Annual Financial Statement 2012

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, 2012 to December 31, 2012

	Notes	2012 *TEUR*	2011 *TEUR*
Fee and commission income	1	45.596	45.588
Other operating income	2	512	383
Operating income		**46.108**	**45.971**
Fee and commission expenses		-32.519	-33.148
Personnel expenses	3	-6.100	-6.555
Other administrative expenses	4	-6.490	-4.503
Other operating expenses	5	-2.837	-883
Operating profit before depreciation		**-1.839**	**882**
Depreciation	6	-357	-258
Operating profit		**-2.196**	**623**
Income from associates	7	2.446	2.541
Financial income	8	414	512
Finance expenses	9	-318	-165
Profit before taxes		**345**	**3.512**
Taxes	10	-106	-274
Profit after tax of continued operation		**239**	**3.238**
Loss/Profit after tax of discontinued operation		0	-262
Net Profit		**239**	**2.975**
thereof parent		239	2.975
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		0,06	0,74
Earnings per share of the discontinued operation			
- undiluted and diluted, for the profit/loss attibutable to the holders of ordinary shares in the company		0,00	-0,06

C-QUADRAT Investment AG
STATEMENT OF COMPREHENSIVE INCOME
for the period January 1, 2012 to December 31, 2012

	Notes	2012 *TEUR*	2011 *TEUR*
Net Profit		**239**	**2.975**
Total income and expenses recognised directy in equity:			
Net-profit from financial assets held for sale		29	-110
Taxes		-7	28
Other comprehensive income		**22**	**-82**
Total comprehensive income		**261**	**2.894**

C-QUADRAT Investment AG
CONSOLIDATED BALANCE SHEET
as of December 31, 2012

ASSETS	Notes	31.12.2012 *TEUR*	31.12.2011 *TEUR*
Non-current assets			
Intangible Assets	13	17.488	129
Property, plant and equipment	13	965	826
Investments in associates	15	7.214	7.378
Financial investments	16, 29	709	4.646
Deferred tax asset	27	2.592	2.656
Total non-current asstes		**28.968**	**15.635**
Current assets			
Receivables from customers	17	4.987	2.812
Financial investments	16, 29	1.263	635
Other assets	18	768	857
Cash and cash equivalents	19	15.572	18.954
		22.590	23.258
Non-current assets, held for sale	20	25	353
Total current assets		**22.615**	**23.611**
Total assets		**51.583**	**39.246**
EQUITY and LIABILITIES			
Issued capital	21	4.363	4.363
Treasury shares		-161	-2.109
Add paid-in capital		18.326	17.948
Retained earnings		6.080	10.082
Other reserves		-59	-81
Total equity		**28.549**	**30.204**
Non-current liabilities			
Long-term financial liabilities	23	4.000	0
Non-current provisions	24	105	90
Other non-current liabilities	26, 29	3.298	0
Deferred tax liabilities	27	3.198	0
		10.600	90
Current liabilities			
Short-term financial liabilities	23	1.046	0
Payables to customers	25	7.072	6.990
Other current liabilities	26	3.609	1.661
Other provisions	24	310	231
Income tax payable		397	48
		12.434	8.931
Non-current liabilities, held for sale		0	22
		12.434	8.953
Total liabilities		**23.034**	**9.043**
Total equity and liabilities		**51.583**	**39.246**

C-QUADRAT Investment AG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of December 31, 2012

	Equity attributable to equity holder of the parent					
	Issued capital *TEUR*	Treasury shares *TEUR*	Add paid-in capital *TEUR*	Retained earnings *TEUR*	Other reserves *TEUR*	Total equity *TEUR*
01.01.2011	**4.363**	**0**	**17.948**	**16.701**	**0**	**39.013**
Treasury shares	0	-2.109	0	0	0	-2.109
Dividends	0	0	0	-9.595	0	-9.595
Total comprehensive income	0	0	0	2.975	-81	2.894
31.12.2011	**4.363**	**-2.109**	**17.948**	**10.082**	**-81**	**30.204**
01.01.2012	**4.363**	**-2.109**	**17.948**	**10.082**	**-81**	**30.204**
Treasury shares	0	1.948	0	0	0	1.948
Change in paid-in capital	0	0	378	0	0	378
Dividends	0	0	0	-4.240	0	-4.240
Total comprehensive income	0	0	0	239	22	261
31.12.2012	**4.363**	**-161**	**18.326**	**6.080**	**-59**	**28.549**

C-QUADRAT Investment AG
CONSOLIDATED CASH FLOW STATEMENT
for the period January 1, 2012 to December 31, 2012

	Notes	2012 TEUR	2011 TEUR
Profit after tax of continued operation		239	3.238
Loss/Profit after tax of discontinued operation		0	-262
Net Profit		**239**	**2.975**
Taxes		106	274
Financial result		-96	-347
Income from associates		-2.446	-2.541
Depreciation of intangible assets, property, plant and equipment		357	258
Increase/decrease in long term provisions		15	-18
Loss from the disposal of fixed assets		-14	0
Loss from the disposal of financial assets		-18	0
Loss after tax of discontinued operation		0	-262
Increase/decrease in receivables and other assets		-2.086	10.097
Decrease in short term financial assets		-628	0
Increase/decrease in other provisions		79	-93
Increase/decrease in trade payables		2.029	-7.892
Income tax paid		-9	-1.514
Cash flow from operating activities	VI	**-2.456**	**936**
Purchase of property, plant and equipment and intangible assets		-496	-495
Payments made for acquisition of associates		-26	0
Payments made for the acquisition of subsidiaries		-7.419	0
Payments made for the investments in financial assets		0	-608
Proceeds from sale of assets		19	0
Payments in cash of discontinued operation		328	0
Proceeds from sale of associated company		100	300
Proceeds from sale of financial assets		2.237	2.297
Interest received		306	512
Dividends received		2.340	5.832
Cash flow from investing activities	VI	**-2.612**	**7.838**
Dividends paid		-4.240	-9.595
Interest paid		0	-1
Payment of finance lease liabilities		5.046	0
Payments made for purchase of shares from other shareholders		-1.394	-2.109
Cash flow from financing activities	VI	**-588**	**-11.705**
Net increase in cash and cash equivalents	VI	**-5.657**	**-2.931**
Cash and cash equivalents at beginning of period		19.216	22.147
Cash and cash equivalents at end of period	VI	**13.559**	**19.216**

C-QUADRAT INVESTMENT AG and subsidiary and associated companies

2012

Company	Domicile	Issued Capital	Currency	Equity holding	Type of consolidation
C-QUADRAT Investment AG	AT-Vienna	4.363.200	EUR	100,00%	FC
C-QUADRAT Kapitalanlage AG	AT-Vienna	2.700.000	EUR	100,00%	FC
Absolute Portfolio Management GmbH	AT-Vienna	125.000	EUR	100,00%	FC
C-QUADRAT Deutschland GmbH	DE-Frankfurt	50.000	EUR	100,00%	FC
BCM Luxemburg SA	BE-Brussels	50.000	EUR	100,00%	FC
BCM UK Ltd.	GB-London	663.807	GBP	100,00%	FC
BCM Bluestar Ltd.	GB-London	800.001	GBP	100,00%	FC
BCM & Partners LLP	GB-London	1.688.306	GBP	100,00%	FC
BCM & Partners SA	CH-Geneva	100.000	CHF	100,00%	FC
BCM & Partners (Cayman)	KY-Cayman Islands	50.000	USD	100,00%	FC
ARTS Asset Management GmbH	AT-Vienna	125.000	EUR	45,00%	EQ
Ampega C-QUADRAT Fondsmarketing GmbH	DE-Frankfurt	25.000	EUR	50,00%	EQ
Blitz F12-fünf-fünf GmbH	DE-Frankfurt	25.000	EUR	50,01%	EQ
Best of Funds Fund Marketing AG	CH-Zug	30.000	CHF	30,00%	EQ

2011

Company	Domicile	Issued Capital	Currency	Equity holding	Type of consolidation
C-QUADRAT Investment AG	AT-Vienna	4.363.200	EUR	100,00%	FC
C-QUADRAT Kapitalanlage AG	AT-Vienna	2.700.000	EUR	100,00%	FC
C-QUADRAT Deutschland AG	DE-Frankfurt	50.000	EUR	100,00%	FC
ARTS Asset Management GmbH	AT-Vienna	125.000	EUR	45,00%	EQ
Sharpe Fund Marketing AG	AT-Vienna	30.000	CHF	30,00%	EQ

FC - fully consolidated
EQ - consolidated at equity

CONSOLIDATED FINANCIAL STATEMENTS

I. CORPORATE INFORMATION

The C-QUADRAT Group, including its subsidiaries and investments, 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 C-QUADRAT's historical development, to date its business activities have focused on Austria and Germany. In the 2012 reporting year the company expanded these activities to include Luxembourg, the United Kingdom and Switzerland. In addition, it is continuously developing its presence in Central and Eastern Europe (the CEE countries).

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, 2012 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, 2012 to December 31, 2012 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, 2012 will be released for publication on April 8, 2013 (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 shareholders of the parent company. 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 December 20, 2010 the IASB published an amendment to **IAS 12** (Income Taxes – Deferred Tax: Recovery of Underlying Assets). The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. This amendment had no effect on the Group's net assets, financial position and results of operations or its disclosures.

On October 7, 2010 the IASB published an amendment to **IFRS 7** (Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements). The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. Since the Group does not hold any such assets, this amendment has not affected its consolidated financial statements.

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 adopted the amended standard on December 11, 2012. Voluntary early adoption has not affected the consolidated financial statements.

IFRS/IAS/IFRIC	Subject of amendment	Effective for years beginning on or after [...]
IAS 12 Income Taxes	• Deferred Tax: Recovery of Underlying Assets	January 1, 2012
IFRS 7 *Financial Instruments: Disclosures*	• Enhanced Derecognition Disclosure Requirements	July 1, 2011
IFRS 13 Fair Value Measurement	• Improvement of Measurement Continuity and Reduction of Complexity	January 1, 2013

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 June 16, 2011 the IASB published **amendments** to **IAS 1** (Presentation of Items of Other Comprehensive Income). The amendments change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). This amendment is first applicable in a financial year beginning on or after July 1, 2012 and will be applied by the Group in its first annual report after the amendment comes into force. The EU adopted the amendments on June 5, 2012. This amendment only affects presentation and will not have any effect on the Group's net assets, financial position and results of operations.

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 EU adopted this revised standard on June 5, 2012. 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. Current actuarial gains/losses will be reclassified to OCI at the first-time adoption of the revised standard.

The amendment to **IAS 32** and **IFRS 7** was published on December 16, 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 adopted these amendments on December 13, 2012. With the exception of additional disclosures in the Notes, this amendment would not have any effect on 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 17, 2012 the IASB published its final amendments within the scope of its annual improvements (2009-2011 cycle) which resulted from the matters discussed during this cycle. These amendments mainly affect five standards and have given rise to follow-up amendments to other standards.

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, 2014. The EU adopted the amended standard on December 11, 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 **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, 2014. An entity may apply IAS 27 (as amended in 2011) to an earlier accounting period. The EU adopted the amended standard on December 11, 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 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, 2014. 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 adopted the amended standard on December 11, 2012. The possible effects of the new standard on the consolidated financial statements are still being analyzed.

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, 2014. An entity may apply IAS 28 (as amended in 2011) to an earlier accounting period. The EU adopted the amended standard on December 11, 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 net assets, financial position and results of operations.

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, 2014. The EU adopted the amended standard on December 11, 2012. The possible effects of the new standard on the consolidated financial statements are still being analyzed.

The annual improvements within the scope of the 2009-2011 cycle have resulted in direct amendments to the following standards:

Standard	**Amendments**
IFRS 1 First-time Adoption of International Financial Reporting Standards	• Permits the repeat application of IFRS 1 • Borrowing costs relating to qualifying assets for which the commencement date for capitalization is before the transition date
IAS 1 Presentation of Financial Statements	Clarification of requirements for comparative information
IAS 16 Property, Plant and Equipment	Classification of servicing equipment
IAS 32 Financial Instruments: Presentation	Clarification that income tax relating to distributions to holders of

	an equity instrument should be accounted for in accordance with IAS 12 *Income Taxes*
IAS 34 Interim Financial Reporting	Clarification of interim financial reporting of segment information for total assets, for enhanced consistency with the provisions in IFRS 8 *Operating Segments*

The amendments will apply for reporting periods beginning on or after January 1, 2013; earlier adoption is permitted. The EU is expected to adopt these amendments in the 1st quarter of 2013.

2.4. Main discretionary decisions, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Discretionary decisions

Discontinued operation

The Management Board of C-QUADRAT Investment AG plans to sell Best of Funds Fondsmarketing AG, Switzerland, in the course of the financial year 2013, within the scope of the Management Board's ongoing strategy of streamlining the Group's structure with the goal of improved profitability for the business. This company has therefore been classified as a disposal group held for sale. For the following reasons, the company's management judged that this associate had fulfilled the criteria for classification as held for sale at this moment in time:

- Best of Funds Fondsmarketing AG is available for immediate sale and in its present condition it may be sold immediately to a potential purchaser.
- The company's management is planning the sale of Best of Funds Fondsmarketing AG and has commenced initial negotiations with a potential purchaser. Several further potential purchasers have already been identified, in case these negotiations do not result in a sale.
- The company's management expects that these negotiations and the sale will have been completed by June 30, 2013.

Please see Note IV.20 for detailed information concerning the discontinued operation.

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 shares 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 8.8% pre-tax discount rate (2011: 5.6%) 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 2013 to 2015 from the detailed budget approved by the general meeting, and a simplified forecast was used for the years 2016 to 2017. For all periods thereafter, the forecast figures for the year 2017 were assumed to be constant. However, after measurement of the value in use, there was no need to make any impairments as of the closing date of December 31, 2012.

For further disclosures regarding the carrying amounts of the associates, please see Notes IV. 15 and IV. 20.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

A contingent consideration with an estimated fair value of EUR 3,298 thousand has been recognized for the acquisition of the BCM Group. Future developments may result in an adjustment of this balance-sheet value. In 2016, the maximum consideration payable is EUR 3,720 thousand. The contingent consideration is reported in the financial statements as another financial liability (see Note III.1 and Notes IV. 26 and 29).

A useful life of 10 years has been assumed for the customer base of the BCM Group. This corresponds to the best estimate of C-Quadrat's Management Board as of the balance-sheet date. The BCM Group has many strategic and long-term partners. In addition, the BCM Group has counted several major family offices among its clients since its establishment. They are also seen as long-term partners, not least due to the management's strong personal relationships with these clients. Since the firm's establishment, it has retained the loyalty of all its family office clients.

