QUADRANT

ANNUAL REPORT

2007

QUADRANT

Quadrant, a global leader in high-performance polymer materials in the form of semi-finished and finished products with locations in 18 countries, generates annual sales of some CHF 800 million. The specialty engineering thermoplastics and composites manufactured and marketed by more than 2 400 employees worldwide are superior in performance to metals and other materials and are used in a growing number of applications, primarily in the capital goods industry. Together with leaders in a wide range of customer markets, Quadrant is continuously developing new areas of application. Thanks to its clear strategic orientation and focus, Quadrant has generated substantial added value for customers and shareholders since it was established in 1996 and is well prepared to continue expanding its market leadership in future.

Board of directors

Dr. Adrian Niggli, Chairman
Marco Forster, Vice-Chairman
Dr. Luigi Borla
Dr. Walter Grüebler
Dr. René-Pierre Müller
Dr. Arno Schenk

Group management board

Dr. René-Pierre Müller, CEO
Dr. Arno Schenk, CEO
Wolf-Günter Freese, CFO

Shares traded

Registered Share	QUAN
Security Code	558 940
ISIN No.	CH 000 5589400
Trading	SWX (Main Market)

Investor relations diary

6 May 2008	Sales/Ebit 1st quarter 2008
6 May 2008	Annual general meeting
2 September 2008	Half-year 2008
4 November 2008	Sales/Ebit 3rd quarter 2008
6 February 2009	Sales 2008
31 March 2009	Financial year 2008
5 May 2009	Sales/Ebit 1st quarter 2009
5 May 2009	Annual general meeting

Investor relations contact

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Group[1]

in CHF millions

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net sales	71.8	133.6	156.5	464.9	428.5	411.4	470.0	591.7	804.3	811.8
Ebitda	9.4	26.8	24.8	62.5	61.1	54.8	70.0	71.8	94.7	98.4
– in % of net sales	13.1%	20.1%	15.8%	13.4%	14.3%	13.3%	14.9%	12.1%	11.8%	12.1%
Ebita	5.6	21.6	19.0	42.6	41.5	35.5	51.6	46.8	59.3	65.4
Ebit[2]	5.3	19.0	16.4	28.2	26.4	21.1	37.5	50.8	59.3	65.4
Net profit[2]	3.2	13.7	12.6	11.2	11.9	2.2	16.2	33.4	36.1	39.6
Cash flow from operations before changes in NWC[3]	8.2	17.6	19.2	43.4	26.8	35.9	47.4	47.6	62.8	64.6
Cash flow from operations	6.8	10.0	19.3	32.1	53.4	51.2	45.7	48.1	72.1[4]	58.3[4]
Capital expenditure	(2.1)	(11.0)	(6.9)	(14.7)	(13.2)	(9.5)	(14.0)	(29.2)	(35.5)	(22.8)
Free cash flow[5]	5.3	(1.0)	12.5	17.3	58.9	42.4	33.9	19.4	37.7[4]	36.4[4]
Total assets	84.8	173.0	186.5	609.2	549.9	520.0	498.1	704.0	720.6	719.4
Net debt	(8.3)	21.1	5.5	237.3	219.8	176.7	141.9	217.5	175.0	143.3
Shareholders' equity	43.9	87.4	107.0	209.1	167.6	167.7	174.9	231.3[6]	268.5[6]	307.9
– in % of total assets	51.7%	50.5%	57.3%	34.3%	30.5%	32.3%	35.1%	32.9%[6]	37.3%[6]	42.8%
Employees (full-time units)	186	256	309	1 330	1 341	1 297	1 320	2 396	2 423	2 451

Key data per share[7]

in CHF (undiluted)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Net earnings per share	2.63	8.34	7.29	4.69	5.13	1.00	7.20	14.05	14.35	15.07
Free cash flow per share	3.30	(2.07)	7.22	7.60	25.34	19.16	15.22	8.16	14.97[4]	13.88[4]
Share price										
– High	65	159	194	185	120	42	94	170	248	267
– Low	45	44	132	110	25	16	42	91	168	137
– Year-end	54	136	151	112	30	41	94	169	238	153
– Year-on-year performance	+10%	+151%	+11%	–26%	–71%	+39%	+128%	+81%	+41%	–36%
– Swiss Performance Index	+15%	+12%	+12%	–22%	–26%	+22%	+7%	+36%	+21%	–0%

1) On the base of continued group activities

2) In conformity with revised IFRS rules, goodwill is no longer amortized using the straight-line method with effect from 2005.

3) Net working capital

4) Owing to the reduced number of workdays between Christmas 2006 and the end of the year, payment of suppliers' invoices amounting to CHF 8.8 million was shifted to the first week of January 2007. The results for 2006 and 2007 adjusted for these payments are stated as follows:

	2006	2007
Cash flow from operations	CHF 63.3 million	CHF 67.1 million
Free cash flow	CHF 28.9 million	CHF 45.2 million
Free cash flow per share	CHF 11.47	CHF 17.24

5) Cash flow from operations (after interest and tax payments) plus dividends received from associated companies, income from currency hedging and disinvestments, less capital expenditure, net and leasing costs

6) Since 1 January 2006, actuarial surpluses and deficits arising from employees' defined-benefit plans and connected tax effects are being posted to shareholders' equity in conformity with IAS 19, sub-para. 93 A–D. Within the parameters of reviewing an actuarial expertise carried out by independent experts in 2007, it became evident when calculating the reserve requirements for defined-benefit pension obligations of one Swiss defined-benefit plan that the theoretical assets required for the full-value insurance of the obligations toward old-age pensioners had not been provided for. The values for the 2005 and 2006 financial years were restated for reasons of comparison (see pages 24 to 27 of the Notes to the consolidated financial statements).

7) Until 2001: bearer shares of CHF 50.00 p. v., restated as registered shares; as from 2002: registered shares of CHF 10.00 p. v.

Share capital

As of 31 December	2003	2004	2005	2006	2007
Nominal capital (in CHF 1 000)	25 275	25 275	25 848	26 250	27 495
Number of registered shares (CHF 10 p. v.)	2 527 500	2 527 500	2 584 835	2 625 042	2 749 543

All changes in shareholders' equity, including reserves and accumulated surplus, for the last three accounting years are shown on page 21 of this report and on page 21 of the 2006 annual report.

	2007	
	Number of shares	CHF
Authorized capital		
For acquisitions (authorized until 4 May 2009)	1 312 521	13 125 210
Conditional capital		
For capital market purposes	749 413	7 494 130
For management stock option plans	514 103	5 141 030

As of 15 March 2008, the remaining stock option plans granted to members of the board of directors and management require a maximum of 138 264 shares of the conditional capital provided for management stock option plans.

Major shareholders [1]

	31.12.2006 Shares [2]	31.12.2007 Shares [2]
Dr. A. Schenk	4.0 %	5.3 %
Pool Dr. R.-P. Müller	5.1 %	4.8 %
Fidelity International Ltd, Hamilton, Bermuda	5.5 %	n. a.

[1] Subject to Swiss Code of Obligations (> 3 %)

[2] In accordance with stock exchange legislation, this figure is based on share capital recorded in the Commercial Register on balance sheet date.

The company is not aware of any further major shareholders or shareholder groups pooling voting rights with a shareholding requiring public disclosure.

The Quadrant Group held on 31 December 2007 3.7 % of its own shares.

As of 31 December 2007

Board of directors

Name Board function Education	In office since	Elected until	Nationality	Year of birth	Current main occupation Other directorships Previous occupations
Adrian Niggli, Chairman non-executive director[2] Dr. iur., Attorney-at-law; International Bankers School New York	1996	2008	CH	1953	Chairman of the Board *previously:* Chairman Quadrant Group Management Board, Corporate Finance, Rothschild Group; Corporate Development, Saurer; Credit Suisse; Visura Treuhandgesellschaft
Marco Forster, Vice-Chairman non-executive director[1] [2] dipl. arch. ETHZ; Industrial Engineering BWI-ETHZ	1997	2009	CH	1952	Director Ecopsis SA *previously:* Director, Colorplaza; Executive Management, Fotolabo; Corporate Finance and Risk Management, UBS
Luigi Borla non-executive director Ph. D., Mech. Engineering, ETHZ Polymer Chemistry	2004	2008	CH	1936	Industrial consultant *previously:* CEO Symalit; R&D Du Pont; Management Alusuisse-Lonza
Walter Grüebler non-executive director[1] [2] Dr. oec. HSG	2000	2010	CH	1942	Chairman Sika AG and Adval Tech *other directorships:* National Versicherung, Petroplus *previously:* CEO Sika; Senior Vice-President, Algroup; Member of the Executive Board, Alusuisse; Hayek Engineering
René-Pierre Müller non-executive director Ph. D., ETHZ Physical Chemistry; MBA Insead	1996	2009	CH	1952	CEO Quadrant *previously:* Corporate Finance, Rothschild Group; Corporate Development, Lonza and Saurer
Arno Schenk executive director Ph. D., Architecture, ETHZ; MBA Univ. of Chicago	1996	2010	CH	1956	CEO Quadrant *previously:* Corporate Finance, Rothschild Group; Corporate Development, Saurer

Group management board

René-Pierre Müller[3]			CH	1952	CEO
Arno Schenk[3]			CH	1956	CEO
Wolf-Günter Freese Eidg. Dipl. Betriebsökonom HWV; Eidg. Dipl. Wirtschaftsprüfer			D	1963	CFO *previously:* Group Management, Charles Vögele Group; Auditing, Curator Revision; Controlling Mövenpick Group

[1] Audit committee
[2] Compensation committee
[3] Cf. table Board of directors for further information

Reculer pour mieux sauter: the same as in 2002 / 2003?

Dear Shareholders

Nowadays, watching the morning business news on television is hardly an incentive to get up and go to work. Judging from increasingly depressing forecasts by Wall Street gurus and business reporters, the financial world has come to a near standstill – so much so that one is at risk of losing the spirit of optimism and courage. Investors are currently so convinced of a cyclical contraction and lower future corporate earnings that they lump all companies together. Small caps are traded at an even lower level as they are ostensibly inconsequential, usually active only on a regional basis, and thus unable to take advantage of globalization and growth in emerging markets.

The same pessimistic tone was experienced in 2002 / 2003 following the terror attacks of 11 September, 2001. For a time, no one invested in production, and our sales dropped by almost 12 % over a two-year period. Quadrant's stock price fell dramatically. On the stock exchange, Quadrant sold for a song (see Figure 1). In light of that price slump, the financial market was even speculating as to when Quadrant would file for bankruptcy.

in CHF millions	**2001**	**2002**	**2003**
Sales	465	429	411
Net profit	11	12	2
Free cash flow	17	59	42
Market capitalization	283	77	106

Fig. 1: No correlation between free cash flow and market capitalization in times of economic crisis

In actual fact, however, we did much better than the general mood and our share price gave reason to believe. And the most striking fact is that not only did our free cash flow remain positive, but it actually rose to previously unprecedented levels.

Sales rebounded when the economy began to revive in 2004. It soon became apparent that customer orders did not disappear as the result of the economic crisis, but were simply delayed. Shareholders who persevered or bought stock were richly rewarded: the share price increased from its all-time low of CHF 16 in March 2003 to CHF 267 within a period of four years, so far its peak level.

Why did the market in 2002 / 2003 incorrectly infer from low sales that the business challenges would be nearly insurmountable? The market failed to take notice of our business model, which takes into account fluctuations in sales as a result of economic downturns. If sales stagnate, or even drop, Quadrant's capital expenditure is significantly lower. Also, little attention was paid to the fact that nearly all of our customers are active in the capital goods industry and, therefore, they are by nature cyclically exposed. Declining or stagnating sales do not necessarily imply that products are more expensive or lagging behind the competition. It could, however, mean that we can afford to forego unprofitable orders, knowing that we offer first-rate products which will sooner or later be in demand again by our customers.

The mood on the financial markets has once again turned sour. And again our share price has dropped by more than half, making Quadrant one of the ten most reasonably priced stocks on the Swiss Stock Exchange in accordance with its P / E ratio. Does the market fear a global economic catastrophe that will eclipse everything seen so far and, by contrast to 2002/ 2003, paralyze the capital goods industry to such a degree that we will not pull through this time? Or does the market think that Quadrant is exposed to a significant concentration of economic risk larger than that of other industrial companies?

We expect neither an economic nightmare scenario, nor do we believe that our business is overexposed to any economic risk. While an economic downturn may well be in the offing, we believe that today the global economic situation is less susceptible to a collapse than it was six years ago due to the stabilizing effect of up-and-coming markets in Asia. And, should our sales decline, we are convinced that we will survive this time at least as successfully as we did six years ago. The results for 2002 / 2003 have already proved that not only do we have good products, but we also have a strong strategic market position and the necessary operating flexibility.

in CHF millions	2006	2007	current
Sales	804	812	
Net profit	36	40	
Free cash flow	38	36	
Market capitalization	626	421	296

Fig. 2: Market capitalization today is again disconnected from fundamental data (status 19 March 2008).

In addition, today we are better positioned than six years ago: our business is stronger, Quadrant's global reach has expanded, and with the introduction of the ERP system we are currently unleashing greater potential in improving our resource planning and business management, and further increasing operating efficiency. The fact that we closed the 2007 financial year with a record net profit validates all of these assertions (see Figure 2).

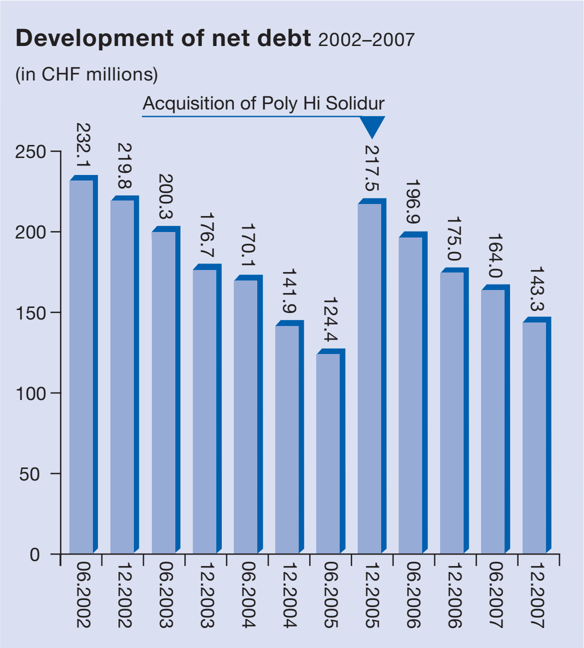


Fig. 3: By means of its strong free cash flow, Quadrant creates continuously new scope for financing.

The strength of our business is manifested even more impressively by the development of net indebtedness. For a business that some financial analysts consider to be risky, the graph shows surprising stability and consistency in our ability to generate a positive and substantial cash flow throughout all economic cycles. Only a few industrial companies are capable of this. Our net debt diminishes with clockwork regularity until such time as we make a new acquisition (Figure 3).

Thanks to this ability, today we have at our disposal the largest financial scope ever. Currently, net debt amounts to only 46 % of shareholders' equity (2002: 131 %). This enlarges the size, and therefore also the number, of acquisition candidates in our financing radius. Furthermore, in our present situation, the price of acquisition candidates will be even lower.

As entrepreneurs oriented toward the medium and long term we cannot afford to have our heads turned by the daily barrage of financial news. As captains of a listed company, the realization of our industrial strategy remains a priority, namely to further strengthen our position as the internationally leading manufacturer of high-performance polymer and thermoplastic composites, and thus generate added value for our shareholders. And as co-shareholders, we consider the current weakness of our share price as an opportunity to buy. The French say, "Reculer pour mieux sauter", which means taking one step back so you can take a big jump forward.

One thing is for sure, our current business performance is clearly better than our share price. Should investors one day watch less television and, instead, take a good look at our performance and continued potential for development, then that will soon be reflected in higher stock prices. Compared to 2002/2003, the current price potential is at least as high. Our entire board of directors is convinced of that.

Quadrant – High Performance in Plastics!

Dr. Adrian Niggli
Chairman of the Board

Quadrant holds its ground in an unstable environment

Overall, Quadrant looks back on a stable financial year during which positive and negative effects balanced each other out. In terms of sales, the year was characterized by varying regional developments. While the downturn in the North American economy was counterbalanced by continued expansion in Europe and Asia, Quadrant's activities in the automobile industry decreased to about one-sixth of total sales. Nevertheless, Quadrant's net profit for 2007 was the highest in its history. At year-end, the investment in the Quadrant EPP Japan Ltd. joint venture was increased to 80 %, thus further strengthening Quadrant's market position in this important market.

Consolidated results

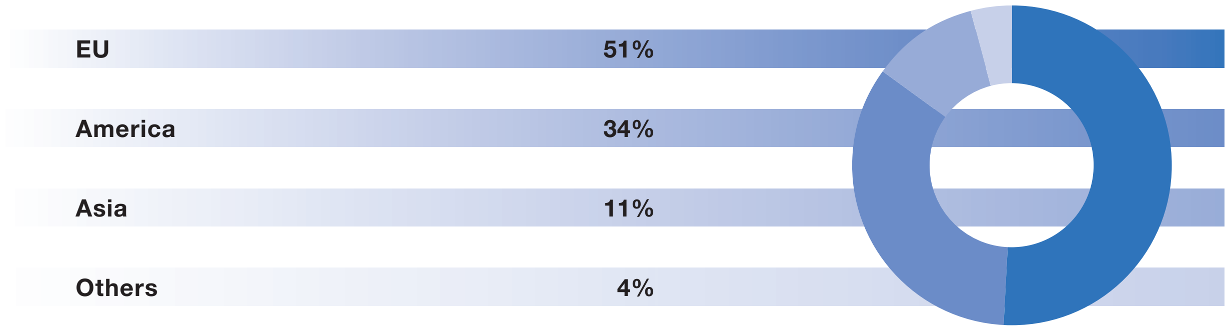
Stable sales in a worldwide economy becoming more fragmented

Quadrant reports net sales of CHF 811.8 million (2006: CHF 804.3 million) for the 2007 financial year, again surpassing the previous year's result. The growth of 1 % is due to the first-time consolidation of Nylamid S. A. de C. V. in Mexico, for which Quadrant increased its shareholding from 35 % to 80 % during the year under review. Exchange differences for the major currencies generally remained insignificant. The sales share generated with customers in the automobile industry again decreased and in 2007 amounted to 17 % (2006: 20 %). As in previous years, the remaining sales were spread across numerous customers in the capital goods industry.

The High-Performance Plastics Division (QEPP / QCMS) reported net sales of CHF 663.9 million (2006: CHF 646.3 million). The 3 % growth is due essentially to the success in European and Asian markets, which more than set off the North-American economic weakness.

The Quadrant Engineering Plastic Products business (QEPP) continued to expand despite the clearly weaker economic environment. Activities in Asia represented the best development as they proved resistant to the increasing economic insecurity. In Europe, the positive development was slightly reduced owing to the normal learning curve following the introduction of the new ERP system during the second half-year. The two new materials and applications introduced in the two previous years proved successful on the market and represent an additional hedge against a possibly further weakening economic environment. As expected, in 2007 the significantly smaller injection molding business (QCMS) recovered from the weak growth experienced the two previous years and experienced pleasing sales growth at both locations, in Belgium and Hungary. New, technically demanding product developments were introduced successfully and ensured an upturn in both the normal and clean-room production.

Sales by market region



Net sales of the Plastic Composites / Cable Protection Systems Division (QPC / QCPS) in 2007 amounted to CHF 147.9 million (2006: CHF 158.0 million), representing a decrease of 6 %. The decrease was not unexpected and is due to continued weak demand for plastic composite products in the automobile industry.

Quadrant Plastic Composites (QPC) again had to contend with subdued development in the automobile supplier industry, and consequently decided to abandon the weakest profit contributors. Simultaneously, the development interaction with leading automobile manufacturers, which was strengthened the previous year, was further intensified. Due to the project lead times common in the automobile industry, a positive effect on sales development can realistically only be expected in two to three years' time. Efforts to gain a foothold in the non-automotive sectors showed initial results: the sandwich plate for concrete shuttering systems met with great interest. First sales are expected for as early as 2008. The development of the Cable Protection Systems business (QCPS), which focuses on the Swiss market, was positive and maintained the outstanding result reported the previous year despite a downturn in the field of civil engineering.

Operating results

In 2007, the gross margin remained stable despite burgeoning inflationary tendencies – a renewed sign of Quadrant's sound market position in its market segments. Personnel expenses and operating expenses remained stable. This pleasing development was supported by the ongoing optimization of operating processes for production and logistics in the QPC Division. The group's Ebitda (profit from operations before interest, taxes, depreciation and amortization of goodwill) amounted to CHF 98.4 million (2006: CHF 94.7 million), representing an Ebitda margin growth from 11.8 % reported the previous year to 12.1 % in the year under review. While Ebitda for the QEPP/QCMS Division grew only slightly faster than sales, the optimization measures introduced in QPC implied that the Ebitda for the QPC / QCPS Division increased significantly. Owing to slightly lower amortization, the growth of the operating result on the Ebita level (profit from operations before interest, taxes and amortization of goodwill) was clearly higher.

