realized in January 2012, as of December 31, 2011 C-QUADRAT Portfolio-Fonds GmbH was classified as one of a group of held-for-sale assets.

The following table shows the composition, at the balance sheet date of December 31, 2011, of the held-for-sale assets and liabilities of C-QUADRAT Portfolio-Fonds GmbH:

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Group interest in the assets and liabilities of the related company		
Non-current assets	**1**	0
Current assets	**351**	0
Non-current liabilities	**0**	0
Current liabilities	**-22**	0
Pro-rata net assets	**331**	0

Cash and cash equivalents held by C-QUADRAT Portfolio-Fonds GmbH amounted to EUR 262 thousand as of the date of sale January 1, 2011.

The Group's interest in the net profit for the year of C-QUADRAT Portfolio-Fonds GmbH, which was classified as held for sale, amounts to EUR 281 thousand for the financial year 2011.

20. Discontinued operation

The Management Board of C-QUADRAT Investment AG announced on September 23, 2011 the planned closure of its fund brokerage segment by the end of the 2011 financial year, within the scope of the Management Board's ongoing strategy of streamlining the Group's structure with the goal of improved profitability for the company. The changed economic and regulatory outline conditions were a key factor in this decision. The cost reductions/savings which are achievable by winding up this business field should in the medium term already compensate for – or even exceed – the loss of income from the fund brokerage segment, which is in any case declining. In future the C-QUADRAT Group thus intends to exclusively focus on its core competences of asset management and marketing of its own products.

The company thus closed its fund brokerage segment at the end of the 2011 financial year. Management considered that the wound-up fund brokerage division was a separate and significant operation since this component/division was clearly distinct from the rest of the company in operational and accounting terms (incl. related cash flows).

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

	2011 EUR thou.	2010 EUR thou.
Revenue	**4,821**	6,203
Expenses	**-5,171**	-5,959
Pre-tax earnings	**-350**	243
Income tax expense	**87**	-61
Total for discontinued operation	**-262**	183

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

	Dec. 31, 2011 **EUR thou.**	Dec. 31, 2010 EUR thou.
Cash flow from operating activities	**-596**	307
Cash flow from investing activities	**0**	0
Cash flow from financing activities	**0**	0

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 June 6, 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 December 11, 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 and the maximum price is EUR 40.00. The Management Board is also authorized to withdraw repurchased treasury shares without a further resolution passed by the General Meeting. In addition, the General Meeting has authorized the Management Board to re-sell purchased treasury shares other than through the stock market or a public offering, while excluding the shareholders from subscribing.

At the Annual General Meeting held on May 27, 2011 C-QUADRAT Investment AG revoked the Management Board's existing authorization for non-specific repurchasing of the company's shares, pursuant to the resolution passed by the General Meeting on December 11, 2008 and simultaneously newly authorized the Management Board to acquire no-par value bearer shares of the company for a non-specific purpose, up to an amount of 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 and the maximum price is EUR 40.00. The Management Board is also authorized to withdraw repurchased treasury shares without a further resolution passed by the General Meeting. In addition, the General Meeting has authorized the Management Board to re-sell purchased treasury shares other than through the stock market or a public offering, while excluding the shareholders from subscribing. This requires the consent of the Supervisory Board pursuant to § 65 (1b) of the Austrian Stock Corporation Act but does not require any further resolution to be passed at the General Meeting.

In the 2011 financial year the Management Board made use of this authorization and on December 31, 2011 it acquired 81,214 no-par value bearer shares of the company for EUR 2,109 thousand, i.e. 1.86% of the share capital. On December 31, 2011 the market value of treasury shares was EUR 1,949 thousand.

Changes in the number of ordinary shares:

Issued and fully paid	In thousands of shares	EUR thou.
As of Dec. 31, 2010 = as of Dec. 31, 2011	**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 November 23, 2006. The transaction costs of issuing the shares, net of any related benefits for taxes, are accounted for as a deduction from capital reserves.

Other reserves

	Unrealized gains	Currency translation differences	Total
	EUR thou.	EUR thou.	EUR thou.
As of Dec. 31, 2009	**0**	**14**	**14**
Currency translation differences	0	-14	-14
Unrealized gains/losses from available-for-sale investments	0	0	0
As of Dec. 31, 2010	**0**	**0**	**0**
Currency translation differences	0	0	0
Unrealized gains/losses from available-for-sale investments	-81	0	-81
As of Dec. 31, 2011	**-81**	**0**	**-81**

Changes in the fair value of available-for-sale investments are recognized in the reserve for unrealized gains. The related deferred taxes total EUR -20 thousand (2010: EUR 0 thousand) and are included in these amounts.

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

The dividend paid in the 2011 financial year for the 2010 financial year amounted to EUR 2.21 per share. In the 2010 financial year a dividend in the amount of EUR 0.60 per share was distributed for the 2009 financial year.

22. Liabilities to banks

As of the closing date of December 31, 2011 the C-QUADRAT Group does not have any liabilities to banks (December 31, 2010: EUR 0 thousand).

23. Provisions

Statement of provisions, 2011

	Jan. 1, 2011 EUR thou.	Held for sale EUR thou.	Utilization EUR thou.	Reversal EUR thou.	Additions EUR thou.	**Dec. 31, 2011** **EUR thou.**
Provisions for severance payments	108	0	-8	-13	3	**90**
Total non-current provisions	108	0	-8	-13	3	**90**
Other provisions	325	-13	-225	-66	211	**231**
Total current provisions	325	-13	-225	-66	211	**231**
Total provisions	432	-13	-234	-78	214	**321**

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.

	Dec. 31, 2011 **EUR thou.**	**Dec. 31, 2010** **EUR thou.**	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.	Dec. 31, 2007 EUR thou.
Provisions as of January 1 (=DBO)	**108**	75	85	89	107
Past service cost	**3**	5	5	4	9
Interest cost	**4**	5	4	4	4
Actuarial gains/losses	**-25**	23	-19	-12	-38
Change in scope of consolidation	**0**	0	0	0	7
Provisions as of December 31 (=DBO)	**90**	108	75	85	89

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:

	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Interest rate	**4.75%**	4.50%	5.00%	5.75%	5.00%
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	**AVO-P 2008, mixed**	AVO-P 2008, mixed	AVO-P 2008, mixed	AVO-P 2008, mixed	AVO-P 1999, mixed

24. Payables to customers

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Liabilities from services received	**1,001**	445
Deferred fee and commission liabilities	**5,990**	13,217
Total	**6,990**	13,663

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

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Liabilities to tax authorities	**219**	221
Liabilities to social insurance institutions	**78**	93
Liabilities for premiums and bonuses	**808**	1,985
Liabilities for outstanding leave	**142**	196
Other	**415**	387
Other non-financial liabilities	**1,661**	2,881

26. Deferred tax assets and liabilities

Deferred tax assets and liabilities as of December 31, 2011 and December 31, 2010 result from the following temporary difference between the recognized carrying amounts in the IFRS consolidated financial statements and the respective tax assessment bases:

EUR thou.	2011 Assets	2011 Liabilities	2010 Assets	2010 Liabilities
Investments in associates	0	0	0	-152
Financial investments	20	0	0	-64
Other assets	8	0	2	0
Assets classified as held-for-sale	0	0	0	0
	28	**0**	**2**	**-215**
Provisions	10	0	14	0
Liabilities classified as held-for-sale	0	0	0	0
	10	**0**	**14**	**0**
Recognized loss carryforwards	663	0	0	0
Recognized one-seventh depreciation of investments	1,955	0	2,736	0
Deferred expenses and deferred income	2,656	0	2,752	-215
Net deferral of tax assets and liabilities	**2,656**	**0**	**2,752**	**-215**

The deferred tax assets arising from one-seventh depreciation of investments relate to the partial depreciation of investments over a seven-year period as required by Austrian tax law (2011: EUR 1,955 thousand, 2010: EUR 2,736 thousand). The deferred tax on partial depreciation of investments was capitalized 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 December 14, 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 organized 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 December 31, 2011 (December 31, 2010: EUR 0 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 of December 31, 2011 total recognized assets and liabilities denominated in foreign currency (USD and HUF) were EUR 47 thousand (December 31, 2010: EUR 93 thousand) and EUR 17 thousand (December 31, 2010: EUR 19 thousand) respectively.

Within the C-QUADRAT Group, transactions were conducted in foreign currency to an insignificant extent (currently only in USD and HUF). Revenue denominated in USD amounts to 0.0% (2010: 0.1%) of total Group revenue, while expenses denominated in USD amount to 0.1% (2010: 0.1%) of total Group expenses. Revenue denominated in HUF amounts to 0.2% (2010: 0.1%) of total Group revenue, while expenses denominated in HUF amount to 0.2% (2010: 0.1%) 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. Total exchange-rate losses amounted to EUR 2 thousand in the 2011 financial year (2010: EUR 14 thousand exchange-rate gain).

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 10% increase in the 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 USD or HUF increases 10% in relation to the euro. If the respective currency falls by 10% 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.