The underlying assumptions for determination of the recoverable amount for the various cash-generating units – including a sensitivity analysis – are set out in further detail in Note IV.14.

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.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date. Income and expenses have been translated at the average rate. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Currency translation was based on the following exchange rates:

	Closing rate on		**Average rate for the year**	
in EUR	**Dec. 31, 2012**	**Dec. 31, 2011**	**2012**	2011
CHF	**0.828**	0.822	**0.825**	0.812
USD	**0.757**	0.772	**0.764**	0.763
HUF	**0.003**	0.003	**0.003**	0.003
GBP	**1.223**	1.193	**1.208**	1.182

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as 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 be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

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 3 to 10 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, even if this right is not expressly stipulated in the agreement.

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, measured at fair value. 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

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 3 to 10 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.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Shares in associates

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

According to the equity method, shares in an associate are 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.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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 financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Remeasurement

Financial assets measured at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the effective interest-rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included as finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

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 financial assets include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for- sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

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 conditions is met:

- The contractual rights to the cash flows from a financial asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement in compliance with IAS 39.19; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

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.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an asset or a group of assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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 are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains and losses from financial liabilities held for trading are recognized in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

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

Loans
After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized and when amortized by means of the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Other liabilities
Other liabilities, including liabilities to customers, are measured on initial recognition at their fair value less 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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.

Please see Note IV.29 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.

Please see Note IV.29 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.

Treasury stock

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

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

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 expertise. 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 (2011: 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% (2011: 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% (2011: 12.55%) of gross monthly salary up to a maximum of EUR 4,230.00 (2011: EUR 4,200.00).

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. In principle, recognition occurs as of the date on which the shareholders resolve the dividend.

Taxes

Actual taxes on income
Actual assets and liabilities for taxes on income arising for current and prior periods are measured at the amounts that are expected to be recovered from or paid to the respective tax authorities. These amounts are calculated on the basis of the taxation rates and tax laws applicable at the balance sheet date in the countries in which the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 corporate law or on the taxable income, and

- deferred tax liabilities resulting from taxable temporary differences relating to investments 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 corporate law or on the taxable income, and

- deferred tax assets resulting from deductible temporary differences relating to investments in subsidiaries, associates and shares in joint ventures, if it is probable that the temporary differences will not be reversed in the foreseeable future and insufficient taxable income will be available against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available against which the deferred tax assets can be used at least in part. 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 on income for the same taxable entity and levied by the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances changed. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

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 nine fully consolidated subsidiaries (December 31, 2011: 3) and four companies accounted for at equity (December 31, 2010: 2).

C-QUADRAT Investment AG (parent company)	1
Fully consolidated subsidiaries	9
Investments accounted for at equity	4
Total	**14**

The scope of consolidation developed as follows:

As of Jan. 1, 2011	**7**
of which foreign companies	*3*
Accounted for at equity for the first time in the 2011 financial year	1
Merged in the 2011 financial year	1
Deconsolidated in the 2011 financial year	1
As of Dec. 31, 2011	**6**
of which foreign companies	*3*
Accounted for at equity for the first time in the 2012 financial year	2
Fully consolidated for the first time in the 2012 financial year	7
Deconsolidated in the 2012 financial year	1
As of Dec. 31, 2012	**14**
of which foreign companies	*10*

1. Changes in the scope of consolidation in 2012

Under a purchase agreement of August 9, 2012 C-QUADRAT Investment AG acquired 100% of the shares in Absolute Portfolio Management GmbH (“APM”) – an Austrian investment firm which is an asset management specialist – for a purchase price of EUR 1,643 thousand. Due to the conditions precedent stipulated in the agreement, the closing date for the purchase agreement was September 28, 2012.

As of the acquisition date, the fair values of APM’s identifiable assets and liabilities are as follows:

Fair value as of acquisition date	**€ ’000**
Non-current assets:	
Property, plant and equipment	36
Intangible assets	5
Current assets:	
Other assets	361
Cash and cash equivalents	1,111
	1,514
Current liabilities:	
Other liabilities	-232

Provisions	-59
	-291
Total fair value of identifiable net assets	**1,223**
Goodwill from business combination	420
Total consideration	**1,643**

Cash outflow due to business combination	**€ ’000**
Transaction costs for business combination (included in cash flow from operating activities)	-328
Cash outflow	-1,643
Cash and cash equivalents acquired through the subsidiary	1,111
Actual cash outflow due to business combination	**-860**

Fee and commission receivables from customers, in the other assets segment, have a fair value of EUR 267 thousand. None of the receivables from customers was impaired and all contractually specified amounts are deemed recoverable.

The goodwill of EUR 420 thousand includes the fund management's increased value resulting from the business combination. The recognized goodwill is not considered to be tax-deductible.

The transaction costs for the business combination (included in the cash flows from operating activities and in the other administrative expenses in the consolidated income statement) amounted to EUR 328 thousand.

Since the date of its acquisition, APM has contributed EUR 566 thousand to total income and EUR 21 thousand to consolidated pre-tax earnings from continuing operations. If the business combination had occurred at the start of the year, APM would have contributed EUR 1,710 thousand to revenue from continuing operations and EUR 51 thousand to consolidated pre-tax earnings from continuing operations.

The consideration for the acquisition of Absolute Portfolio Management GmbH amounted to EUR 1,643 thousand and was entirely funded through cash and cash equivalents.

Under a purchase agreement dated September 19, 2011 C-QUADRAT Deutschland AG sold its 100% investment in C-QUADRAT Portfolio-Fonds GmbH for a selling price of EUR 1.00. Due to the conditions precedent stipulated in the agreement – for the assignment to the purchaser of the shares as well as all rights and obligations – which were only fully realized in January 2012, C-QUADRAT Portfolio-Fonds GmbH was removed from the consolidated group as of January 1, 2012.

As of the acquisition date, the fair values of C-QUADRAT Portfolio-Fonds GmbH's identifiable assets and liabilities are as follows:

Fair value as of acquisition date	**€ ’000**
Non-current assets:	
Property, plant and equipment	1

Intangible assets	0
Current assets:	
Other assets	89
Cash and cash equivalents	263
	353
Current liabilities:	
Other liabilities	-9
Provisions	-13
	-22
Total fair value of identifiable net assets	**331**

Under a purchase agreement of September 5, 2012 the Group acquired 100% of the shares in BCM (Luxembourg) SA, a company seated in Luxembourg, together with its wholly-owned subsidiaries BCM UK Ltd and Bluestar BCM Limited, United Kingdom, and BCM & Partners SA, Switzerland. BCM & Partners SA has a 100% stake in BCM & Partners (Cayman), seated in the Cayman Islands. BCM UK Ltd holds 96.25% of the shares in BCM & Partners LLP (UK), seated in the United Kingdom. These companies (the “BCM Group”) focus on the management of securities. Following approval by the Financial Services Authority (UK), the closing date for the purchase agreement was December 28, 2012.
As of the acquisition date, the fair values of the BCM Group’s identifiable assets and liabilities are as follows:

Fair value as of acquisition date	**€ ’000**
Non-current assets:	
Property, plant and equipment	65
Intangible assets	12,836
Current assets:	
Receivables from customers	2,347
Other assets	342
Cash and cash equivalents	2,782
	18,372
Non-current liabilities:	
Deferred tax liabilities	-3,198
Current liabilities:	
Payables to customers	-194
Other liabilities	-1,930
Provisions	-396
	-5,718
Total fair value of identifiable net assets	**12,654**
Goodwill from business combination	4,031
Total consideration	**16,685**

Cash outflow due to business combination	**€ ’000**
Transaction costs for business combination (included in cash flow from operating activities)	-910

Non-cash (cash-equivalent) outflow	-9,668
Cash and cash equivalents acquired through the subsidiary	2,782
Actual cash outflow due to business combination	**-7,796**

Intangible assets include the value of the customer base resulting from the business combination with the BCM Group (EUR 12,790 thousand) as well as software (EUR 46 thousand).

Receivables from customers have a fair value of EUR 2,347 thousand. None of the receivables from customers was impaired and all contractually specified amounts are deemed recoverable.

Goodwill amounting to EUR 4,031 thousand includes the value resulting from the positive effect of integration in the Group's structure within the framework of the business combination. The recognized goodwill is not considered to be tax-deductible.

The transaction costs for the business combination (included in the cash flow from operating activities and in the other administrative expenses in the consolidated income statement) amounted to EUR 1,044 thousand.

Since the date of its acquisition, the BCM Group has contributed EUR 0 thousand to total income and EUR 0 thousand to consolidated pre-tax earnings from continuing operations. If the business combination had occurred at the start of the year, the BCM Group would have contributed EUR 6,050 thousand to revenue from continuing operations and EUR 1,748 thousand to consolidated pre-tax earnings from continuing operations.

Consideration	**€ '000**
Cash and cash equivalents	9,668
Purchaser's equity interest	3,720
Liability resulting from contingent consideration	3,298
Total consideration	**16,685**

As a consideration for its 100% investment in the BCM Group, the Group has issued 130,896 units of its own ordinary shares. The fair value of these shares corresponds to their 60-day average price on the acquisition date, which amounted to EUR 28.42 per share. The fair value of the consideration granted is thus EUR 3,720 thousand.

A contingent consideration has been agreed as part of the purchase agreement with the previous owner of the BCM Group. Accordingly, the previous owner of the BCM Group will receive further cash payments in line with the following formula:

In the event that the consolidated pre-tax earnings of the BCM Group by comparison with the C-Quadrat Group excluding the BCM Group exceed an amount of 10% in the period from April 1, 2012 to December 31, 2015, the contingent consideration will be calculated on the basis of this ratio for each further 0.1% increase. The maximum additional consideration amounts to EUR 3,720 thousand. June 30, 2016 has been determined as the date of the final measurement and the due date for the contingent consideration.

On the acquisition date, after discounting with an interest rate of 3.5% the fair value of the future consideration was estimated to amount to EUR 3,298 thousand. On December 31, 2012 the key ratios for the operating success of the BCM Group indicate that the defined goal will likely be achieved, thanks to a significant expansion of business activities and realized synergies.

2. 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% investment in ARICONSULT Holding AG for a selling price of EUR 500 thousand and acquired a 30% investment in Sharpe Fund Marketing AG, Switzerland, for CHF 30,000, corresponding to a EUR 297 thousand share in the company.

Under a purchase agreement dated September 19, 2011 C-QUADRAT Deutschland AG sold its 100% investment in C-QUADRAT Portfolio-Fonds GmbH for a selling price of EUR 1.00. Due to the conditions precedent stipulated in the agreement – 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.

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.

	2012 **€ '000**	2011 € '000
Management Fees	**42,256**	44,656
Performance fees	**2,882**	314
Trail fees	**426**	423
Other	**32**	195
Total	**45,596**	45,588

Management fees fell in 2012 due to restructuring away from higher-margin products toward lower-margin products, even though there was no significant change in C-Quadrat KAG's assets under management. The assets under management which resulted from the acquisition of Absolute Portfolio Management (EUR 405 million) and the BCM Group (EUR 883 million) will have a positive impact on management fees in the financial year 2013. Due to the upward market trend, EUR 2,882 thousand (2011: EUR 314 thousand) in performance fees were generated in the current financial year.

2. Other operating income

	2012 **€ '000**	2011 € '000
Advisory revenue	**225**	63
Passed-on expenses	**23**	16

Client magazine	**84**	110
Marketing contributions	**0**	8
Other	**180**	186
Total	**512**	383

3. Personnel expenses

	2012 € '000	2011 € '000
Wages and salaries	**5,029**	5,255
Statutory social insurance contributions	**963**	1,181
Other	**108**	119
Total	**6,100**	6,555

Personnel expenses include approx. EUR 665 thousand (2011: EUR 750 thousand) in employer contributions to statutory pension insurance and EUR 66 thousand (2011: 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.

	2012 € '000	2011 € '000
Rental expenses	**390**	364
Promotion expenses	**1,205**	1,550
Legal and consultancy fees	**572**	362
Incidental acquisition costs for business combinations	**1,372**	0
Costs allocated to associates	**467**	0
Stock exchange expenses	**65**	53
IT expenses	**865**	583
Other office and premises expenses	**208**	183
Fees and levies	**253**	163
Travel expenses	**224**	228
Vehicle expenses	**370**	420
Passed-on expenses	**13**	13
Business insurance	**181**	134
Claims	**38**	30
Donations	**8**	0
Other	**259**	421
Total	**6,490**	4,503

The legal and consultancy fees also include the expenses for the auditor. In the 2012 financial year, these totaled EUR 153 thousand (2011: EUR 67 thousand) for the C-QUADRAT Group and comprised expenses for auditing of the annual financial statements and the consolidated financial statements.

The auditor did not perform any other auditing or tax consultancy services. An amount of EUR 14 thousand was charged for other services within the scope of an audit conducted by the German Financial Reporting Enforcement Panel.

5. Other operating expenses

	2012 **€ '000**	2011 € '000
Non-deductible input tax	**802**	860
Losses on sales of assets	**5**	4
Valuation adjustment on receivable	**2,013**	0
Other	**17**	19
Total	**2,837**	883

6. Depreciation and amortization

In the 2012 financial year, as in the previous year reported depreciation and amortization exclusively relates to systematic amortization of intangible assets and depreciation of property, plant and equipment.

7. Net income from associates

The net income from associates relates to the Group's share in the profits and losses of associates, which are accounted for using the equity method. Further details on associates may be found under Note IV.15 below.

8. Financial income

	2012 **€ '000**	2011 € '000
Loans and receivables	**306**	512
Income from investments	**25**	0
Income from valuation adjustments	**16**	0
Financial assets measured at fair value through profit or loss	**67**	0
Total	**414**	512

Financial income from loans and receivables relates solely to interest income from bank balances and to other interest income. The financial income from financial assets measured at fair value relates to income from investments in equities, bonds and investment funds.

9. Finance costs

	2012 **€ '000**	2011 € '000
Liabilities to banks	**4**	1
Financial assets measured at fair value through profit or loss	**314**	164
Total	**318**	165

The interest on liabilities to banks results from interest charged on liabilities classified as other liabilities. The finance costs resulting from financial assets measured at fair value mainly relate to the valuation adjustment recognized on a receivable.

10. Taxes on income

	2012 **€ '000**	2011 € '000
Actual expense for taxes on income	**-43**	393
Deferred taxes on income from temporary differences	**-63**	-120
Tax expenditure	**-106**	274

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

	2012 **€ '000**	2011 € '000
Net profit or loss before taxes on income for the continued operation	**345**	3,512
Expense for taxes on income at a tax rate of 25%	**-86**	-878
Deviating foreign tax rates	**-2**	-64
Non-temporary differences	**-18**	668
From tax-free income	**580**	-35
From non-deductible expenses	**-598**	703
Effective tax burden	**-106**	-274
Effective tax rate in %	**30.8%**	7.8%

The "non-temporary differences" item comprises tax-free income as well as expenses which are not tax-deductible due to local tax legislation.