The rising interest level was set off against the reduction of the interest margin agreed on with the syndicating banks in 2007. As currency gains balanced currency losses, net financial income remained at the

QEPP application example

Success through global cooperation

An internationally leading supplier of sewage treatment plants was awarded the significant contract to develop and build a communal sewage treatment plant for a large city in China. This was a large step for the company which involved risks, but the successful completion of the project would significantly increase its reputation. For customs reasons, the complete shipment had to be delivered to the construction site by the end of 2007, and delays were subject to a contract penalty of 20 %. In search of an ideal partner for the completion of the contract, the manufacturer of the sewage plants contacted Quadrant. Owing to its broadly based resources and reliable delivery performance, Quadrant was awarded the contract to supply customer-specific Nylatron® sprockets and TIVAR® parts made of UHMW-PE. Another crucial factor in awarding the contract was that Quadrant operates several production plants in Pennsylvania, USA, which is also the home state of the customer. In addition to the American plants, Quadrant's cast polyamide production plant in The Netherlands was to be used.

Within a period of four months, Quadrant employees in The Netherlands constructed a two-cavity casting tool, developed a finish machining process and produced 1,800 sprockets weighing more than 6 kg each. Machining of the cast parts was carried out in The Netherlands and Germany. On the other side of the Atlantic, at Quadrant's location in Indiana, USA, thousands of wear-and-tear parts made of TIVAR® were produced in a special size and subsequently machined.

For Quadrant, the successful completion of this very time-critical contract meant a new dimension of global cooperation. Although Quadrant has always promoted global cooperation amongst its locations, never before have so many Quadrant production plants cooperated on the completion of one single contract. Numerous American and European specialists in more than three Quadrant locations worked together to produce the materials and parts. The machining involved staff from a further two plants on two continents. And once the parts were produced, it was the turn of the packaging specialists in our US logistics center. The cooperation was supported by the recently implemented global ERP system, which supports project management and project tracking and monitors the production and materials supply processes. All Quadrant parts arrived on the construction site in China on time before the end of 2007. Global cooperation, intelligent use of resources and a broad line of products were the key ingredients in bringing success to this project.

previous year's level. In 2007, the undiluted net profit per share of Quadrant Group rose by 5 % to CHF 15.07. The Quadrant Group reports consolidated net profit of CHF 39.6 million for 2007, the highest in its eleven-year history.

Due to the postponement of supplier payments of CHF 8.8 million to the first week in January 2007, the operating cash flow and free cash flow were adjusted for 2006 (deduction) and 2007 (addition). The adjusted operating cash flow for 2006 grew by 6 % from CHF 63.3 million (CHF 72.1 million before adjustment) to CHF 67.1 million. This represents an adjustment of free cash flow of CHF 45.2 million (CHF 36.4 million before adjustment), or about 5.6 % of net sales. This growth of 56 % is faster than sales development and underlines the Quadrant Group's liquidity orientation, which is also expressed in the group's large investment flexibility. The investment volume for 2007 amounted to CHF 22.8 million (2006: CHF 35.5 million).

The equity ratio of 42.8 % (2006: 37.3 %) demonstrates the Quadrant Group's sound financing. Shareholders' equity as at 31 December 2007 covers goodwill to 167 % (2006: 143 %). As planned, net debt was reduced in 2007 to about 47 % (2006: 65 %) of the stated shareholders' equity (gearing).

Holding company results

Quadrant AG closed the 2007 financial year with a net profit of CHF 1.4 million (2006: CHF 10.1 million). The reduction is due essentially to the reduced income from investment in the Quadrant Plastic Composites Division. Nevertheless, shareholders' equity continued to rise to CHF 172.0 million (2006: CHF 161.6 million), corresponding to a very sound equity ratio of 76.6 % (2006: 71.8 %).

Other important information relating to the consolidated financial statements and the holding company's financial statements is provided in detail in the financial report.

Significant events

Integration of QEPP joint ventures

Quadrant strengthened its position in important markets in the year under review by integrating national companies previously managed as joint ventures. For instance, the 35 % shareholding in the Mexican joint venture, Nylamid S. A. de C. V., which was agreed on the previous year, was increased to 80 % with effect from 1 April 2007.

QCMS application example

Quadrant develops and produces airbag housings for the new Citroën C5

In close cooperation with the Spanish systems supplier TRW-Dalphimetal, Quadrant has developed the housing for the front airbags of the new Citroën C5. The three very different airbag housings were specially designed for the driver, front-passenger and knee airbags. All three housings are made of modified impact-resistant 40 % fiber-glass-reinforced polyamide 6. Airbags make increasing use of high-grade polymers as this material provides savings in weight and manufacturing cost.

In the development of airbag housings, various factors require special attention. On the one hand, airbag activation depends on the design of the cockpit. For instance, the inclination angle of the windscreen influences the airbag's direction of deployment. On the other hand, very strong forces act on the housing upon release of the airbag. Consequently, the design of the housing and the structural characteristics that serve to strengthen it are of great significance concerning its resistance to the extreme strain. Further, the construction of the housing and its choice of materials have to take into consideration the extremely broad range of exterior temperatures (+ 85 °C to – 35°C) in which the airbag's functioning has to be guarantied.

Quadrant's many years of experience in safety components and safety systems becomes apparent in the development of airbag housings, making the company a sought-after development partner and manufacturer. Also, thanks to Quadrant's comprehensive knowledge, the development phase of the Citroën C5's airbag housing was significantly reduced. The production of the airbag housings by Quadrant in Tielt, Belgium, in a fully automatic 24-hour operation started in September 2007.

Furthermore, Quadrant acquired the 40 % shareholding owned by the minority shareholder in Quadrant EPP South Africa (Pty.) Ltd., which permitted the merger of the company with Quadrant PHS South Africa (Pty.) Ltd., of which Quadrant owns 80 %. Now, the South African standard activities of Quadrant Engineering Plastic Products are combined in a single company of which Quadrant owns 85 %. The operational merger of the locations of the two former companies will be completed by the end of 2008.

With effect from the year-end, Quadrant increased its investment in Quadrant EPP Japan Ltd. from 50 % to 80 % and, therefore, also took over management responsibility for the company.

QEPP Europe introduced new Enterprise Resource Planning (ERP) System

With effect from July 2007, all important companies in the Quadrant Engineering Plastic Products Group (QEPP) have completed the transition to the new uniform integrated Enterprise Resources Planning (ERP) System. After the introduction of the ERP System at QEPP North America in November 2005 followed by Poly Hi Solidur in July 2006, this was the third step in a multi-year project, but possibly also the most difficult one, owing to the different parameters in the various European countries. The project will be brought to a close with the introduction in Asia and South Africa by 2009. By then, the entire QEPP Division will operate with a uniform system worldwide and will, therefore, further increase operational efficiency.

Introduction of a new product family at QPC: MultiQ™

Quadrant Plastic Composites (QPC) developed a new product family, MultiQ™, within the parameters of increased efforts to develop non-automobile related applications. MultiQ™ is not pressed or formed, but in connection with GMT or SymaLITE® it forms a powerful yet light sandwich panel which represents an important technical innovation. The material characteristics can easily be adjusted to customer needs through the combination of various GMT or SymaLITE® products.

The first application success of the innovative new material is a panel for concrete shuttering systems launched in 2007, which will go into serial production in 2008. MultiQ™ shuttering systems feature many advantages over the plywood systems used today: a longer life span, lower weight, better slip properties, no water absosrption, smaller thermal coefficient of extension, higher surface quality, easier cleaning and repair, outstanding nail and screw capability, and recyclability. In addition to the concrete shuttering systems, QPC is currently busy developing new areas of application which should allow QPC to grow outside the automobile industry.

QPC application example

MultiQ™: A product development for high-performance concrete shuttering panels

Quadrant introduced an innovative development in summer 2007: MultiQ™. In a series of intensive tests, an internal development team developed a new materials concept based on two proven Quadrant materials. The core of the laminated-fiber sandwich consists of SymaLITE®, a non-woven material made of glass fiber and polypropylene fiber, while the two outside panels of the sandwich are made of high-strength, thin and UV-resistant GMTex® polypropylene reinforced with glass wool. The two panels are thermally fused to sandwich plates measuring a thickness between 9 and 25 mm. The surface of this new laminate is homogeneous, smooth and non-porous.

The pilot customer for this system was a leading international supplier of shuttering and scaffolding systems to whom the new material provided considerable system advantages. The MultiQ™ panels are mounted in an aluminum or steel frame and are used on construction sites as ceiling boarding. They are considered the new generation of shuttering panels owing to their unique product characteristics: scratch-resistant surface, 100 % dimensional stability, a material that can be processed like wood, easy to repair and resistant to moisture and decay. Owing to its insensitivity to moisture and other environmental influences, MultiQ™ enjoys a life span of two or three times that of conventional timber plates, giving it a distinct price advantage. At the end of their useful life, the thermoplastic panels can be fully recycled.

MultiQ™ was able to fully satisfy the high requirements of the pilot customer and was included in the product portfolio for ceiling boards. However, the sandwich panels also have applications in other areas of the construction industry, and they are of great interest to industries that implement large-surface light-weight construction materials connecting longevity with high load efficiency. The new MultiQ™ product line works as an add-on system: the material composition and thickness of the laminated fiber sandwich provide many variations and allow Quadrant to cater to the individual needs of customers and industries. At Materialica, the German trade fair, this innovative material was granted the "Design + Technology Award 2007" in the materials category.

Outlook

The beginning of the 2008 financial year is characterized by insecurities triggered by the credit crisis in the USA. The drastic interest rate reductions introduced by the US Federal Reserve Bank testify to the fear of weakening growth that could lead to a recession in North America. Signs of a possible economic slowdown have been recognized in Europe since the last quarter of 2007. It is as yet unsure whether the important Asian markets will be able to elude the results of an economic downturn in Europe and North America.

During the last recession of 2002/2003, Quadrant Engineering Plastic Products (QEPP) proved to be relatively resistant to economic fluctuations owing to the broad diversification of its markets. The largest risks are seen in a contraction of margins resulting from inflationary tendencies that may be triggered by both raw material prices and the labor market. However, assuming an orderly economic environment in 2008, Quadrant expects moderate growth in local currencies and stable profit margins for its QEPP Division. The injection molding activities (QCMS) are expected to continue the positive trend experienced the previous year.

The Plastic Composites business (QPC) will continue to focus on applications and original equipment manufacturers (OEM) in the automobile industry permitting a sufficiently high operating result while at the same time reducing dependency on that industry. The long-term elimination of the current growth weakness is expected to take effect only from 2009/2010 due to the usual project lead times. Positive effects could result from the higher environmental awareness seen in North America as it could cause the automobile manufacturers there to introduce further weight reductions. With regard to the cable protection activities (QCPS), the development is expected to follow the growth of the Swiss civil engineering market.

Considering the economic insecurities, Quadrant overall expects organic growth in local currencies to remain moderate. Even if inflationary tendencies could slightly weaken operating margins, the Ebitda margin will remain around the percentage range reported for 2006 and 2007. No large investments are envisaged for 2008 and the capital expenditure volume will remain within the parameters of amortization. Free cash flow will consequently continue at the level seen over the past years. The amortization of the syndicated bank loan planned for 2008 amounts to CHF 28.0 million.

QCPS application example

Symalit® cable protection pipes withstand tough endurance test

In June 2007, Brugg Cables AG of Switzerland established a 400 kV high-tension extra-high voltage test facility at the well-known Italian test institute Centro Elettrotecnico Sperimentale in Milan. This test facility was set up in accordance with extreme, internationally accepted test conditions for the duration of one year and include extreme temperature changes up to 90 °C with an exposure nearly twice the usual power supply voltage. The aim of the facility is to test the long-term functionality of test cables and Symalit® DIL-force™ cable protection pipes under rare, extreme conditions.

Extreme situations may occur in everyday life, posing tremendous challenges to network operators, especially when the damage is material. Products which have withstood extreme conditions in a test environment for a period of one year offer additional security to network operators. A further advantage is represented by the fact that damaged cables in cable ducts can be exchanged or repaired easily without opening the ground. This is of particular significance in urban situations and can represent large cost and resource savings.

This is the first time that Symalit® cable protection pipe systems have been subjected to a long-term test in accordance with international test guidelines. Two thirds of the test phase have already been successfully completed and the Symalit® cable protection pipes have delivered optimal performance. Due to the great strain that the cables are subjected to, the cable protection pipes as well as the bends and electric welding sleeves are being tested under more extreme conditions than experienced in normal operations. Following completion of the project in the summer of 2008, the cables and cable protection pipes will be subjected to a subsequent test, and their characteristics will be recorded in a final report. This report will be of great interest to Quadrant as it may provide important findings for further product development processes. Brugg Cables AG expects the Symalit® DIL-force™ cable protection pipe system to provide after-sales cost savings.

Corporate Governance

The contents of this section are based on the "Directive on Information Relating to Corporate Governance" issued by the SWX Swiss Exchange. In principle, Quadrant makes reference only to those requirements which are met. Requirements which are not referred to are not applicable to Quadrant.

Investor and public relations

Quadrant furnishes its shareholders and the capital market with open and up-to-date information providing maximum transparency. Its main information tools are the annual and half-year reports, the Web site www.quadrantplastics.com, press releases, the annual general meeting and the annual press conference and financial analysts' conference.

Quadrant also publishes quarterly sales figures and provides continuous information on current changes and important developments. The consolidated financial statements are drawn up in compliance with IFRS guidelines. As a company listed on the SWX Swiss Exchange, Quadrant is required to publish price-relevant information (Ad hoc publicity, Art. 72 of the Listing Rules). The Listing Rules can be found at www.swx.com (Admission).

Comprehensive, continuously updated information is available at the Web site www.quadrantplastics.com; for example, the company's current articles of incorporation can be viewed there. The official publication medium for company announcements is the "Swiss Official Gazette of Commerce".

Group structure

With regard to operational group structure, please refer to the fact sheets in the appendix to this annual report, in which the individual operating activities are presented and described in detail.

The only listed company is Quadrant AG, Lenzburg. Market capitalization at 31 December 2007 was about CHF 421 million (2 749 543 registered shares at CHF 153.00 each, Security Code 558 940). The holdings of Quadrant AG in its subsidiaries and associated companies are set out in detail on pages 35 and 36. There are no cross-holdings.

Major shareholders

Major shareholders are listed on pages 3 and 106 of the annual report.

Share capital and voting rights

The share capital of Quadrant AG is set out on page 3. The share capital is fully paid. No individual or group is registered with voting rights equivalent to more than 3 % of the share capital recorded in the shareholders' register. An exception to this constraint on voting rights can be made in the case of a share purchase as the result of a merger, or in the case of purchasing shares following an investment in kind, or an exchange of shares, or with the purpose of locking in a permanent cooperation or strategic alliance. In addition, reservations are made for article 685 d of the Swiss Law of Obligations. The voting rights of the existing shareholders were preserved when the single category of shares was introduced in May 2002. No nominee registrations can be made. Each share registered entitles the holder to one vote. A qualified quorum is required to revoke transfer and voting restrictions. There are no preferential rights.

Authorized share capital

The authorized capital is available for financing acquisitions. The issue price, the date on which it becomes eligible for dividends and, if appropriate, the form of contribution in kind or acquisition of assets are defined by the board of directors. Subscription rights are granted to shareholders. However, the board of directors can preclude subscription rights for the acquisition of businesses, parts of businesses or equity interests, or for financing such transactions. Unexercised subscription rights are at the disposal of the board of directors. Provision is made for underwritten share placements (formal suspension of subscription rights).

Conditional share capital

Options or conversion rights can be granted for external financing of the company or its subsidiaries on the basis of the conditional capital earmarked for capital market purposes. The board of directors can preclude preemptive subscription rights for the acquisition of businesses, parts of businesses or equity interests, or for financing such transactions. Provision is made for underwritten share placements (formal suspension of subscription rights). Issues are made on market terms and conditions.

Options and conversion rights can be granted to the directors of the company and the management of the company or one of its subsidiaries on the basis of the conditional capital earmarked for management stock option plans. Shareholders' preemptive subscription rights are precluded. Issues are made on market terms and conditions.

Shareholders' participation rights

Shareholders of Swiss public limited companies have extensive rights with regard to their participation and protection. For example, shareholders representing shares with a par value of CHF 1 million or more can request the inclusion of an item on the agenda of the general meeting of shareholders. The relevant application must be submitted in writing at least 60 days prior to the annual general meeting and must include details of the item for discussion and the motions. On organizational grounds no further entries are made in the shareholders' register for 14 days prior to the general meeting of shareholders. A limitation of exercising voting rights and the introduction, relaxation and/or abolishment of statutory regulations limiting the transferability of registered shares or the exercising of voting rights, closing a company without liquidation, conversion of registered shares to bearer shares, the dismissal of a member of the board of directors, and changing statutory regulations concerning the number of board members and/or their term of office require at least two thirds of the represented voting rights.

Change of control

The provisions of the Swiss Stock Exchange Act (SESTA) are applicable with respect to the obligation to submit offers. There are no "opting-out" or "opting-up" provisions. Change of control clauses exist which can result in payments being made to directors in line with customary market levels. These payments relate to the termination of directorships, the termination of employment, or the repurchase of management options purchased.

Election, term of office and meetings of the board of directors

The board of directors has between three and seven members, who are elected for a three-year term of office. The terms of office are to be held in such a way that no more than half of the terms will expire in any one year. They can be reelected. When substitute members are elected, they complete their predecessor's term of office. The board of directors currently has six members. The board of directors constitutes itself, and a non-executive member is appointed chairman. In the event of a tied vote, the chairman has the casting vote. The board of directors held seven usually all-day ordinary meetings in 2007. Page 4 of this annual report contains a list of all directors, showing their qualifications, career background, current occupation and other information.

Duties and authority of the board of directors and the group management board

The board of directors is responsible for the strategic orientation, the organizational principles, and the financial and personnel policy of the Quadrant Group. Management of the business as such is delegated to the group management board. The authority and the responsibilities of the board of directors and its committees, as well as the rules governing authority over group management, are set out in the organizational regulations. Page 4 of this annual report contains a list of the members of the group management board, showing their qualifications, career background, current occupation and other information.

Supervision of the group management board and committees

The board of directors as a whole is supported by the audit committee and the internal audit department for reasons of obtaining information and as a counterbalance to the group management board. The audit committee consists of independent and non-executive directors. The compensation committee elaborates the principles for remuneration of the board of directors and the group management board. The compensation committee consists of non-executive directors. Both committees meet at least once a year. Furthermore, all directors have unrestricted access to all internal company information.

Remuneration of the board of directors and the group management board

The board of directors stipulates the remuneration of its members and the members of the group management board in response to proposals by the compensation committee. It is guided in this by their duties and performance, the course of business and the market. Remuneration of the members of the board of directors and the group management board consists of a fixed sum and a variable, performance-related element. The remuneration of the individual members of the board of directors and the group management board is set out on page 78 of the Consolidated Financial Statements (Note No. 27).

There are stock option plans for directors and other executives. All issues of options to directors are made against payment of their market value, which in the case of unlisted options is established by an independent bank. The options are thus not in the nature of remuneration. No allotments of shares were made. For further details concerning stock option plans and ownership of shares and options by individual members of the board of directors and the group management board, including persons related to them, please see pages 61 to 63 of the consolidated financial statements (Note No. 16).

Loans to directors and officers

With regard to loans to directors and officers, please refer to Note No. 27 in the Notes to the consolidated financial statements.

Auditors

KPMG AG, Zurich, represented by lead auditor Hanspeter Stocker, have been the statutory and group auditors of Quadrant AG and the Quadrant Group, respectively, since the 2002 financial year. The auditors are elected by the annual general meeting for a term of office of one year.

The group auditors and the statutory auditors perform their work within the framework of legal provisions and in accordance with auditing standards promulgated by the Swiss profession. The audit committee can instruct the statutory auditors to perform additional audits at any time. The auditors regularly inform the group management board and the audit committee of their findings and submit proposals for improvements.

The fee relating to activities in the context of the legal obligations of the statutory and group auditors amounted to CHF 1.3 million in the 2007 financial year (2006: CHF 1.2 million). In addition, the KPMG Group performed consulting services worldwide in 2007 amounting to CHF 0.5 million (2006: CHF 0.9 million).