	USD effects		**HUF effects**	
	2011	2010	**2011**	2010
	EUR thou.	EUR thou.	**EUR thou.**	EUR thou.
Pre-tax earnings	**1.4**	6.3	**1.7**	1.1
Shareholders' equity	**0**	0	**0**	0

Credit risk

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

For the Group's other financial assets, such as cash and cash equivalents, held-for-trading financial assets and available-for-sale financial assets, the maximum default risk In the event of counterparty default is the carrying amount of the respective instruments. Since the Group concludes transactions only with third parties who are recognized 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 18,954 thousand (December 31, 2010: 22,147), which is equivalent to approx. 48% of the balance sheet total (December 31, 2010: 38%). As in the previous year, there are no liabilities to banks. The company therefore has robust liquidity at its disposal.

As of December 31, 2011, the Group's undiscounted cash outflows for financial liabilities had the following maturities:

Maturities, 2011	On demand	< 3 months	3-12 months	1-5 years	> 5 years	**Total**
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	**EUR thou.**
Payables to customers	4,051	2,940	0	0	0	**6,990**
Total	4,051	2,940	0	0	0	**6,990**

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

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 maximize 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):

	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Share capital	**4,363**	4,363
Treasury shares	**-2,109**	0
Reserves	**16,200**	16,281
Shareholders' equity according to WAG	**18,454**	20,644
Group profits	**2,975**	15,290
Profit carryforward less dividend	**8,774**	3,079
Shareholders' equity according to IFRS	**30,204**	39,013
Liabilities	**9,043**	18,862
Total shareholders' equity and liabilities	**39,246**	57,875
Equity ratio according to WAG	**47.0%**	35.7%
Equity ratio according to IFRS	**77.0%**	67.4%

As the parent company of the C-QUADRAT Group and as a securities company, C-QUADRAT Investment AG is subject to the provisions on shareholders' equity in the Austrian Securities Supervision Act 2007 (WAG 2007). For example, the company is required to maintain shareholders' equity at a minimum level of 25% of the fixed overheads according to the most recently approved annual financial statements, and in no case less than the EUR 50 thousand in start-up capital required to obtain a license. 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 3,016 thousand in shareholders' equity (December 31, 2010: EUR 3,133 thousand) in accordance with Section 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 (December 31, 2010: EUR 23,135 thousand), so the company has EUR 20,119 thousand in surplus shareholders' equity (December 31, 2010: EUR 20,002 thousand):

Minimum shareholders' equity (Section 9 (2) WAG)	**Dec. 31, 2011 EUR thou.**	Dec. 31, 2010 EUR thou.
Start-up capital required to obtain a license	**50**	50
Fixed overheads in the most recently approved annual financial statements	**4,293**	4,224
25% thereof	**1,073**	1,056
Minimum shareholders' equity required	**1,073**	1,056

Required amount of shareholders' equity to cover credit risk (section 9 (5) WAG)	Assets unweighted	Dec. 31, 2011 Weighting assets	Assets weighted	Dec. 31, 2010 Assets weighted
Cash in hand	1	0%	0	0
Receivables from banks	10,123	20%	2,025	1,243
Receivables from customers	3,227	100%	3,227	3,908
Shares	5,141	100%	5,141	4,677
Shares	0	150%	0	450
Participations	6,047	100%	6,047	6,070
Investments in associates	4,793	100%	4,793	4,793
Intangible assets	35	100%	35	73
Property, plant and equipment	289	100%	289	275
Other assets	4	0%	0	0
Other assets	1,515	20%	303	2,203
Other assets	534	100%	534	356
Prepaid expenses and accrued income	54	100%	54	110
Total assets:	31,762		22,447	24,157
Required amount of shareholders' equity to cover credit risk		8%	**1,796**	**1,933**

Required amount of shareholders' equity to cover operational risk (section 9 (6) WAG)	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Fixed overheads in the most recently approved annual financial statements	**4,293**	4,224
25% thereof	**1,073**	1,056
12/88 thereof	**146**	144
Required amount of shareholders' equity to cover operational risk	**146**	144

Required amount of shareholders' equity (section 9 WAG)	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 EUR thou.
Total	**3,016**	3,133

Eligible shareholders' equity (section 9 (3) WAG)	Dec. 31, 2011 EUR thou.	Dec. 31, 2010 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 investments and financial liabilities recognized in the consolidated financial statements.

Financial assets	Carrying amount		Fair value	
	Dec. 31, 2011	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
	EUR thou.	EUR thou.	**EUR thou.**	EUR thou.
Cash and cash equivalents	**18,954**	22,147	**18,954**	22,147
Financial investments measured at fair value through profit or loss	**135**	2,638	**135**	2,638
Loans and receivables measured at amortized cost:				
Receivables from customers	**2,812**	12,707	**2,811**	12,691
Purchase price receivables	**2,203**	2,013	**2,203**	2,013
Available-for-sale financial investments measured at fair value	**2,943**	2,655	**2,943**	2,655

Financial liabilities	Carrying amount		Fair value	
	Dec. 31, 2011	Dec. 31, 2010	**Dec. 31, 2011**	Dec. 31, 2010
	EUR thou.	EUR thou.	**EUR thou.**	EUR thou.
Other liabilities:				
Payables to customers	**6,990**	13,663	**6,990**	13,663

The fair value of financial investments 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 amortized 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 December 31, 2010, the Group uses the following hierarchy to determine and recognize 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 recognized fair value are observable either directly or indirectly

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

	Dec. 31, 2011				Dec. 31, 2010			
Financial investments	**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 investments measured at fair value through profit or loss	**135**	**135**	**0**	**0**	2,638	2,638	0	0
Available-for-sale financial investments measured at fair value	**2,943**	**2,943**	**0**	**0**	2,655	2,655	0	0

During the reporting period ending December 31, 2011, there were no transfers between fair value measurements in Level 1, Level 2 and Level 3.

29. Related party disclosures

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

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

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

Management Board

In the 2011 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 (to December 31, 2011)
Andreas Wimmer (to December 31, 2011)

The gross remuneration paid to members of the C-QUADRAT Investment AG Management Board totaled EUR 1,354 thousand in the 2011 financial year, including variable remuneration components for the 2010 financial year in the amount of EUR 678 thousand (2010: EUR 393 thousand in variable components for the 2009 financial year, EUR 1,046 thousand in total). Severance expenses for members of the Management Board of C-QUADRAT Investment AG amounted to EUR 14 thousand (2010: EUR 19 thousand). Contributions to defined contribution pension schemes for the Management Board members of C-QUADRAT Investment AG amounted to EUR 14 thousand in the 2010 financial year (2010: EUR 11 thousand)

As of December 31, 2011, 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 (December 31, 2010: EUR 0 thousand).

Supervisory Board

In the 2011 financial year, the Supervisory Board of C-QUADRAT Investment AG consisted of the following persons:

Chairman:
Marcus Mautner-Markhof

Vice-Chairman:
Franz Fuchs

Members:
Hubert Cussigh
Thomas Lachs
Harry Ploemacher (since May 27, 2011)
Walter Schmidt (since May 27, 2011)
Friedrich Schweiger
Hans Zavesky

At C-QUADRAT Investment AG, the remuneration paid to members of the Supervisory Board for the 2011 financial year amounted to EUR 108 thousand (2010: EUR 159 thousand).

Associates

Revenues amounting to EUR 934 thousand were generated from associates in 2011 (2010: EUR 2,384 thousand). These revenues relate mainly to fee and commission income and passed-on expenses. Expenses in the amount of EUR 9,688 thousand (2010: EUR 9,340 thousand) were charged to the company by associates in 2011. These charges mainly related to fee and commission expenses. As of December 31, 2011, receivables from associates amounted to EUR 369 thousand (December 31, 2010: EUR 514 thousand) and payables to associates to EUR 1,247 thousand (December 31, 2010: EUR 5,288 thousand).

30. Events after the balance sheet date

Due to the current restructuring of the C-QUADRAT Group, the Management Board members Markus A. Ullmer and Andreas Wimmer joined the Management Board of C-QUADRAT Kapitalanlage AG on January 1, 2012.

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

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 note 18 above with regard to the reconciliation of these funds with the cash and cash equivalents reported in the balance sheet.

VII. OTHER DISCLOSURES

Volume of managed funds

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

	Dec. 31, 2011 EUR million	Dec. 31, 2010 EUR million
Total volume managed by Group's own investment company	**1,408**	1,546
Total volume of advisory and third-party mandates	**1,519**	1,785
Total volume	**2,927**	3,331

Average number of employees during the financial year

	2011 Total	2010 Total
Group	**74**	80
of whom full-time employees	***66***	*70*
of whom part-time employees	***8***	*10*
of whom in Austria	***66***	*72*
of whom in other countries	***8***	*8*

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

Vienna, March 9, 2012

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

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

CONSOLIDATED MANAGEMENT REPORT
C-QUADRAT Investment AG
on the Consolidated Financial Statements for the year ending December 31, 2011

Review of the economic situation and the capital markets in 2011

In the period under review the deteriorating outlook for global growth and the European debt crisis were the key factors shaping the performance of the international capital markets. Defensive asset classes such as gold were the winners, while the stock markets suffered high volatility and strong price losses due to the danger of a return to recession in some European countries and in the USA. However, American indexes staged a recovery in the 4th quarter of 2011. Due to the negative outline conditions the Euro Stoxx 50 fell 17.47 % to 2,316.55 points in the 2011 financial year and the DAX ended the year at 5,898.35 points, a fall of 14.69%, while the ATX dropped to 1,891.68 points, a decrease of 34.87%, and thus recorded the largest loss, which was due to this index's strong weighting of Austrian banking stocks. After initial setbacks the US Dow Jones 30 Industrial Index ultimately ended the 2011 financial year up 5.60%, at 12,217.56 points, while the Standard & Poor's 500 Index – which represents the broader market – ended the reporting period at 1,257.60 points, a fall of just 0.02%.