The effective tax rate in the period under review is 30.8% (2011: 7.8%). Further remarks on deferred taxes can be found under Note IV.27.

11. Earnings per share

No diluting effect has been taken into consideration for the calculation of earnings per share.

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

	2012	2011
Weighted average number of ordinary shares	**4,239,876**	4,363,200

Please see Note IV. 21 for further remarks concerning changes in the number of ordinary shares.

12. Segment reporting

For the purpose of corporate management, the Group is organized in business units, according to products and services. The following two business segments are subject to mandatory reporting:

- The "Investments" business segment handles management of investments and the development and marketing of structured products and alternative investments
- The "Asset Management and Sales" business segment handles the management of external assets within the scope of publicly launched investment funds as well as the marketing of the company's own investment funds and products.

The Investments segment includes the company:

C-QUADRAT Investment AG

The following companies are included in the Asset Management and Sales segment:

C-QUADRAT Kapitalanlage AG
C-QUADRAT Deutschland GmbH
Absolute Portfolio Management GmbH
BCM (Luxembourg) SA
BCM UK Ltd
Bluestar BCM Limited
BCM & Partners SA
BCM & Partners (Cayman)
BCM & Partners LLP

No grouping of business segments has occurred in order to establish the above business segments subject to mandatory reporting. The Management Board monitors the business units' net profit for the period, so as to decide on the allocation of resources and to determine the earnings power of the respective units. The development of the segments is determined on the basis of the net profit for the period and is assessed in conjunction with the operating profit reported in the consolidated financial statements. However, group financing (including financing expenses and income) and taxes on income are handled at overall group level instead of in the individual business segments. 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 on income.
The "Consolidation" column in the table below shows the effects of intercompany elimination, as well as income and expenses relating to Group level only.

Year ended 2012

	Investments	Asset Management and Sales	Consolidation	Continuing operation	Assets held for sale	C-QUADRAT Group
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Fee and commission income	458	44,549	-4	45,003		45,003
From external customers	*458*	*44,545*		*45,003*		*45,003*
Intersegment income		*4*	*-4*			
Profit/loss from segment	*-2,801*	*2,934*	*106*	*239*		*239*
Net income from associates	2,340		106	2,446		2,446
Depreciation, systematic	-123	-234		-357		-357
Segment assets	*35,596*	*15,926*	*61*	*51,583*		*51,583*
Shares in associates	5,980		1,259	7,239	25	7,239
Segment liabilities	9,709	14,475	-1,149	23,034		23,034
Investments	220	277		496		496
Employees	7	72		79		79

Year ended 2011

	Investments	Asset Management and Sales	Consolidation	Continuing operation	Discontinued operation	C-QUADRAT Group
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
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
Net 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
Shares 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

Of the fee and commission income from external customers, 38% (2011: 37%) came from third countries. Approx. 28% (2011: 29%) came from Germany, approx. 3% (2011: 3%) from the CEE countries, approx. 2% (2011: 2%) from the United Kingdom and approx. 3% (2011: 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 2011 and 2012 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 comprise software licenses, customer bases and goodwill. 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 3 and 5 years. There are no purchase or renewal options for these leasing agreements. As of the balance sheet date, future minimum lease payments due to operating leases not subject to termination were as follows:

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Up to one year	**36**	255
Longer than one year and up to five years	**45**	116
Total	**81**	371

Statement of changes in non-current assets, 2012

	Cost										
	As of Jan. 1, 2012	**Changes in scope of consolidation**	**Additions**	**Disposals**	**As of Dec. 31, 2012**	**As of Jan. 1, 2012**	**Depreciation and amortization for the year**	**Disposals**	**As of Dec. 31, 2012**	**Carrying amount Dec. 31, 2012**	**Carrying amount Dec. 31, 2011**
Software	572	55	151	141	638	467	82	141	408	**230**	**105**
Licenses, rights	35	0	3	0	38	12	10	0	21	**17**	**24**
Customer base	0	12,790	0	0	12,790	0	0	0	0	**12,790**	**0**
Goodwill		4,451	0	0	4,451	0	0	0	0	**4,451**	**0**
Intangible assets	**608**	**17,296**	**154**	**141**	**17,918**	**479**	**91**	**141**	**429**	**17,488**	**129**
Operating and office equipment	1,859	463	342	232	2,072	1,034	266	193	1,107	**965**	**826**
Property, plant and equipment	**1,859**	**463**	**342**	**232**	**2,072**	**1,034**	**266**	**193**	**1,107**	**965**	**826**

Statement of changes in non-current assets, 2011

	Cost				Depreciation and amortization						
	As of Jan. 1, 2011	Additions	Disposals	As of Dec. 31, 2011	As of Jan. 1, 2011	Depreciation and amortization for the year	Disc. 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 IV.20).

14. Goodwill impairment tests

The goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Cash-generating unit “BCM Group”
- Cash-generating unit “Absolute Portfolio Management GmbH”

The Group performed its annual impairment testing on December 31, 2012.
On December 31, 2012 goodwill was allocated to these units as follows:

	Dec. 31, 2012 € ’000	Dec. 31, 2011 € ’000
BCM Group	**4,031**	0
Absolute Portfolio Management GmbH	**420**	0
Total	**4,451**	0

Cash-generating unit “BCM Group”

The recoverable amount of the cash-generating unit “BCM Group” is determined on the basis of a value-in-use calculation, including cash flow forecasts produced using the financial plans approved by the management for a period of three years. A pre-tax discount rate of 8.8% is applied for the cash flow forecasts. Cash flows resulting after this three-year period are extrapolated on the basis of a growth rate of 2.0%. This growth rate corresponds to the long-term average growth rate for financial services providers. It has been determined that the fair value less selling costs exceeds the value in use.

Cash-generating unit “Absolute Portfolio Management GmbH”

The recoverable amount of the cash-generating unit “Absolute Portfolio Management GmbH” is likewise determined on the basis of a value-in-use calculation, including cash flow forecasts produced using the financial plans approved by the management for a period of three years. A pre-tax discount rate of 8.8% is applied for the cash flow forecasts. Cash flows resulting after this three-year period are extrapolated on the basis of a growth rate of 2.0%. This growth rate corresponds to the long-term average growth rate for financial services providers. It has been determined that the fair value less selling costs exceeds the value in use.

Basic assumptions for calculation of the value in use

The underlying assumptions for calculation of the value in use of the two units “BCM Group” and “Absolute Portfolio Management GmbH” are subject to the following sources of uncertainty:

- gross profit margins,
- discount rates and
- growth rates applied for extrapolation of the cash flow forecasts beyond the detailed planning period.

Gross profit margins: the gross profit margins are determined on the basis of the average values realized in the three previous financial years prior to the start of the budget period. The gross profit margins are adjusted for the envisaged efficiency gains over the budget period. A factor of 2% p. a. has been applied for the two units, “BCM Group” and “Absolute Portfolio Management GmbH”.
Discount rates: the discount rates reflect the current market estimates regarding the specific risks which apply for the cash-generating units; this includes the interest-rate effect and the specific risks for assets for which estimated future cash flows have not been adjusted. The discount rate calculation gives consideration to the specific circumstances of the Group and its business segments and reflects its weighted average capital costs (WACC). Weighted average capital costs include both loan capital and equity capital. Equity capital costs are derived from the expected equity return for the Group’s equity investors. Loan capital costs are based on the interest-bearing loan capital which the Group is required to service. The segment-specific risk is calculated through application of individual beta factors. These beta factors are determined annually on the basis of publicly available market data.
Estimated growth rates: the growth rates are calculated on the basis of published, industry-specific market research.

Sensitivity of assumptions

Management believes that, to the best of its knowledge, no possible change in any of the underlying assumptions applied to determine the value in use of the cash-generating units “BCM Group” and “Absolute Portfolio Management GmbH” is liable to cause the carrying amount of the respective cash-generating unit to significantly exceed its recoverable amount.

15. Shares in associates

	Dec. 31, 2012 € ’000	Dec. 31, 2011 € ’000
Ariconsult Holding AG (25.1%)	**0**	0
ARTS Asset Management GmbH (45%)	**7,166**	7,082
Best of Funds Fondsmarketing AG (30%)	**25**	297
Blitz F12-fünf-fünf GmbH (50.01%)	**12**	0
Ampega C-Quadrat Fondsmarketing GmbH (50%)	**36**	0
	7,239	7,378
Reclassification of non-current assets classified as held for sale	**-25**	0
Total	**7,214**	7,378

C-QUADRAT Investment AG and Ampega Gerling Investment GmbH have established a marketing company Ampega C-QUADRAT Fondsmarketing GmbH (“Ampega”), which is seated in Frankfurt am Main and whose share capital amounts to EUR 25,000. This company was entered in the German commercial register on April 16, 2012. It focuses on support for institutional sales partners, maintenance of customer relationships with institutional investors and marketing of the two firms’ products. C-QUADRAT Investment AG’s 50% share in Ampega is recognized according to the equity method.
Under a purchase agreement of December 21, 2012 C-QUADRAT Investment AG acquired 50.01% of the shares in Blitz F12-fünf-fünf GmbH (“Blitz”), which is seated in Frankfurt am Main and whose share capital amounts to EUR 25 thousand. This company focuses on the management of securities. Pursuant to IAS 27.41 b, we hereby provide notice that control of this company is not possible, even though the Group holds more than half of the voting rights. This is due to the fact that a 70% majority is required for the dismissal and appointment of a managing director and to instruct this managing director. The Group’s 50.01% share in Blitz F12-fünf-fünf GmbH is recognized according to the equity method.

On December 31, 2012 concrete negotiations were already underway regarding the sale of 30% of the shares in Best of Funds Fondsmarketing AG, which is seated in Zug and in which the Group holds an investment of EUR 25 thousand. In the financial year 2012 this investment was subject to a EUR 272 thousand valuation adjustment due to losses. The company’s activities comprise marketing of investment products as well as asset management for its own investment funds. The Management Board of C-QUADRAT Investment AG plans to sell Best of Funds Fondsmarketing AG, Switzerland, in the course of the financial year 2013, within the scope of the Management Board’s ongoing strategy of streamlining the Group’s structure with the goal of improved profitability for the business. This company has therefore been classified as a disposal group held for sale.

The following table contains summarized financial information concerning the Group’s investments in associates:

	Dec. 31, 2012	Dec. 31, 2011
	€ ’000	€ ’000
Group interest in the assets and liabilities of associates		
Assets	**8,349**	7,620
Liabilities	**-1,110**	-241
Pro-rata net assets	**7,239**	7,378
of which associates classified as held for sale	**25**	0
Group interest in the revenue and earnings of associates		
Revenue	**4,468**	3,897
Net profit for the year incl. valuation result	**2,446**	2,541
of which associates classified as held for sale	0	0

16. Financial assets

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Non-current assets:		
Available-for-sale financial assets measured at fair value	**709**	2,943
Receivables	**0**	1,703
	709	4,646
Current assets:		
Financial assets measured at fair value through profit or loss	**1,263**	135
Receivables	**0**	500
	1,263	635
Total	**1,972**	5,281

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

The receivables include a receivable in the amount of EUR 0 thousand (2011: EUR 2,013 thousand) resulting from the disposal of shares. This is partly overdue. A valuation adjustment of EUR -2,013 thousand (2011: EUR 0 thousand) was recognized on this receivable in the period under review. The company has a share pledge as collateral for this receivable.
At the time of preparation of these annual financial statements, the collection of this receivable is considered extremely unlikely. For this reason, this receivable has been fully written down.

The financial assets measured at fair value in the income statement relate to investments in equities, bonds and in investment funds and are entirely (December 31, 2011: entirely) traded on the stock market or at calculated values that are published daily.

17. Receivables from customers

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Invoiced claims for the provision of services	**2,791**	653
Deferred fee and commission income	**2,196**	2,159
Total	**4,987**	2,812

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, 2012:

	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
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
2012	**4,987**	**4,929**	**31**	**16**	**11**	**0**	**0**	**0**
2011	2,812	2,471	209	132	0	0	0	0

18. Other assets

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Receivables from intercompany charges	**48**	4
Capitalized prepayments	**336**	723
Security deposits	**91**	114
Other	**293**	17
Other non-financial assets	**768**	857

Other assets are recognized at fair value and are all (December 31, 2011: all) current.

19. Cash and cash equivalents

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Bank balances and cash in hand	**15,572**	10,459
Current deposits	**0**	8,494
Total	**15,572**	18,954

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 15,572 thousand (December 31, 2011: EUR 18,954 thousand).

Cash and cash equivalents were recognized as the company's funds for the purpose of the consolidated statement of cash flows.

20. Non-current assets classified as held for sale

Associates

On December 31, 2012 concrete negotiations were already underway regarding the sale of a 30% interest in Best of Funds Fondsmarketing AG, Switzerland (previously SHARPE Fondsmarketing AG) for a price of EUR 25 thousand. This company focused on selling of investment products as well as asset management in relation to its own investment funds. The Management Board of C-QUADRAT Investment AG plans to sell Best of Funds Fondsmarketing AG, Switzerland, in the course of the financial year 2013, within the scope of the Management Board's ongoing strategy of streamlining the Group's structure with the goal of improved profitability for the business. This company has therefore been classified as a disposal group held for sale.

The following table shows the composition as of December 31, 2012 of the held-for-sale assets and liabilities of Best of Funds Fondsmarketing AG:

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Assets		
Current assets	**25**	297
Liabilities		
Current liabilities	0	0
Pro-rata net assets	**25**	297

The interest in the 2012 net income for the year of Best of Funds Fondsmarketing AG which is classified as held for sale amounted to EUR 0 thousand. In 2012 depreciation was recognized in an amount of EUR 272 thousand.

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 was furthermore authorized to withdraw repurchased treasury stock without a further resolution passed by the Annual General Meeting. In addition, the Annual General Meeting 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 was furthermore authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting 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 2012 financial year the Management Board once again made use of this authorization and on December 28, 2012 it acquired 55,158 no-par value bearer shares of the company for EUR 1,394 thousand (2011: 81,214 shares for EUR 2,109 thousand). At the purchase of BCM Group (with a closing date of December 28, 2012) the company used 130,896 units of treasury stock (i.e. 3% of its share capital) as means of payment, for a purchase cost of EUR 3,342 thousand. Accordingly, on December 31, 2012 5,476 units were recorded on the books, with a value of EUR 141 thousand (i.e. 0.13% of the share capital, for a cost of EUR 161 thousand).