QUADRANT

QUADRANT

Consolidated income statement

(in CHF 1 000)	Note	2006	In % of net sales	2007	In % of net sales
Net sales		**804 296**	**100.0 %**	**811 822**	**100.0 %**
Change in inventory of work in progress and finished goods		1 857	0.2 %	348	0.0 %
Own work capitalized		373	0.1 %	88	0.0 %
Other operating income		1 641	0.2 %	3 975	0.5 %
Income from operations		**808 167**	**100.5 %**	**816 233**	**100.5 %**
Cost of materials		(359 902)	(44.7 %)	(365 209)	(45.0 %)
Personnel costs	17	(208 017)	(25.9 %)	(208 579)	(25.7 %)
Other operating expenses	18	(145 587)	(18.1 %)	(144 018)	(17.7 %)
Ebitda [1]		**94 661**	**11.8 %**	**98 427**	**12.1 %**
Depreciation	19	(34 210)	(4.3 %)	(33 052)	(4.0 %)
Impairment of fixed assets	7	(1 107)	(0.1 %)	0	0.0 %
Ebit [2]		**59 344**	**7.4 %**	**65 375**	**8.1 %**
Financial expenses	20	(14 794)	(1.8 %)	(17 118)	(2.1 %)
Financial income	21	4 772	0.6 %	7 254	0.9 %
Income from investments in associated companies	7	5 228	0.7 %	4 111	0.5 %
Profit before income tax		**54 550**	**6.9 %**	**59 622**	**7.4 %**
Income taxes	22	(18 439)	(2.4 %)	(20 011)	(2.5 %)
Net profit		**36 111**	**4.5 %**	**39 611**	**4.9 %**
– of which Quadrant AG shareholders		36 136	4.5 %	39 483	4.9 %
– of which minority interests		(25)	(0.0 %)	128	0.0 %
Earnings per share (in CHF):					
– undiluted	24	14.35		15.07	
– diluted	24	13.87		15.04	

[1] Earnings before depreciation, impairment, interest and taxes
[2] Earnings before interest and taxes

The Principles of consolidation and basis of valuation (pages 24 to 34) as well as the Notes (pages 35 to 93) form an integral part of the consolidated financial statements.

Consolidated balance sheet

ASSETS

(in CHF 1 000)	Note	31.12.2006	31.12.2007
Cash and cash equivalents	3	64 648	67 584
Trade receivables	4	114 111	118 011
Other receivables and accrued income	5	10 055	12 565
Income tax receivables		2 105	531
Inventories	6	99 100	103 410
Current assets		**290 019**	**302 101**
Tangible fixed assets:			
– Land and buildings	7	78 496	82 905
– Machinery and equipment	7	85 214	93 884
– Construction in progress	7	18 910	4 935
– Other tangible assets	7	7 147	6 588
Intangible assets:			
– Goodwill	7	187 840	184 249
– Other intangible assets	7	9 521	8 170
Financial assets:			
– Investments in associated companies	7	24 730	21 068
– Long-term financial receivables	7	697	400
Other long-term receivables	7	1 831	2 833
Deferred tax assets	22	16 230	12 244
Fixed assets	**7**	**430 616**	**417 276**
Total assets		**720 635**	**719 377**

The Principles of consolidation and basis of valuation (pages 24 to 34) as well as the Notes (pages 35 to 93) form an integral part of the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

(in CHF 1 000)	Note	31.12.2006 [1)]	31.12.2007
Trade payables		99 191	95 172
Other liabilities and accrued expenses	9	39 387	40 758
Income tax liabilities		9 980	12 040
Short-term financial liabilities	10	36 836	36 967
Short-term provisions	11	2 429	3 052
Current liabilities		187 823	187 989
Long-term financial liabilities	12	200 426	172 594
Other long-term liabilities	13	1 924	1 999
Deferred tax liabilities	22	18 648	12 220
Long-term provisions	14 / 17	43 304	36 641
Non-current liabilities		264 302	223 454
Liabilities		**452 125**	**411 443**
Share capital	15 / 16	26 250	27 495
Reserves		254 587	294 046
Treasury stock		(14 164)	(15 655)
Shareholders' equity: Quadrant AG shareholders		266 673	305 886
Minority interests		1 837	2 048
Shareholders' equity		**268 510**	**307 934**
Total liabilities and shareholders' equity		**720 635**	**719 377**

[1)] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

The Principles of consolidation and basis of valuation (pages 24 to 34) as well as the Notes (pages 35 to 93) form an integral part of the consolidated financial statements.

Statement of the group's recognized income and expenses

(in CHF 1 000)	Note	2006 [1]	2007
Net profit		**36 111**	**39 611**
Other recognized income and expenses:			
Translation gains / (losses) resulting from fully consolidated investments in foreign subsidiaries		(4 743)	(4 274)
Valuation of interest rate cap:			
– Depreciation recognized as income		162	110
– Unrealized gain / (loss)		(275)	(8)
Actuarial gains / (losses) on employees' defined-benefit plans	14 / 17	9 964	3 050
Changes in non-capitalized assets of defined-benefit pension plans	14 / 17	2 428	(1 647)
Currency translation effects on intercompany financing		(4 807)	(6 275)
Translation gains / (losses) resulting from investments in associated companies	7	(1 525)	(1 133)
Fair value adjustment due to change from equity consolidation to full consolidation of subsidiaries		0	20
Income tax on other recognized income and expenses	22	(2 666)	2 086
Other recognized income and expenses after deduction of income tax		(1 462)	(8 071)
Total recognized income and expenses		**34 649**	**31 540**
– of which Quadrant AG shareholders		34 825	31 449
– of which minority shareholdings		(176)	91

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

The Principles of consolidation and basis of valuation (pages 24 to 34) as well as the Notes (pages 35 to 93) form an integral part of the consolidated financial statements.

Change in shareholders' equity

(in CHF 1 000)	Share capital	Treasury stock [1]	Additional paid-in capital	Retained earnings: Translation adjustments	Retained earnings: Hedging reserves	Retained earnings: Other	Quadrant AG shareholders' equity	Minority interests	Shareholders' equity
At 31 December 2005 [2]	**25 848**	**(14 493)**	**130 709**	**(25 756)**	**(108)**	**112 229**	**228 429**	**2 862**	**231 291**
Recognized income and expenses [2]	**0**	**0**	**0**	**(8 802)**	**(113)**	**43 740**	**34 825**	**(176)**	**34 649**
Purchase of treasury stock	0	(14 010)	0	0	0	0	(14 010)	0	(14 010)
Sale of treasury stock	0	14 477	0	0	0	0	14 477	0	14 477
Gain on sale of treasury stock	0	(138)	138	0	0	0	0	0	0
Exercise of QUANO call options	368	0	2 336	0	0	0	2 704	0	2 704
Management call options:									
– Exercise	34	0	71	0	0	0	105	0	105
– Personnel costs	0	0	85	0	0	0	85	0	85
– New issues	0	0	85	0	0	0	85	0	85
Capital increase costs	0	0	(27)	0	0	0	(27)	0	(27)
Reclassification to liabilities of management options of minority shareholders [3]	0	0	0	0	0	0	0	(849)	(849)
Total transactions with shareholders	**402**	**329**	**2 688**	**0**	**0**	**0**	**3 419**	**(849)**	**2 570**
At 31 December 2006 [2]	**26 250**	**(14 164)**	**133 397**	**(34 558)**	**(221)**	**155 969**	**266 673**	**1 837**	**268 510**
Recognized income and expenses	**0**	**0**	**0**	**(9 268)**	**102**	**40 615**	**31 449**	**91**	**31 540**
Purchase of treasury stock	0	(21 393)	0	0	0	0	(21 393)	0	(21 393)
Sale of treasury stock	0	19 539	0	0	0	0	19 539	0	19 539
Loss on sale of treasury stock	0	363	(363)	0	0	0	0	0	0
Exercise of QUANO call options	1 113	0	7 068	0	0	0	8 181	0	8 181
Management call options:									
– Exercise	132	0	692	0	0	0	824	0	824
– Personnel costs	0	0	132	0	0	0	132	0	132
– New issues	0	0	74	0	0	0	74	0	74
Capital increase costs	0	0	(89)	0	0	0	(89)	0	(89)
Acquisition of minority interests [4]	0	0	0	0	0	496	496	(880)	(384)
Change in scope of consolidation	0	0	0	0	0	0	0	1 000	1 000
Total transactions with shareholders	**1 245**	**(1 491)**	**7 514**	**0**	**0**	**496**	**7 764**	**120**	**7 884**
At 31 December 2007	**27 495**	**(15 655)**	**140 911**	**(43 826)**	**(119)**	**197 080**	**305 886**	**2 048**	**307 934**

1) At acquisition cost (with intra-group intermediary profits eliminated)

2) The previous year's values were restated for reasons of comparison: see pages 24 to 27.

3) See Notes to the Consolidated Financial Statements No. 1

4) In 2007, the following minority interests were acquired in the already fully consolidated subsidiaries:
– 40 % Quadrant EPP South Africa (Pty.) Ltd Purchasing price CHF 0.343 million
– 6 % Quadrant Teraglobus Kft Purchasing price CHF 0.041 million

The valuation difference compared to the fully consolidated shareholders' equity of the companies of CHF 0.496 million was set off against the shareholders' capital of Quadrant AG.

Additional paid-in capital is the amount in excess of par value paid by shareholders when subscribing for share capital of the group's holding company, Quadrant AG, realized gains and losses on sales of treasury stock as well as premiums on the issue of options or the repurchase of options. Retained earnings consist of accumulated consolidated earnings, the balance of valuation adjustments offset directly against shareholders' equity, and accumulated currency translation effects. The accumulated currency translation effects arising from the application of the net investment approach, less tax effects, amounted to CHF –16.5 million (2006: CHF –12.6 million).

The Principles of consolidation and basis of valuation (pages 24 to 34) as well as the Notes (pages 35 to 93) form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	Note	2006	2007
Net profit		36 111	39 611
Depreciation and impairment on tangible fixed assets	7 / 19	32 442	29 651
Depreciation on other intangible assets	7 / 19	2 875	3 401
Change in long-term provisions and deferred taxes		(5 704)	(4 580)
Income from investments in associated companies	7	(5 228)	(4 111)
Other non-cash income		2 273	635
Net cash from operating activities before change in net working capital		62 769	64 607
Change in net working capital		9 376	(6 275)
Net cash from operating activities		**72 145**	**58 332**
Sale of tangible fixed assets	7	1 963	355
Purchase of tangible fixed assets	7	(34 210)	(21 562)
Purchase of intangible assets	7	(1 254)	(1 216)
Dividends from investments in associated companies	7	2 436	2 426
Acquisition of subsidiaries	8	(1 012)	(3 293)
(Granting) / repayment of loans		(161)	119
Changes in other long-term receivables		(422)	(443)
Net cash from investing activities		**(32 660)**	**(23 614)**
Capital increase from exercise of listed call options (QUANO)		2 704	8 181
Capital increase from exercise of management options		105	824
Costs of capital increase		(27)	(89)
Purchase of treasury stock		(14 010)	(21 393)
Sale of treasury stock		14 477	19 539
Issuing of management options against payment		85	74
Acquisition of minority interests		0	(384)
Amortization of syndicated bank loan	12	(22 750)	(32 819)
Repayments of other financial liabilities		(112)	(1 941)
Reimbursement from acquisition (earn out)		0	(292)
Payments arising from financial leasing		(3 082)	(1 464)
Changes in other non-current liabilities		119	(48)
Net cash from financing activities		**(22 491)**	**(29 812)**

The Principles of consolidation and basis of valuation (pages 24 to 34) as well as the Notes (pages 35 to 93) form an integral part of the consolidated financial statements.

(in CHF 1 000)	Note	2006	2007
Effect of exchange rate movements on cash holdings		**(961)**	**(1 970)**
Change in net cash		**16 033**	**2 936**
Change in net cash		16 033	2 936
Cash at 1 January		48 615	64 648
Cash at 31 December		**64 648**	**67 584**
Other non-cash income			
Expenses related to the application of the effective interest method		1 530	1 376
Unrealized exchange rate differences arising from financing		(831)	(1 401)
Valuation adjustment on short-term receivables and inventories		2 265	174
Other non-cash income		(691)	486
		2 273	**635**
Net cash from interest and taxes [1]			
Interest received		706	894
Interest paid		(8 875)	(8 166)
Income taxes paid		(20 605)	(16 995)
		(28 774)	**(24 267)**
Cash arising from change in net working capital			
Inventories		(13 190)	(3 873)
Receivables		2 518	(2 226)
Liabilities		20 048	(176)
		9 376	**(6 275)**

[1] Included in net cash from operating activities

The Principles of consolidation and basis of valuation (pages 24 to 34) as well as the Notes (pages 35 to 93) form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

PRINCIPLES OF CONSOLIDATION AND BASIS OF VALUATION

Accounting principles

The consolidated financial statements are based on the financial statements of the individual group companies drawn up according to uniform accounting principles at 31 December. They were drawn up in accordance with the International Financial Reporting Standards (IFRS) 2007 and comply with Swiss law.

The accounting principles applied to the consolidated annual financial statements at 31 December 2007 have been amended to comply with all new and revised IFRS standards and interpretations since 1 January 2007:

– IFRS 7	Financial Instruments: Disclosures
– Amendment of IAS 1	Presentation of Financial Statements: Explanatory Notes on Shareholders' Equity
– IFRIC 7	Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies
– IFRIC 8	Scope of IFRS 2
– IFRIC 9	Reassessment of Embedded Derivatives
– IFRIC 10	Interim Financial Reporting and Impairment

The new or revised standards and interpretations had no material effect on the classification and accounting applied to the present consolidated financial statement. Due to the introduction of IFRS 7 and the adjustment of IAS 1, extensive additional data concerning financial instruments and shareholders' equity was included.

Correction of statement of defined-benefit pension plan for Switzerland

Since 1 January 2006, actuarial surpluses and deficits arising from employees' defined-benefit plans and connected tax effects are being posted to shareholders' equity in conformity with IAS 19, sub-para. 93 A–D. Within the parameters of reviewing an actuarial expertise carried out by independent experts in 2007, it became evident when calculating the provision for defined-benefit pension obligations of one Swiss defined-benefit plan that the theoretical assets required for the full-value insurance of the obligations toward old-age pensioners had not been taken into consideration. For purposes of comparability, the previous year's values affected by this correction have been restated. Due to its immaterial effect, the pension costs affecting the current result were not restated (see following table).

(in CHF 1 000)	31 December 2006 Published	Adjustments	Restated
Consolidated balance sheet			
Current assets	290 019	0	290 019
Fixed assets	430 616	0	430 616
Total assets	**720 635**	**0**	**720 635**
Current liabilities	187 823	0	187 823
Non-current liabilities	273 226	(8 924)	264 302
– of which long-term provisions	*54 315*	*(11 011)*	*43 304*
– of which deferred tax liabilities	*16 561*	*2 087*	*18 648*
Liabilities	**461 049**	**(8 924)**	**452 125**
Shareholders' equity Quadrant AG	257 749	8 924	266 673
– of which reserves	*245 663*	*8 924*	*254 587*
Minority interests	1 837	0	1 837
Shareholders' equity	**259 586**	**8 924**	**268 510**
Total liabilities and shareholders' equity	**720 635**	**0**	**720 635**
Shareholders' equity in % of total assets	36.0 %	1.3 %	37.3 %
Statement of the group's recognized income and expenses			
Net profit	36 111	0	36 111
Other recognized income and expenses after deduction of income tax	(3 668)	2 206	(1 462)
– of which actuarial gains / (losses) on employees' defined-benefit plans	*9 670*	*294*	*9 964*
– of which changes in non-capitalized assets of defined-benefit pension plans	*0*	*2 428*	*2 428*
– of which income tax on other recognized income and expenses	*(2 150)*	*(516)*	*(2 666)*
Total recognized income and expenses	**32 443**	**2 206**	**34 649**
– of which Quadrant AG shareholders	*32 619*	*2 206*	*34 825*
– of which minority interests	*(176)*	*0*	*(176)*

(in CHF 1 000)	31 December 2006		
	Published	Adjustments	Restated
Change in shareholders' equity			
At 31 December 2005	224 573	6 718	231 291
Change resulting from corrections to defined-benefit retirement pension plans effective from 1 January 2006			
– of which provisions for defined-benefit retirement pension plans		*8 289*	
– of which for deferred tax liabilities		*(1 571)*	
Recognized income and expenses	*32 443*	*2 206*	*34 649*
Transactions with shareholders	*2 570*	*0*	*2 570*
At 31 December 2006	**259 586**	**8 924**	**268 510**
– of which Quadrant AG shareholders	*257 749*	*8 924*	*266 673*
– of which minority interests	*1 837*	*0*	*1 837*
Note No. 14 "Long-term provisions"			
Total	54 315	(11 011)	43 304
– of which retirement pension provisions	*41 640*	*(11 011)*	*30 629*
– of which retirement pension provisions based on defined-benefit principle	*36 333*	*(11 011)*	*25 322*
– of which restatement opening balance sheet (1 January 2006)	*38 092*	*(8 289)*	*29 803*
– of which actuarial gains and losses	*2 171*	*(294)*	*1 877*
– of which change in non-capitalized assets of defined-benefit retirement pension provisions	*0*	*(2 428)*	*(2 428)*
Note No. 17 "Personnel costs" – Pension liabilities arising from defined-benefit plans			
Liabilities at end of the year	139 764	0	139 764
Market value of assets	103 431	16 805	120 236
– of which assets at beginning of year	*94 372*	*16 511*	*110 883*
– of which actuarial gains and (losses)	*4 661*	*294*	*4 955*
Provisions for pension liabilities arising from defined-benefit plans, net	**(36 333)**	**16 805**	**(19 528)**
Non-capitalized assets	0	(5 794)	(5 794)
Provisions for pension liabilities arising from defined-benefit plans	**(36 333)**	**11 011**	**(25 322)**
Change in provisions	1 759	11 011	12 770
– of which restatement for opening balance sheet (1 January 2006)	*0*	*8 289*	*8 289*
– of which on market value of assets	*0*	*16 511*	*16 511*
– of which non-capitalized assets of defined-benefit pension plans	*0*	*(8 222)*	*(8 222)*
– of which actuarial gains and losses	*(2 171)*	*294*	*(1 877)*
– of which change in non-capitalized assets of defined-benefit pension plans	*0*	*2 428*	*2 428*
Actual return on plan assets	10 297	294	10 591

(in CHF 1 000)	31 December 2006		
	Published	Adjustments	Restated
Note No. 22 “Income taxes”			
Composition of deferred tax assets and tax liabilities			
Liabilities from temporary valuation differences	(16 561)	(2 087)	(18 648)
– of which provisions	*1 228*	*(2 087)*	*(859)*
Development of deferred tax assets and tax liabilities			
Change in provisions for temporary valuation differences deferred tax liabilities	(16 561)	(2 087)	(18 648)
– of which restatement for opening balance sheet (1 January 2006)	*(17 874)*	*(1 571)*	*(19 445)*
– of which taxes charged / credited directly to equity	*(191)*	*(516)*	*(707)*
Composition of taxes booked directly to equity			
Deferred taxes:			
Application of net investment approach	2 184	0	2 184
Actuarial gains and (losses) from defined-benefit plans	(4 272)	(56)	(4 328)
From non-capitalized assets of defined-benefit plans	0	(460)	(460)
Total credit / (charge) to shareholders’ equity 2006	**(2 088)**	**(516)**	**(2 604)**

Method of consolidation

Companies under the management and control of the group management committee are fully consolidated. The assets and liabilities, income and expenses of the subsidiaries are included in full as from the date of purchase. Minority interests in net worth and income are stated separately in the consolidated balance sheet and income statement.

Capital consolidation is performed according to the purchase method. The assets and liabilities of subsidiaries included in the consolidation for the first time are revalued at the current value and in accordance with uniform principles applied throughout the group. Any goodwill remaining after the revaluation will be capitalized and is subject to at least one annual impairment test. Negative goodwill is written off via the consolidated income statement.

Receivables, payables, expenses and income between the consolidated companies as well as intercompany profits within the group are eliminated.

Scope of consolidation

The consolidated financial statements include the assets, liabilities, income and expenses of Quadrant AG and its subsidiaries at 31 December. Group companies acquired in the course of the year are included in the consolidated financial statements as from the date of purchase, and companies disposed of are excluded as from the date of sale.

The composition of the scope of consolidation is shown in Note No. 1 of the consolidated financial statements.

Segmental reporting

The group is divided into the following divisions: “QEPP/QCMS” (High-Performance Plastics), “QPC/QCPS” (Plastic Composites/Cable Protection Systems) and “Other”. The “QEPP/QCMS” Division includes the activities with semi-finished and finished products made from high-performance plastics. The “QPC/QCPS” Division includes the activities with semi-finished products made from glass-mat- and natural-fiber-reinforced thermoplastics (GMT/LWRT) and fluoropolymers as well as the finished products cable protection conduits. Group holding companies Quadrant AG, with its central service units, and Quadrant IP AG, with its licensing activities, are included under “Other”.