In the Eurozone politicians sought a solution to the sovereign debt problems in Greece, Ireland, Italy, Portugal and Spain. The European Central Bank purchased bonds in an attempt to prevent a further rise in risk premiums for Spanish and Italian government bonds, but the ratings agencies nonetheless further downgraded Italy and Spain. Only German and US government bonds were considered secure and saw continuing price rises.

Despite negotiations over the next tranche to rescue Greece and to extend the EFSF bailout package, the Eurozone's debt crisis remained a key issue in the period. This environment also prompted uncertainty in the banking sector. For instance, it is reflected in the downgrading of Italian, Spanish, French and British banks by the ratings agencies Standard & Poor's and Moody's, leading to huge falls in the prices of bank equities. In addition, several European banks were forced to recognize losses on account of their large-scale investments in Greece. The foreign-currency law passed by Hungary's parliament in September 2011 imposed a further burden on financial services providers operating in the country. Under this act Hungarian citizens may opt to prematurely repay foreign-currency loans at an exchange rate which is significantly lower than the market rate, and credit institutions are required to bear any resulting exchange-rate differences.

Following the ratings agencies' downgrades, the International Monetary Fund (IMF) emphasized its concern regarding the stability of the European financial system. Due to the weak upstream indicators, it clearly revised downward its assessment of Eurozone GDP. The declining economic trend was an additional factor which burdened European stock markets. The ratings agencies also downgraded several European countries, including Austria.

Economic indicators in the USA also indicated a clear slowdown in the economic trend. The US central bank, the Fed, and the International Monetary Fund (IMF) identified significant downward risks for the US economy and for global growth. Given its high level of sovereign debt, Standard & Poor's downgrade of the USA due to its failure to realize a comprehensive solution to its debt problem was an additional factor that hampered the stock markets.

Business development and situation of the C-QUADRAT Group

The C-QUADRAT Group can look back on a positive financial year despite the volatile and uncertain market conditions. In the 2011 financial year its fund brokerage segment once again realized a weaker financial performance than in the previous year due to falling trade volumes and significantly lower equity product holdings. Moreover, only a small number of structured products were created in the 2011 financial year. In contrast, the associates' financial performance was excellent and they continue to provide a strong contribution to net income for the year. Their performance was slightly weaker than in the previous year – where they realized their highest ever income, generated by performance fees – but nonetheless highly satisfactory. Due to clear falls on all international stock market indexes in the 2011 financial year, the C-QUADRAT Group's overall "assets under management" fell slightly. The overall volume shifted away from lower-margin institutional assets to higher-margin retail assets, with a positive impact on income realized from management fees.

With the goal of the continuing reorganization of the Group's structure, in a purchase agreement of February 4, 2011 and a sideletter to the purchase agreement of December 15, 2011 C-QUADRAT Investment AG sold its 25.1% interest in ARICONSULT Holding AG for a selling price of EUR 500 thousand and acquired a 30% interest in Sharpe Fund Marketing AG, Switzerland, for CHF 30,000, corresponding to a EUR 297 thousand share in the company. The C-QUADRAT Group will thus now be able to focus more intensively on its core competences of asset management and marketing of its own products.

Through a contract of sale dated September 19, 2011 C-QUADRAT Deutschland AG sold its 100% interest in C-QUADRAT Portfolio-Fonds GmbH for a selling price of EUR 1.00. Due to the conditions precedent agreed in the contract – for the assignment to the purchaser of the shares as well as all rights and obligations – which were only fully realized in January 2012, as of December 31, 2011 C-QUADRAT Portfolio-Fonds GmbH was classified as one of a group of held-for-sale assets.

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 parent 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 Talanx Asset Management GmbH (25.10%), San Gabriel Privatstiftung (22.49%) and T. R. Privatstiftung (22.16%), 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.

At the Extraordinary General Meeting held on December 11, 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 and 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.

At the Annual General Meeting held on May 27, 2011 C-QUADRAT Investment AG revoked the Management Board's existing authorization for non-specific repurchasing of the company's shares, pursuant to the resolution passed by the General Meeting on December 11, 2008 and simultaneously newly authorized the Management Board to acquire no-par value bearer shares of the company up to an amount of 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 and 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 Annual 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. This requires the consent of the Supervisory Board pursuant to § 65 (1b) of the Austrian Stock Corporation Act but does not require any further resolution to be passed at the General Meeting.

In the 2011 financial year the Management Board of C-QUADRAT Investment AG made use of this authorization and on December 31, 2011 it acquired 81,214 no-par value bearer shares of the company for EUR 2,109 thousand (market value: EUR 1,949 thousand), i.e. 1.86% of the share capital.

Fund brokerage

The continuing uncertainty on international stock exchanges and the associated restructuring away from higher-yield investments to money market products and real assets has generally had a negative impact on the total brokerage volume placed with investment fund companies in Austria and other countries. This has fallen continuously since the start of the year, by EUR 450 million or 25% to EUR 1,339 million. Trail-fee income from fund brokerage also decreased significantly – by EUR 1,363 thousand or 24% to EUR 4,413 thousand, compared to EUR 5,776 thousand in the previous year – since the company is still handling a large volume of ETFs and I-shares despite the lower overall brokerage volume. No trail fees are charged for these products, however. The ticket fees which were introduced a few years ago by way of partial compensation generated income of EUR 335 thousand (2010: EUR 308 thousand) in the reporting year. Both of these income sources were no longer reported in the consolidated income statement as of December 31, 2011 and were classified as a discontinued operation.

Due to the steady decline in trail fees, a steady increase in expenses associated with the orderly execution of fund brokerage transactions and a negative outlook for this operation's further development due to the changed economic and regulatory outline conditions, the company's Management Board resolved to wind up the fund brokerage segment at the end of the 2011 financial year. It announced this in an ad hoc notice dated September 23, 2011. The cost reductions/savings which are achievable by winding up this business field should in the medium term already compensate for – or even exceed – the loss of income from the fund brokerage segment, which is in any case declining. In future the C-QUADRAT Group thus intends to exclusively focus on its core competences of asset management and marketing of its own products.

The company thus closed its fund brokerage segment at the end of the 2011 financial year. Management considered that the wound-up fund brokerage division was a separate and significant operation within the existing "Securities Brokerage" segment, since this component/division was clearly distinct from the rest of the company in operational and accounting terms (incl. related cash flows).

Special products

As in the previous year, only a small number of new products were created or brokered for institutional clients due to current market uncertainty, but issue volumes were lower than in the previous year. Accordingly, a lower volume of commission revenue was generated from upfront fees in the 2011 financial year than in the previous year (EUR 153 thousand, 2010: EUR 603 thousand).

Asset management

The overall volume managed by the C-QUADRAT Group (investment company mandates, external management and advisory mandates) decreased in the reporting period by EUR 400.5 million or 12%, from EUR 3,331.4 million to EUR 2,926.6 million as of the end of the year. The Group's relative market share of investment company mandates nonetheless remained constant at 1.05% of total assets under management by Austrian investment companies. By comparison, the total volume managed by all investment companies in Austria decreased by EUR 10,662.6 million or 7%.

On the balance-sheet date December 31, 2011 the Group had 28 investment company mandates on the basis of fund mergers and new mandates (December 31, 2010: 29), with an overall volume of EUR 1,407.6 million (December 31, 2010: EUR 1,546.1 million). At the same time, the number of external management & advisory mandates fell from 26 to 21, leading to a decrease in the overall volume from EUR 1,785.3 million to EUR 1,519.0 million.

At this year's Fund of Funds Award 2011, with a total of 9 first places, 2 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". The company was this year awarded a special prize as Austria's most successful fund of funds manager over the past three years. Since the first Fund of Funds Award in 2001, funds of C-QUADRAT and ARTS have gained a total of 73 first places, 74 second places and 75 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 C-QUADRAT Group further strengthened its market position outside of Austria by continuing to develop its partnerships with well-known sales partners in Germany and the CEE countries and also with savings banks, particularly in Germany. This has resulted in investment inflows in Germany exceeding those in Austria over the past three years. In the core markets of Austria and Germany, besides marketing firms insurance companies, savings banks and asset managers have also been approached.