Changes in the number of ordinary shares:

Issued and fully paid	In thousands of shares	€ '000
As of Dec. 31, 2012	**4,358**	**4,358**
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 on income, are accounted for as a deduction from capital reserves. Within the scope of the acquisition of the investment in the BCM Group, by way of consideration the company issued 130,896 units of its own ordinary shares. The difference between the fair value of these shares and the acquisition costs was recognized in the capital reserves.

Other reserves

	Unrealized gains	Currency translation differences	Total
	€ '000	€ '000	€ '000
As of Jan. 1, 2011	**0**	**0**	**0**
Unrealized gains/losses from available-for-sale investments	-81	0	-81
As of Dec. 31, 2011	**-81**	**0**	**-81**
Unrealized gains/losses from available-for-sale investments	22	0	22
As of Dec. 31, 2012	**-59**	**0**	**-59**

Changes in the fair value of available-for-sale investments are recognized in the reserve for unrealized gains. The related deferred taxes total EUR -7 thousand (2011: EUR -20 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.

22. Distributed dividends

The dividend paid in the 2012 financial year for the 2011 financial year amounted to EUR 1.00 per share (2011: EUR 2.21 per share).

23. Liabilities to banks

Interest-bearing loans

On the reporting date, the C-QUADRAT Group's liabilities to banks comprise an interest-bearing, unsecured bank loan in the amount of EUR 5,046 thousand (2011: EUR 0 thousand).

	Nominal/scope € '000	Carrying amount € '000	Effective interest rate as %	Term to maturity	Collateral
Loans (fixed interest rate)	5,046	5,046	3.50%	2013-2017	no

These loans have the following maturities:

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Up to one year	**1,046**	0
Longer than one year and up to five years	**4,000**	0
Total	**5,046**	0

24. Provisions

Statement of provisions, 2012

	Jan. 1, 2012 € '000	Held for sale € '000	Changes in scope of consolidation € '000	Utilization € '000	Reversal € '000	Additions € '000	**Dec. 31, 2012 € '000**
Provisions for severance payments	90	0	0	0	-49	64	**105**
Total non-current provisions	90	0	0	0	-49	64	**105**
Other provisions	231	0	96	-199	-14	196	**310**
Total current provisions	231	0	96	-199	-14	196	**310**
Total provisions	321	0	96	-199	-63	260	**415**

Statement of provisions, 2011

	Jan. 1, 2011 € '000	Held for sale € '000	Utilization € '000	Reversal € '000	Additions € '000	**Dec. 31, 2011 € '000**
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, 2012 € '000	**Dec. 31, 2011 € '000**
Provisions as of December 1.1 (=DBO)	**90**	**108**
Past service cost	**4**	**3**
Interest cost	**4**	**4**
Actuarial gains/losses	**7**	**-25**
Change in scope of consolidation	**0**	**0**
Provisions as of December 31 (=DBO)	**105**	**90**

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, 2012	Dec. 31, 2011
Interest rate	**3.50%**	**4.75%**
Salary/wage increase	**3.50%**	**4.00%**
Deductions for fluctuation	**0.00%**	**0.00%**
Retirement age	**54-65 years**	**54-65 years**
Mortality tables for Austria	**AVÖ-P 2008, mixed**	**AVÖ-P 2008, mixed**

25. Payables to customers

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Liabilities from services received	**1,161**	1,001
Deferred fee and commission liabilities	**5,911**	5,990
Total	**7,072**	6,990

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.

26. Other liabilities

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Contingent consideration	**3,298**	0
Other non-current financial liabilities	**3,298**	0

Due to the acquisition of the BCM Group a contingent consideration was recognized on the acquisition date with an estimated fair value of EUR 3,298 thousand. The same value was assumed as of the reporting date. Future developments may result in further adjustments of this balance-sheet value. The maximum consideration due amounts to EUR 3,298 thousand (see Notes III.1 and IV as well as 29).

Other current liabilities

	Dec. 31, 2012 € '000	Dec. 31, 2011 € '000
Liabilities to tax authorities	**250**	219
Liabilities to social insurance institutions	**92**	78
Liabilities for premiums and bonuses	**1,326**	808
Liabilities for outstanding leave	**162**	142
Other	**1,779**	415
Other non-financial liabilities	**3,609**	1,661

27. Deferred tax assets and liabilities

Deferred tax assets and liabilities as of December 31, 2012 and December 31, 2011 result from the following temporary difference between the recognized carrying amounts in the IFRS consolidated financial statements and the respective tax assessment bases:

	2012		**2011**	
€ '000	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	0	-3,198	0	0
Shares in related companies	0		0	0
Financial assets	-15	0	20	0
Other assets	22	0	8	0

	7	**-3,198**	**28**	**0**
Provisions	14	0	10	0
	14	**0**	**10**	**0**
Recognized loss carryforwards	1,284	0	663	0
Recognized one-seventh depreciation of investments	1,286	0	1,955	0
Deferred expenses and deferred income	2,592	-3,198	2,656	0
Net deferral of tax assets and liabilities	**2,592**	**-3,198**	**2,656**	**0**

The deferred tax assets arising from one-seventh depreciation of investments relate to the partial depreciation of investments over a 7-year period as required by Austrian tax law (2012: EUR 1,286 thousand; 2011: EUR 1,955 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.

28. Risk report

The main financial instruments used by the Group include investments in ordinary and preference shares, shares in investment funds, investments, 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
On December 31, 2012 the C-QUADRAT Group has a bank liability which is subject to a fixed interest rate and amounts to EUR 5,046 thousand (December 31, 2011: EUR 0 thousand). Accordingly, the company is not exposed to any risk associated with 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. As of December 31, 2012 total recognized assets and liabilities denominated in foreign currency (USD and HUF) were EUR 0 thousand (December 31, 2011: EUR 47 thousand) and EUR 1 thousand (December 31, 2011: EUR 17 thousand) respectively. In future, the first-time consolidation of the BCM Group as of December 31, 2012 will give rise to a foreign exchange risk in relation to the pound and the Swiss franc. Due to its acquisition immediately prior to the reporting date, it is not possible to quantify this foreign exchange risk at present. The C-QUADRAT Group will take measures to counter possible foreign exchange risk.

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% (2011: 0.0%) of total Group revenue, while expenses denominated in USD amount to 0.0% (2011: 0.1%) of total Group expenses. Revenue denominated in HUF amounts to 0.0% (2011: 0.2%) of total Group revenue, while expenses denominated in HUF amount to 0.0% (2011: 0.2%) 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 0 thousand in the 2012 financial year (2011: 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**	
	2012	2011	**2012**	2011
	€ '000	€ '000	**€ '000**	€ '000
Pre-tax earnings	**0**	1.4	**0**	1.7
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. One receivable underwent a valuation adjustment in the past financial year.

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 15,572 thousand (December 31, 2011: EUR 18,954 thousand), which is equivalent to approx. 30% of the balance sheet total (December 31, 2011: 48%). The company therefore has robust liquidity at its disposal.

As of December 31, 2012, the Group's undiscounted cash outflows for financial liabilities had the following maturities:

Maturities, 2012	On demand € '000	< 3 months € '000	3-12 months € '000	1-5 years € '000	> 5 years € '000	**Total** **€ '000**
Liabilities to banks (including interest)	0	0	1,046	4,350	0	**5,396**
Payables to customers	7,072	0	0	0	0	**7,072**
Total	7,072	0	1,046	4,000	0	**12,118**

Maturities, 2011	On demand € '000	< 3 months € '000	3-12 months € '000	1-5 years € '000	> 5 years € '000	**Total** **€ '000**
Payables to customers	4,050	2,940	0	0	0	**6,990**
Total	4,050	2,940	0	0	0	**6,990**

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, 2012 **€ '000**	Dec. 31, 2011 € '000
Share capital	**4,363**	4,363
Treasury stock	**-161**	-2,109
Reserves	**16,600**	16,200
Shareholders' equity according to WAG	**20,802**	18,454
Group profits	**239**	2,975

Profit carryforward less dividend	**7,509**	8,774
Shareholders' equity according to IFRS	**28,549**	30,204
Liabilities	**23,034**	9,043
Total shareholders' equity and liabilities	**51,583**	39,246
Equity ratio according to WAG	**40.3%**	47.0%
Equity ratio according to IFRS	**55.3%**	77.0%

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 its fixed overheads according to its 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 determined in 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 3,809 thousand in shareholders' equity (December 31, 2011: EUR 3,016 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible shareholders' equity of the company, which according to Section 9 (3) WAG 2007 is comprised of the paid-in capital and the disclosed reserves, is EUR 23,135 thousand (December 31, 2011: EUR 23,135 thousand), so that the company has EUR 19,326 thousand in surplus shareholders' equity (December 31, 2011: EUR 20,119 thousand):

Minimum shareholders' equity (Section 9 (2) WAG)	**Dec. 31, 2012** **€ '000**	Dec. 31, 2011 € '000
Start-up capital required to obtain a license	**50**	**50**
Fixed overheads in the most recently approved annual financial statements	**4,080**	**4,293**
25% thereof	**1,020**	**1,073**
Minimum shareholders' equity required	**1,020**	**1,073**

Required amount of shareholders' equity to cover credit risk (section 9 (5) WAG)	**Dec. 31, 2012** **Assets unweighted**	**Weighting assets**	**Assets weighted**	**Dec. 31, 2011** **Assets weighted**
Cash in hand	**1**	**0%**	**0**	0
Receivables from banks	**828**	**20%**	**166**	2,025
Receivables from customers	**0**	**100%**	**0**	3,227
Other fixed-interest securities	**505**	**100%**	**505**	0

Shares	**0**	**150%**	**0**	5,141
Shares	**834**	**100%**	**834**	0
Investments	**5,801**	**100%**	**5,801**	6,047
Shares in associates	**24,493**	**100%**	**24,493**	4,793
Intangible assets	**88**	**100%**	**88**	35
Property, plant and equipment	**323**	**100%**	**323**	289
Other assets	**0**	**0%**	**0**	0
Other assets	**1,070**	**20%**	**214**	303
Other assets	**3,555**	**100%**	**3,555**	534
Prepaid expenses and accrued income	**58**	**100%**	**58**	54
Total assets:	**37,558**		**36,038**	22,447
Required amount of shareholders' equity to cover credit risk		**20%**		

Required amount of shareholders' equity to cover operational risk (section 9 (6) WAG)	**Dec. 31, 2012** **€ '000**	Dec. 31, 2011 € '000
Fixed overheads in the most recently approved annual financial statements	**4,080**	4,293
25% thereof	**1,020**	1,073
12/88 thereof	**139**	146
Required amount of shareholders' equity to cover operational risk	**139**	146

Required amount of shareholders' equity (section 9 WAG)	**Dec. 31, 2012** **€ '000**	Dec. 31, 2011 € '000
Total	**4,042**	3,016

Eligible shareholders' equity (section 9 (3) WAG)	**Dec. 31, 2012** **€ '000**	**Dec. 31, 2011** **€ '000**
Subscribed capital	**4,363**	**4,363**
Capital reserves, tied up	**18,747**	**18,747**
Statutory retained earnings	**24**	**24**
Total	**23,135**	**23,135**

29. Financial instruments

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

Financial assets	**Carrying amount**		**Fair value**	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
	€ '000	€ '000	**€ '000**	€ '000
Cash and cash equivalents	**15,572**	18,954	**15,572**	18,954
Financial assets measured at fair value through profit or loss	**1,263**	135	**1,263**	135
Loans and receivables measured at amortized cost:				
Receivables from customers	**4,987**	2,812	**4,987**	2,812
Purchase price receivables	**0**	2,203	**0**	2,203
Available-for-sale financial assets measured at fair value	**709**	2,943	**709**	**2,943**

Financial liabilities	**Carrying amount**		**Fair value**	
	Dec. 31, 2012	Dec. 31, 2011	**Dec. 31, 2012**	Dec. 31, 2011
	€ '000	€ '000	**€ '000**	€ '000
Liabilities to banks	**5,046**	0	**5,046**	0
Payables to customers	**7,072**	6,990	**7,072**	6,990
Contingent consideration	**3,298**	0	**3,298**	0

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

A contingent consideration has been agreed as part of the purchase agreement with the previous owner of the BCM Group. This consideration is contingent on the development of the consolidated pre-tax earnings of the BCM Group by comparison with the C-Quadrat Group excluding the BCM Group in the period from April 1, 2012 to December 31, 2015. As of the acquisition date, the fair value of the future consideration is estimated to amount to EUR 3,298 thousand (see Notes III.1 and IV.26.).

The liability to banks is an unsecured bank loan. It is due annually on December 31, in five equal portions.

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, 2012, 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, 2012				Dec. 31, 2011			
Financial assets	**Total**	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
	€ '000	**€ '000**	**€ '000**	**€ '000**	€ '000	€ '000	€ '000	€ '000
Financial assets measured at fair value through profit or loss	**1,113**	**1,113**	**0**	**0**	135	135	0	0
Available-for-sale financial assets measured at fair value	**709**	**709**	**0**	**0**	2,943	2,943	0	0

During the reporting period ending December 31, 2012, there were no transfers between fair value measurements in Level 1, Level 2 and Level 3.

30. 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 2012 financial year, the Management Board of C-QUADRAT Investment AG consisted of the following persons:

Gerd Alexander Schütz
Thomas Riess (from April 1, 2012)
Roland Starha (to January 25, 2013)

The gross remuneration paid to the Management Board members of C-QUADRAT Investment AG totaled EUR 1,252 thousand in the 2012 financial year, including variable remuneration components amounting to EUR 312 thousand (2011: EUR 678 thousand in variable components, EUR 1,354 thousand in total). Severance expenses for members of the Management Board of C-QUADRAT Investment AG amounted to EUR 0 thousand (2011: EUR 14 thousand). Contributions to defined contribution pension schemes for the Management Board members of C-QUADRAT Investment AG amounted to EUR 0 thousand in the 2012 financial year (2011: EUR 14 thousand)

As of December 31, 2012, 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, 2011: EUR 0 thousand).

Supervisory Board

In the 2012 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 (to May 4, 2012)
Harry Ploemacher
Walter Schmidt
Friedrich Schweiger
Hans Zavesky (to May 4, 2012)

At C-QUADRAT Investment AG, the remuneration paid to members of the Supervisory Board for the 2012 financial year amounted to EUR 84 thousand (2011: EUR 108 thousand).

Associates

Revenues amounting to EUR 206 thousand were generated from associates in 2012 (2011: EUR 934 thousand). These revenues relate mainly to fee and commission income and passed-on expenses. Expenses in the amount of EUR 8,744 thousand (2011: EUR 9,688 thousand) were charged to the company by associates in 2012. These charges mainly related to fee and commission expenses. As of December 31, 2012, receivables from associates amounted to EUR 165 thousand (December 31, 2011: EUR 369 thousand) and payables to associates to EUR 1,153 thousand (December 31, 2011: EUR 1,247 thousand).