Currency translation

All assets and liabilities appearing in the balance sheets drawn up in foreign currencies are translated at year-end rates (record date method). Expenses, income and orderly cash flow are translated at annual average rates. Cash flow due to acquisitions is stated at the rate of the day of acquisition. Differences arising from the application of different exchange rates related to balance sheet and profit and loss statement are posted to equity.

The internal allocation of financing in connection with the acquisition of the EPP activities (2001) and the Poly Hi Solidur Group (2005) (see Note No. 12) is essentially in the nature of equity for the subsidiaries. In consequence, the net investment approach has been applied to the foreign currency valuation of the long-term group loan. The translation differences arising from the foreign currency valuation are thus credited or charged directly to equity and are evident from the breakdown of the group’s income and expenses.

Transactions in foreign currencies are translated at spot rates on the date of the transaction. Translation gains and losses arising from transactions in foreign currencies are posted to income. The monetary assets and liabilities held in foreign currencies on 31 December are translated at year-end rates. Gains and losses arising from this translation are posted to income.

The following exchange rates vs. the Swiss franc have been applied when translating the foreign currencies of major importance for the group:

Currency		Unit	Year-end rates		Annual average rates	
			31.12.2006	31.12.2007	2006	2007
EUR	(euro)	1	1.6097	1.6587	1.5733	1.6432
GBP	(British pound)	1	2.3890	2.2498	2.3080	2.4016
HKD	(Hong Kong dollar)	1	0.1569	0.1440	0.1614	0.1539
JPY	(Japanese yen)	1	0.0103	0.0100	0.0108	0.0102
USD	(US dollar)	1	1.2198	1.1267	1.2536	1.2004
ZAR	(South African rand)	1	0.1753	0.1668	0.1872	0.1708

The following exchange rates of major currencies vs. the Swiss franc have been applied when translating the valuations at the time of acquisition in the context of purchase accounting:

Currency		Unit	Current rate of exchange at time of acquisition	
			2006	2007
KRW	(South-Korean won)	1	0.0014	
JPY	(Japanese yen)	1		0.0100
MXP	(Mexican peso)	1		0.1097

Financial instruments

Financial instruments comprise all financial assets (cash and cash equivalents, trade receivables, other short-term receivables and financial assets) and financial liabilities (trade payables, other short-term liabilities, financial leasing and loans, including derivative financial instruments). Where the fair values of the individual financial assets and liabilities are not disclosed separately, these values approximate the book values shown in the consolidated balance sheet on balance sheet date. In principle, transactions are recognized on the settlement date.

Treasury stock is offset against equity at acquisition cost.

The financial instruments are classified in Note No. 29.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances on postal check and current accounts with banks, as well as demand and time deposits maturing in less than 90 days. Foreign currency items are valued at year-end rates on 31 December.

Receivables

Trade and other receivables are stated at cost of acquisition less any commercially necessary valuation adjustments.

Inventories

Inventories of raw materials, purchased goods and goods for resale are stated at acquisition cost, goods manufactured in-house at production cost (direct material and manufacturing cost) or at the lower market value (net realizable value). Provisions are made for long-term inventories and slow-moving items. Inventories are valued using the average-cost method. Production costs include the full cost of materials, the cost of manufacturing operations and production overheads.

Tangible fixed assets

Tangible fixed assets are stated at production or acquisition cost, less accumulated depreciation. The estimated useful life, i. e. the depreciation period of the assets, is 15 to 30 years for premises, buildings and structural installations, 5 to 12 years for production equipment, its individual components, operating fixtures and fittings, machinery and prototypes / demonstration equipment, and 3 to 5 years for vehicles and data-processing equipment. Repair and maintenance costs are charged directly to income. Depreciation is charged using the straight-line method.

Leasing

Financial leasing

Financial leasing transactions which represent purchases of fixed assets in economic terms are stated under fixed assets. The liabilities are stated at the net present value after deduction of amortization payments as short-term or long-term financial liabilities, depending on the maturity date. All leasing arrangements other than financial leases are stated as operating leases.

Operating leasing

Operating leasing covers leasing arrangements under which the majority of the risks and rewards associated with the ownership of an asset are retained by an independent third party. The payments under the leasing arrangement are charged directly to income using the straight-line method over the duration of the leasing contract.

Goodwill

The assets and liabilities of the consolidated group companies are stated at their estimated fair value in accordance with uniform group principles when they are initially included in the consolidation. The positive difference arising between the purchase price and the restated net assets of the acquired company is stated as goodwill and a negative difference as badwill. Goodwill is capitalized. The ongoing value of this capitalized goodwill is verified annually on the basis of discounted, anticipated sustained cash flows (impairment test). Should signs of value impairment be recognized during the year, an impairment test will be carried out at that point in time. As long as the continued value of the goodwill appears to be ensured, the goodwill is retained. In the event of potential impairment, the book value of the goodwill is written down to the restated current realizable value via the income statement. Negative goodwill is immediately charged to consolidated income via the “Reversal of negative goodwill” item.

The goodwill stated as the asset value of a group company is translated into the group’s reference currency at year-end rates.

Other intangible investments

Other intangible investments are stated at manufacturing or acquisition cost, less accumulated depreciation. Depreciation is charged using the straight-line method over 3 to 5 years.

Investments in associated companies

This item includes investments in associated companies in which the Quadrant Group holds 20 % to 50 % of the voting rights and over which the Quadrant Group exerts equal controlling rights, but cannot exercise control. These holdings are included in the balance sheet in accordance with the equity method.

Liabilities

All liabilities maturing in more than one year are stated as non-current liabilities, all liabilities maturing in less than one year as current liabilities. Interest-bearing liabilities are stated at ongoing acquisition cost. Discounted financing costs associated with long-term financing are deducted.

Provisions

Provisions are made, if commercially necessary or legally required, to the extent that relevant commitments or the threat of losses are known of when the consolidated financial statements are drawn up, and their amounts can be estimated reliably. If interest rates exert a material influence the provisions are stated in the amount of the net present value of the expected expenses.

Post-employment benefits

Most group companies operate post-retirement plans (pension and health care) for employees based on the principles of defined contributions or defined benefits. Their assets are usually incorporated in financially independent institutions or foundations and are funded by employee and employer contributions stipulated in the relevant regulations. The cash value of the “defined-benefit obligations” of post-retirement plans is calculated in accordance with the “projected unit credit method”, according to which the value of the post-retirement liability on valuation date is equal to the cash value of the proportionate claim acquired up to that date. The probable trend in salaries and pensions or health care costs is taken into account in the calculation.

Liabilities to defined-benefit plans are reviewed annually on the basis of actuarial calculations (projected unit credit method). Any deficits arising from calculations on the balance sheet date since 1 January 2006 are shown fully in the consolidated balance sheet under long-term provisions up to the date of the average claim entitlement. Based on IAS 19, sub-para. 93 A–D, the change in these actuarial gains and losses is recognized directly in shareholders’ equity after deduction of deferred taxes (see Statement of the group’s recognized income and expenses).

Excess cover resulting from defined-benefit plans will be capitalized only when the two following conditions are additionally fulfilled:

– the excess cover is economically available to the company, and
– the cash value of the expected future service costs exceeds the cash value of the future employer contributions.

Stock options

The directors and management can participate in stock option plans. The options are valued at market prices and allocated on the date they are granted. The options for directors (including executive directors) are purchased by the directors at full market value (investment). The options for management (excluding executive directors) are issued as salary components (salary or bonus), and some can also be purchased by members of management at full market value (investment). The exercise price depends on the expiry date and is higher than the market price of the stock on the date of issue. The issue of free options is charged to income over the vesting period of the options (see Note No. 16). Changes in shareholders' equity arising when they are exercised are stated separately under "Change in shareholders' equity", taking transaction costs into account.

Net sales

Net sales consist of income from deliveries of goods and services to third parties. This includes the total of all invoices to customers, less sales and value-added taxes, rebates and similar deductions. The total income from operations includes own work, which is stated at manufacturing cost. Net sales are recognized on the date of transfer of benefit and risk (realization principle).

Net sales from current, customer-specific production orders for objects (e. g. injection molds) are accrued subject to the production progress based on working hours rendered or on invoices received for goods and services performed by third parties in accordance with the percentage-of-completion method (POC). Production progress is established as the proportion of order costs accrued compared to total order costs anticipated on the balance sheet date. Any loss expected for the total production order is immediately charged to the consolidated income statement. Existing receivables from these orders are shown in the consolidated balance sheet as inventories, and non-offsetable advance payments are included in short-term liabilities.

Taxes

Expected income taxes on all profits earned up to balance sheet date are accrued and stated under "Income tax liabilities".

The income tax impact of differences between figures reported for group purposes and asset and liability values determined for local tax purposes is taken into account as a deferred tax asset or liability. These are formed using the balance sheet liability method, whereby provision for deferred taxes at the applicable local tax rate is made in principle for all differences between valuations of assets and liabilities determined for tax purposes and those made in accordance with uniform group principles which result in temporary differences in tax liabilities. Changes in deferred tax assets and liabilities are included in income tax expenses or shareholders' equity (see Statement of the group's recognized income and expenses) and stated separately in the Notes.

Deferred tax credits on accumulated deficits which are regarded as realizable in future are capitalized on the basis of the expected future local tax rate.

Financing costs

Interest expenses are charged directly to income on the basis of the effective interest method.

Research and development

Research and development expenses are charged to income as they arise, even if the development costs are regularly reviewed as to whether they can be capitalized. The considerable period of time elapsing between the occurrence of development costs and any market launch, which is due to the nature of the business, means that a reliable estimate of future financial benefits necessary for capitalizing these costs cannot be made.

Impairment

If there are reasons to suspect impairment in value of tangible fixed assets and other intangible assets, the amount realizable for the asset is calculated and the impairment assessed. If the amount which can be realized for the asset, which corresponds to the higher of the two amounts resulting from its market value less the cost of disposal or the value in use of the asset, is less than its book value, the book value is written down to the realizable amount.

Consolidated earnings per share

Earnings per registered share are calculated by dividing net profit by the weighted average number of shares outstanding during the period under review. Diluted earnings per registered share also take into account all shares which could result, for example, from the exercise of options granted and would cause dilution.

New or revised standards and interpretations

The following new and revised IFRS standards and interpretations have been adopted to date, but will not come into effect until a later date. These changes have not been applied early to these consolidated financial statements. Their impact on the consolidated financial statements of the Quadrant Group has not yet been systematically analyzed, so that the expected effects indicated below merely represent an initial estimate.

Standard / interpretation	Effective date	Planned application	Probable impact on the consolidated financial statements
IFRIC 11 (New) IFRS 2 – Group and Treasury Share Transactions	1 March 2007	2008 financial year	1)
IFRIC 12 (New) Service Concession Arrangements	1 January 2008	2008 financial year	1)
IFRIC 14 (New) The Limits of a Defined Benefit Asset Minimum Funding Requirements and their Interaction	1 January 2008	2008 financial year	1)
IFRIC 13 (New) Customer Loyalty Programmes	1 July 2008	2009 financial year	1)
IAS 1 (Amendment) Presentation of Financial Statements	1 January 2009	2009 financial year	2)
IAS 23 (Amendment) Borrowing Costs	1 January 2009	2009 financial year	1)
IFRS 8 (New) Operating Segments	1 January 2009	2009 financial year	2)
IFRS 3 (Amendment) Business Combinations	1 July 2009	2010 financial year	1)
IAS 27 (Amendment) Condsolidated and Separate Financial Statements	1 July 2009	2010 financial year	1)

[1] No (or no material) impact on the consolidated financial statements is expected.
[2] Changes in reporting and / or additional disclosure will be required in the Notes to the consolidated financial statements.

Notes to the consolidated financial statements

1. Scope of consolidation

(in 1 000)		Currency	31.12.2006			31.12.2007		
				Share capital	Equity quota		Share capital	Equity quota
Quadrant AG	Switzerland	CHF	C	26 250		C	27 495	
Direct holdings of Quadrant AG								
Quadrant CMS N. V.	Belgium	EUR	C	2 510	100 %	C	2 510	100 %
Quadrant EPP Verwaltungsges. mbH	Germany	EUR	C	100	100 %	C	100	100 %
Quadrant Holding B. V.	The Netherlands	EUR	C	15 365	100 %	C	15 365	100 %
Quadrant EPP AG	Switzerland	CHF				C	100	100 %
Quadrant IP AG	Switzerland	CHF	C	100	100 %	C	100	100 %
Quadrant Plastic Composites AG	Switzerland	CHF	C	4 000	100 %	C	4 000	100 %
Quadrant Holding Inc.	USA	USD	C	1)	100 %	C	1)	100 %
Indirect holdings of Quadrant AG								
Quadrant Holding Belgium N. V.	Belgium	EUR	C	3 868	100 %	C	3 868	100 %
Quadrant EPP Belgium N. V.	Belgium	EUR	C	6 658	100 %	C	6 658	100 %
Quadrant EPP Asia Pacific Ltd	China	HKD	C	10 000	100 %	C	10 000	100 %
Quadrant China Ltd	China	CNY	C	2 422	100 %	C	2 422	100 %
PHS Engineering Plastics (Shanghai) Co. Ltd	China	CNY	C	1 159	100 %	C	1 159	100 %
Quadrant Plastic Composites GmbH	Germany	EUR	C	51	100 %	C	51	100 %
Quadrant Natural Fiber Composite GmbH	Germany	EUR	C	25	100 %	C	25	100 %
Quadrant Deutschland Holding GmbH & Co. KG	Germany	EUR	C	1 565	100 %	C	1 565	100 %
Quadrant EPP Deutschland GmbH	Germany	EUR	C	946	100 %	C	946	100 %
Quadrant PHS Deutschland GmbH	Germany	EUR	C	4 090	100 %	C	4 090	100 %
Quadrant Holding France SAS	France	EUR	C	2 260	100 %	C	2 260	100 %
Quadrant EPP France SAS	France	EUR	C	7 599	100 %	C	7 599	100 %
Quadrant Holding UK Ltd	UK	GBP	C	500	100 %	C	500	100 %
Quadrant EPP UK Ltd	UK	GBP	C	6 942	100 %	C	6 942	100 %
Quadrant PHS UK Ltd	UK	GBP	C	100	100 %	C	100	100 %
Quadrant EPP Italia S. R. L.	Italy	EUR	C	51	100 %	C	51	100 %
Quadrant Plastic Composites Japan Ltd	Japan	JPY	C	150 000	80 %	C	150 000	80 %
Quadrant EPP Japan Ltd	Japan	JPY		2)		C	78 000	80 %
Quadrant Plastic Composites Canada Inc.	Canada	CAD	C	1	100 %	C	1	100 %
Q Eng. Plastic Products Mexico S. A. de C. V.	Mexico	MXP	C	50	100 %	C	50	100 %
Nylamid S. A. de C. V.	Mexico	MXP	C	3)		C	30 757	80 %

(in 1 000)		Currency	31.12.2006			31.12.2007		
				Share capital	Equity quota		Share capital	Equity quota
Quadrant EPP Nederland B. V.	The Netherlands	EUR	C	1 737	100 %	C	1 737	100 %
Quadrant Plastic Composites International AG [4]	Switzerland	CHF	C	100	100 %	C	100	100 %
Quadrant Plastic Composites (Schweiz) AG	Switzerland	CHF	C	5 200	100 %	C	5 200	100 %
Quadrant EPP AG	Switzerland	CHF	C	100	100 %			
Symalit AG	Switzerland	CHF	C	3 500	100 %	C	3 500	100 %
Quadrant EPP Singapore (Pty.) Ltd	Singapore	SGD	C	100	100 %	C	100	100 %
Quadrant EPP South Africa (Pty.) Ltd [5]	South Africa	ZAR	C	33	60 %	C	33	100 %
Quadrant PHS South Africa (Pty.) Ltd	South Africa	ZAR	C	249	80 %	C	282	85 %
Filtaquip (Pty.) Ltd	South Africa	ZAR	C	[6]	80 %	C	[6]	85 %
Quadrant Chemplast (Pty.) Ltd [7]	South Africa	ZAR	C	955	90 %	C	955	90 %
Shandre Investments (Pty.) Ltd	South Africa	ZAR	C	1	90 %	C	1	90 %
Quadrant Korea Co. Ltd	South Korea	KRW	C	500 000	100 %	C	500 000	100 %
Quadrant Teraglobus Kft [8]	Hungary	HUF	C	33 770	94 %	C	33 770	100 %
Quadrant CMS “Hungary” Kft	Hungary	HUF	C	3 000	100 %	C	3 000	100 %
Quadrant EPP USA Inc.	USA	USD	C	3	100 %	C	3	100 %
Quadrant Plastic Composites Inc.	USA	USD	C	[9]	100 %	C	[9]	100 %
Quadrant PHS Inc.	USA	USD	C	[10]	100 %		[11]	
Holdings in associated companies								
Quadrant EPP Surlon India Ltd	India	INR	E	17 031	51 %	E	17 031	51 %
Nippon Polypenco Ltd	Japan	JPY	E	240 000	45 %	E	240 000	45 %
Quadrant EPP Japan Ltd	Japan	JPY	E	78 000	50 %		[2]	
Nylamid S. A. de C. V.	Mexico	MXP	E	30 757	35 %		[3]	
Quadrant EPP Kaprolan Sp.z.o.o.	Poland	PLZ	E	2 940	50 %	E	2 940	50 %
Polypenco Korea Co. Ltd	South Korea	KRW	E	4 m	45 %	E	4 m	45 %

C = Fully consolidated, E = Equity method
1) The share capital of Quadrant Holding Inc., USA, is USD 10.00.
2) Quadrant acquired the controlling majority (80 %) in Quadrant EPP Japan Ltd, with effect from 31 December 2007.
3) Quadrant acquired the controlling majority (80 %) in Nylamid S. A. de C. V. with effect from 1 April 2007.
4) Quadrant Plastic Composites R&D AG was renamed Quadrant Plastic Composites International AG in December 2007.
5) Quadrant acquired a 40 % minority shareholding in Quadrant EPP South Africa (Pty.) Ltd in January 2007.
6) The share capital of Filtaquip Pty. Ltd, South Africa, is ZAR 100.00.
7) Quadrant Chemplast Marc Etter (Pty.) Ltd was renamed Quadrant Chemplast (Pty.) Ltd in 2007.
8) A 6 % minority shareholding in Teraglobus Kft was acquired in August 2007.
9) The share capital of Quadrant Plastic Composites Inc., USA, is USD 100.00.
10) The share capital of Quadrant PHS Inc., USA, is USD 10.00.
11) Quadrant PHS Inc., USA, was absorbed by Quadrant EPP USA Inc. with effect from 1 January 2007.

Quadrant PHS South Africa (Pty.) Ltd, Filtaquip (Pty.) Ltd and Nylamid S. A. de C. V. are being consolidated as 100 % investments since the Quadrant Group is under certain conditions obliged to buy back the minority shareholdings. As at 31 December 2007, these discounted deferred liabilities amounted to CHF 1.6 million (2006: CHF 0.8 million).

Changes in the scope of consolidation in 2006

	Equity holding	Date	Division
Newly incorporated companies			
Quadrant China Ltd, China	100 %	January 2006	QEPP / QCMS
Q Engineering Plastic Products Mexico S. A. de C. V., Mexico	100 %	March 2006	QEPP / QCMS
Quadrant Korea Co. Ltd [1], South Korea	100 %	April 2006	QEPP / QCMS

[1] See Note No. 8

Changes in the scope of consolidation in 2007

	Equity holding	Date	Division
Acquisitions			
Nylamid S. A. de C. V. [1] [2], Mexico	45 %	April 2007	QEPP / QCMS
Quadrant EPP Japan Ltd [1] [3], Japan	30 %	December 2007	QEPP / QCMS

[1] See Note No. 8
[2] In 2007, the interest share was increased by 45 % to 80 %.
[3] In 2007, the interest share was increased by 30 % to 80 %.