Income statement

In the 2011 financial year, total fee and commission income fell substantially by EUR 14,316 thousand or 24% from EUR 59,905 thousand to EUR 45,588 thousand; in contrast, fee and commission expenses only decreased by EUR 3,061 thousand or 8%, from EUR 36,209 thousand to EUR 33,148 thousand. This trend is mainly due to the decrease in performance fees for assets under management from EUR 22,298 thousand to EUR 314 thousand. These fees were provided by the segment “Asset Management and Sales” and had reached their highest ever volume in the previous year. Since the C-QUADRAT Group largely retains these performance fees, the fall in fee and commission expenses was thus less pronounced. Despite a lower volume of assets under management, due to restructuring of the overall volume of assets away from lower-margin institutional assets toward higher-margin retail assets the Group nonetheless realized significant growth (EUR 8,808 thousand or 25%) in the management fees generated by the “Asset Management and Sales” segment, from EUR 35,848 thousand to EUR 44,656 thousand.

In contrast, upfront fees for special products in the “Participations” segment fell significantly – by EUR 450 thousand or 75% from EUR 603 thousand to EUR 153 thousand – since only a few small-volume special products were created or brokered in the 2011 financial year. At EUR 448 thousand, trail fees for special products in the “Participations” segment remained largely unchanged on the previous year (EUR 423 thousand). Besides fee and commission income, other operating income contributed a further EUR 383 thousand (2010: EUR 369 thousand) to the total income of EUR 45,971 thousand (2010: EUR 60,274 thousand). Operating income thus fell by EUR 14,303 thousand or approx. 24% on the previous year, which is due to the strong decrease in income from performance fees as outlined above.

At the same time total operating expenses decreased by EUR 2,525 thousand or 17%, from EUR 14,466 thousand to EUR 11,942 thousand. Personnel expenses were EUR 1,845 thousand or 22% lower – this was mainly due to the shedding of two fund management teams and a clear reduction in variable salaries due to the lower net income for the year – while other administrative expenses and other operating expenses were reduced by a total of EUR 679 thousand or 11%. This is mainly attributable to an impairment loss recognized on a purchase price receivable in the previous year, in the amount of EUR 670 thousand.

In the 2011 financial year the changes outlined above resulted in a significantly lower operating profit before depreciation of EUR 882 thousand (2010: EUR 9,599 thousand). Depreciation remained virtually unchanged on the previous year, at EUR 258 thousand (2010: EUR 219 thousand) and an operating profit of EUR 623 thousand (2010: EUR 9,379 thousand) was realized.

Due to the lower performance fees the Group was unable to match the previous year’s extremely high income from associates of EUR 6,368 thousand – which was mainly due to performance fees – and this amounted to EUR 2,541 in the 2011 financial year. However, the associates nonetheless thus provided a strong contribution to the pre-tax profit for this continuing operation of the C-QUADRAT Group, in the amount of EUR 3,512 thousand (2010: EUR 15,878 thousand).

As in the previous year the financial result was once again positive, at EUR 347 thousand (2010: EUR 130 thousand), chiefly due to profits from securities investments.

Recognition of the fiscal effects of impairments of participations in previous years as well as a group taxation arrangement between C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG led to a tax burden for the C-QUADRAT Group of EUR 274 thousand (2010: EUR 770 thousand). Allowing for the loss of EUR -262 thousand realized by the discontinued operation (2010: EUR 183 thousand), overall this means a net profit for the year of EUR 2,975 thousand (2010: EUR 15,209 thousand). This is encouraging in view of current market conditions.

Balance sheet

The balance-sheet total as of December 31, 2011 is EUR 39,246 thousand, a clear decrease of 32% or EUR 18,629 thousand on the balance-sheet total as of December 31, 2010 (EUR 57,875). This was mainly due to lower receivables from customers and payables to customers than in the previous year, due to a significant reduction in “Asset Management and Sales” performance fees by comparison with the previous year. Receivables from customers decreased by EUR 9,895 thousand or 78%, and payables to customers declined by EUR 6,673 thousand or 49%. Owing to the lower income from associates, the “Investments in associates” item decreased by EUR 3,009 thousand or 29%, from EUR 10,387 thousand to EUR 7,378 thousand. The “Cash and cash equivalents” item fell EUR 3,193 thousand or 14%, from EUR 22,147 thousand to EUR 18,954 thousand. This was mainly due to the high dividend payment as well as incoming dividends for the 2010 financial year. In the 2011 financial year the C-QUADRAT Group has maintained extremely robust liquidity alongside its securities investments, since cash and cash equivalents comprise approx. 48% of the balance sheet total (December 31, 2010: approx. 38%).

Through a contract of sale of September 19, 2011 C-QUADRAT Deutschland AG sold its 100% interest in C-QUADRAT Portfolio-Fonds GmbH (see above “Business development and situation of the C-QUADRAT Group”). Due to the conditions precedent agreed in the contract – for the assignment to the purchaser of the shares in this fully consolidated company as well as all rights and obligations – which were only fully realized in January 2012, the investment in this fully consolidated associate – which amounted to EUR 353 thousand as of December 31, 2011 – was reported as a held-for-sale non-current asset.

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 license. The company is also required to keep equity available for hedging 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 3,016 thousand in shareholders’ equity (December 31, 2010: EUR 3,133 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 comprises paid-in capital and disclosed reserves – is EUR 23,135 thousand (December 31, 2010: EUR 23,135 thousand). The company thus has EUR 20,119 thousand in surplus shareholders’ equity (December 31, 2010: EUR 20,002 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. After deducting treasury stock from the share capital the Group's corresponding equity ratio thus increased from 35.7% to 47.0% in the 2011 financial year, due to the lower balance-sheet total.

Cash flow from operating activities fell sharply year-on-year from EUR 16,944 thousand to EUR 936 thousand due to the decreased net profit for the year. In the previous year the Group realized its highest ever income from performance fees. Cash flow from investing activities amounts to EUR 5,729 thousand – which is mainly due to the high dividends received from associates – compared to EUR -4,734 thousand in the same period in the previous year where free liquidity was invested in securities. Cash flow from financing activities amounts to EUR -9,596 thousand due to the high dividend payment, compared to EUR -2,622 thousand in the previous year on account of a lower dividend payment. The overall cash flow for the Group amounts to EUR -2,931 thousand in the 2011 financial year due to the activities outlined above, while the cash flow in the previous year totaled EUR 9,588 thousand.

On average, the C-QUADRAT Group had 74 employees on its payroll over the financial year (2010: 80 employees). In the 2011 financial year the employees of the C-QUADRAT Group received two compliance training sessions, one training session covering taxation of capital gains NEW, one training session on the new 2011 Austrian Investment Fund Act, one training session on fund sales and a lecture on the new capital gains tax.

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.

On the one hand, 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. On the other, risks are actively minimized 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 and Poland) as well as Austria, 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 organization 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 standardized 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 minimize the default risk cash and deposits are held by multiple credit institutions, most of which are systemically important.

In the 2011 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.

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 2012. The C-QUADRAT Group already reacted to prevailing market conditions at the end of the 2011 financial year by widening its product range and closing its fund brokerage division. At the same time, the C-QUADRAT Group intends to build on its strengths and will focus even more intensively on its core competences of asset management and marketing of its own products. In accordance with its slogan “C-QUADRAT – the fund company” the C-QUADRAT Group will continuously develop the quality of its products and services. Marketing activities will be further developed in the company’s core markets of Germany and Austria and new markets are to be tapped in order to safeguard the company’s existing market position and to extend it where possible. The extension of the company’s existing product range and innovative management concepts are key components of this strategy. Marketing activities in Germany – which is now the company’s key sales market – and in central and eastern Europe – are another key factor for the company’s successful development.

The continuing development of a joint collaboration platform, realization of synergy effects and the development and marketing of joint products together with the new major shareholder Talanx Asset Management GmbH will be a further area of focus in the 2012 financial year.

Events after the balance sheet date

Due to the current restructuring of the C-QUADRAT Group, the Management Board members Markus A. Ullmer and Andreas Wimmer joined the Management Board of C-QUADRAT Kapitalanlage AG on January 1, 2012.

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

Vienna, March 9, 2012

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

Roland Starha, 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, 2011 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, 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, 2011, 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, 2011 and of its financial performance and its cash flows for the fiscal year from January 1, 2011 to December 31, 2011 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Without qualifying our opinion, we draw attention to the disclosure provided by the company's management in the Notes to the consolidated financial statements in note (15) "Financial assets" in connection with the valuation of a receivable resulting from the disposal of C-Quadrat Private Investments AG (as of now Perseus Investment AG).

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 9, 2012

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Gerhard Wenth, m.p.
Wirtschaftsprüfer

Mag. Ernst Schönhuber, m.p.
Wirtschaftsprüfer

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*) 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.