31. Events after the balance sheet date

As advised in an ad hoc notice of January 23, 2013 announcing the company's restructuring, subject to the approval of the Austrian Financial Market Authority, the custodian bank and the supervisory board the Management Boards of C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG intend to transfer the funds of C-QUADRAT Kapitalanlage AG to one or more external master investment fund managers and subsequently to relinquish their own licenses as investment fund management companies. As a final step, their merger with the Group's parent company is envisaged. An increasing focus on individual core competences and heightened regulatory requirements for management companies are the key reasons behind this decision. In the medium to long term, it will no longer be economically worthwhile to operate an independent investment fund management company.

In future, C-QUADRAT will focus on asset management as well as the assignment and monitoring of management mandates.

The concentration of fund management in Absolute Portfolio Management GmbH (APM), an affiliate of C-QUADRAT Kapitalanlage AG, is a further step toward the realization of this new business structure. Under a purchase agreement of January 28, 2013 C-QUADRAT Kapitalanlage AG's fund management segment was transferred to APM within the framework of an asset deal.

With effect as of January 2, 2013 25.1% of the shares in Absolute Portfolio Management GmbH (APM) were sold to Mr. Günther Kastner (the managing director of APM) for an amount of EUR 31 thousand. Mr. Kastner does not have any interest in the disclosed reserves.

The Management Board of CIV is currently conducting sales negotiations regarding its 30% stake in Best of Funds Fondsmarketing AG which it intends to sell in 2013.

Blitz F12-fünf-fünf GmbH is currently in negotiations regarding its acquisition of a fund management team. The shareholders of Blitz F12-fünf-fünf GmbH include a company which is influenced by one of the Supervisory Board members of CIV.

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. Please see Note IV.19 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, 2012 EUR million	Dec. 31, 2011 EUR million
Total volume managed by Group's own investment company	**1,455**	1,408
Total volume of advisory and third-party mandates	**1,519**	1,519
BCM Group	**883**	0
APM Absolute Portfolio Management GmbH	**405**	0
Total volume	**4,262**	2,927

Average number of employees during the financial year

	2012 Total	2011 Total
Group	**79**	74
of whom full-time employees	***75***	*66*
of whom part-time employees	***4***	*8*
of whom in Austria	***64***	*66*
of whom in other countries	***15***	*8*

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

Vienna, March 27, 2013

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

Thomas Riess, 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, 2012

Review of the economic situation and the capital markets in 2012

In the period under review moderate growth perspectives, the European debt crisis and the future of the Eurozone continued to shape the international capital markets. Defensive investment classes remained strongly in demand, while the stock markets suffered from a high level of volatility in view of the risk of further recession in parts of Europe and the USA. In 2012 the global stock markets moved upward in a series of waves. Strong price gains at the start of the year gave way to an initial setback in the spring, which was induced by the European sovereign debt crisis in particular. Following further gains, in November price losses once again resulted due to the uncertainty surrounding the impending US presidential election and the need to overcome the fiscal cliff. At the end of the year, the stock exchanges then once again shot upward. On this occasion, stock markets in Europe and Japan realized significantly stronger gains than those in the USA. The Euro Stoxx 50 rose 8.78% in the financial year 2012, to 2,577.62 points, while the DAX ended the financial year 2012 with growth of 29.06%, at 7,612.38 points. Austria's ATX was up 26.94% and closed the stock-exchange year at 2,400.09 points. The US Dow Jones 30 Industrial Index ultimately ended the 2012 financial year up 7.26%, at 13,104.14 points, while the Standard & Poor's 500 Index – which represents the broader market – ended the reporting period at 1,426.19 points, a rise of 13.41%.

The Eurozone has been in recession for some time now, and was unable to overcome this in 2012. However, the trends varied for individual countries. For example, while Germany and Austria realized slight GDP growth in 2012, the countries of southern Europe in particular were deep in recession. It should also be mentioned that in view of the weak economic trend inflation levels were unusually high, at an average rate of more than 2.5% p.a. Financing problems for many European countries' new and old debt were once again a defining issue on the financial markets in 2012. In March 2012 a haircut was recognized on Greek government bonds. However, even after this approx. EUR 100 billion debt write-off by some of its creditors Greece had not yet achieved a sustainable debt-equity ratio. At the end of 2012 it was granted further debt relief, through repurchasing of bonds at an average level of 35% of their nominal value.

High debt levels and significant overall economic problems further eroded confidence in the public finances of other southern European countries. In view of the structural problems in some Eurozone members and the Eurozone's institutional shortcomings, the future of the Eurozone was even increasingly called into question. When financing conditions for Italy and Spain strongly deteriorated in the summer of 2012, the European Central Bank seized the initiative and provided a huge volume of liquidity to stabilize the Eurozone's financial system and to enable these countries to continue to obtain financing on the markets on manageable terms. Money market rates were very low in general. The three-month Euribor was constantly below 1% in 2012, and even fell to 0.2% toward the end of the year.

Nonetheless, recovery for these countries is not yet in sight. Their high levels of debt and unemployment and the associated uncertainties remain a defining issue for the Eurozone. In this environment, the banking sector also remains characterized by uncertainty. For instance, this is reflected in the downgrading of the credit worthiness of Italian, Spanish, French and British banks by the ratings agencies Standard & Poor's and Moody's.

The USA achieved moderate economic growth in 2012. On average for the year, it realized a rise of 2.2 per cent. This level of economic growth was once again below-average from a US perspective and again resulted from declining government expenditure and a merely weak rise in private consumer spending. The latter was curbed by the weak trend on the labor market and by declining real wages. Moreover, in the second half of the year the fiscal cliff cast a shadow and slowed companies' investment activities.

Business development and situation of the company

The company can look back on a positive financial year despite the volatile and uncertain market conditions. The company's portfolio of investments delivered a positive financial performance. It provided the largest portion of operating income. This was slightly less than in the previous year – in which the company realized stronger income from investments, in the form of performance fees – but nonetheless highly satisfactory.

In general, in the financial year 2012 C-QUADRAT Investment AG expanded its portfolio of investments.
In June 2012 Ampega C-QUADRAT Fondsmarketing GmbH launched in Frankfurt am Main. This was founded together with AmpegaGerling Investment GmbH (each partner holds a 50% stake). This company will cover business with institutional clients, while C-QUADRAT Deutschland GmbH – which has been established for many years now – takes care of retail business. In future, with these two firms the company will achieve even more focused coverage of the highly important German market.
On September 30, 2012 the company acquired Absolute Portfolio Management GmbH (APM) outright. APM is an Austrian asset manager which focuses on absolute return funds and microfinance and commodities funds and manages a volume of approx. EUR 405 million.
On December 28, 2012 the company acquired 100% of the shares in BCM Group. BCM Group is a London-domiciled independent asset manager with a focus on credit funds (convertible funds, high yield funds), multi asset class funds and funds of funds and has approx. EUR 883 million in assets under management.
These acquisitions represent a continuation of the continuous growth strategy in the asset management core business and advance the aim of diversification of C-QUADRAT's product range. This will also enable the company to move into new target markets.

The C-QUADRAT share is 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%), T.R. Privatstiftung (20.65%) and San Gabriel Privatstiftung (20.03%), 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 was furthermore authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting 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 was furthermore authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting 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 2012 financial year the Management Board once again made use of this authorization and on December 28, 2012 it acquired 55,158 no-par value bearer shares of the company for EUR 1,394 thousand (previous year: 81,214 shares for EUR 2,109 thousand). At the purchase of BCM Group (with a closing date of December 28, 2012) the company used 130,896 units of treasury stock (i.e. 3% of its share capital) as means of payment, for a purchase cost of EUR 3,342 thousand. Accordingly, on December 31, 2012 5,476 units were recorded on the books, with a value of EUR 141 thousand (i.e. 0.13% of the share capital, for a cost of EUR 161 thousand).

Special products

Due to the current insecure market situation, no new products were designed or marketed to institutional clients in the past year. Accordingly, unlike in the previous year in the financial year 2012 no fee and commission income was realized through upfront fees (2011: EUR 153 thousand). In 2013 the company intends to newly intensify its activities in the institutional client segment.

Asset management

Despite market conditions which remain far from easy and extremely volatile, C-QUADRAT Kapitalanlage AG (KAG) has fared well and realized a highly positive performance in the financial year 2012. C-QUADRAT Kapitalanlage AG slightly increased its “assets under management” (AuM) in the financial year 2012, while external management & advisory mandates are at the same level as in the previous year. The company generated additional AuM through its purchase of Absolute Portfolio GmbH (APM) and the BCM Group (BCM), which will contribute to a long-term increase in fee and commission income over the next few years.

The overall AuM volume managed by C-QUADRAT Kapitalanlage AG (consisting of its own mandates as well as external management and advisory mandates) increased in the reporting period by EUR 47 million or 1.6%, from EUR 2,927 million to EUR 2,974 million as of the end of the year. On the balance-sheet date, the company had 29 mandates (previous year: 28) with an overall volume of EUR 1,455 million (previous year: EUR 1,408 million). The Group’s relative market share of mandates remained constant at 1.01% of total assets under management by Austrian investment companies. The company increased its external management/advisory mandates from 21 to 23. At EUR 1,591 million, total assets for this segment are at exactly the same level as in the previous year.

The acquisitions of APM and the BCM Group have provided the C-QUADRAT Group with AuM of EUR 405 million and EUR 883 million respectively.

The AuM managed by the C-QUADRAT Group thus increased in the period under review by 1,335 or 45.6%, from EUR 2,927 million to EUR 4,262 million at the end of the year.

At this year’s 2012 Austrian Funds of Funds Awards, with a total of 4 first places, 3 second places and 4 third places C-QUADRAT and ARTS picked up the largest volume of prizes. As in previous years, they thus demonstrated their clearly leading position among Austria’s funds of funds managers. The Funds of Funds Awards ceremony has been held since 2001. The funds of C-QUADRAT and ARTS have been successfully represented here right from the start, and have been rewarded with a total of 77 first places as well as 42 second places and 43 third places.

In January 2012, the results of the Euro Fund Awards 2012 in Germany were especially encouraging. In what is now the key sales market for C-QUADRAT Kapitalanlage AG, funds managed by C-QUADRAT and ARTS picked up a total of 11 awards in the categories “Fund of Funds - Mainly Bonds”, “Funds of Funds - Equities and Bond Funds” and “Funds of Funds - Equity Funds”, 6 of which were first places.

C-QUADRAT gained further confirmation of its success through the award “Investment Company of the Year 2012” – which it received from the investor magazine Börse Online – as well as its extremely positive rating from German finance brokers. In an independent study, 183 professional brokers working for the main financial services providers in Germany once again chose C-QUADRAT as the best investment company in 2012.

On the sales side, the company 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 four 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 2012 financial year, fee and commission income rose by EUR 7 thousand from EUR 45,588 thousand to EUR 45,596 thousand; fee and commission expenses decreased by EUR 629 thousand or 2%, from EUR 33,148 thousand to EUR 32,519 thousand. In view of the company's new investments BCM and APM, net fee and commission income will likely increase significantly in the coming year.
Aside from fee and commission income, other operating income of EUR 512 thousand (2011: EUR 383 thousand) contributed to total income.
Personnel expenses decreased by EUR 455 thousand or 7%, while other administrative expenses and other operating expenses increased by a total of EUR 3,941 thousand or 73%. This is mainly attributable to the incidental acquisition costs which resulted through the acquisition of the BCM Group and Absolute Portfolio Management GmbH as well as a valuation adjustment recognized on a receivable.

In the 2012 financial year the changes outlined above resulted in a significantly lower operating profit before depreciation and amortization of EUR -1,839 thousand (2011: EUR 882 thousand). After depreciation and amortization of EUR 357 thousand (2011: EUR 258 thousand), an operating profit of EUR -2,196 thousand (2011: EUR 623 thousand) was realized.

Net income from associates of EUR 2,446 thousand is at roughly the same level as in the previous year (EUR 2,541 thousand). The financial result amounted to EUR 96 thousand (2011: EUR 347 thousand). This mainly reflects increased finance costs.

Recognition of the fiscal effects of impairment of investments 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 106 thousand (2011: EUR 274 thousand). Allowing for the result of EUR 0 thousand realized by the discontinued operation (2011: EUR -262 thousand), this means a net profit for the year of EUR 239 thousand (2011: EUR 2,975 thousand).

Balance sheet

The balance-sheet total as of December 31, 2012 amounts to EUR 51,583 thousand and has increased significantly in relation to the balance-sheet total as of December 31, 2011 (EUR 39,246 thousand), by EUR 12,337 thousand or 31%. This is mainly due to the full consolidation of the BCM Group and Absolute Portfolio Management GmbH. Receivables from customers have decreased by EUR 2,175 thousand or 77%. The liabilities segment shows a loan of EUR 5,046 thousand which was taken up for the acquisition of the BCM Group. At EUR 7,214 thousand, shares in associates are EUR 165 thousand or 2% lower than in the previous year. At EUR 15,572 thousand, cash and cash equivalents have decreased by EUR 3,382 thousand or 18% on the previous year. In the 2012 financial year the C-QUADRAT Group has maintained extremely robust liquidity alongside its securities investments, since cash and cash equivalents comprise approx. 30% of the balance sheet total (December 31, 2011: approx. 48%).

Key performance figures

As an investment 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 its fixed overheads according to its 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 determined in 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 4,042 thousand in shareholders' equity (December 31, 2011: EUR 3,016 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible shareholders' equity of the company – which according to Section 9 (3) WAG 2007 is comprised of the paid-in capital and the disclosed reserves – is EUR 23,135 thousand (December 31, 2011: EUR 23,135 thousand), so that the company has EUR 19,093 thousand in surplus shareholders' equity (December 31, 2011: EUR 20,119 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. In the financial year 2012, the Group's equity ratio (acc. IFRS) decreased from 77.0% to 55.3%.

Cash flow from operating activities fell sharply year-on-year from EUR 936 thousand to EUR -443 thousand due to the decreased net profit for the year. Cash flow from investing activities amounts to EUR -2,612 thousand, compared to EUR 7,838 thousand in the same period in the previous year in which the dividends received were also higher than in the reporting period. This is mainly attributable to the Group's acquisition of subsidiaries. Due to financial liabilities entered into, cash flow from financing activities is EUR -588 thousand, compared to the prior-year figure of EUR -11,705 thousand, which was due to a higher dividend payment. The overall cash flow for the Group amounts to EUR -3,644 thousand in the 2012 financial year due to the activities outlined above, while the cash flow in the previous year totaled EUR -2,931 thousand.