2. Segment information

(in CHF 1 000)

Financial segment information 2006	QEPP/ QCMS	QPC/ QCPS	Other	Consolidation eliminations	Group
Net sales to third parties	646 304	157 992	0	0	804 296
Net sales to group companies	0	0	13 583	(13 583)	0
Earnings before interest and taxes (Ebit)	55 301	610	3 433	0	59 344
Depreciation	24 139	9 235	836	0	34 210
Impairment of fixed assets	0	1 107	0	0	1 107
Operating cash flow	52 756	15 905	3 484	0	72 145
Pro rata share of income from associated companies	5 228	0	0	0	5 228
Operating assets (incl. goodwill) 1)	494 492	114 877	7 509	(6 929)	609 949
Investments in associated companies	24 730	0	0	0	24 730
Operating liabilities 2) 3)	(156 958)	(32 007)	(3 418)	6 929	(185 454)
Operating fixed assets (acquisition values)	394 798	172 931	4 163	0	571 892
Capital expenditure	25 872	9 497	95	0	35 464
Acquisition of subsidiaries	1 012	0	0	0	1 012

	Europe	America	Asia	Other	Group
Net sales	398 482	296 249	80 418	29 147	804 296
Operating assets (incl. goodwill) 1)	350 791	227 863	16 834	14 461	609 949
Investments in associated companies	10 812	13 918	0	0	24 730
Operating liabilities 2) 3)	(115 093)	(60 776)	(5 953)	(3 632)	(185 454)
Capital expenditure	12 391	22 257	192	624	35 464
Acquisition of subsidiaries	0	0	1 012	0	1 012

1) Operating assets include all operating assets of the division, excl. cash on hand, income tax and financial assets, and investments.

2) Operating liabilities include all liabilities, excl. income tax and financial liabilities, which can be allocated to the division.

3) Since 1 January 2006, actuarial surpluses and deficits arising from employees' defined-benefit plans and connected tax effects are being posted to shareholders' equity in conformity with IAS 19, sub-para. 93 A–D. Within the parameters of reviewing an actuarial expertise carried out by independent experts in 2007, it became evident when calculating the reserve requirements for defined-benefit pension obligations of one Swiss defined-benefit plan that the theoretical assets required for the full-value insurance of the obligations toward old-age pensioners had not been provided for. For purposes of comparability, the following values shown in the 2006 consolidated financial statements as at 31 December 2006 have been restated (see Notes to the consolidated financial statements, pages 24 to 27):

	Division	Published	Adjustment	Restated
Operating liabilities	QEPP/QCMS	CHF (158.527) million	CHF 1.569 million	CHF (156.958) million
	QPC/QCPS	CHF (41.449) million	CHF 9.442 million	CHF (32.007) million
	Group	CHF (196.465) million	CHF 11.011 million	CHF (185.454) million

Regions	Published	Adjustment	Restated
Europe	CHF (126.104) million	CHF 11.011 million	CHF (115.093) million
Group	CHF (196.485) million	CHF 11.011 million	CHF (185.454) million

(in CHF 1 000)

Financial segment information 2007	QEPP/ QCMS	QPC/ QCPS	Other	Consolidation eliminations	Group
Net sales to third parties	663 953	147 869	0	0	811 822
Net sales to group companies	18	1	14 251	(14 270)	0
Earnings before interest and taxes (Ebit)	55 913	5 538	3 924	0	65 375
Depreciation	24 763	7 520	769	0	33 052
Impairment of fixed assets	0	0	0	0	0
Operating cash flow	45 211	8 105	5 016	0	58 332
Pro rata share of income from associated companies	4 111	0	0	0	4 111
Operating assets (incl. goodwill) [1]	504 145	110 030	4 694	(3 970)	614 899
Investments in associated companies	21 068	0	0	0	21 068
Operating liabilities [2]	(147 259)	(28 973)	(2 862)	3 970	(175 124)
Operating fixed assets (acquisition values)	413 857	177 020	4 386	0	595 263
Capital expenditure	19 917	2 639	222	0	22 778
Acquisition of subsidiaries	3 293	0	0	0	3 293

	Europe	America	Asia	Other	Group
Net sales	414 212	279 806	88 821	28 983	811 822
Operating assets (incl. goodwill) [1]	358 106	208 452	30 183	18 158	614 899
Investments in associated companies	8 705	12 363	0	0	21 068
Operating liabilities [2]	(111 057)	(50 027)	(8 740)	(5 300)	(175 124)
Capital expenditure	12 467	8 251	560	1 500	22 778
Acquisition of subsidiaries	0	1 770	1 523	0	3 293

[1] Operating assets include all operating assets of the division, excl. cash on hand, income tax and financial assets, and investments.
[2] Operating liabilities include all liabilities, excl. income tax and financial liabilities, which can be allocated to the division.

Intercompany transactions between group segments are conducted at market terms and conditions. The allocation of acquisitions and newly established businesses in the 2006 and 2007 financial years is explained in the Notes concerning the changes in the Scope of consolidation (Note No. 1).

Composition of operating assets (incl. goodwill)

(in CHF 1 000)	31.12.2006	31.12.2007
Trade receivables	114 111	118 011
Other receivables and accrued income	10 055	12 565
– of which non-operating other receivables and accrued expenses	(643)	(643)
Inventories	99 100	103 410
Cost value of fixed assets:		
– Tangible fixed assets	367 572	392 473
– Goodwill	187 840	184 249
– Other intangible assets	16 480	18 541
– Other long-term receivables	2 106	3 116
– of which non-operating other long-term receivables	(1 633)	(2 008)
Value adjustments to assets:		
– Tangible fixed assets	(177 805)	(204 161)
– Other intangible assets	(6 959)	(10 371)
– Other long-term receivables	(275)	(283)
	609 949	**614 899**

Composition of operating liabilities

(in CHF 1 000)	31.12.2006	31.12.2007
Trade payables	(99 191)	(95 172)
Other liabilities and accrued expenses	(39 387)	(40 758)
– of which non-operating other liabilities and accrued expenses	577	1 359
Short-term provisions	(2 429)	(3 052)
Other long-term liabilities	(1 924)	(1 999)
– of which put-option rights minority shareholders	0	885
Long-term provisions	(43 304)	(36 641)
– of which non-operating long-term provisions	204	254
	(185 454)	**(175 124)**

3. Cash and cash equivalents

(in CHF 1 000)	31.12.2006	31.12.2007
Bank current accounts (freely available)	64 642	67 554
Time deposits (maturing in less than 90 days)	6	30
	64 648	**67 584**

Time deposits were made at interest rates between 1.6 % and 5.3 % in the 2007 financial year (2006: between 1.1 % and 5.2 %). Cash holdings are invested short term with recognized international financial institutions.

4. Trade receivables

(in CHF 1 000)	31.12.2006	31.12.2007
Trade receivables	113 755	119 071
Receivables from associated companies	3 811	3 079
Individual value adjustments on accounts receivables	(2 452)	(2 908)
Collective valuation adjustments on accounts receivables	(1 003)	(1 231)
	114 111	**118 011**

The credit risk is limited by virtue of the large number of international customers and the different markets supplied.

5. Other receivables and accrued income

(in CHF 1 000)	31.12.2006	31.12.2007
Tax claims (value-added tax)	3 348	5 042
Advance payments to suppliers	2 348	2 535
Bauplus AG, Zurich (residual claim from sale of Mobag AG)	1 048	0
Loans to employees	1	16
Loans to associated companies	378	390
Other receivables	3 897	4 567
Accrued interest	35	15
Individual value adjustment	(1 000)	0
	10 055	**12 565**

6. Inventories

(in CHF 1 000)	31.12.2006	31.12.2007
QEPP / QCMS		
Raw materials and consumables	17 370	17 071
Work in progress	12 901	9 298
Construction contracts	744	1 197
Finished goods	56 892	62 002
Total inventories at acquisition or manufacturing cost	87 907	89 568
Valuation adjustments	(4 794)	(4 382)
Total QEPP / QCMS	83 113	85 186
QPC / QCPS		
Raw materials and consumables	7 718	7 223
Work in progress	487	530
Finished goods	9 315	11 792
Total inventories at acquisition or manufacturing cost	17 520	19 545
Value adjustments	(1 533)	(1 321)
Total QPC / QCPS	15 987	18 224
	99 100	**103 410**

Composition of construction contracts QEPP / QCMS

(in CHF 1 000)	31.12.2006	31.12.2007
Contract revenue recognized	2 606	6 195
Progress billings	(1 920)	(5 009)
Translation differences	58	11
	744	1 197

In the 2007 financial year, production orders of CHF 7.7 million (2006: CHF 7.3 million) were generated.

7. Fixed assets

(in CHF 1 000)	31.12.2006			31.12.2007		
	Acquisition value	Accumulated depreciation and impairment	Book value	Acquisition value	Accumulated depreciation and impairment	Book value
Land and buildings	109 714	(31 218)	78 496	118 905	(36 000)	82 905
Machinery and equipment	221 263	(136 049)	85 214	248 755	(154 871)	93 884
Construction in progress	18 910	0	18 910	4 935	0	4 935
Other tangible assets	17 685	(10 538)	7 147	19 878	(13 290)	6 588
Goodwill	187 840	0	187 840	184 249	0	184 249
Other intangible assets	16 480	(6 959)	9 521	18 541	(10 371)	8 170
Investments in associated companies	24 730	0	24 730	21 068	0	21 068
Long-term financial receivables	697	0	697	400	0	400
Other long-term receivables	2 106	(275)	1 831	3 116	(283)	2 833
Deferred tax assets	16 230	0	16 230	12 244	0	12 244
	615 655	**(185 039)**	**430 616**	**632 091**	**(214 815)**	**417 276**

Changes in fixed assets in 2006

(in CHF 1 000)	31.12.2005	Acquisi- tions	Translation adjustments	Additions	Disposals	Other	31.12.2006
Acquisition value							
Land and buildings	104 183	401	(996)	1 552	(158)	4 732	109 714
Machinery and equipment	210 517	0	(2 711)	7 165	(1 240)	7 532	221 263
Construction in progress	11 992	0	(1 080)	24 094	0	(16 096)	18 910
Other tangible assets	14 402	58	(70)	1 399	(950)	2 846	17 685
Goodwill	191 281	0	(3 441)	0	0	0	187 840
Other intangible assets	14 522	102	(144)	1 254	(58)	804	16 480
Investments in associated companies	23 463	0	(1 525)	5 228	(2 436)	0	24 730
Long-term financial receivables	631	0	(1)	67	0	0	697
Other long-term receivables	2 207	25	0	524	(650)	0	2 106
Deferred tax assets	16 901	0	(371)	6 662	(6 962)	0	16 230
	590 099	586	(10 339)	47 945	(12 454)	(182)	615 655
Accumulated depreciation							
Land and buildings	(25 491)	0	45	(4 556)	146	(396)	(30 252)
Machinery and equipment	(113 458)	0	495	(23 946)	1 147	820	(134 942)
Other tangible assets	(8 382)	0	(23)	(2 833)	922	(222)	(10 538)
Other intangible assets	(4 094)	0	(28)	(2 875)	58	(20)	(6 959)
Other long-term receivables	(650)	0	0	(275)	650	0	(275)
	(152 075)	0	489	(34 485)	2 923	182	(182 966)
Accumulated impairment							
Land and buildings	(929)	0	(37)	0	0	0	(966)
Machinery and equipment	0	0	0	(1 107)	0	0	(1 107)
	(929)	0	(37)	(1 107)	0	0	(2 073)
Fixed assets, net	437 095	586	(9 887)	12 353	(9 531)	0	430 616
Fire insurance value	805 173						852 600

Changes in fixed assets in 2007

(in CHF 1 000)	31.12.2006	Acquisitions	Translation adjustments	Additions	Disposals	Other	31.12.2007
Acquisition value							
Land and buildings	109 714	6 877	(1 358)	483	(33)	3 222	118 905
Machinery and equipment	221 263	2 070	(3 304)	8 922	(2 191)	21 .995	248 755
Construction in progress	18 910	0	513	10 762	0	(25 250)	4 935
Other tangible assets	17 685	718	(188)	1 395	(523)	791	19 878
Goodwill	187 840	608	(3 635)	0	(564)	0	184 249
Other intangible assets	16 480	923	(160)	1 216	(25)	107	18 541
Investments in associated companies	24 730	(4 214) [1]	(1 133)	4 111	(2 426)	0	21 068
Long-term financial receivables	697	14	0	0	(311)	0	400
Other long-term receivables	2 106	496	(2)	516	0	0	3 116
Deferred tax assets	16 230	154	(201)	7 806	(4 535)	(7 210)	12 244
	615 655	7 646 [1]	(9 468)	35 211	(10 608)	(6 345)	632 091
Accumulated depreciation							
Land and buildings	(30 252)	0	83	(4 859)	27	(4)	(35 005)
Machinery and equipment	(134 942)	0	1 334	(21 821)	2 191	(526)	(153 764)
Other tangible assets	(10 538)	0	43	(2 971)	438	(262)	(13 290)
Other intangible assets	(6 959)	0	37	(3 401)	25	(73)	(10 371)
Other long-term receivables	(275)	0	0	(8)	0	0	(283)
	(182 966)	0	1 497	(33 060)	2 681	(865)	(212 713)
Accumulated impairment							
Land and buildings	(966)	0	(29)	0	0	0	(995)
Machinery and equipment	(1 107)	0	0	0	0	0	(1 107)
	(2 073)	0	(29)	0	0	0	(2 102)
Fixed assets, net	430 616	7 646	(8 000)	2 151	(7 927)	(7 210)	417 276
Fire insurance value	852 600						930 400

[1] Composition of fixed assets acquired due to acquisitions (see Note No. 8):

Setoff against book value of previous investments	– Nylamid S. A. de C. V.	CHF	(1.657) million
	– Quadrant EPP Japan Ltd	CHF	(2.557) million
Total setoff of previous investments		CHF	(4.214) million
Fixed assets of acquired companies		CHF	11.252 million
Goodwill		CHF	0.608 million
Total change due to acquisitions as at 31 December 2007		CHF	7.646 million

Other

(in CHF 1 000)	Acquisition value	Accumulated depreciation	Accumulated impairment	31.12.2006
Regrouping	(182)	182	0	0
Total	**(182)**	**182**	**0**	**0**

(in CHF 1 000)	Acquisition value	Accumulated depreciation	Accumulated impairment	31.12.2007
Regrouping	865	(865)	0	0
Setoff against deferred tax liabilities	(7 210)	0	0	(7 210)
Total	**(6 345)**	**(865)**	**0**	**(7 210)**

Following the merger of Quadrant PHS Inc. and Quadrant EPP USA Inc. with effect from 1 January 2007, deferred tax liabilities amounting to CHF 7.210 million were set off against tax assets.

Land and buildings

Various properties were pledged in the amount of CHF 31.1 million on 31 December 2007 (2006: CHF 30.1 million).

Impairment machinery and equipment

2006

Owing to the difficult order situation in the QPC / QCPS Division, a production plant for glass mat thermoplastics (GMT) was closed down with effect from 2006. The residual book value of CHF 1.1 million was reflected as impairment in the consolidated income statement as at 31 December 2006.

2007

No impairment

Goodwill

(in CHF 1 000)		31.12.2006	Translation adjustments	Change	31.12.2007
– Quadrant Engineering Plastic Products	(QEPP)	136 743	(4 120)	608	133 231
– Quadrant Creative Moulding & Systems	(QCMS)	16 017	471	0	16 488
QEPP / QCMS Division		152 760	(3 649)	608	149 719
– Quadrant Plastic Composites	(QPC)	34 294	14	(564)	33 744
– Quadrant Cable Protection Systems	(QCPS)	786	0	0	786
QPC / QCPS Division		35 080	14	(564)	34 530
Total		**187 840**	**(3 635)**	**44**	**184 249**

Local allocation of the goodwill of the Quadrant Group results in currency fluctuations on the book value stated in the consolidated balance sheet. This currency effect amounted to CHF –3.6 million in 2007 (2006: CHF –3.4 million).

No new goodwill was generated by the acquisitions made in the financial year 2006.

In 2007, the goodwill resulting from the acquisition of controlling majority in Nylamid S. A. de C. V. increased by CHF 0.307 million and that of Quadrant EPP Japan Ltd by CHF 0.301 million (see Acquisition of business activities and subsidiaries). Furthermore, the profit-related components of the acquisition (earn-out) of the natural fiber activities of Quadrant Plastic Composites, acquired in the year 2000, were settled. The release of the liability toward the seller, which was reported since the acquisition, resulted in a reduction of goodwill of Quadrant Plastic Composites by CHF 0.564 million after deduction of the final payment of CHF 0.292 million.

The individual business activities of the Quadrant Group are the cash-generating units for the annual verification of the remaining value of goodwill.

The calculation of value in use is based on the discounted expected future cash flows before interest payments (gross method) of the individual divisions. The separate calculations cover a planning horizon of 5 years, whereby sustained cash flow (residual value) was indexed at 2 %. Essential factors in the calculation of cash value are the discount rate of interest and the expected figures for Ebitda, change in net working capital and capital expenditure. Current budgets and the current two-year plan serve as the basis for calculation. The discount rate of interest takes into account medium- to long-term Swiss franc interest rate levels and the general business risk. A discount rate of 9.0 % before tax was used for impairment testing of the goodwill on the balance sheet at 31 December 2007 (2006: 9.0 %), for the business activities of QEPP and QCPS. The higher risk for QPC and QCMS, which operate mainly in the automotive industry, has been accounted for by a discount rate one percentage point higher of 10.0 % (2006: 10.0 %). The calculations are made in accordance with conclusions drawn from current business trends and the strategic considerations of the individual divisions. The current level of earnings of Quadrant Plastic Composites does not reflect the long-term expectations of management. For this business activity, the calculated reserves between the book value of goodwill and value in use add up to about CHF 20.0 million and, therefore, cover a discounting rate increase of no more than 2 percentage points.

Other intangible assets

Changes in other intangible assets in 2006 and in 2007 include operating investments in central IT software.

Leasing

Financial leasing includes mainly buildings and machinery located at Tielt (Belgium), Vreden (Germany) and Chiba (Japan) totaling CHF 7.6 million (2006: CHF 8.1 million).

Operating leasing includes rental liabilities received in respect of premises at various locations as well as small items of equipment.

Commitments entered into for financial and operating leasing contracts at 31 December fall due as follows:

(in CHF 1 000)	31.12.2006	31.12.2007
Operating leasing		
2007	5 851	
2008	4 124	6 060
2009	3 128	4 122
2010	2 349	3 019
2011	1 767	2 270
2012		1 879
Later	1 711	1 127
Total future minimum operating leasing payments	18 930	18 477
Financial leasing		
2007	1 700	
2008	905	1 208
2009	722	926
2010	647	811
2011	647	785
2012		725
Later	2 042	1 435
Total future minimum financial leasing payments	6 663	5 890
Interest	(1 041)	(810)
Current value of minimum financial leasing payments, net	5 622	5 080

See Notes No. 10 and 12

Investments in associated companies

The additions to investments in associated companies show the change in shareholders' equity before dividend payments of companies which are not fully consolidated (equity method). The dividend payments of these companies are stated as retirements.

The following companies were valued using the equity method in the 2007 financial year:

		Equity interest
– Nippon Polypenco Ltd	Japan	45.0 %
– Polypenco Korea and Co. Ltd	South Korea	45.0 %
– Quadrant EPP Kaprolan Sp.z.o.o.	Poland	50.0 %
– Quadrant EPP Surlon India Ltd	India	51.0 %

Quadrant EPP Surlon India Ltd is not fully consolidated, since the minority shareholder retains equal controlling rights, despite Quadrant's holding a majority of the share capital.

In the 2007 financial year, the Quadrant Group acquired controlling majority of Nylamid S. A. de C. V. (with effect from 1 April 2007) and Quadrant EPP Japan Ltd (with effect from 31 December 2007). As at 31 December 2007 these companies are no longer shown as associated companies (see Note No. 8) and were fully consolidated pro rata for 2007.

The following key statistics show the group's interest in associates valued using the equity method:

(in CHF 1 000)	31.12.2006	31.12.2007
Current assets	27 163	23 277
Fixed assets	14 384	9 536
Assets	41 547	32 813
Current liabilities	14 322	10 415
Non-current liabilities	2 495	1 330
Shareholders' equity	24 730	21 068
Liabilities and shareholders' equity	41 547	32 813
Net sales	60 079	56 376
Ebit	8 660	6 856
Net profit	5 228	4 111

In 2007, the associated companies generated total net sales of CHF 123.0 million (2006: CHF 132.9 million).

8. Acquisition of business activities and subsidiaries

2006

In April 2006, Quadrant acquired the activities of the previous sales partner for Advanced Engineering Plastic Products through the newly established Quadrant EPP Korea Co. Ltd. This step secured Quadrant an important distribution channel in a market growing at an above-average rate. In total, assets at a current market value of CHF 1.0 million were acquired: CHF 0.4 million for goods carried in stock, CHF 0.5 million for various fixed assets and CHF 0.1 million for intangible assets. Net sales resulting from the distributing operation amount to approximately CHF 3.0 million.