C-QUADRAT Investment AG, Wien

BALANCE SHEET AS OF DECEMBER 31, 2011

ASSETS

		As at 31.12.2011 EUR	As at 31.12.2010 TEUR
1. CASH IN HAND, BALANCES AT CENTRAL BANKS AND POSTAL GIRO OFFICES		790,39	2
2. RECEIVABLES FROM BANKS			
a) On demand	5.430.919,63		3.176
b) Other receiables	4.691.611,99		3.039
		10.122.531,62	6.215
3. RECEIVABLES FROM CUSTOMERS		3.226.583,43	3.908
thereof associates		*52.944,69*	*1.786*
4. BONDS AND OTHER NON-FIXED-YIELD SECURITIES		2.631.837,11	0
5. SHARES AND OTHER NON-FIXED-YIELD SECURITIES		559.708,97	4.976
6. SUBSIDIARIES		6.047.000,00	6.071
7. SHARES IN ASSOCIATES		4.792.922,07	4.793
8. INTANGIBLE ASSETS		35.495,47	73
9. PROPERTY, PLANT AND EQUIPMENT		289.176,80	275
10. TREASURY SHARES		1.949.136,00	0
11. OTHER ASSETS		2.052.903,23	11.404
12. ACCRUED INCOME AND DEFERRED EXPENSE		53.636,07	109
		31.761.721,16	37.826
1. Foreign assets		2.169.461,00	4.390

EQUITY AND LIABILITIES

	EUR	As at 31.12.2011 EUR	As at 31.12.2010 TEUR
1. LIABILITIES TO CUSTOMERS			
Other liabilities			
On demand		1.142.987,55	2.047
Thereof associates		*15.654,37*	*1*
2. OTHER LIABILITIES		230.361,90	336
3. DEFERRED INCOME AND ACCRUED EXPENSE		15.078,58	10
4. PROVISIONS			
a) Provisions for severance payments	28.194,52		30
b) Tax provisions	0,00		1.595
b) Other provisions	599.847,27		990
		628.041,79	2.615
5. ISSUED 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. RESERVE TREASURY SHARES		1.949.136,00	0
9. BALANCE SHEET PROFIT		4.661.503,84	9.684
		31.761.721,16	37.826
1. Eligible shareholders' equity pursuant to Section 23 (14) BWG		23.134.612,00	23.135
2. Required shareholders' equity pursuant to Sect. 8 InvFG and Sect 9 WAG 2007		3.015.600,00	3.133
3. Foreign liabilities		57.541,00	40

C-QUADRAT Investment AG, Wien

INCOME STATEMENT
FOR THE PERIOD FROM JANUARY 1, 2011 TO DECEMBER 31, 2011

	2011		2010	
	EUR	EUR	TEUR	TEUR
1. Interest and similar income		401.239,63		210
thereof shares with fixed income		*227.232,18*		
2. Interest and similar expense		-4,98		0
I. Net interest income		**401.234,65**		**210**
3. Income from securities and subsidiaries				
a) Income from shares, other participatory rights				
and variable-yield securities	155,39		0	
b) Income from subsidiaries	5.832.310,04		2.304	
c) Income from shares in associates	1.670.000,00	7.502.465,43	9.099	11.403
4. Fee and commission income		5.596.236,55		7.127
5. Fee and commission expense		-3.527.546,08		-4.437
6. Other operating income		721.514,41		668
II. Operating income		**10.292.670,31**		**14.761**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-1.945.094,63		-2.392	
bb) Expenses for severance payments and contributions				
to company pension scheme	-28.226,51		-36	
cc) Expenses for statutory social				
insurance, charges based on pay,				
and compulsory contributions	-493.349,47		-353	
dd) Other social insurance expenses	-9.808,30	-2.476.478,91	-15	-2.796
b) Other administrative expenses (non-personnel)		-2.013.039,75		-2.221
8. Impairment losses on assets included		-105.590,71		-147
in asset items 7 and 8				
9. Other operating expenses		-256.218,42		-258
III. Operating expenses		**-4.851.327,79**		**-5.422**
therof fixed overhead costs		-4.079.926,85		-4.293
IV. Operating profit		**5.842.577,17**		**9.549**
10. Impairment losses on receivables and				
additions for provisions for contingent liabilities				
and credit risk		0,00		-670
11. Income from release of reserves				
of receivables and from provisiones				
for contingent liabilities and credit risk		106.784,00		41
12. Income from remeasurement of securities				
measured as financial assets and on				
subsidiaries and shares in associates		-173.095,88		0
13. Income from remeasurement of securities				
measured as financial assets and on				
subsidiaries and shares in associates		441.406,00		6
V. Result of ordinary operations		**6.217.671,29**		**8.926**
13. Taxes		310.233,85		614
14. Other taxes, not disclosed in item 13		-6.348,87		-4
VI. Net profit before changes in reserves		**6.521.556,27**		**9.536**
15. Changes in reserves		-1.949.136,00		0
VII. Net profit		**4.572.420,27**		**9.536**
16. Profit carried forward		89.083,57		148
VII. Balance sheet profit		**4.661.503,84**		**9.684**

*) small amount

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 realized as of the balance sheet date. All discernible risks and contingencies were taken into account.

Receivables and other assets

Receivables and other assets were recognized at their nominal value.

The lower fair value was recognized 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 recognized 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
• License rights, IT software	3 - 4

Property, plant and equipment

Property, plant and equipment were recognized 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 capitalized 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 organization 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 recognized 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 statutory retained earnings.

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

Reserves for treasury stock

Pursuant to Section 225 (5) UGB, amounts which the company reports as treasury stock as part of its current assets are reported as these reserves.

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	Foreign-currency	EUR
UniCredit Bank Austria AG	USD 1,419.92	EUR 1,097.57
UniCredit Bank Austria AG	HUF 4,763,162.27	EUR 15,169.31
Receivables from customers		
Fee and commission receivables	USD 16,490.99	EUR 12,480.03
Fee and commission receivables	HUF 5,850,000.00	EUR 18,704.00
Payables to customers		
Fee and commission liabilities	HUF 5,250,000.00	EUR 16,785.64
Trade accounts payable (other)	CHF 30,000.00	EUR 24,994.00

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 organization:

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:

Non-stock market-listed securities:

Designation	Classification		Carrying amount (EUR thousand)
Other fixed-interest and non-fixed-interest securities			
Wiener Städtische Vers. AG, Hybridanleihe 2008	FA		2,073
Österreichische Volksbanken AG Step Up-Erg.Anleihe	FA		445
Raiffeisen Zentralbank FLR.MED-TERM Notes	FA		505
Savings plans			
SGA Socciete Gemerale Acc. N.V.	CA	4	
C-QUADRAT Best Fonds Strategy	CA	0	
C-QUADRAT Active Conservative	CA	1	
C-QUADRAT Arts Best Momentum	CA	4	
C-QUADRAT Arts Total Return Special	CA	10	
C-QUADRAT Best Fonds Basic	CA	0	
C-QUADRAT Arts Total Return Balanced PLN	CA	0	
C-QUADRAT Arts Total Return Dynamic	CA	0	20
Treasury stock			
C-QUADRAT Investment AG	CA		1,949
Securities held as current assets			
C-QUADRAT Strategie AMI Inhaber-Anteile CZK (t)	CA		95

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

The other operating income in the amount of EUR 722 thousand (previous year: EUR 668 thousand) mainly consists of proceeds from intercompany charges in the amount of EUR 569 thousand (previous year: EUR 527 thousand) and advertising and marketing proceeds in the amount of EUR 110 thousand (previous year: EUR 125 thousand).

The other operating expenses in the amount of EUR 256 thousand (previous year: EUR 259 thousand) mainly comprise current input tax that cannot be offset in the amount of EUR 255 thousand (previous year: EUR 259 thousand).

No. 14 – The total amount of income from the bank's management and agency services is EUR 5,596 thousand (previous year: EUR 7,127 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 totaling EUR 4,851 thousand (previous year: EUR 5,422 thousand) reported under the item "III. Total operating expenses" include fixed overheads in the amount of EUR 4,080 thousand (previous year: EUR 4,293 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 December 31, 2011 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 Jan. 1, 2011 Dec. 31, 2011 EUR	Addition Reclassification EUR	Disposal Reclassification EUR	Cumulative tax depreciation Jan. 1, 2011 Dec. 31, 2011 EUR	Carrying amount Jan. 1, 2011 Dec. 31, 2011 EUR	Depreciation Write-up EUR
I. Intangible assets						
1. Industrial property rights plus similar rights and benefits and software	414,680.28 354,028.67	4,697.68 0.00	65,349.29 0.00	341,877.31 318,533.20	72,802.97 35,495.47	41,284.53 0.00
II. Property, plant and equipment						
1. Operating and office equipment	730,790.16 784,062.62	89,718.50 0.00	36,446.04 0.00	455,871.56 494,885.82	274,918.60 289,176.80	64,306.18 0.00
III. Financial assets						
1. Shares in related companies	4,792,922.07 4,792,922.07	0.00 0.00	0.00 0.00	0.00 0.00	4,792,922.07 4,792,922.07	0.00 0.00
2. Participations	7,550,400.00 6,047,000.00	296,600.00 0.00	1,800,000.00 0.00	1,480,000.00 0.00	6,070,400.00 6,047,000.00	0.00 0.00
of which investments in associates	*7,550,000.00* *6,046,600.00*	*296,600.00* *0.00*	*1,800,000.00* *0.00*	*1,480,000.00* *0.00*	*6,070,000.00* *6,046,600.00*	*0.00* *0.00*
3. Investments (book-entry securities) held as fixed assets	2,633,200.00 3,023,200.00	505,000.00 0.00	115,000.00 0.00	0.00 0.00	2,633,200.00 3,023,200.00	0.00 0.00
	14,976,522.07 13,863,122.07	801,600.00 0.00	1,915,000.00 0.00	1,480,000.00 0.00	13,496,522.07 13,863,122.07	0.00 0.00
Total fixed assets	16,121,992.51 15,001,213.36	896,016.18 0.00	2,016,795.33 0.00	2,277,748.87 813,419.02	13,844,243.64 14,187,794.34	105,590.71 0.00

Notes on investments in associates

Within the framework of its reorganization of its portfolio of participations which was already initiated in previous years, in September 2011 C-QUADRAT Investment AG sold and transferred all of its shares in Ariconsult Holding AG. In addition, in December 2011 it purchased 30% of the shares in Sharpe Fund Marketing AG, CH.