On average, the C-QUADRAT Group had 79 employees on its payroll over the financial year (2011: 74 employees). In the first half of the financial year 2012 the employees of the C-QUADRAT Group attended compliance training focusing on employee transactions and anti-money laundering, while at the end of the year they received compliance training covering the acceptance and granting of gifts. They also received an update on the marketing directive.

No disclosures are made regarding non-financial performance indicators, such as environmental performance, because these do not apply to C-QUADRAT Investment AG. The company does not pursue 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 earnings performance of the company and its subsidiaries. In addition, investors are less willing to buy securities and fee and commission income falls due to the smaller volume of assets under management. This risk is actively tackled by means of diversification in the field of investments and also in terms of products and customers.
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 28 in the notes to the consolidated financial statements.

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 of the companies in the C-QUADRAT Group in matters relating to bookkeeping, payroll accounting, accounting and consolidation (with support from an external accountancy firm), controlling, treasury, payment transactions, cash flow management and reporting. Bookkeeping for C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG is carried out internally. Bookkeeping for the company's other subsidiaries is handled locally. Key accounting policies are defined in a group manual.

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) regarding the level of cash and cash equivalents and 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 of 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 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.

Applicable financial instruments

The main financial instruments used by the C-QUADRAT Group are financial investments in ordinary and preference shares, shares in investment funds, equity instruments, 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 2012 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.

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 28 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 2013.

C-QUADRAT Investment AG has already reacted to the current situation by expanding its portfolio of investments. Following the positive impulses generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2013 financial year will be on further expansion in Germany, in the countries of central and Eastern Europe and in other European countries. The company's acquisitions of Absolute Portfolio Management GmbH and BCM Group provide entirely new opportunities, both in terms of the available product range and in relation to new customer groups and sales markets.
C-QUADRAT Investment AG is on a stable footing thanks to these new partners and its established relationship with Talanx Asset Management GmbH.
Thanks to the broadening of its customer base, existing products can be offered to new customer groups. Moreover, existing customer relationships facilitate the placement of interesting new products. In addition, besides the established retail segment the company will newly intensify its institutional client business. In the financial year 2013 the Group will once again focus on this business segment, which was highly lucrative a few years ago.
Overall, the C-QUADRAT Group predicts a positive performance in 2013 despite the volatile situation on the financial markets.

Events after the balance sheet date

As advised in an ad hoc notice of January 23, 2013 announcing the company's restructuring, subject to the approval of the Austrian Financial Market Authority, the custodian bank and the supervisory board the management boards of C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG intend to transfer the funds of C-QUADRAT Kapitalanlage AG to one or more external master investment fund managers and subsequently to relinquish their own licenses as investment fund management companies. As a final step, their merger with the Group's parent company is envisaged. An increasing focus on individual core competences and heightened regulatory requirements for management companies are the key reasons behind this decision. In the medium to long term, it will no longer be economically worthwhile to operate an independent investment fund management company.

In future, C-QUADRAT will focus on asset management as well as the assignment and monitoring of management mandates.
The concentration of fund management in Absolute Portfolio Management GmbH (APM), an affiliate of C-QUADRAT Kapitalanlage AG, is a further step toward the realization of this new business structure. Under a purchase contract of January 28, 2013 C-QUADRAT Kapitalanlage AG's fund management segment was transferred to APM within the framework of an asset deal.

With effect as of January 2, 2013, 25.1% of the shares in Absolute Portfolio Management GmbH were sold and assigned to Mr. Günther Kastner.

The management board of C-QUADRAT Investment AG is currently conducting sales negotiations regarding its 30% stake in Best of Funds Fondsmarketing AG which it intends to sell in 2013.

The C-QUADRAT Group intends to acquire a controlling interest in a fund management team in the coming financial year.
Among the participating companies is a firm which is influenced by one of the supervisory board members of C-QUADRAT Investment AG.

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

Vienna, March 27, 2013

Gerd Alexander Schütz, m.p. Member of the Management Board	Thomas Riess, 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, 2012 to December 31, 2012. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2012, 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, 2012, 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, 2012 and of its financial performance and its cash flows for the fiscal year from January 1, 2012 to December 31, 2012 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the consolidated Management Report

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

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

Vienna, March 27th, 2013

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto, m.p.
Wirtschaftsprüfer

Mag. Gerhard Wenth, m.p.
Wirtschaftsprüfer

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

BALANCE SHEET AS OF DECEMBER 31, 2012

ASSETS

		As at 31.12.2012 EUR	As at 31.12.2011 TEUR
1. CASH IN HAND, BALANCES AT CENTRAL BANKS AND POSTAL GIRO OFFICES		1.044,34	1
2. RECEIVABLES FROM BANKS			
a) on demand	824.039,12		5.431
b) other receivables	4.707,62		4.692
		828.746,74	10.123
3. RECEIVABLES FROM CUSTOMERS		0,00	3.227
thereof associates		*0,00*	*53*
4. BONDS AND OTHER NON-FIXED-YIELD SECURITIES		505.070,20	2.632
5. SHARES AND OTHER NON-FIXED-YIELD SECURITIES		693.583,87	560
6. SUBSIDIARIES		5.801.396,70	6.047
7. SHARES IN ASSOCIATES		24.492.720,88	4.793
8. INTANGIBLE ASSETS		88.358,79	35
9. PROPERTY, PLANT AND EQUIPMENT		322.684,20	289
10. TREASURY SHARES		140.979,62	1.949
11. OTHER ASSETS		4.625.392,91	2.053
12. ACCRUED INCOME AND DEFERRED EXPENSE		58.278,75	53
		37.558.257,00	31.762
1. Foreign assets		18.598.967,00	2.169

EQUITY AND LIABILITIES

	EUR	As at 31.12.2012 EUR	As at 31.12.2011 TEUR
1. LIABILITIES TO CUSTOMERS			
a) on demand	4.095,19		
b) with agreed retention and cancelation period	5.000.000,00		
		5.004.095,19	0
2. OTHER LIABILITIES		4.238.271,15	1.374
3. DEFERRED INCOME AND ACCRUED EXPENSE		6.807,00	15
4. PROVISIONS			
a) Provisions for severance payments	0,00		28
b) Other provisions	455.747,96		600
		455.747,96	628
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		140.979,62	1.949
9. BALANCE SHEET PROFIT		4.577.744,58	4.662
		37.558.257,00	31.762
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		4.042.200,00	3.016
3. Foreign liabilities		3.621.516,00	58

INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

	2012		2011	
	EUR	EUR	TEUR	TEUR
1. Interest and similar income		242.854,63		401
thereof shares with fixed income		*132.506,49*		
2. Interest and similar expense		-4.194,10		0
I. Net interest income		**238.660,53**		**401**
3. Income from securities and subsidiaries				
a) Income from shares, other participatory rights and variable-yield securities	40,35		0	
b) Income from subsidiaries	2.340.000,00		5.832	
c) Income from shares in associates	3.295.000,00	5.635.040,35	1.670	7.502
4. Fee and commission income		457.558,44		5.596
5. Fee and commission expense		-266.227,26		-3.528
6. Other operating income		925.130,39		722
II. Operating income		**6.751.501,92**		**10.292**
7. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-922.844,52		-1.945	
bb) Expenses for severance payments and contributions to company pension scheme	13.920,29		-28	
cc) Expenses for statutory social insurance, charges based on pay, and compulsory contributions	-112.386,94		-493	
dd) Other social insurance expenses	-1.519,61	-1.022.830,78	-10	-2.476
b) Other administrative expenses (non-personnel)		-2.155.352,26		-2.013
8. Impairment losses on assets included in asset items 7 and 8		-123.160,29		-106
9. Other operating expenses		-308.031,22		-256
III. Operating expenses		**-3.609.374,55**		**-4.851**
therof fixed overhead costs		-2.933.437,47		-4.080
IV. Operating profit		**3.380.787,90**		**5.842**
10. Impairment losses on receivables and additions for provisions for contingent liabilities and credit risk		-2.013.000,00		0
11. Income from release of reserves of receivables and from provisiones for contingent liabilities and credit risk		604.825,55		107
12. Income from remeasurement of securities measured as financial assets and on subsidiaries and shares in associates		-367.887,44		-173
13. Income from remeasurement of securities measured as financial assets and on subsidiaries and shares in associates		0,00		441
V. Result of ordinary operations		**1.604.726,01**		**6.217**
14. Taxes		745.663,07		311
15. Other taxes, not disclosed in item 13		-1.863,72		-6
VI. Net profit before changes in reserves		**2.348.525,36**		**6.522**
16. Changes in reserves		1.808.156,38		-1.949
VII. Net profit		**4.156.681,74**		**4.573**
17. Profit carried forward		421.062,84		89
VII. Balance sheet profit		**4.577.744,58**		**4.662**

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, investments 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 cost or lower stock exchange prices 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.

With the exception of depreciation for cars – which is recognized according to the declining-balance method – systematic depreciation is carried out using the straight-line method. The following useful lives are assumed for individual asset categories:

	Useful life in years
• Other plant, operating and office equipment	3 - 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

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 1,282.83	EUR 987.32
Previous year	USD 1,419.92	EUR 1,097.57
UniCredit Bank Austria AG	HUF 1,132,309.75	EUR 3,907.37
Previous year	HUF 4,763,162.27	EUR 15,169.31
Receivables from customers		
Fee and commission receivables	USD 0.00	EUR 0.00
Previous year	USD 16,490.99	EUR 12,480.03
Fee and commission receivables	HUF 2,101,906.54	EUR 7,485.14
Previous year	HUF 5,850,000.00	EUR 18,704.00
Payables to customers		
Fee and commission liabilities	HUF 1,886,321.52	EUR 6,717.43
Previous year	HUF 5,250,000.00	EUR 16,785.64
Trade accounts payable (other)	CHF 0.00	EUR 0.00
Previous year	CHF 30,000.00	EUR 24,994.00

No. 9 – A breakdown of interest income, income from securities and investments, 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, investments and shares in related companies:

All securities included in the asset items equities and other non-fixed-interest securities, investments 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)		Previous year (EUR thousand)
Other fixed-interest and non-fixed-interest securities					
Wiener Städtische Vers. AG, Hybridanleihe 2008	FA		0		2,073
Österreichische Volksbanken AG Step Up-Erg.Anleihe	FA		183		445
Raiffeisen Bank Internat. Festver. Schuldv. 2012-2023	FA		500		505
Savings plans					
SGA Societe Generale Acc. N.V.	CA	1		4	
C-QUADRAT Active Conservative	CA	0		1	
C-QUADRAT Arts Best Momentum	CA	0		4	
C-QUADRAT Arts Total Return Special	CA	0	1	10	20
Treasury stock					
C-QUADRAT Investment AG	CA		141		1,949
Securities held as current assets					
C-QUADRAT ARTS Total Return Defensive fof (VT)	CA	407		0	
C-QUADRAT Strategie AMI Inhaber-Anteile CZK (t)	CA	101		95	
Valorinvest-Marktneutral	CA	1	509	0	95

Instead of an upward revaluation in line with the purchase cost (EUR 103 thousand), the C-QUADRAT Strategie AMI CZK fund was measured on the basis of the value of the sale which was realized in January of the following year.

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

The other operating income in the amount of EUR 925 thousand (previous year: EUR 722 thousand) mainly consists of proceeds from intercompany charges in the amount of EUR 892 thousand (previous year: EUR 569 thousand) and advertising and marketing proceeds in the amount of EUR 0 thousand (previous year: EUR 110 thousand) as well as revenues from the sale of assets in the amount of EUR 14 thousand (previous year: EUR 8 thousand).

The other operating expenses in the amount of EUR 308 thousand (previous year: EUR 256 thousand) mainly comprise current input tax that cannot be offset in the amount of EUR 303 thousand (previous year: EUR 255 thousand).

No. 14 – The total amount of income from the bank's management and agency services is EUR 458 thousand (previous year: EUR 5,596 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 3,609 thousand (previous year: EUR 4,851 thousand) reported under the item “III. Total operating expenses” include fixed overheads in the amount of EUR 3,247 thousand (previous year: EUR 4,080 thousand).

Notes on the balance sheet

General disclosures

Changes to form of presentation in relation to the previous year

The following changes have been made to the form of presentation in relation to the previous year:
In previous years, receivables resulting from trail fees and premiums in relation to bank and non-bank customers (investment companies) were reported as receivables from customers. From the current year onwards, these receivables are reported under other assets.
In previous years, liabilities resulting from trail fees and premiums in relation to bank and non-bank customers (investment companies) were reported as payables to customers. From the current year onwards, these liabilities are reported under other liabilities.

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, 2012 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, 2012 Dec. 31, 2012 EUR	Addition Reclassification EUR	Disposal Reclassification EUR	Cumulative depreciation Jan. 1, 2012 Dec. 31, 2012 EUR	Carrying amount Jan. 1, 2012 Dec. 31, 2012 EUR	Depreciation Write-up EUR
I. Intangible assets						
1. Industrial property rights plus similar rights and benefits and software	354,028.67 308,703.37	94,717.43 0.00	140,042.73 0.00	318,533.20 220,344.58	35,495.47 88,358.79	41,854.05 0.00
II. Property, plant and equipment						
1. Operating and office equipment	784,062.62 745,285.94	124,895.58 0.00	163,672.26 0.00	494,885.82 422,601.74	289,176.80 322,684.20	81,306.24 0.00
III. Financial assets						
1. Shares in related companies	4,792,922.07 24,492,720.88	19,699,798.81 0.00	0.00 0.00	0.00 0.00	4,792,922.07 24,492,720.88	0.00 0.00
2. Investments	6,047,000.00 6,073,002.70	26,002.70 0.00	0.00 0.00	0.00 271,606.00	6,047,000.00 5,801,396.70	271,606.00 0.00
of which shares in associates	*6,046,600.00* *6,072,602.70*	*26,002.70* *0.00*	*0.00* *0.00*	*0.00* *271,606.00*	*6,046,600.00* *5,800,996.70*	*271,606.00* *0.00*
3. Investments (book-entry securities) held as fixed assets	3,023,200.00 767,000.00	500,000.00 0.00	2,756,200.00 0.00	0.00 84,000.00	3,023,200.00 683,000.00	84,000.00 0.00
	13,863,122.07 31,332,723.58	20,225,801.51 0.00	2,756,200.00 0.00	0.00 355,606.00	13,863,122.07 30,977,117.58	355,606.00 0.00

Total fixed assets	15,001,213.36	20,445,414.52	3,059,914.99	813,419.02	14,187,794.34	478,766.29
	32,386,712.89	0.00	0.00	998,552.32	31,388,160.57	0.00

Notes on shares in related companies

Within the framework of the realignment of its portfolio of investments which already commenced in previous years, in September C-QUADRAT Investment AG acquired 100% of the interests in Absolute Portfolio Management GmbH (AT) and in December it acquired 100% of the interests in BCM Luxembourg SA (LU).