2007

With effect from 1 April 2007, 45 % of the shares of Nylamid S. A. de C. V. (formerly Plásticos de Mantenimiento S. A. de C. V.) were acquired from Quadrant's former joint-venture partner in order to safeguard the Mexican market and the existing production location. Together with the previously purchased 35 % of the shares, Quadrant now owns 80 % of the shares and, therefore, the controlling majority of this company. For the 2007 financial year the company reported net sales of CHF 9.1 million (2006: CHF 8.4 million) and a net profit of about CHF 0.2 million.

Quadrant's agreement with the minority shareholder of Nylamid S.A. de C.V., Mexico, concerns call and put rights to purchase the remaining 20 % shareholding without a definitely agreed strike price. The call and put options can be exercised the first time five years after acquisition of the controlling majority. Full provision for the liability resulting from the minority shareholders' put rights have been made as other long-term liabilities.

Furthermore, 30 % of the Quadrant EPP Japan Ltd. shares were acquired from the former Japanese joint-venture partner with effect from 31 December 2007. Together with the formerly held 50 % shareholding, the Quadrant Group now owns 80 % of the shares and, therefore, the controlling majority in this company. For the 2007 financial year the company reports net sales of about CHF 12.8 million (2006: CHF 13.8 million) and net income of CHF 0.6 million.

Had the acquisition of the controlling majority in the existing Mexican and Japanese joint-venture partnerships been carried out with effect from 1 January 2007, the Quadrant Group's net sales for the year would have reached CHF 825.5 million with an operating result (Ebit) of CHF 66.7 million and net income of CHF 39.8 million.

Value adjustments for the relevant fair value in 2006

(in CHF 1 000)	IFRS value on acquisition	Value adjustments	Fair value
Current assets	426	0	426
Fixed assets	586	0	586
Current liabilities	0	0	0
Non-current liabilities	0	0	0
Minority interests	0	0	0
Shareholders' equity acquired	**1 012**	**0**	**1 012**

Value adjustments for the relevant fair value in 2007

(in CHF 1 000)	IFRS value on acquisition	Value adjustments [1]	Fair value
Current assets	9 368	64	9 432
Fixed assets	10 103	1 149	11 252
Current liabilities	(7 488)	0	(7 488)
Non-current liabilities	(3 025)	(210)	(3 235)
Minority interests	(908)	(92)	(1 000)
Shareholders' equity acquired	**8 050**	**911**	**8 961**

[1] The disclosed value adjustments reflect the current state of knowledge of Quadrant EPP Japan Ltd. Owing to the short period of time between the date of acquisition (mid-December 2007) and closing of the accounts (31 December 2007), these values may differ from the final values still to be drawn up.

Fair value of net assets acquired

(in CHF 1 000)	2006 QEPP/QCMS Assets AEP Korea	2006 Total Quadrant Group	2007 QEPP/QCMS Nylamid Mexico	2007 QEPP/QCMS QEPP Japan	2007 Total Quadrant Group
Cash and cash equivalents	0	0	984	277	1 261
Receivables	0	0	1 063	4 835	5 898
Inventories	426	426	1 005	1 268	2 273
Current assets	426	426	3 052	6 380	9 432
Tangible fixed assets	459	459	2 657	7 008	9 665
Intangible assets	102	102	626	297	923
Equity investments in associated companies	0	0	0	0	0
Other assets	25	25	80	430	510
Deferred tax assets	0	0	0	154	154
Fixed assets	586	586	3 363	7 889	11 252
Liabilities	0	0	(826)	(1 954)	(2 780)
Bank borrowings and financial leases	0	0	0	(4 708)	(4 708)
Provisions	0	0	0	0	0
Current liabilities	0	0	(826)	(6 662)	(7 488)
Liabilities	0	0	(159)	(7)	(166)
Bank borrowings and financial leases	0	0	0	(2 394)	(2 394)
Provisions	0	0	(130)	(208)	(338)
Deferred tax liabilities	0	0	(337)	0	(337)
Long-term liabilities	0	0	(626)	(2 609)	(3 235)
Minority interests	0	0	0	(1 000)	(1 000)
Shareholders' equity acquired	**1 012**	**1 012**	**4 963**	**3 998**	**8 961**
Existing book value of holding	0	0	(1 657)	(2 557)	(4 214)
Fair value adjustment of existing book value of holding	0	0	(78)	58	(20)
	0	0	(1 735)	(2 499)	(4 234)
Pro rata shareholders' equity acquired	**1 012**	**1 012**	**3 228**	**1 499**	**4 727**
Goodwill	0	0	307	301	608
Acquisition costs	**1 012**	**1 012**	**3 535**	**1 800**	**5 335**
Cash and cash equivalents acquired	0	0	(984)	(277)	(1 261)
Acquisition excluding cash and cash equivalents acquired	**1 012**	**1 012**	**2 551**	**1 523**	**4 074**
– of which call and put rights	0	0	781	0	781
– of which paid in cash	1 012	1 012	1 770	1 523	3 293

9. Other liabilities and accrued expenses

(in CHF 1 000)	31.12.2006	31.12.2007
Personnel	22 476	23 057
Liabilities arising from sales tax settlements (value-added tax)	5 296	5 813
Liabilities arising from construction contracts	752	840
Accrued expenses (interest)	294	1 255
Other	10 569	9 793
	39 387	40 758

Composition of liabilities resulting from construction contracts

(in CHF 1 000)	31.12.2006	31.12.2007
Progress billings	3 445	2 367
Contract revenue recognized	(2 667)	(1 535)
Translation differences	(26)	8
	752	840

10. Short-term financial liabilities

(in CHF 1 000)	31.12.2006	31.12.2007
Banks and other financial institutions (secured liabilities)	136	2 342
Banks and other financial institutions (unsecured liabilities)	2 264	5 629
Annual maturity of syndicated bank loan	33 000	28 000
Leasing liabilities maturing during the year	1 436	996
	36 836	36 967

The average rate of interest in the 2007 financial year was 3.7 % (2006: 3.1 %).

Non-current liabilities maturing during the year totaled CHF 28.0 million (2006: CHF 25.0 million) for the contractually agreed amortization of the syndicated loan (see Note No. 12). During the 2006 financial year an additional amount of some CHF 8.0 million was earmarked as early amortization of the bank loan since the cash flow was above the benchmark figures agreed on with the syndicating banks.

11. Short-term provisions

(in CHF 1 000)	Personnel		Other	Total
	Retirement pensions	Other		
At 31 December 2005	407	0	2 959	3 366
Addition charged to income	0	717	129	846
Utilization	(26)	(144)	(672)	(842)
Reversal credited to income	0	(265)	(607)	(872)
Reclassification	0	405	(405)	0
Translation adjustments	13	(39)	(43)	(69)
At 31 December 2006	**394**	**674**	**1 361**	**2 429**
Addition charged to income	168	23	1 489	1 680
Utilization	0	(564)	(89)	(653)
Reversal credited to income	0	(77)	(335)	(412)
Reclassification	0	0	0	0
Translation adjustments	13	(13)	8	8
At 31 December 2007	**575**	**43**	**2 434**	**3 052**

Other short-term provisions as at 31 December 2007

The sales organization was restructured in 2006 in connection with the acquisition of the Poly Hi Solidur Group. An amount of CHF 0.1 million was included in other short-term provisions at 31 December 2007 for this restructuring measure, which had already been announced at the end of 2005 (2006: CHF 0.4 million).

An adjustment of existing production capacity to the currently weak economic conditions has become necessary for the Quadrant Plastic Composites Division. A restructuring program was therefore communicated to staff at the end of 2007. Provisions were made at the end of 2007 for the expected costs amounting to CHF 1.5 million (2006: none).

The remaining amount of CHF 0.8 million essentially includes expected expenses for damage claims (CHF 0.5 million), warranty payments (CHF 0.2 million) and pending legal cases (CHF 0.1 million). The outflow of funds is expected within the coming twelve months. The remaining short-term provisions for personnel essentially cover compensation payments to staff connected with the merger of two production sites in South Africa.

12. Long-term financial liabilities

(in CHF 1 000)	Medium-term (2 to 5 years)		Long-term (more than 5 years)		Total	
	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007
Bank loans	129 750	133 431	66 500	35 000	196 250	168 431
Other loans secured	435	327	0	18	435	345
Other loans unsecured	3 028	1 894	0	0	3 028	1 894
Leasing	2 295	2 718	1 891	1 366	4 186	4 084
	135 508	138 370	68 391	36 384	203 899	174 754
Financing costs	(3 205)	(2 149)	(268)	(11)	(3 473)	(2 160)
	132 303	136 221	68 123	36 373	200 426	172 594

Composition of financing costs for the syndicated bank loan:		
Acquisition financing in 2001	(695)	(159)
Acquisition financing in 2005	(2 778)	(2 001)
Financing costs	(3 473)	(2 160)

Bank loans

The group has financial liabilities (current and non-current) to a consortium of banks totaling CHF 196.431 million. The basic syndicated loan of CHF 260.0 million was raised to finance the Engineering Plastic Products (EPP) acquisition in 2001 and increased by CHF 25.0 million in 2002 to finance the exercise of options. The terms and conditions of the loan were adjusted in the first half of 2004 to reflect changes in the overall business environment in order to provide the Quadrant Group with greater financial scope for its future development. The existing syndicate agreement was repaid in the context of the acquisition of the Poly Hi Solidur Group in the USA agreed on 26 June 2005 and superseded by a new syndicate agreement on 2 August 2005. The new loan agreement signed with a banking institution on 26 June 2005 was syndicated in October 2005. The loan totals CHF 260.0 million and is divided into two tranches: tranche A is for CHF 200.0 million and matures on 30 June 2012, and tranche B is for CHF 60.0 million and matures on 30 June 2013. The costs of this financial transaction amounted to CHF 4.0 million and will be allocated pro rata to financing costs over the term of the loan.

The minimum annual amortization payments on tranche A are CHF 28.0 million in 2008, CHF 31.25 million in 2009, CHF 34.0 million in 2010, CHF 36.5 million in 2011 and CHF 14.5 million in 2012. Amortization payments on tranche B are CHF 25.0 million in 2012 and CHF 35.0 million in 2013. Should the generated cash flow be above the parameters defined by the underwriting banks, Quadrant Group will be obliged to make additional amortization payments. Based on the 2007 consolidated financial statements, no further amortization is required. The additional amortization of about CHF 8.0 million made for the 2006 financial year reduces the minimum amortization rate for 2012 of CHF 14.5 million to CHF 6.5 million.

The Quadrant Group is required to comply with covenants customary on the market in order to maintain access to the syndicated loan. All covenants were complied with at 31 December 2007.

Amortization payments of CHF 32.819 million were made on the syndicated loans in 2007 in terms of the agreement. The average rate of interest, based on actual interest rates and due dates, was 4.3 % in 2007 (2006: 3.8 %). On 31 December 2007, the outstanding bank loan was stated as a short-term financial liability of CHF 28.000 million and a long-term financial liability of CHF 168.431 million. There are three interest rate adjustment dates in the first half of 2008 for the outstanding total loan of CHF 196.431 million. Owing to the variable interest rates, market adjustments are not necessary.

The loan is secured by guarantees and pledges of shares of group companies and by group real estate. The guarantees and pledges of shares have been adjusted to reflect the current group structure in the context of the new loan agreement (see also Note No. 26).

13. Other long-term liabilities

(in CHF 1 000)	31.12.2006	31.12.2007
Performance-related residual payments arising from QPC / QCPS acquisitions	811	0
Put-option right minority shareholder Nylamid S. A. de C. V.	0	885
Other	1 113	1 114
	1 924	**1 999**

14. Long-term provisions

(in CHF 1 000)	31.12.2006 [1]	31.12.2007
Health care provisions [2]	10 481	9 863
Retirement pension provisions [2]	30 629	23 975
Other operational provisions	2 194	2 803
	43 304	**36 641**

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

[2] See also Note No. 17

(in CHF 1 000)	Health care	Retirement pensions			Other	Total
		Defined benefit	Defined contribution	Early retirement		
At 31 December 2005	23 104	29 803 [1]	1 106	4 204	1 303	59 520
Addition charged to income	1 073	2 840	180	208	558	4 859
Reclassification from minority interests	0	0	0	0	849	849
Utilization	(564)	(6 645)	0	(185)	(560)	(7 954)
(Gains) and losses set off directly against shareholders' equity:						
a) Actuarial (gains) and losses	(11 756)	1 877 [1]	0	(85)	0	(9 964)
b) Non-capitalized assets from defined-benefit pension plans	0	(2 428) [1]	0	0	0	(2 428)
c) Translation adjustments	(1 376)	(125)	(86)	(35)	44	(1 578)
At 31 December 2006 [1]	**10 481**	**25 322 [1]**	**1 200**	**4 107**	**2 194**	**43 304**
Change in scope of consolidation	0	0	0	0	338	338
Addition charged to income	825	1 158	242	867	283	3 375
Reclassification	(100)	1 621	0	(1 621)	100	0
Utilization	(216)	(6 951)	0	(51)	(103)	(7 321)
(Gains) and losses set off directly against shareholders' equity:						
a) Actuarial gains and losses	(319)	(3 168)	0	437	0	(3 050)
b) Non-capitalized assets from defined-benefit pension plans	0	1 647	0	0	0	1 647
c) Translation adjustments	(808)	(761)	(105)	31	(9)	(1 652)
At 31 December 2007	**9 863**	**18 868**	**1 337**	**3 770**	**2 803**	**36 641**

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

Provisions for health care and retirement pensions are subject to IAS 19. These are explained in Note No. 17. Pension liabilities and connected assets are disclosed in the consolidated balance sheet as shown below:

(in CHF 1 000)	Health care	Retirement pensions			Other	Total
		Defined benefit	Defined contribution	Early retirement		
2006						
Assets from non-qualified retirement pension plans [1]	0	(378)	(1 200)	0	0	(1 578)
Provisions	10 481	25 322	1 200	4 107	2 194	43 304
Total pension liabilities, net	10 481	24 944	0	4 107	2 194	41 726
2007						
Assets from non-qualified retirement pension plans [1]	0	(387)	(1 337)	0	0	(1 724)
Provisions	9 863	18 868	1 337	3 770	2 803	36 641
Total pension liabilities, net	9 863	18 481	0	3 770	2 803	34 917

[1] These assets were disclosed under "Other long-term receivables".

Other provisions consist largely of severance and long-service compensation totaling CHF 1.9 million (2006: CHF 1.2 million) and long-term obligations toward staff minority shareholders amounting to CHF 0.7 million (2006: CHF 0.8 million).

15. Share capital

(in CHF 1 000)	31.12.2006	31.12.2007
Share capital	26 250	27 495
Authorized capital	12 637	13 125
Conditional capital	9 600	12 635

Share capital

The annual general meeting held on 14 May 2002 adopted a resolution to introduce a single category of shares. The bearer shares in issue were therefore exchanged for registered shares at a ratio of 5 for 1.

At the same time the articles of incorporation were amended to impose a registration and voting limit of 3 % for new shareholders.

As at 31 December 2007, the shareholders' equity of Quadrant AG as holding company of the Quadrant Group consisted of 2 749 543 registered shares (2006: 2 625 042 registered shares) at a par value of CHF 10.00 each. As at 31 December 2007, the Quadrant Group disposed of 102 087 treasury shares (2006: 92 376) corresponding to 3.7 % (2006: 3.5 %) of shareholders' equity.

The group's major shareholders are listed on page 106.

Authorized capital

The annual general meeting held on 29 April 2005 authorized the board of directors pursuant to Art. 651 of the Swiss Code of Obligations to increase the company's share capital by up to CHF 12.6375 million by issuing up to 1 263 750 fully paid registered shares of CHF 10.00 p. v. by no later than 29 April 2007, in order to finance potential acquisitions.

This authorization was renewed at the annual general meeting held on 4 May 2007 approving an increase of the company's share capital up to 1 312 521 fully paid-up registered shares of CHF 10.00 p. v., or CHF 13.12521 million, by no later than 4 May 2009.

The approved capital, therefore, remains within the legal quota of 50 % of shareholders' equity.

	Authorized capital (in CHF 1 000)	Issue price per share (in CHF)	Subscription right
At 31 December 2005	12 637 [1)]		
Change in 2006	0	n. a.	n. a.
At 31 December 2006	**12 637**		
Change in 2007	488 [2)]	n. a.	n. a.
At 31 December 2007	**13 125**		

1) 50 % of shareholders' equity as at 31 December 2004 of CHF 25.275 million

2) Adjustment to 50 % of shareholders' equity as at 31 December 2006 of CHF 26.250 million

Conditional capital

On 4 May 2007, the annual general meeting resolved to create conditional capital for capital market purposes and for management stock option plans. The following table shows the development of the approved conditional capital and the remaining availability:

(in CHF 1 000)

Conditional capital (approved)	31.12.2006	31.12.2007	Subscription right
Annual general meeting of	11 May 2001	4 May 2007	
For capital market purposes	5 795	7 875	possible
For management stock option plans	6 155	5 250	no
	11 950	13 125	

Conditional capital (available)	Capital market purposes	Management stock option plans	Total
At 31 December 2005	5 776	4 226	10 002
Utilization for			
– Exercise of QUANO options	(368)	0	(368)
– Exercise of management options	0	(34)	(34)
At 31 December 2006	**5 408**	**4 192**	**9 600**
Utilization from 1 January until 3 May 2007 for			
– Exercise of QUANO options	(732)	0	(732)
Increase by AGM decision on 4 May 2007	3 199	1 081	4 280
Utilization from 4 May until 31 December 2007 for			
– Exercise of QUANO options	(381)	0	(381)
– Exercise of management options	0	(132)	(132)
At 31 December 2007	**7 494**	**5 141**	**12 635**

16. Stock options

On 31 December 2007, a total of 19 764 options (2006: 28 607 options) entitling holders to acquire shares at a ratio of 1:1 and 0 options (2006: 1 113 000) entitling holders to acquire shares at a ratio of 10:1 were outstanding. These options entitle the holders to acquire a maximum of 19 764 Quadrant shares (2006: 139 907).

Traded equity options

1 500 000 options on Quadrant shares with a value of CHF 1.320 million were issued in 2004. The options expire on 14 May 2007 and are publicly traded on the SWX Swiss Exchange (QUANO), with 10 options entitling the holder to acquire 1 Quadrant registered share. Within the parameters of stock option plans for members of the board of directors (see "Stock option plans for directors and management") 963 000 options of the initial subscription were sold to directors.

(in 1 000)	Development of traded QUANO stock options
Issue 2004	1 500
Exercise 2005	(19)
Exercise 2006	(368)
Exercise 2007	(1 113)
Expiry on 14 May 2007	0

Stock option plans for directors and management

The stock options outstanding under the stock option plans for directors and management entitle the holders to acquire shares amounting to no more than 20 % of the share capital. All unlisted options are valued at market prices by an independent bank on the date of issue.

Directors' stock option plans

The stock option plan for directors (including executive directors) entitles them to purchase call options on Quadrant registered shares at market value. The exercise price depends on the life of the option and is higher than the market price of the stock when the options are issued.

In January 2008, directors of Quadrant AG purchased 118 500 options. The issuing price of CHF 29.08 was calculated by an independent bank on the basis of the exercise price in accordance with the trinomial model and taking into consideration the following values

– Current share price	CHF 131.80
– Exercise price	CHF 158.16
– Expected volatility	38.0 % (historical volatility according to Bloomberg)
– Life of the option	10 January 2013
– Expiry of blocking periods	10 January 2011
– Risk-free interest rate	3.00 %
– Type of option	American

In case of a binding takeover offer made to the shareholders of the Quadrant Group, or the voting out or the not electing of individual or all members of the board of directors against the motion proposed by the board of directors as a whole, the beneficiaries are immediately entitled to request reverse transaction of the option plan, or to exercise the options at the conditions stipulated for such a case.

Management stock option plans

The stock option plan for management (excluding all directors) entitles them to acquire call options on Quadrant registered shares. 50 % of the options valued at market price are provided free of charge, and a further 50 % can be purchased at market value. The exercise price is 5 % to 10 % higher than the current market price of the stock when the options are issued.

	Free options		Paid options		Total	
	Amount	Value (in CHF 1 000)	Amount	Value (in CHF 1 000)	Amount	Value (in CHF 1 000)
31 December 2005	20 362		11 719		32 081	
Options issued 2006 / 2011	4 075	229	1 514	85	5 589	314
Options exercised 2003 / 2007	(1 411)	43	(1 996)	61	(3 407)	104
Expiry	(4 552)		(1 104)		(5 656)	
At 31 December 2006	**18 474**		**10 133**		**28 607**	
Options issued 2007 / 2012	4 724	250	1 394	74	6 118	324
Options exercised 2003 / 2007	(1 868)	57	(1 568)	48	(3 436)	105
Options exercised 2004 / 2009	(6 832)	503	(2 933)	216	(9 765)	719
Expiry [1]	(1 318)		(442)		(1 760)	
At 31 December 2007	**13 180**		**6 584**		**19 764**	

[1] Of which 342 options issued in 2007

The price of call options issued to management in 2007 was calculated by an independent bank according to the trinomial model at CHF 52.96. This was based on the following values:

– Current share price	CHF 225.00
– Exercise price	CHF 236.25
– Expected volatility	35.0 % (historical volatility according to Bloomberg)
– Life of the option	25 May 2012
– Expiry of blocking period	25 May 2010
– Risk-free interest rate	3.00 %
– Type of option	American

The average share price weighted with the trading volume in the 2007 financial year amounted to CHF 210.66 (2006: CHF 206.43).