Disclosures concerning financial instruments

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

Disclosures concerning treasury stock

Treasury stock was acquired in the past financial year.

Designation	Security code number	Units	Nominal amount	Cost	Market value
C-QUADRAT Investment AG, par-value shares	AT0000613005	81,214	EUR 81,214	EUR 2,109 thousand	EUR 1,949 thousand

Receivables and other assets

Receivables from customers in the amount of EUR 3,227 thousand (previous year: EUR 3,908 thousand) include foreign receivables in the amount of EUR 1,035 thousand (previous year: EUR 1,411 thousand).

Receivables from customers include receivables from banks that are not based on bank transactions in the amount of EUR 990 thousand (previous year: EUR 1,841 thousand).

The receivables from customers include a receivable in the amount of EUR 2,013 thousand resulting from the disposal of shares. This is partly overdue. For this reason, an impairment of this receivable has already been recognized in line with the current carrying amount. The company has a share pledge as collateral for this receivable. As of the preparation of the balance sheet, C-QUADRAT is involved in negotiations with a potential investor for the acquisition of these shares. The investor has already prepared a letter of intent (LOI). Accordingly, the Management Board of C-QUADRAT Investment AG deems that the existing receivable is recoverable so a positive outcome to the takeover negotiations will be realized, in line with the terms indicated in the LOI.

Trade debtors, in the amount of EUR 2,260 thousand, have the following structure:

Domestic fee and commission revenue	Foreign fee and commission revenue	Other domestic receivables	Other foreign receivables
21	11	2,030	197

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 amount	of which remaining term of up to 3 months	of which remaining term of up to 1 year	of which remaining term of up to 5 years	of which remaining term of more than 5 years
2. Receivables from banks					
Raiffeisenbk Attersee-Süd 110.817	4,692	4,692	0	0	0
Previous year	3,039	3,039	0	0	0
3. Receivables from customers					
Trade debtors, Austria	2,013	0	500	1,102	411
Trade debtors, foreign	209	19	97	93	0
Previous year	2,013	0	0	761	1,252
9. Other assets					
Clearing account C-QUADRAT KAG	315	0	315	0	0
Other receivables	1,670	1,670	0	0	0
Security deposits	53	0	0	0	53
	2,038	1,670	315	0	53
Previous year	2,268	0	2,216	0	52

Other assets

“Other assets” include amounts that are already recognized 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 315 thousand (previous year: 2,216 thousand) in receivables from the allocation of taxes to other entities as well as EUR 1,670 thousand (previous year: EUR 9,100 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 Jan. 1, 2011 EUR thou.	Appropriation EUR thou.	Reversal EUR thou.	Allocation EUR thou.	As of Dec. 31, 2011 EUR thou.
Provisions for severance payments					
For severance payments - financial value	31	0	2	0	28
Previous year	21	0	0	10	31
Tax provisions					
for corporate income tax	1,595	1,595	0	0	0
Previous year	0	6,747	0	8,342	1,595
Other provisions					
for time credit	0	0	0	0	0
Previous year	5	5	0	0	0
for vacation not yet taken	53	53	0	45	45
Previous year	54	54	0	53	53
for legal and consultancy costs	77	77	0	72	72
Previous year	78	78	0	77	77
for premiums/bonuses	826	816	10	392	392
Previous year	436	436	0	826	826
miscellaneous	34	0	0	57	91
Previous year	445	445	0	34	34
	990	946	10	566	600
Previous year	1,018	1,018	0	990	990
Total provisions	2,615	2,541	13	566	628
Previous year	1,038	7,764	0	9,341	2,615

The amounts allocated to miscellaneous provisions relate to damage claims and Financial Market Authority fees.

Liabilities

Payables to customers in the amount of EUR 1,143 thousand (previous year: EUR 2,047 thousand) include foreign liabilities in the amount of EUR 58 thousand (previous year: EUR 40 thousand).

Payables to customers include liabilities to banks that are not based on bank transactions in the amount of EUR 1,064 thousand (previous year: EUR 1,817 thousand).

Trade accounts payable, in the amount of EUR 503 thousand, have the following structure:

Domestic fee and commission revenue	Foreign fee and commission revenue	Other domestic payables	Other foreign payables
436	0	39	28

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

Other liabilities

The other liabilities in the amount of EUR 230 (previous year: 336 thousand) comprise the following amounts:

	2011 EUR thou.	2010 EUR thou.
From taxes	47	40
Wage tax	32	31
Employer's contribution (DB), addition to employer's contribution (DZ), municipal tax (KommSt), employer's charge (DGA)	9	9
Regular tax burden	5	0
	47	40
For social security	31	32
Other miscellaneous liabilities	152	264

"Other liabilities" include amounts totaling EUR 193 thousand (previous year: EUR 305 thousand) that are already recognized 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 41 thousand) in liabilities from current payroll accounting, EUR 90 thousand (previous year: EUR 141 thousand) in Supervisory Board remuneration, liabilities for legal counseling in the amount of EUR 3 thousand (previous year: EUR 49 thousand) and liabilities for marketing activities in the amount of EUR 28 thousand (previous year: EUR 12 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 totaling EUR 252 thousand (previous year: EUR 270 thousand).

These obligations relate specifically to the following items:

	Overall obligation EUR thou.	Up to 1 year EUR thou.	Up to 5 years EUR thou.
Leasing liabilities	147	57	90
Previous year	169	53	116
Rent liabilities	105	105	0
Previous year	102	102	0

INCOME STATEMENT

Taxes and earnings

Taxes and earnings result from normal business operations and include the tax apportionment in the amount of EUR 315 (previous year: EUR 2,216 thousand) which is payable to the group parent under the group agreement.

Deferred tax assets not reported separately in the balance sheet amount to EUR 2,622 thousand (previous year: EUR 2,595 thousand). Capitalization has been waived pursuant to Section 198 (10) UGB.

Other mandatory disclosures

Business objective:	According to its articles of association last amended May 27, 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:	November 25, 1991
Financial year:	January 1, 2011 to December 31, 2011
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 par value of € 1.00. The share capital therefore amounts to EUR 4,363,200.00 and has been paid in full.

Management:

Name	Representation	from	to
Gerd Alexander Schütz	Collective	10/16/1998	
Roland Starha	Collective	1/1/2009	
Markus A. Ullmer	Collective	1/1/2009	12/31/2011
Andreas Wimmer	Collective	3/17/2006	12/31/2011

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
	Hubert Cussigh	5/27/2010
	Franz Fuchs	8/27/2004
	Thomas Lachs	7/29/1998
	Marcus Mautner Markhof (Chairman)	9/27/2010
	Harald Ploemacher	5/27/2011
	Walter Schmidt	5/27/2011
	Fritz Schweiger	9/5/2001
	Hans Zavesky	5/27/2010

Stock market:

The shares of the company have been listed since November 24, 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 May 16, 2008. Due to non-fulfillment 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 March 20, 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 December 14, 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 organized 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 Kapitalanlage AG since 1/1/2007

Corporate relations

As the parent company of the Group, C-QUADRAT Investment AG prepares the consolidated financial statements. They are published on the company's website.

Disclosures concerning participations

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

Company name	Headquarters	Interest	Shareholders' equity EUR thou.	Last net profit/loss for the year EUR thou.	Reporting date
C-QUADRAT Kapitalanlage AG	Vienna	100%	4,192	1,207	Dec. 31, 2011
C-QUADRAT Deutschland AG	Frankfurt	100%	526	439	Dec. 31, 2011
ARTS Asset Management GmbH	Vienna	45%	5,901	5,190	Dec. 31, 2011
Sharpe Fund Marketing AG	Zug	30%	n/a	n/a	Dec. 31, 2011

All participations in the above companies were recognized as fixed assets.

As the parent company of the Group, until December 31, 2011 C-QUADRAT Investment AG was 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):

	2011	2010
Management Board members	4	4
White-collar employees	22	22
Total	26	26

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 1,354 thousand (previous year: EUR 1,046 thousand).
The total amount of remuneration paid to members of the Supervisory Board in the past financial year was EUR 108 thousand (previous year: EUR 159 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	2011 EUR thou.	2010 EUR thou.
Loans/advances to date	4.00	6.00
Interest in current reporting year	0.00	0.00
Newly granted in reporting year	45.00	32.00
Repayments in reporting year	-39.00	-34.00
New balance as of Dec. 31, 2011	10.00	4.00

Severance expenses

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

	2011 EUR thou.	2010 EUR thou.
Members of the Management Board	14.00	19.00
Executive employees	3.00	3.00
Other employees	11.00	13.00
	28.00	35.00

The severance expenses include EUR 31 thousand (previous year: EUR 26 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 € 4,363,200.00 and is divided into 4,363,200 par-value bearer shares with a par value of € 1.00 per share.