BCM Luxembourg SA:
On December 28, 2012 C-QUADRAT Investment AG acquired BCM Group by purchasing the entire voting share capital of BCM (Luxembourg) SA. BCM Group is an independent asset manager with a focus on credit funds (convertible funds, high yield funds), multi asset class funds and funds of funds and consists of six different companies which are seated in Luxembourg (Lux), London (UK), Geneva (CH) and Gran Cayman. A purchase-price adjustment was agreed with the vendors. This may give rise to an increase or decrease of up to 30% of the total purchase price already paid. The adjustment of the total purchase price will depend on the development of the consolidated pre-tax earnings of BCM Group in relation to the consolidated pre-tax earnings of the C-QUADRAT Group (excluding the consolidated pre-tax earnings of BCM Group) in the period from April 1, 2012 to December 31, 2015 and may not exceed a maximum amount. The management expects that this conditional purchase-price component will be fully realized.

The purchase price including incidental acquisition costs was EUR 17,595 thousand. Of this amount, EUR 5,577 thousand was provided in cash, EUR 3,720 thousand through 130,896 units of treasury stock and EUR 5,000 thousand in the form of external funds. EUR 3,298 thousand was carried as a long-term earn-out liability, since C-QUADRAT assumes that is required to provide the payments required under this agreement.

Notes on shares in associates

Within the framework of the realignment of its portfolio of investments which already began in previous years, in March C-QUADRAT Investment AG acquired 50% of the interests in Ampega C-QUADRAT Fondsmarketing GmbH (DE) and in December it acquired 50.01% of the interests in Blitz F12-fünf-fünf GmbH (DE). In addition, its investment in Best of Funds Fondsmarketing AG (CH) was written down by EUR 272 thousand, to its nominal value.

Disclosures concerning financial instruments

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

Disclosures concerning treasury stock

Treasury stock was acquired and sold in the past financial year.

Designation	ISIN
C-QUADRAT Investment AG, par-value shares	AT0000613005

Date	Units	Nominal amount	Cost	Market value
As of Jan. 1, 2012	81,214	EUR 81,214	EUR 2,109 thousand	EUR 1,949 thousand
Purchase	55,158	EUR 55,158	EUR 1,233 thousand	
Sale	130,896	EUR 130,896	EUR 3,182 thousand	
As of Dec. 31, 2012	5,476	EUR 5,476	EUR 160 thousand	EUR 141 thousand

Receivables and other assets

The receivables from customers include a receivable in the amount of EUR 2,013 thousand resulting from the disposal of shares. This is largely overdue. At the time of preparation of these annual financial statements, the collection of this receivable is considered extremely unlikely. For this reason, this receivable has been fully written down.

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	5	5	0	0	0
	Previous year	4,692	4,692	0	0	0
10.	Other assets					
	Trade debtors, foreign	97	0	97	0	0
	Trade debtors, Group	47	47	0	0	0
	Deferred trail fees	67	67	0	0	0
	Security deposits	30	0	0	0	30
	Clearing account C-QUADRAT KAG	1,070	0	1,070	0	0
	Other receivables	3,295	3,295	0	0	0
		4,606	3,409	1,167	0	30
	Previous year	4,260	1,689	912	1,195	464

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 1,070 thousand (previous year: 315 thousand) in receivables from the allocation of taxes to other entities as well as EUR 3,295 thousand (previous year: EUR 1,670 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, 2012 EUR thou.	Appropriation EUR thou.	Reversal EUR thou.	Allocation EUR thou.	As of Dec. 31, 2012 EUR thou.
Provisions for severance payments					
for severance payments - financial value	28	0	28	0	0
Previous year	31	0	2	0	28
Tax provisions					
for corporate income tax	0	0	0	0	0
Previous year	1,595	1,595	0	0	0
Other provisions					
for outstanding leave	45	45	0	3	3
Previous year	53	53	0	45	45
for legal and consultancy costs	72	72	0	109	109
Previous year	77	77	0	72	72
for premiums and bonuses	392	318	74	327	327
Previous year	826	816	10	392	392
miscellaneous	91	63	10	0	18
Previous year	34	0	0	57	91
	600	498	84	438	456
Previous year	990	946	10	566	600
Total provisions	628	498	112	438	456
Previous year	2,615	2,541	13	566	628

Liabilities

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

Statement of liabilities 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
1. Liabilities to banks					
Raiffeisen Landesbank NÖ-Wien	5,000	0	1,000	4,000	0
	5,000	0	1,000	4,000	0
Previous year	0	0	0	0	0
2. Other liabilities					
Trade creditors	544	544	0	0	0
Deferred trail fees	37	37	0	0	0
Purchase price liabilities (earn-out)	3,298	0	0	3,298	0
	3,879	581	0	3,298	0
Previous year	1,143	1,143	0	0	0

Other liabilities

The other liabilities in the amount of EUR 4,238 (previous year: 1,373 thousand) comprise the following amounts:

	2012 EUR thou.	2011 EUR thou.
From taxes	80	47
Wage tax	21	32
Employer’s contribution (DB), addition to employer’s contribution (DZ), municipal tax (KommSt), employer’s charge (DGA)	5	9
Regular tax burden	55	5
	80	47
For social security	11	31
Other miscellaneous liabilities	4,147	1,295

“Other liabilities” include amounts totaling EUR 4,163 thousand (previous year: EUR 1,336 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.

This mainly related to fee and commission liabilities in the amount of EUR 37 thousand (previous year: EUR 640 thousand), trade accounts payable in the amount of EUR 544 thousand (previous year: EUR 503 thousand), liabilities from current payroll accounting in the amount of EUR 16 thousand (previous year: EUR 41 thousand), liabilities for Supervisory Board remuneration in the amount of EUR 84 thousand (previous year: EUR 90 thousand), liabilities for legal advice in the amount of EUR 139 thousand (previous year: EUR 3 thousand), liabilities for marketing activities in the amount of EUR 19 thousand (previous year: EUR 28 thousand) and earn-out liabilities in the amount of EUR 3,298 thousand (previous year: EUR 0 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 145 thousand (previous year: EUR 252 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	80	35	45
Previous year	147	57	90
Rent liabilities	65	65	0
Previous year	105	105	0

INCOME STATEMENT

Breakdown of expenses for severance payments and payments to staff pension funds:

	2012 EUR thou.	2011 EUR thou.
Release of accrual for severance payments	-28	-2
Staff pension contributions	14	31
	-14	28

The removal of the severance payment accrual resulted from the intragroup transfer of a member of the Management Board, who has moved to a subsidiary together with his existing severance claim.

Taxes on income and earnings

Taxes on income and earnings result from normal business operations and include the tax apportionment in the amount of EUR 755 thousand (previous year: EUR 315 thousand) which group members are required to pay over to the group parent under the group agreement.

Deferred tax assets not reported separately in the balance sheet amount to EUR 2,579 thousand (previous year: EUR 2,622 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 concerning financial instruments pursuant to § 3 (2) Item 1 of the 2007 Austrian Securities Supervision Act (*Wertpapieraufsichtsgesetz*, *WAG*) (Austrian Federal Law Gazette I 2007/60), as amended, and;
2. acceptance and forwarding of orders pursuant to § 3 (2) Item 3 of the 2007 Austrian Securities Supervision Act (Austrian Federal Law Gazette I 2007/60), as amended, where these activities relate to one or more financial instruments;
3. the purchase, sale and brokerage of real estate and management of the Company's own developed and undeveloped properties;
4. brokerage of equity interests;
5. management consultancy;
6. the acquisition, holding and disposal and the management of investments, participations in other domestic and foreign companies;
7. the execution/operation, acquisition and brokerage of all transactions and firms associated with the Company's purpose of business and the establishment of branch offices and subsidiaries in Austria and other countries.

The Company does not provide any services relating to financial instruments which involve the holding of cash, securities or other instruments of clients. Accordingly, the Company may not at any time become a debtor of its clients.

Established:	November 25, 1991
Financial year:	January 1, 2012 to December 31, 2012
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
	Thomas Riess	Collective	4/1/2012	
	Gerd Alexander Schütz	Collective	10/16/1998	
	Roland Starha	Collective	1/1/2009	1/25/2013

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

Members of the Supervisory Board:

Name	since	to
Hubert Cussigh	5/27/2010	
Franz Fuchs	8/27/2004	
Thomas Lachs	7/29/1998	5/4/2012
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	5/4/2012

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 investments

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%	5,914	2,922	12/31/2012
C-QUADRAT Deutschland GmbH	Frankfurt	100%	342	285	12/31/2012
Absolute Portfolio Management GmbH	Vienna	100%	1,203	36	12/31/2012
BCM Luxembourg SA	Luxembourg	100%	1,842	-39	12/31/2012
Blitz F12-fünf-fünf GmbH	Frankfurt a.M.	50.01%	22	-3	12/31/2012
ARTS Asset Management GmbH	Vienna	45%	6,052	5,287	12/31/2012
Ampega C2 Fondsmarketing GmbH	Frankfurt a.M.	50%	n/a	n/a	12/31/2012
Best of Funds Fondsmarketing AG	Zug	30%	54	-33	12/31/2012

All investments 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):

	2012	2011
Management Board members	3	4
White-collar employees	4	22
Total	7	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 714 thousand (previous year: EUR 1,354 thousand).
The total amount of remuneration paid to members of the Supervisory Board in the past financial year was EUR 84 thousand (previous year: EUR 108 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	2012 EUR thou.	2011 EUR thou.
Loans/advances to date	10.00	4.00
Interest in current reporting year	0.00	0.00
Newly granted in reporting year	41.00	45.00
Repayments in reporting year	-32.00	-39.00
New balance as of Dec. 31, 2012	19.00	10.00

Loans/advances exclusively consist of payments on account for travel expenses.

Severance expenses

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

	2012 EUR thou.	2011 EUR thou.
Members of the Management Board	11.00	14.00
Executive employees	0.00	3.00
Other employees	4.00	11.00
	15.00	28.00

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. 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.

Pursuant to Art. III (2) of the company's articles of incorporation, 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 (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 was furthermore authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting 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 – 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 27, 2013

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

Management Report
C-QUADRAT Investment AG
for the Financial Statements for the Year Ending December 31, 2012

Review of the economic situation and the capital markets in 2012

In the period under review moderate growth perspectives, the European debt crisis and the future of the Eurozone continued to shape the international capital markets. Defensive investment classes remained strongly in demand, while the stock markets suffered from a high level of volatility in view of the risk of further recession in parts of Europe and the USA. In 2012 the global stock markets moved upward in a series of waves. Strong price gains at the start of the year gave way to an initial setback in the spring, which was induced by the European sovereign debt crisis in particular. Following further gains, in November price losses once again resulted due to the uncertainty surrounding the impending US presidential election and the need to overcome the fiscal cliff. At the end of the year, the stock exchanges then once again shot upward. On this occasion, stock markets in Europe and Japan realized significantly stronger gains than those in the USA. The Euro Stoxx 50 rose 8.78% in the financial year 2012, to 2,577.62 points, while the DAX ended the financial year 2012 with growth of 29.06%, at 7,612.38 points. Austria’s ATX was up 26.94% and closed the stock-exchange year at 2,400.09 points. The US Dow Jones 30 Industrial Index ultimately ended the 2012 financial year up 7.26%, at 13,104.14 points, while the Standard & Poor’s 500 Index – which represents the broader market – ended the reporting period at 1,426.19 points, a rise of 13.41%.

The Eurozone has been in recession for some time now, and was unable to overcome this in 2012. However, the trends varied for individual countries. For example, while Germany and Austria realized slight GDP growth in 2012, the countries of southern Europe in particular were deep in recession. It should also be mentioned that in view of the weak economic trend inflation levels were unusually high, at an average rate of more than 2.5% p.a. Financing problems for many European countries’ new and old debt were once again a defining issue on the financial markets in 2012. In March 2012 a haircut was recognized on Greek government bonds. However, even after this approx. EUR 100 billion debt write-off by some of its creditors Greece had not yet achieved a sustainable debt-equity ratio. At the end of 2012 it was granted further debt relief, through repurchasing of bonds at an average level of 35% of their nominal value.

High debt levels and significant overall economic problems further eroded confidence in the public finances of other southern European countries. In view of the structural problems in some Eurozone members and the Eurozone’s institutional shortcomings, the future of the Eurozone was even increasingly called into question. When financing conditions for Italy and Spain strongly deteriorated in the summer of 2012, the European Central Bank seized the initiative and provided a huge volume of liquidity to stabilize the Eurozone’s financial system and to enable these countries to continue to obtain financing on the markets on manageable terms. Money market rates were very low in general. The three-month Euribor was constantly below 1% in 2012, and even fell to 0.2% toward the end of the year.

Nonetheless, recovery for these countries is not yet in sight. Their high levels of debt and unemployment and the associated uncertainties remain a defining issue for the Eurozone. In this environment, the banking sector also remains characterized by uncertainty. For instance, this is reflected in the downgrading of the credit worthiness of Italian, Spanish, French and British banks by the ratings agencies Standard & Poor’s and Moody’s.

The USA achieved moderate economic growth in 2012. On average for the year, it realized a rise of 2.2 per cent. This level of economic growth was once again below-average from a US perspective and again resulted from declining government expenditure and a merely weak rise in private consumer spending. The latter was curbed by the weak trend on the labor market and by declining real wages. Moreover, in the second half of the year the fiscal cliff cast a shadow and slowed companies’ investment activities.

Business development and situation of the company

The company can look back on a positive financial year despite the volatile and uncertain market conditions. The company's portfolio of investments delivered a positive financial performance. It provided the largest portion of operating income. This was slightly less than in the previous year – in which the company realized stronger income from investments, in the form of performance fees – but nonetheless highly satisfactory.

In general, in the financial year 2012 C-QUADRAT Investment AG expanded its portfolio of investments.
In June 2012 Ampega C-QUADRAT Fondsmarketing GmbH launched in Frankfurt am Main. This was founded together with AmpegaGerling Investment GmbH (each partner holds a 50% stake). This company will cover business with institutional clients, while C-QUADRAT Deutschland GmbH – which has been established for many years now – takes care of retail business. In future, with these two firms the company will achieve even more focused coverage of the highly important German market.
On September 30, 2012 the company acquired Absolute Portfolio Management GmbH (APM) outright. APM is an Austrian asset manager which focuses on absolute return funds and microfinance and commodities funds and manages a volume of approx. EUR 405 million.
On December 28, 2012 the company acquired 100% of the shares in BCM Group. BCM Group is a London-domiciled independent asset manager with a focus on credit funds (convertible funds, high yield funds), multi asset class funds and funds of funds and has approx. EUR 883 million in assets under management.
These acquisitions represent a continuation of the continuous growth strategy in the asset management core business and advance the aim of diversification of C-QUADRAT's product range. This will also enable the company to move into new target markets.