The outstanding options from the directors' and management option plans as at 31 December 2007 are made up as follows:

Year of issue	Number of options [1]	Subscription ratio	Exercise price CHF	Exercise price Total in CHF 1 000	Cannot be exercised before	Must be exercised by
2004	5 739	1:1	73.59	422	02.05.2007	30.04.2009
2005	3 869	1:1	157.60	610	09.11.2008	30.09.2010
2006	4 380	1:1	221.00	968	19.05.2009	19.05.2011
2007	5 776	1:1	236.25	1 365	25.05.2010	25.05.2012
Total	19 764					

[1] Including options paid by former employees

Details concerning the ownership of shares and options by individual members of the board of directors and management including persons related to them as at 31 December 2007 and pursuant to article 663 b^{bis}, Swiss Law of Obligations, are disclosed in the table below:

		Number of shares	Number of options
Board of directors			
Adrian Niggli	Chairman	78 745	0
Marco Forster	Vice-Chairman	0	0
Luigi Borla	Director	400	642
Walter Grüebler	Director	27 324	0
René-Pierre Müller	Director and CEO	126 418	0
Arno Schenk	Director and CEO	138 235	0
		371 122	642
Group management board			
Wolf-Günter Freese	CFO	0	1 338
Total		371 122	1 980

Details of treasury stock and major shareholders can be found in Notes No. 2 and 7 of the financial statements of Quadrant AG.

17. Personnel costs

(in CHF 1 000)	2006	2007
Wages and salaries	152 322	154 847
Social security	37 845	37 423
Health care	1 073	825
Pension defined-benefit plan	1 949	(17)
Pension defined-contribution plan	2 394	2 241
Temporary employees and other personnel costs	12 434	13 260
	208 017	208 579
Number of employees (full-time units) on 31 December	2 423	2 451

Pension plans operated jointly by several employers

Joint plans are operated in The Netherlands and Germany by several employers, with pensions based on defined benefits. The funds are unable for technical reasons to segregate the pro rata bar value of the defined-benefit obligations of the relevant Quadrant company on the basis of an actuarial calculation in conformity with IFRS requirements. These plans are therefore treated as defined-contribution plans.

The following information is available on the funds:

	Active members	Pension liabilities 31.12.2006	Assets 31.12.2006
Netherlands	146 145	CHF 26.7 billion	CHF 34.2 billion
– of which group share	75	n. a.	n. a.
Germany	57 781	CHF 8.3 billion	CHF 8.3 billion
– of which group share	60	n. a.	n. a.

The premiums recorded by the Quadrant companies in the income statement amounted to CHF 0.7 million in 2007 (2006: CHF 0.6 million).

Pension liabilities arising from defined-benefit plans

These are calculated on the basis of the following assumptions:

	2006	2007
Discount rate	2.30 % – 5.75 %	1.70 % – 8.00 %
Return on plan asset	4.0 % – 8.0 %	4.0 % – 7.125 %
Expected wage growth	1.5 % – 4.3 %	1.5 % – 4.2 %

The provision for pension liabilities arising from defined-benefit plans included under pension provisions in the consolidated financial statements is made up as follows:

(in CHF 1 000)	31.12.2006 [1]	31.12.2007
Pension liabilities		
Liabilities at beginning of the year	(132 464)	(139 764)
Current service costs	(1 890)	(1 674)
Interest costs	(5 695)	(6 384)
Curtailment gain	0	1 094
Actuarial gains and (losses)	(6 832)	3 619
Benefits paid	6 427	7 655
Contribution by employees	(891)	(1 175)
Reclassification from provisions for other pension liabilities	0	(1 621)
Translation adjustment	1 581	2 190
Liabilities at end of the year	(139 764)	(136 060)
Plan assets		
Assets at beginning of the year	110 883	120 236
Expected return on plan assets	5 636	6 981
Actuarial gains and (losses)	4 955	(451)
Benefits paid	(6 427)	(7 655)
Contribution by employees	891	1 175
Contribution by employer	5 754	5 776
Translation adjustment	(1 456)	(1 429)
Assets at end of the year	120 236	124 633
Provisions for pension liabilities arising from defined-benefit plans, net	(19 528)	(11 427)
Non-capitalized pension assets	(5 794)	(7 441)
Provisions for pension liabilities arising from defined-benefit plans	(25 322)	(18 868)

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

During the period of 2003 to 2007 the need for provisions for pension obligations from defined-benefit plans changed as follows:

(in CHF 1 000)	31.12.2003	31.12.2004	31.12.2005	31.12.2006	31.12.2007
Pension liabilities	(109 666)	(106 589)	(132 464)	(139 764)	(136 060)
Market value of plan assets	73 124	77 751	94 372	103 431	124 633
Restatement	13 208	15 947	16 511	16 805	0
Adjustment of the assets' market value	86 332	93 698	110 883	120 236	124 633
Underfunding (need for provisions), net	(23 334)	(12 891)	(21 581)	(19 528)	(11 427)
Non-capitalized pension assets	(5 482)	(8 951)	(8 222)	(5 794)	(7 441)
Underfunding (need for provisions)	(28 816)	(21 842)	(29 803)	(25 322)	(18 868)
Experience adjustments on plan assets	4 705	2 391	3 106	4 955	(451)
– in % of plan assets	5.4 %	2.6 %	2.8 %	4.1 %	(0.4 %)
Experience adjustments on pension liabilities	(3 486)	(108)	(4 453)	(3 630)	(1 215)
– in % of plan assets	3.2 %	0.1 %	3.4 %	2.6 %	0.9 %

On 31 December 2007, the plan assets were made up of 38 % shares (2006: 44 %), 51 % bonds (2006: 42 %), 3 % real estate (2006: 5 %) and 8 % cash (2006: 9 %). The assets are invested with a focus on obtaining a long-term yield at minimum risk over the medium term. Short-term changes in economic parameters, especially in the capital market, may result in a deviation from this goal. The expected yields are based on the target composition of the portfolio and are reviewed at regular intervals.

The change in the provision for pension liabilities arising from defined-benefit plans compared with the previous year is made up as follows:

(in CHF 1 000)	2006 [1)]	2007
Provisions at beginning of year	(38 092)	(25 322)
Change from restatement of defined-benefit pension plan	8 289	0
Reclassification resulting from provisions for other pension liabilities	0	(1 621)
Recorded expenses (see next table)	(2 840)	(1 158)
Contribution paid to fund (employer)	5 754	5 776
Contribution paid to fund (employees)	891	1 175
Actuarial gains and (losses)	(1 877)	3 168
Non-capitalized pension assets	2 428	(1 647)
Translation adjustments	125	761
Provision at end of year	(25 322)	(18 868)

[1)] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

The expense arising from the actuarial calculation of pension liabilities in connection with defined-benefit plans is taken to income and is made up as follows:

(in CHF 1 000)	2006	2007
Current service costs (employer)	1 890	1 674
Current service costs (employees)	891	1 175
Interest costs	5 695	6 384
Expected return on plan assets	(5 636)	(6 981)
Curtailment gain	0	(1 094)
Total costs, gross	2 840	1 158
Less employee contributions	(891)	(1 175)
Total expenses / (total income), net	1 949	(17)
Actual return on plan assets [1]	10 591	6 530

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

Health care liabilities

Substantial health care liabilities exist in the USA. These are stated in the same way and valued at the same intervals as pension liabilities.

	2006	2007
Discount rate	5.75 %	6.25 %
Health care costs trend rates	declining from 8.0 % in 2007 to 4.0 % in 2020	declining from 7.5 % in 2008 to 4.0 % in 2020

The provision for health care liabilities for personnel mainly in the USA included in long-term provisions in the consolidated balance sheet is made up as follows:

(in CHF 1 000)	31.12.2006	31.12.2007
Health care liabilities		
Liabilities at beginning of the year	(23 104)	(10 481)
Current service costs	(343)	(247)
Interest costs	(730)	(578)
Reclassification resulting from provisions for other pension liabilities	0	100
Actuarial gains and (losses)	11 756	319
Benefits paid	1 071	793
Contribution by employees	(641)	(578)
Translation adjustments	1 510	809
Liabilities at end of the year	(10 481)	(9 863)
Plan assets		
Benefits paid	(1 071)	(793)
Contribution by employees	641	578
Contribution by employer	564	216
Translation adjustments	(134)	(1)
Assets at end of the year	0	0
Provision for health care liabilities	(10 481)	(9 863)

The substantial changes in provisions for health care liabilities as at 31 December 2006 are due to short-term changes in legal and pension-related parameters by higher governmental contributions in the USA.

The need for provisions for health care liabilities for the period from 2003 to 2007 changed as follows:

(in CHF 1 000)	31.12.2003	31.12.2004	31.12.2005	31.12.2006	31.12.2007
Health care liabilities	(20 136)	(18 319)	(23 104)	(10 481)	(9 863)
Market value of plan assets	0	0	0	0	0
Underfunding (need for provisions)	(20 136)	(18 319)	(23 104)	(10 481)	(9 863)
Experience adjustments on health care liabilities	772	1 293	(468)	11 891 [1)]	320
– in % of health care liabilities	(3.8 %)	(7.1 %)	2.0 %	(113.4 %)	(3.2 %)

1) Based on changed legal and pension-related parameters in the USA

The change in the provision for health care liabilities compared with the previous year is made up as follows:

(in CHF 1 000)	2006	2007
Provisions required at the beginning of the year	(23 104)	(10 481)
Reclassification resulting from provisions for other pension liabilities	0	100
Recorded expenses (see next table)	(1 073)	(825)
Contribution paid to fund (employer)	564	216
Actuarial gains and (losses)	11 756	319
Translation adjustments	1 376	808
Provisions at end of year	(10 481)	(9 863)

The costs resulting from the actuarial calculation of health care liabilities are shown in the consolidated income statement and are made up as follows:

(in CHF 1 000)	2006	2007
Current service costs	(343)	(247)
Interest costs	(730)	(578)
Total costs	(1 073)	(825)

Sensitivity analysis:

An increase of the assumed development of health care expenses (trend) by one percentage point would have the following effect on

– the current service and interest costs: increase by CHF 0.150 million (2006: CHF 0.205 million)
– health care liabilities: increase by CHF 1.509 million (2006: CHF 1.689 million)

A reduction of the assumed development of health care expenses (trend) by one percentage point would have the following effect on

– the current service and interest costs: reduction by CHF 0.099 million (2006: CHF 0.161 million)
– health care liabilities: reduction by CHF 1.217 million (2006: CHF 1.348 million)

18. Other operating expenses

(in CHF 1 000)	2006	2007
Cost of logistics and agent commissions	27 226	28 245
Utilities	23 287	25 381
Repairs and maintenance	23 533	22 838
Consumables	18 177	17 446
Capital taxes, insurance and advice	18 914	16 981
Marketing and travel expenses	14 929	14 278
Operative leasing and rent	9 289	9 066
Other operating expenses	10 232	9 783
	145 587	144 018

19. Depreciation

(in CHF 1 000)	2006	2007
Land and buildings	4 556	4 859
Machinery and equipment	23 946	21 821
Other tangible assets	2 833	2 971
Other intangible assets	2 875	3 401
	34 210	33 052

20. Financial expenses

(in CHF 1 000)	2006	2007
Interest expenses	8 864	9 127
Realized translation differences	2 497	4 247
Unrealized translation differences	1 713	1 942
Other financial expenses	1 720	1 802
	14 794	**17 118**

Other financial expenses consisted mainly of the depreciation of the costs associated with the syndicated financing facility applied in accordance with the effective interest method.

21. Financial income

(in CHF 1 000)	2006	2007
Interest income	720	875
Realized translation differences	1 607	3 719
Unrealized translation differences	2 169	2 654
Other financial income	276	6
	4 772	**7 254**

22. Income taxes

(in CHF 1 000)	2006	2007
Current income taxes	20 886	20 672
Change in deferred taxes	(2 447)	(661)
	18 439	**20 011**

Reconciliation of income tax expense

(in CHF 1 000)	2006	2007
Net profit before tax	54 550	59 622
Average expected tax rate in %	32.1 %	33.6 %
Tax charge at expected tax rates	17 498	20 044
Tax impact:		
– of non-tax-deductible expenses	1 268	534
– of non-taxable income	(1 059)	(1 313)
– of the utilization of tax loss carry-forwards not capitalized	(702)	(1 467)
– from reversal of previously capitalized tax losses brought forward	0	520
– from recognition of previously non-capitalized tax assets on temporary differences (valuation allowance)	0	(1 260)
– on earnings of tax loss carry-forwards not capitalized	2 308	1 320
– from previous years	(1 803)	1 235
– of tax provisions not required	(910)	0
– from the intercompany sale of shareholding interests	2 228	0
– of changes in tax rates	(484)	(59)
– of non-reclaimable withholding taxes	119	98
– of the creation and reversal of other differences	(24)	359
Actual income tax	18 439	20 011

Current income taxes

Income taxes are calculated on the basis of the applicable local tax rates.

Composition of deferred tax assets and tax liabilities

(in CHF 1 000)	31.12.2006 [1]		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Deferred taxes arising from temporary valuation differences:				
– Inventories	1 316	185	1 399	(700)
– Receivables	(2 593)	(1 405)	(2 060)	(1 432)
– Tangible fixed assets	(1 527)	(18 635)	(4 053)	(11 212)
– Other liabilities	9 950	2 066	6 954	85
– Provisions	4 252	(859)	7 332	1 039
	11 398	(18 648)	9 572	(12 220)
Deferred taxes arising from tax loss carry-forwards	4 832	0	2 672	0
	16 230	(18 648)	12 244	(12 220)

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

Development of deferred tax assets and tax liabilities

(in CHF 1 000)	Tax loss carry-forwards	Temporary valuation differences Assets	Temporary valuation differences Liabilities [1]	Total (net)
At 31 December 2005	6 415	10 486	(19 445)	(2 544)
Addition / reversal charged to income statement	(1 751)	3 348	850	2 447
Taxes charged / credited directly to equity	0	(1 897)	(707)	(2 604)
Currency translation	168	(539)	654	283
At 31 December 2006 [1]	4 832	11 398	(18 648)	(2 418)
Change in scope of consolidation	0	154	(337)	(183)
Addition / (reversal) charged to income statement	(2 221)	3 569	(714)	634
Taxes charged / credited directly to equity	0	1 923	175	2 098
Reclassification [2]	0	(7 210)	7 210	0
Currency translation	61	(262)	94	(107)
At 31 December 2007	2 672	9 572	(12 220)	24

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

[2] With the merger of Quadrant PHS Inc. and Quadrant EPP USA Inc. with effect from 1 January 2007, deferred tax liabilities of CHF 7.210 million were set off against deferred tax assets.

Composition of taxes booked directly to equity

(in CHF 1 000)	Deferred taxes [1]	Current taxes	Total
2006			
Application of net investment approach	2 184	(62)	2 122
Actuarial gains and (losses) from defined-benefit plans	(4 328)	0	(4 328)
From non-capitalized assets of defined-benefit pension plans	(460)	0	(460)
Total credit / (charge) to shareholders' equity 2006	(2 604)	(62)	(2 666)

[1] The previous year's values were restated for reasons of comparison: see pages 24 to 27.

(in CHF 1 000)	Deferred taxes	Current taxes	Total
2007			
Application of net investment approach	2 389	(12)	2 377
Actuarial gains and (losses) from defined-benefit plans	(603)	0	(603)
From non-capitalized assets of defined-benefit pension plans	312	0	312
Total credit / (charge) to shareholders' equity 2007	2 098	(12)	2 086

Development of tax loss carry-forwards shown in the balance sheet

(in CHF 1 000)	2006	2007
Holding at beginning of the year	19 421	15 297
Adjustment from previous years	1 934	2 817
Setoff against generated profits	(6 929)	(9 049)
Additions from losses	322	393
Currency translations	549	281
Holding at end of the year	15 297	9 739

Deferred taxes on temporary valuation differences between shareholders' equity of subsidiary companies and book value of investments in the subsidiary companies

On 31 December 2007, Quadrant Group disposed of valuation variances between the shareholders' equity of subsidiary companies and the book value of investments in the subsidiary companies of about CHF 134.0 million (2006: CHF 98.0 million). A provision for income tax on this amount will be made only if the sale of a company is foreseeable.

Non-capitalized deferred tax assets from temporary valuation differences

Due to the fact that the future income situation of individual subsidiaries is considered insecure, deferred tax assets from temporary valuation differences (valuation allowances) were not capitalized. Depending on the reason, the possible realization of these potential tax assets can be effected either via the income statement or directly via shareholders' equity. As at 31 December 2007 the possible deferred tax assets to be credited via income statement amounted to CHF 1.599 million (2006: CHF 2.858 million), and the deferred tax assets to be credited directly to equity amounted to CHF 2.216 million (2006: CHF 2.931 million).

Expiration of tax loss carry-forwards

(in CHF 1 000)	2006				2007			
	Tax loss carry-forwards shown in balance sheet		Tax loss carry-forwards not shown in balance sheet		Tax loss carry-forwards shown in balance sheet		Tax loss carry-forwards not shown in balance sheet	
	Loss carry-forwards	Tax	Loss carry-forwards	Tax	Loss carry-forwards	Tax	Loss carry-forwards	Tax
Expiry in 2–5 years	0	0	0	0	0	0	155	51
Expiry > 5 years	286	47	153	51	2 271	706	66	22
Unlimited	15 011	4 785	21 334	7 202	7 468	1 966	23 374	7 562
	15 297	4 832	21 487	7 253	9 739	2 672	23 595	7 635

23. Research and development costs

Quadrant's research and development expenses amounted to CHF 9.4 million (2006: CHF 9.7 million) in 2007.

24. Earnings per share

Earnings per share are calculated by dividing the net profit attributable to shareholders of Quadrant AG by the weighted average number of shares outstanding during the course of the year.

	2006	2007
Undiluted earnings per share		
Weighted average number of shares outstanding:		
– Shares subscribed for (CHF 10.00 p. v.)	2 625 042	2 749 543
– Holding of treasury stock	(92 376)	(102 087)
Weighted average number of shares for calculating undiluted earnings per share (at CHF 10.00 p. v.)	2 518 728	2 620 586
Net profit attributable to shareholders of Quadrant AG (in CHF 1 000)	36 136	39 483
Undiluted earnings per share (CHF)	**14.35**	**15.07**
Diluted earnings per share		
Weighted average number of shares outstanding for calculating undiluted earnings per share (at CHF 10.00 p. v.)	2 518 728	2 620 586
Adjustment for dilutive share options	85 872	4 737
Weighted average number of shares for calculating diluted earnings per share (at CHF 10.00 p. v.)	2 604 600	2 625 323
Net profit attributable to shareholders of Quadrant AG (in CHF 1 000)	36 136	39 483
Diluted earnings per share (CHF)	**13.87**	**15.04**

As 10 042 employee options 2007 (2006: 4 915 options) were out-of-the-money as at 31 December 2007, they were not included in the diluted earnings per share.

25. Contingent liabilities

(in CHF 1 000)	31.12.2006	31.12.2007
Conditional liabilities arising from guarantees	1 553	1 695
	1 553	1 695

Repayment obligations for utilized Hungarian subsidies amounting to CHF 0.6 million (2006: CHF 0.7 million) exist until 30 November 2011, if the terms and conditions of the subsidies are no longer fulfilled. The remaining contingent liabilities consist mainly of guarantees and warranties issued to suppliers, lessors and customs authorities in the normal course of business.

Capital goods ordered from third parties in the amount of CHF 4.6 million (2006: CHF 8.9 million) were outstanding on 31 December 2007; these are not included in the consolidated balance sheet at 31 December 2007.

Legal proceedings and claims

Various legal proceedings and claims against Quadrant AG and its companies are pending. In the opinion of the group management board and in light of current information, the cash amount required for settlement of these cases and claims will have no significant adverse impact on the consolidated financial statements and the business activities of the Quadrant Group.