The Management Board is 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 June 6, 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. It should be noted that this authorization of June 6, 2006 has already expired.

By resolution of the General Meeting held on August 28, 2007, a contingent increase of € 436,320.00 was made in the share capital of the company pursuant to Section 159 (2) No. 3 of the Stock Corporation Act, by issuing 436,320 par-value bearer shares and with exclusion of subscription rights on the part of existing shareholders (contingent capital). This conditional share capital increase is only to be carried out if persons eligible for stock options under the company's Stock Option Program exercise their option rights. The company's stock option program has expired without any options being granted. The last possible exercise period was in May 2011. Accordingly, no options had been issued as of the end of the stock option program.

At the 21st 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 and 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. A resolution passed by the General Meeting on May 27, 2011 revoked this authorization and the Management Board was simultaneously authorized pursuant to Section 65 (1) No. 8 of the Austrian Stock Corporation Act to purchase no-par value bearer shares of the company, for up to 10% of the company's share capital, for a period of 30 months from the date of the General Meeting's resolution, for a minimum price corresponding to a market price of EUR 1 and a maximum price corresponding to a market price of EUR 40. The Management Board is also authorized to withdraw shares of the company following their repurchase as well as treasury stock which is already held by the company, without a further resolution passed by the General Meeting. In addition, the General Meeting has authorized the Management Board in turn to re-sell purchased treasury stock other than through the stock market or a public offering, while excluding the shareholders from subscribing.

On the basis of this extension of the authorization to repurchase shares of the company which was resolved at the General Meeting on May 27, 2011, the Management Board has resolved to amend the duration and the envisaged volume of the share buyback program which was originally published on March 28, 2011. The share buyback program will thus expire no later than May 31, 2013. The envisaged volume for the repurchase of the company's own shares has been increased to a total of 436,320 shares, which corresponds to 10% of the current share capital. The share buyback program otherwise remains unchanged.

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, March 9, 2012

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

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

Management Report
C-QUADRAT Investment AG
on the Financial Statements for the year ending December 31, 2011

Review of the economic situation and the capital markets in 2011

In the period under review the deteriorating outlook for global growth and the European debt crisis were the key factors shaping the performance of the international capital markets. Defensive asset classes such as gold were the winners, while the stock markets suffered high volatility and strong price losses due to the danger of a return to recession in some European countries and in the USA. However, American indexes staged a recovery in the 4^{th} quarter of 2011. Due to the negative outline conditions the Euro Stoxx 50 fell 17.47 % to 2,316.55 points in the 2011 financial year and the DAX ended the year at 5,898.35 points, a fall of 14.69%, while the ATX dropped to 1,891.68 points, a decrease of 34.87%, and thus recorded the largest loss, which was due to this index's strong weighting of Austrian banking stocks. After initial setbacks the US Dow Jones 30 Industrial Index ultimately ended the 2011 financial year up 5.60%, at 12,217.56 points, while the Standard & Poor's 500 Index – which represents the broader market – ended the reporting period at 1,257.60 points, a fall of just 0.02%.

In the Eurozone politicians sought a solution to the sovereign debt problems in Greece, Ireland, Italy, Portugal and Spain. The European Central Bank purchased bonds in an attempt to prevent a further rise in risk premiums for Spanish and Italian government bonds, but the ratings agencies nonetheless further downgraded Italy and Spain. Only German and US government bonds were considered secure and saw continuing price rises.

Despite negotiations over the next tranche to rescue Greece and to extend the EFSF bailout package, the Eurozone's debt crisis remained a key issue in the period. This environment also prompted uncertainty in the banking sector. For instance, it is reflected in the downgrading of Italian, Spanish, French and British banks by the ratings agencies Standard & Poor's and Moody's, leading to huge falls in the prices of bank equities. In addition, several European banks were forced to recognize losses on account of their large-scale investments in Greece. The foreign-currency law passed by Hungary's parliament in September 2011 imposed a further burden on financial services providers operating in the country. Under this act Hungarian citizens may opt to prematurely repay foreign-currency loans at an exchange rate which is significantly lower than the market rate, and credit institutions are required to bear any resulting exchange-rate differences.

Following the ratings agencies' downgrades, the International Monetary Fund (IMF) emphasized its concern regarding the stability of the European financial system. Due to the weak upstream indicators, it clearly revised downward its assessment of Eurozone GDP. The declining economic trend was an additional factor which burdened European stock markets. The ratings agencies also downgraded several European countries, including Austria.

Economic indicators in the USA also indicated a clear slowdown in the economic trend. The US central bank, the Fed, and the International Monetary Fund (IMF) identified significant downward risks for the US economy and for global growth. Given its high level of sovereign debt, Standard & Poor's downgrade of the USA due to its failure to realize a comprehensive solution to its debt problem was an additional factor that hampered the stock markets.

Business development and situation of the company

The company can look back on a positive financial year despite the volatile and uncertain market conditions. In the 2011 financial year the financial performance of its fund brokerage segment deteriorated on the previous year due to falling trade volumes and significantly lower equity product holdings. Moreover, only a small number of structured products were created in the 2011 financial year. In contrast, the company's portfolio of participations recorded an excellent financial performance. They continue to provide the largest portion of operating income. This was slightly less than in the previous year – in which the company realized its highest ever income from participations, in the form of performance fees – but nonetheless highly satisfactory.

With the goal of the continuing reorganization of the Group's structure, in a purchase agreement of February 4, 2011 and a sideletter to the purchase agreement of December 15, 2011 the company sold its 25.1% interest in ARICONSULT Holding AG for a selling price of EUR 500 thousand and acquired a 30% interest in Sharpe Fund Marketing AG, Switzerland, for CHF 30,000, corresponding to a EUR 297 thousand share in the company. The C-QUADRAT Group will thus now be able to focus more intensively on its core competences of asset management and marketing of its own products.

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 Talanx Asset Management GmbH (25.10%), San Gabriel Privatstiftung (22.49%) and T. R. Privatstiftung (22.16%), 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.

At the Extraordinary General Meeting held on December 11, 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 and 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 Annual 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.

At the Annual General Meeting held on May 27, 2011 the company revoked the Management Board's existing authorization for non-specific repurchasing of the company's shares, pursuant to the resolution passed by the General Meeting on December 11, 2008 and simultaneously newly authorized the Management Board to acquire no-par value bearer shares of the company up to an amount of 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 and 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 Annual 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. This requires the consent of the Supervisory Board pursuant to § 65 (1b) of the Austrian Stock Corporation Act but does not require any further resolution to be passed at the General Meeting.

In the 2011 financial year the Management Board made use of this authorization and on December 31, 2011 it acquired 81,214 no-par value bearer shares of the company for EUR 2,109 thousand (market value: EUR 1,949 thousand), i.e. 1.86% of the share capital.

Fund brokerage
The continuing uncertainty on international stock exchanges and the associated restructuring away from higher-yield investments to money market products and real assets has generally had a negative impact on the total brokerage volume placed with investment fund companies in Austria and other countries. This has fallen continuously since the start of the year, by EUR 450 million or 25% to EUR 1,339 million. Trail fees also decreased significantly – by EUR 1,352 thousand or 21% to EUR 5,035 thousand, compared to EUR 6,387 thousand in the previous year – since the company is still handling a large volume of ETFs and I-shares despite the lower overall brokerage volume. No trail fees are charged for these products, however. The ticket fees which were introduced a few years ago by way of partial compensation generated income of EUR 335 thousand (2010: EUR 308 thousand) in the reporting year.

Due to the steady decline in trail fees, a steady increase in expenses associated with the orderly execution of fund brokerage transactions and a negative outlook for this operation's further development due to the changed economic and regulatory outline conditions, the company's Management Board resolved to wind up the fund brokerage segment at the end of the 2011 financial year. It announced this in an ad hoc notice dated September 23, 2011. The cost reductions/savings which are achievable by winding up this business field should in the medium term already compensate for – or even exceed – the loss of income from the fund brokerage segment, which is in any case declining.

Special products
As in the previous year, only a small number of new products were created or brokered for institutional clients due to current market uncertainty, but issue volumes were lower than in the previous year. Accordingly, a lower volume of fee and commission revenue was generated from upfront fees in the 2011 financial year than in the previous year (EUR 153 thousand, 2010: EUR 333 thousand).

Income statement

In the 2011 financial year, fee and commission income fell by EUR 1,531 thousand or 21% from EUR 7,127 thousand to EUR 5,596 thousand; fee and commission expenses also decreased, by EUR 909 thousand or 20% from EUR 4,437 thousand to EUR 3,528 thousand. This trend is mainly due to the decrease in trail fees outlined above, since the revenue-generating volume has declined considerably due to the volatile and uncertain markets. In addition to the net fee and commission income – which amounts to EUR 2,068 thousand (2010: EUR 2,690 thousand) – the other operating income in the amount of EUR 722 thousand (2010: EUR 668 thousand) provided a key contribution to the operating income which totaled EUR 10,293 thousand (2010: EUR 14,761 thousand). However, this was due in particular to the income from securities, participations and shares in related companies in the amount of EUR 7,502 thousand (2010: EUR 11,403 thousand). Operating income thus showed a significant year-on-year decrease of EUR 4,468 thousand or approx. 30%.