The C-QUADRAT share is 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%), T.R. Privatstiftung (20.65%) and San Gabriel Privatstiftung (20.03%), 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 was furthermore authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting 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 was furthermore authorized to withdraw repurchased treasury stock without a further resolution passed by the General Meeting. In addition, the Annual General Meeting 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 2012 financial year the Management Board once again made use of this authorization and on December 28, 2012 it acquired 55,158 no-par value bearer shares of the company for EUR 1,394 thousand (previous year: 81,214 shares for EUR 2,109 thousand). At the purchase of BCM Group (with a closing date of December 28, 2012) the company used 130,896 units of treasury stock (i.e. 3% of its share capital) as means of payment, for a purchase cost of EUR 3,342 thousand. Accordingly, on December 31, 2012 5,476 units were recorded on the books, at a cost of EUR 161 thousand (market value of EUR 141 thousand) (i.e. 0.13% of the share capital).

Income statement

In the 2012 financial year, fee and commission income fell by EUR 5,139 thousand or 92% from EUR 5,596 thousand to EUR 458 thousand; fee and commission expenses also decreased, by EUR 3,261 thousand or 92% from EUR 3,528 thousand to EUR 266 thousand. This trend is mainly attributable to the decline in trail fees, since the fund brokerage division was wound up in late 2011. In addition to the net fee and commission income – which amounts to EUR 191 thousand (2011: EUR 2,069 thousand) – the other operating income in the amount of EUR 925 thousand (2011: EUR 722 thousand) provided a key contribution to the operating income which totaled EUR 5,635 thousand (2011: EUR 7,502 thousand). However, this was due in particular to the income from securities, investments and shares in related companies in the amount of EUR 6,752 thousand (2011: EUR 10,293 thousand). Operating income thus showed a significant year-on-year decrease of EUR 3,541 thousand or approx. 34%.

At the same time, total operating expenses were reduced by EUR 1,242 thousand or 26%, from EUR 4,851 thousand to EUR 3,609 thousand, since the brokerage segment caused a certain volume of fixed costs which was essential for its orderly operation. In particular, personnel expenses for 2012 were reduced by EUR 1,454 thousand. Some employees were made redundant following the discontinuation of the fund brokerage division, while others joined C-QUADRAT Kapitalanlage AG. In the operating expenses segment, the item “Project costs SLA, other countries” was newly added in 2012, in the amount of EUR 467 thousand. This item comprises the payment made by C-QUADRAT Investment AG to Ampega C-QUADRAT Fondsmarketing GmbH under the service level agreement.

The developments outlined above led to an operating profit of EUR 3,381 thousand (2011: EUR 5,843 thousand) in the financial year 2012. In 2012 depreciation was recognized on a receivable in the amount of EUR 2,013 thousand. Since this receivable proved unrecoverable, it was written off to EUR 0 thousand. This is a not insignificant expense item. However, due to its complete write-off in the financial year 2012 this receivable no longer constitutes a burden for subsequent periods. Allowing for this valuation adjustment and after measurements of securities and investments, the company realized a profit on ordinary activities of EUR 1,605 thousand (2011: EUR 6,218 thousand). A group taxation arrangement with C-QUADRAT Kapitalanlage AG and the use of partial depreciation of investments in previous years which this arrangement enables for tax purposes has resulted in a tax credit for the company in the amount of EUR 746 thousand (2011: EUR 310 thousand), leading overall to a net profit for the year of EUR 2,349 thousand (2011: EUR 6,522 thousand). Following a movement of reserves for treasury stock in the amount of EUR 1,808 thousand (2011: EUR 1,949 thousand), the annual profit amounts to EUR 4,157 thousand (2011: EUR 4,572 thousand), which means a distributable balance sheet profit of EUR 4,578 thousand (2011: EUR 4,662 thousand) following a profit carryforward of EUR 421 thousand (2011: EUR 89 thousand).

Balance sheet

The balance sheet total as of December 31, 2012 amounts to EUR 37,558 thousand and has increased by EUR 5,797 thousand or 18% in relation to the balance sheet total as of December 31, 2011. Receivables from banks have declined by EUR 9,294, from EUR 10,123 thousand to EUR 829 thousand, due to the acquisition of BCM Group and APM. At the same time, shares in related companies have increased by EUR 19,700 thousand, from EUR 4,793 thousand to EUR 24,493 thousand. The company has securities which may be liquidated at any time in the amount of EUR 1,199 thousand (December 31, 2011: EUR 3,192 thousand). The other assets mainly consist of a receivable from C-QUADRAT Kapitalanlage AG due to a group taxation arrangement in the amount of

EUR 1,070 thousand (December 31, 2011: EUR 315 thousand) and receivables from subsidiaries due to dividends for the same period in the amount of EUR 3,295 thousand (December 31, 2011: EUR 1,670 thousand). The liabilities section of the balance sheet shows another liability to banks in the amount of EUR 5,000 thousand (December 31, 2011: EUR 0 thousand). This relates to a loan which was taken up for the acquisition of the BCM Group.

Key performance figures

As an investment 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 its fixed overheads according to its 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 determined in 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 4,042 thousand in shareholders' equity (December 31, 2011: EUR 3,016 thousand) in accordance with Sections 9 (2), (5) and (6) WAG 2007. The eligible shareholders' equity of the company – which according to Section 9 (3) WAG 2007 is comprised of the paid-in capital and the disclosed reserves – is EUR 23,135 thousand (December 31, 2011: EUR 23,135 thousand), so that the company has EUR 19,092 thousand in surplus shareholders' equity (December 31, 2011: EUR 20,119 thousand).

In the 2012 financial year the equity ratio (calculated according to WAG 2007, i.e. excluding a balance sheet profit) decreased from 79% to 64% due to retained earnings resulting from the share buyback and an increase in the balance sheet total.

The company had an average of 7 employees on its payroll over the past financial year (2011: 26 employees).
In the first half of the financial year 2012 the employees of C-QUADRAT Investment AG attended compliance training focusing on employee transactions and anti-money laundering, while at the end of the year they received compliance training covering the acceptance and granting of gifts. They also received an update on the marketing directive.

No disclosures are made regarding non-financial performance indicators, such as environmental performance, because these do not apply to C-QUADRAT Investment AG. The company does not pursue 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 earnings performance of the company and its subsidiaries. In addition, investors are less willing to buy securities and fee and commission income falls due to the smaller volume of assets under management. This risk is actively tackled by means of diversification in the field of the company's investments. Moreover, on the one hand the company actively offsets this risk in relation to its subsidiaries, 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.

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 of the companies in the C-QUADRAT Group in matters relating to bookkeeping, payroll accounting, accounting and consolidation (with support from an external accountancy firm), controlling, treasury, payment transactions, cash flow management and reporting. Bookkeeping for C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG is carried out internally. Bookkeeping for the company’s other subsidiaries is handled locally. Key accounting policies are defined in a group manual.

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) regarding the level of cash and cash equivalents and 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 of 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 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.

Applicable financial instruments

The main financial instruments used by C-QUADRAT Investment AG are financial investments in ordinary and preference shares, shares in investment funds, investments, 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 2012 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
The company has a liability in the amount of EUR 5,000 thousand in relation to a bank. This is subject to a fixed interest rate for the entire loan period. For this reason, the company is not exposed to any risk associated with fluctuating market interest rates. Accordingly, no hedges were used to eliminate an interest rate risk.

Foreign exchange risk

With the exception of BCM Group, the company's business activities are focused on the Eurozone. This is also true for its other subsidiaries. In the 2012 financial year the company suffered foreign-currency exchange losses in the amount of EUR 0 thousand (2011: EUR 2 thousand). In the financial year 2012, due to the closing date of December 28, 2012 BCM Group had not yet been consolidated in the income statement. Accordingly, the foreign-exchange risk should be classified as marginal, and as of this date no hedges had been 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 which 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 in the amount of EUR 1,199 thousand the company has cash and cash equivalents in the amount of EUR 829 thousand (December 31, 2011: EUR 10,123 thousand), which is equivalent to approx. 2% of the balance sheet total (December 31, 2011: 32%).

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 2013.

C-QUADRAT Investment AG has already reacted to the current situation by expanding its portfolio of investments. Following the positive impulses generated by the sales activities initiated in CEE countries in recent years, the main focus in the 2013 financial year will be on further expansion in Germany, in the countries of central and Eastern Europe and in other European countries. The company's acquisitions of Absolute Portfolio Management GmbH and BCM Group provide entirely new opportunities, both in terms of the available product range and in relation to new customer groups and sales markets.
C-QUADRAT Investment AG is on a stable footing thanks to these new partners and its established relationship with Talanx Asset Management GmbH.
Thanks to the broadening of its customer base, existing products can be offered to new customer groups. Moreover, existing customer relationships facilitate the placement of interesting new products. In addition, besides the established retail segment the company will newly intensify its institutional client business. In the financial year 2013 the Group will once again focus on this business segment, which was highly lucrative a few years ago.
Overall, the C-QUADRAT Group predicts a positive performance in 2013 despite the volatile situation on the financial markets.

Events after the balance sheet date

As advised in an ad hoc notice of January 23, 2013 announcing the company's restructuring, subject to the approval of the Austrian Financial Market Authority, the custodian bank and the supervisory board the management boards of C-QUADRAT Investment AG and C-QUADRAT Kapitalanlage AG intend to transfer the funds of C-QUADRAT Kapitalanlage AG to one or more external master investment fund managers and subsequently to relinquish their own licenses as investment fund management companies. As a final step, their merger with the Group's parent company is envisaged. An increasing focus on individual core competences and heightened regulatory requirements for management companies are the key reasons behind this decision. In the medium to long term, it will no longer be economically worthwhile to operate an independent investment fund management company.

In future, C-QUADRAT will focus on asset management as well as the assignment and monitoring of management mandates.
The concentration of fund management in Absolute Portfolio Management GmbH (APM), an affiliate of C-QUADRAT Kapitalanlage AG, is a further step toward the realization of this new business structure. Under a purchase contract of January 28, 2013 C-QUADRAT Kapitalanlage AG's fund management segment was transferred to APM within the framework of an asset deal.

With effect as of January 2, 2013, 25.1% of the shares in Absolute Portfolio Management GmbH were sold and assigned to Mr. Günther Kastner.

The management board of C-QUADRAT Investment AG is currently conducting sales negotiations regarding its 30% stake in Best of Funds Fondsmarketing AG which it intends to sell in 2013.

The C-QUADRAT Group intends to acquire a controlling interest in a fund management team in the coming financial year.
Among the participating companies is a firm which is influenced by one of the supervisory board members of C-QUADRAT Investment AG.

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

Vienna, March 27, 2013

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

Thomas Riess, m.p.
Member of the Management Board

5. 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, 2012 to December 31, 2012. These financial statements comprise the balance sheet as of December 31, 2012, the income statement for the fiscal year ended December 31, 2012, 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, 2012 and of its financial performance for the fiscal year from January 1, 2012 to December 31, 2012 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

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

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

Vienna, March 27th, 2013

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto, m.p.
Wirtschaftsprüfer

Mag. Gerhard Wenth, 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 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, 2012 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, 2012 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, April 2013

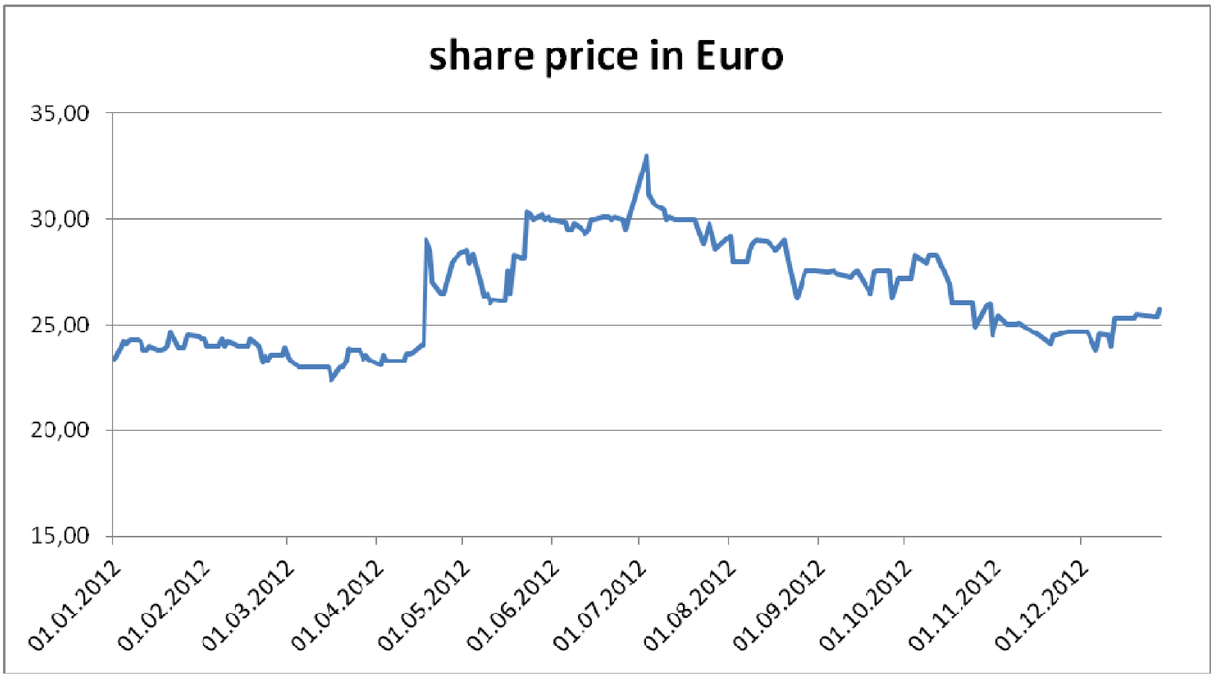
Gerd Alexander Schütz, m.p.	Mag. Thomas Riess, m.p.
Member of the Management Board	Member of the Management Board

FINANCIAL CALENDAR 2013

April 08th, 2013	Results 2012
April 23th, 2013	Record date for participation at the Annual General Meeting (AGM)
May 3th, 2013	Annual General Meeting (AGM)
May 21th, 2013	Interim Report as of March 31, 2013
May 8th, 2013	Ex-dividend day
May 14th, 2013	Dividend payment date
August 26th, 2013	Interim Report as of June 30, 2013
November 18th, 2013	Interim Report as of September 30, 2013

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 2012 – December, 31 2012

CONTACT

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PUBLISHER'S NOTES

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

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

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