At the same time, total operating expenses were only reduced by EUR 571 thousand or 11%, from EUR 5,422 thousand to EUR 4,851 thousand, since the brokerage segment causes a certain volume of fixed costs which is essential for its orderly operation. Personnel expenses in particular decreased by EUR 320 thousand, mainly due to an reduction in variable salaries for 2011, and operating expenses decreased by EUR 208 thousand. In the operating expenses segment, consultancy fees in particular were reduced.

In the 2011 financial year these trends nonetheless gave rise to a highly respectable operating profit in the amount of EUR 5,843 thousand (2010: EUR 9,549 thousand) and, after measurements of securities and participations, a profit on ordinary activities of EUR 6,218 thousand (2010: EUR 8,927 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 310 thousand (2010: EUR 614 thousand), leading overall to a net profit for the year of EUR 6,522 thousand (2010: EUR 9,536 thousand). Following a movement of reserves for treasury stock in the amount of EUR 1,949 thousand (2010: EUR 0 thousand), the annual profit amounts to EUR 4,572 thousand (2010: EUR 9,536 thousand), which means a distributable balance sheet profit of EUR 4,662 thousand (2010: EUR 9,684 thousand) following a profit carryforward of EUR 89 thousand (2010: EUR 148 thousand).

Balance sheet

The balance sheet total as of December 31, 2011 amounts to EUR 31,762 thousand and has decreased in relation to the balance sheet total as of December 31, 2010, by EUR 6,064 thousand or 16%. This is mainly due to the lower 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 3,192 thousand (December 31, 2010: EUR 4,977 thousand), the company has robust liquidity since cash and cash equivalents in the amount of EUR 10,123 thousand (December 31, 2010: EUR 6,215 thousand) comprise approx. 32% (December 31, 2010: 16%) of its balance sheet total. The other assets mainly consist of a receivable from C-QUADRAT Kapitalanlage AG due to a group taxation arrangement in the amount of EUR 315 thousand (December 31, 2010: EUR 2,216 thousand) and receivables from subsidiaries due to dividends for the same period in the amount of EUR 1,670 thousand (December 31, 2010: EUR 9,100 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 license. The company is also required to keep equity available for hedging 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 3,016 thousand in shareholders' equity (December 31, 2010: EUR 3,133 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 comprises paid-in capital and disclosed reserves – is EUR 23,135 thousand (December 31, 2010: EUR 23,135 thousand). The company thus has EUR 20,119 thousand in surplus shareholders' equity (December 31, 2010: EUR 20,002 thousand).

In the 2011 financial year the equity ratio (calculated according to WAG 2007, i.e. excluding a balance sheet profit) increased from 61% to 79% due to retained earnings resulting from the share buyback and a decrease in the balance sheet total. Cash flow from operating activities increased significantly on the previous year, from EUR 4,210 thousand to EUR 11,202 thousand. This was mainly due to the reduction in receivables from the subsidiaries' dividends for the same period. 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) thus also increased very strongly on the figure for the previous year, from 156.5% to 541.5%.

The company had an average of 26 employees on its payroll over the past financial year (2010: 26 employees). In the 2011 financial year the employees of C-QUADRAT Investment AG received two compliance training sessions, one training session covering taxation of capital gains NEW, one training session on the new 2011 Austrian Investment Fund Act, one training session on fund sales and a lecture on the new capital gains tax.

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 organization 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 standardized 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, 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 2011 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 relating 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 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. A small volume of foreign-currency transactions were executed, exclusively in USD and HUF. In the 2011 financial year the company suffered foreign-currency exchange losses in the amount of EUR 2 thousand (2010: EUR 0 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
As a general rule, the company only concludes transactions with recognized 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. If there is objective evidence that an impairment loss on a receivable has been incurred, this impairment will correspond to the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the financial asset's original effective interest rate). This will reduce the asset's carrying amount accordingly. 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 recognized 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 company has cash and cash equivalents in the amount of EUR 10,123 thousand (December 31, 2010: EUR 6,215 thousand), which is equivalent to approx. 32% of the balance sheet total (December 31, 2010: 16%). 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 2012.

C-QUADRAT Investment AG has already reacted to the current situation at the end of the 2011 financial year by streamlining its portfolio of participations and closing its fund brokerage division. Following these steps the C-QUADRAT Group will now be able to focus more intensively on its core competences of asset management and marketing of its own products. Following the positive impulses generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2012 financial year will be on further expansion in Germany, in the countries of central and Eastern Europe and in other European countries.

The continuing development of a joint collaboration platform, realization of synergy effects and the development and marketing of joint products together with the new major shareholder Talanx Asset Management GmbH will be a further area of focus in the 2012 financial year.

Despite the volatile situation on the financial markets, in 2012 the Management Board expects the company to once again realize a positive performance.

Events after the balance sheet date

Due to the current restructuring of the C-QUADRAT Group, the Management Board members Markus A. Ullmer and Andreas Wimmer joined the Management Board of C-QUADRAT Kapitalanlage AG on January 1, 2012.

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

Vienna, March 9, 2012

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

Roland Starha, 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, 2011 to December 31, 2011. These financial statements comprise the balance sheet as of December 31, 2011, the income statement for the fiscal year ended December 31, 2011, 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, 2011 and of its financial performance for the fiscal year from January 1, 2011 to December 31, 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Without qualifying our opinion, we draw attention to the disclosure provided by the company's management in the Notes to the balance sheet in note "Receivables and other assets" in connection with the valuation of a receivable resulting from the disposal of C-Quadrat Private Investments AG (as of now Perseus Investment AG).

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.

March 9, 2012

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Gerhard Wenth, 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 confirm to the best of our knowledge that the consolidated financial statements as of December 31, 2011 give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements as of December 31, 2011 give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, March 2012

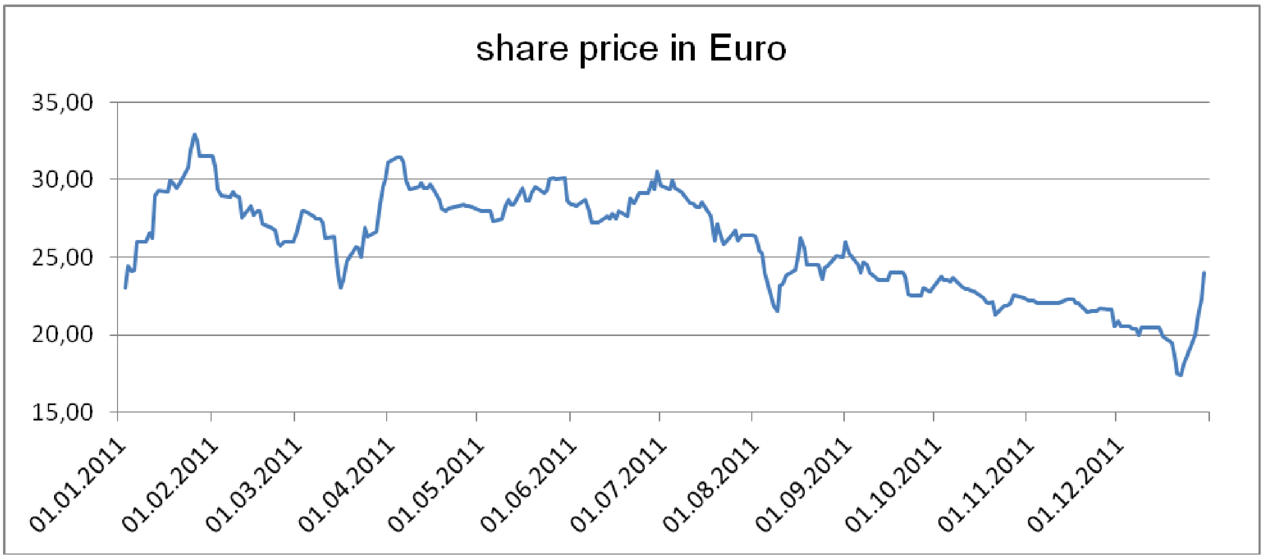
Gerd Alexander Schütz, m.p. Member of the Management Board	StB Mag. Roland Starha, m.p. Member of the Management Board

FINANCIAL CALENDAR 2012

March 23, 2012	Results 2011
April 24, 2012	Record date for participation at the Annual General Meeting (AGM)
May 4, 2012	Annual General Meeting (AGM)
May 7, 2012	Interim Report as of March 31, 2012
May 8, 2012	Ex-dividend day
May 14, 2012	Dividend payment date
August 13, 2012	Interim Report as of June 30, 2012
November 5, 2012	Interim Report as of September 30, 2012

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

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



Frankfurt Xetra, January, 1 2011 – December, 31 2011

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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.