26. Guarantees and pledged assets

Guarantees and pledged stock and real estate

Group companies have issued the following guarantees as security for the syndicated bank loan:

– Quadrant AG	Guarantee
– Quadrant EPP Belgium N.V.	Guarantee
– Quadrant Plastic Composites AG	Guarantee

As at 31 December 2007, the following shares of various group companies were pledged to the banking consortium in connection with syndicated group financing facilities:

- Quadrant EPP Belgium N.V.
- Quadrant Holding B.V.
- Quadrant EPP USA Inc.
- Quadrant Plastic Composites AG

The net assets of these companies totaled CHF 259.0 million on 31 December 2007 (2006: CHF 262.0 million). This amount includes pledged real estate with a book value of CHF 31.1 million (2006: CHF 30.1 million).

Within the parameters of an ancillary contract agreed on with the banking consortium in 2007, several guarantees turned over as security to finance acquisitions in 2005 were released with effect from 30 March 2007:

– Quadrant CMS N. V.	Guarantee, stock, real estate
– Quadrant EPP Belgium N. V.	Real estate
– Quadrant EPP France SAS	Stock
– Quadrant EPP Nederland B. V.	Guarantee, stock, real estate
– Quadrant EPP USA Inc.	Limited guarantee
– Quadrant Holding B. V.	Guarantee
– Quadrant Holding Inc.	Limited guarantee
– Quadrant IP AG	Guarantee, stock
– Quadrant PHS Inc.	Merger with Quadrant EPP USA Inc. with effect from 1. 1. 2007
– Quadrant PHS Deutschland GmbH & Co. KG	Guarantee
– Quadrant Plastic Composites AG	Real estate
– Quadrant Plastic Composites GmbH	Real estate

Treasury stock

No Quadrant AG treasury shares were pledged as at 31 December 2007 (2006: 78 381).

Other guarantees

Trade receivables totaling CHF 4.8 million were pledged to local banks at 31 December 2007 (2006: CHF 3.9 million).

27. Transactions with related parties

Directors, members of the group management board and major shareholders, as well as companies controlled by them, are deemed to be related parties. Transactions with related parties are conducted on market terms and conditions.

Remuneration of the board of directors and the group management board

The fees of members of the board of directors and the salary payments to members of the group management board are divided into a basic fee or salary and a variable profit-related component.

2006

(in CHF 1 000)	Salary/ Directors' fee [1]	Stock-related remu-neration	Other costs	Social security costs	Consult-ing fee	Total
Non-executive directors [2]	750	0	28	109	0	887
Executive directors and members of the group management board [3]	2 135	24	58	273	0	2 490
Total remuneration 2006	2 885	24	86	382	0	3 377

[1] Including profit-related variable component
[2] Non-executive directors: 4 individuals
[3] Executive directors and members of the group management board: 3 individuals

For the financial year 2006, the highest total remuneration of a director amounted to CHF 0.929 million.

2007

(in CHF 1 000)		Salary/ Directors' fee [1]	Stock-related remu-neration	Other costs	Social security costs	Consult-ing fee	Total
Board of directors:							
Adrian Niggli	Chairman	375	0	18	95	0	488
Marco Forster	Vice-Chairman	97	0	0	10	29	136
Luigi Borla	Director	140	0	22	10	0	172
Walter Grüebler	Director	87	0	0	6	0	93
René-Pierre Müller	Director and CEO	937	0	22	134	0	1 093
Arno Schenk	Director and CEO	937	0	24	115	0	1 076
Board of directors		2 573	0	86	370	29	3 058
Group management board:							
Wolf-Günter Freese	CFO	711	24	0	81	0	816
Total remuneration 2007		3 284	24	86	451	29	3 874

[1] Including profit-related variable component

There is a stock option plan for directors and other executives. All issues of options to directors are made against payment of their fair value as calculated by an independent bank and are thus not in the nature of remuneration. No shares were issued by way of remuneration (see Note No. 16).

Loans to directors and officers

The company sold its majority holding in Mobag AG to Bauplus Holding AG in the context of a management buyout on 5 September 2001. Paul Huber, a director of Quadrant AG until 7 May 2004, also represented interests in Bauplus Holding AG. Following the sale and by agreement with the vendor, part of the purchase price amounting to CHF 3.2 million was retained by Bauplus Holding AG. The remainder of this loan amounted to CHF 1.0 million on 31 December 2006. This amount was unsecured and bore no interest in 2006. Paul Huber did not participate in the vote on the sale of the majority holding and the granting of the loan by the board of Quadrant AG.

Bauplus Holding AG declared bankruptcy in 2007, and consequently the previously fully written down loan was taken off the books.

Associated companies

The Quadrant Group has long-term business relationships with associated companies (see also Note No. 7). Joint rights of control with locally established partners independent of the equity holding exist in all companies. As is the case with the Quadrant Group, these associated companies operate in the specialist engineered plastics segment and reinforce regional market services, especially in the Asia region.

The following business connections existed between Quadrant Group and its associated companies:

(in CHF 1 000)	2006	2007
Purchases of goods	5 355	4 431
Sales of goods	24 294	23 647
Receivables	3 811	3 085
Liabilities	1 404	1 186
Loans	378	390
Financial income	16	21

Transactions with associated companies are conducted on market terms and conditions.

28. Capital management

Quadrant Group defines consolidated shareholders' equity as equity administered by the group. These funds are managed in accordance with the following criteria:

– ensuring the continuation of the company on the basis of a sound balance sheet structure
– maintaining financial scope for future investments and acquisitions
– achieving an adequate risk-related yield for shareholders

Equity is monitored with the help of two key data, namely equity ratio and return on equity. The equity ratio is calculated as the relative proportion of equity (including minority shareholdings) to the balance sheet total. To measure the return on equity, the group result is taken as a percentage of average shareholders' equity. Within the parameters of internal reporting, these financial ratios are regularly reported to management and comprise the following:

(in CHF 1 000)	2006	2007
Shareholders' equity Quadrant AG	266 673	305 886
Minority shareholdings	1 837	2 048
Equity	268 510	307 934
Total assets	720 635	719 377
Equity ratio	37.3 %	42.8 %
Average shareholders' equity	246 857	299 439
Net profit	36 111	39 611
Return on equity	14.6 %	13.2 %

The group has no covenants relating to shareholders' equity.

The Quadrant Group consistently invests earnings in the growth of the group and, therefore, does not pay a dividend to shareholders. Also, the payment of dividends was excluded by the financing banks within the parameters of existing syndicated loans (see Note No. 12).

29. Financial instruments

Classification of financial instruments

Financial instruments as at 31 December 2006

(in CHF 1 000)	Total financial instru-ments	At amortized costs		At fair value			Deri-vatives for hedging purposes	Cash
		Loans and receiv-ables	Held to maturity	Trading	Desig-nated	Available for sale		
Cash and cash equivalents	64 648	0	0	0	0	0	0	64 648
Trade receivables	114 111	114 111	0	0	0	0	0	0
Other receivables	4 359	4 359	0	0	0	0	0	0
Total short-term financial instruments	183 118	118 470	0	0	0	0	0	64 648
Long-term financial assets	697	697	0	0	0	0	0	0
Other long-term receivables	1 831	198	0	0	1 578	0	55	0
Total long-term financial instruments	2 528	895	0	0	1 578	0	55	0
Total financial instruments active	185 646	119 365	0	0	1 578	0	55	64 648

	Total financial instru-ments	At amortized costs		At fair value			Deri-vatives for hedging purposes	Cash
		Loans and receiv-ables		Trading	Desig-nated			
Trade payables	99 191	99 191		0	0		0	0
Other payables	33 339	33 339		0	0		0	0
Short-term financial liabilities	36 836	36 836		0	0		0	0
Long-term financial liabilities	200 426	200 426		0	0		0	0
Other long-term liabilities	1 924	1 924		0	0		0	0
Total financial instruments passive	371 716	371 716		0	0		0	0
Total financial instruments	(186 070)	(252 351)	0	0	1 578	0	55	64 648

Financial instruments as at 31 December 2007

(in CHF 1 000)	Total financial instruments	At amortized costs		At fair value			Derivatives for hedging purposes	Cash
		Loans and receivables	Held to maturity	Trading	Designated	Available for sale		
Cash and cash equivalents	67 584	0	0	0	0	0	0	67 584
Trade receivables	118 011	118 011	0	0	0	0	0	0
Other receivables	4 988	4 988	0	0	0	0	0	0
Total short-term receivables	190 583	122 999	0	0	0	0	0	67 584
Long-term financial claims	400	400						
Other long-term receivables	2 833	1 062	0	0	1 724	0	47	0
Total long-term receivables	3 233	1 462	0	0	1 724	0	47	0
Total financial instruments active	193 816	124 461	0	0	1 724	0	47	67 584

	Total financial instruments	At amortized costs		At fair value			Derivatives for hedging purposes	Cash
		Loans and receivables		Trading	Designated			
Trade receivables	95 172	95 172		0	0		0	0
Other liabilities	34 105	34 087		0	0		18	0
Short-term financial liabilities	36 967	36 967		0	0		0	0
Long-term financial liabilities	172 594	172 594		0	0		0	0
Other long-term liabilities	1 999	1 999		0	0		0	0
Total financial instruments passive	340 837	340 819		0	0		18	0
Total financial instruments	**(147 021)**	**(216 358)**	**0**	**0**	**1 724**	**0**	**29**	**67 584**

In 2006 and 2007 there are no essential valuation differences between the financial instruments shown in the balance sheet and the fair value of these financial instruments.

Financial income of the financial instruments

2006

(in CHF 1 000)	Total financial instruments according to balance sheet	Financial income			Financial expenses		Financial result via income statement	Financial result via shareholders' equity	Operating result via income statement
		Interest income	Dividends	Other financial income	Interest expenses	Financial expenses			
Financial receivables:									
– Loans and receivables	119 365	321	0	276	0	0	597	0	(1 668)
– Held to maturity	0	0	0	0	0	0	0	0	0
– At fair value (trading)	0	0	0	0	0	0	0	0	0
– At fair value (designated)	1 578	0	0	0	0	0	0	0	98
– Available for sale	0	0	0	0	0	0	0	0	0
Total financial receivables	120 943	321	0	276	0	0	597	0	(1 570)
Liabilities:									
– Other liabilities	(371 716)	0	0	0	(8 864)	(1 558)	(10 422)	0	0
– At fair value (trading)	0	0	0	0	0	0	0	0	0
– At fair value (designated)	0	0	0	0	0	0	0	0	0
Total financial liabilities	(371 716)	0	0	0	(8 864)	(1 558)	(10 422)	0	0
Derivates for hedging									
– Fair value hedge (asset)	0	0	0	0	0	0	0	0	0
– Fair value hedge (liability)	0	0	0	0	0	0	0	0	0
– Cash flow hedge (asset)	55	0	0	0	0	(162)	(162)	(113)	0
– Cash flow hedge (liability)	0	0	0	0	0	0	0	0	0
Net investment hedge	0	0	0	0	0	0	0	0	0
Total derivates for hedging	55	0	0	0	0	(162)	(162)	(113)	0
Cash and cash equivalents	64 648	399	0	0	0	0	399	0	0
Total	(186 070)	720	0	276	(8 864)	(1 720)	(9 588)	(113)	(1 570)

2007

(in CHF 1 000)	Total financial instruments according to balance sheet	Financial income: Interest income	Financial income: Dividends	Financial income: Other financial income	Financial expenses: Interest expenses	Financial expenses: Financial expenses	Financial result via income statement	Financial result via shareholders' equity	Operating result via income statement
Financial receivables:									
– Loans and receivables	124 461	193	0	6	0	0	199	0	(683)
– Held to maturity	0	0	0	0	0	0	0	0	0
– At fair value (trading)	0	0	0	0	0	0	0	0	0
– At fair value (designated)	1 724	0	0	0	0	0	0	0	149
– Available for sale	0	0	0	0	0	0	0	0	0
Total financial receivables	126 185	193	0	6	0	0	199	0	(534)
Liabilities:									
– Other liabilities	(340 819)	0	0	0	(9 127)	(1 674)	(10 801)	0	0
– At fair value (trading)	0	0	0	0	0	0	0	0	0
– At fair value (designated)	0	0	0	0	0	0	0	0	0
Total financial liabilities	(340 819)	0	0	0	(9 127)	(1 674)	(10 801)	0	0
Derivates for hedging									
– Fair value hedge (asset)	0	0	0	0	0	0	0	0	0
– Fair value hedge (liability)	0	0	0	0	0	0	0	0	0
– Cash flow hedge (asset)	47	0	0	0	0	(110)	(110)	102	0
– Cash flow hedge (liability)	(18)	0	0	0	0	(18)	(18)	0	0
Net investment hedge	0	0	0	0	0	0	0	0	0
Total derivates for hedging	29	0	0	0	0	(128)	(128)	102	0
Cash and cash equivalents	67 584	682	0	0	0	0	682	0	0
Total	(147 021)	875	0	6	(9 127)	(1 802)	(10 048)	102	(534)

Derivative financial instruments

Hedging against currency risks in connection with group financing is carried out in accordance with the guidelines set out for financial risk management as specified in Note No. 30. The main parameters of the interest rate caps outstanding on 31 December 2007 are:

- Par value: CHF 0.102 million
- Market value: CHF 0.047 million
- Strike interest rate: based on CHF Libor of 4 %
- Duration: 30 June 2006 to 31 December 2009
- Coverage: at least 50 % of syndicated bank loan

The following forward exchange transactions were open as at 31 December 2007:

(in CHF 1 000)	Local currency	Contract value	Replacement value	Difference
EUR	4 000	6 621	6 603	(18)

On the balance sheet date the previous year, there were no open forward exchange transactions.

30. Financial risk management

The Quadrant Group is exposed to various financial risks arising from the development of exchange rates and interest rates, accounts receivables and liquidity requirements. Risk management is carried out in accordance with hedging policy approved by the board of directors and the group guidelines concerning risk exposure issued by the group finance department. Financial risk management has not changed when compared to the previous year.

Credit risk

The Quadrant Group's most significant credit risk arises from the delivery of goods to customers on account. Generally, customary terms of payment are provided for sales. In individual cases, prepayments by customers are agreed on, which partly reduces the credit risk. An internal assessment is carried out before a business relationship is entered into with a new customer.

Group guidelines govern the conditions under which collective valuation adjustments and individual value adjustments are to be made. Individual value adjustments are made especially when there is a claim against a contractual partner in receivership or in liquidation. Many years of experience show that collective value adjustments cover the average general credit risk.

Based on the development of credit risk hitherto and by taking into account customary conventions, no special security is generally requested from customers (e.g. guaranties by third parties or liens on assets). Credit derivatives are not used.

The age structure of customer receivables is apparent from the local monthly internal balance of accounts and the reporting to the group finance department. The balance and development of customer receivables as well as individual and collective value adjustments are assessed regularly.

The credit risk is limited due to the large number of international customers and the strongly diversified customer markets, and the risk concentration is low due to the structure and the broad distribution of the accounts receivables.

The following tables present the maturity index of the accounts receivables and of the long-term financial receivables, and the development and structure of the value adjustments on accounts receivables.

Aging accounts receivables

(in CHF 1 000)	31.12.2006			31.12.2007		
	Par value	Value adjustment	in %	Par value	Value adjustment	in %
Accounts receivables						
Customer receivables:						
a) Not past due	96 790	(690)	0.7 %	102 198	(384)	0.4 %
b) Past due since						
– < 30 days	10 373	(109)	1.1 %	9 113	(96)	1.1 %
– 31–60 days	2 548	(306)	12.0 %	2 393	(264)	11.0 %
– 61–90 days	1 350	(392)	29.0 %	1 294	(247)	19.1 %
– 91–180 days	2 168	(1 368)	63.1 %	1 541	(616)	40.0 %
– 181–360 days	176	(176)	100.0 %	363	(363)	100.0 %
– More than 360 days	350	(350)	100.0 %	2 169	(2 169)	100.0 %
	113 755	(3 391)	3.0 %	119 071	(4 139)	3.5 %
Accounts receivables from investments in associated companies:						
a) Not due	3 499	0	0.0 %	2 892	0	0.0 %
b) Past due < 180 days	312	(64)	20.5 %	187	0	0.0 %
	3 811	(64)	1.7 %	3 079	0	0.0 %
	117 566	(3 455)	2.9 %	122 150	(4 139)	3.4 %
Other accounts receivables						
a) Not due						
– Loans to employees	1	0	0.0 %	16	0	0.0 %
– Loans to associated companies	378	0	0.0 %	390	0	0.0 %
– Other accounts receivables	7 280	0	0.0 %	9 624	0	0.0 %
b) Past due > 360 days (loans)	1 048	(1 000)	95.4 %	0	0	0.0 %
	8 707	(1 000)	11.5 %	10 030	0	0.0 %
Total accounts receivables	**126 273**	**(4 455)**	**3.5 %**	**132 180**	**(4 139)**	**3.1 %**

Composition and development of value adjustments

(in CHF 1 000)	Trade accounts receivables			Other accounts receivables		
	Individual value adjustment	Collective value adjustment	Total	Individual value adjustment	Collective value adjustment	Total
At 31 December 2005	(1 091)	(788)	(1 879)	(1 000)	0	(1 000)
Addition changed to income	(1 815)	(320)	(2 135)	0	0	0
Release / utilization	411	56	467	0	0	0
Currency translation	43	49	92	0	0	0
At 31 December 2006	**(2 452)**	**(1 003)**	**(3 455)**	**(1 000)**	**0**	**(1 000)**
Change in the scope of consolidation	0	(37)	(37)	0	0	0
Addition changed to income	(751)	(336)	(1 087)	0	0	0
Release / utilization	348	56	404	1 000	0	1 000
Currency translation	(53)	89	36	0	0	0
At 31 December 2007	**(2 908)**	**(1 231)**	**(4 139)**	**0**	**0**	**0**

Maturity index of long-term accounts receivables

(in CHF 1 000)	Maturity					Total
	2008	2009	2010	2011	> 2011	
Loans to employees	34	13	11	8	631	697
Assets from non-qualified retirement pension plans	0	0	738	0	840	1 578
Other long-term accounts receivables	155	63	0	0	35	253
At 31 December 2006	**189**	**76**	**749**	**8**	**1 506**	**2 528**

(in CHF 1 000)	Maturity					Total
	2009	2010	2011	2012	> 2012	
Loans to employees	27	12	8	353	0	400
Assets from non-qualified retirement pension plans	0	806	0	0	918	1 724
Other long-term accounts receivables	425	7	0	0	677	1 109
At 31 December 2007	**452**	**825**	**8**	**353**	**1 595**	**3 233**

Liquidity risks

The group finance department controls and monitors the group-wide finance situation and the cash and cash items available to the group. In addition, the short-term liquidity risk is being monitored by regularly assessing the operating cash flow.

A syndicated loan secures medium to long-term financing (see Note No. 12). Fulfillment of the financing conditions connected to the syndicated loan represents a pivotal part of the group management board's finance risk management.

Allowance for the group's refinancing risk is made by involving long-term partners in the group's financing activities and considerations.

Development of cash flows 2006 agreed on with third parties

(in CHF 1 000)	Agreed cash flows					
	up to 6 months		6–12 months		Total	
	Capital	Interest	Capital	Interest	Capital	Interest
Short-term liabilities						
Trade payables	99 153	0	38	0	99 191	0
Other liabilities	38 252	0	89	0	38 341	0
Short-term financial liabilities						
– Secured	78	7	58	7	136	14
– Unsecured	1 955	81	309	76	2 264	157
– Syndicated bank loan	20 500	4 844	12 500	4 293	33 000	9 137
– Finance leasing	719	146	717	120	1 436	266
Short-term financial liabilities	23 252	5 078	13 584	4 496	36 836	9 574
Short-term liabilities	160 657	5 078	13 711	4 496	174 368	9 574

(in CHF 1 000)	Agreed cash flows					
	2–5 years		>5 years		Total	
	Capital	Interest	Capital	Interest	Capital	Interest
Long-term liabilities						
Long-term financial liabilities						
– Secured	435	160	0	0	435	160
– Unsecured	3 028	450	0	0	3 028	450
– Syndicated bank loan	129 750	23 417	66 500	3 305	196 250	26 722
– Finance leasing	2 295	623	1 891	152	4 186	775
Long-term financial liabilities	135 508	24 650	68 391	3 457	203 899	28 107
Other long-term liabilities	1 817	97	107	16	1 924	113
Long-term liabilities	137 325	24 747	68 498	3 473	205 823	28 220
Total liabilities					380 191	37 794

Development of cash flows 2007 agreed on with third parties

(in CHF 1 000)	Agreed cash flows					
	up to 6 months		6–12 months		Total	
	Capital	Interest	Capital	Interest	Capital	Interest
Short-term liabilities						
Trade payables	95 172	0	0	0	95 172	0
Other liabilities	38 600	0	63	0	38 663	0
Short-term financial liabilities						
– Secured	2 327	35	15	18	2 342	53
– Unsecured	300	85	5 329	96	5 629	181
– Syndicated bank loan	14 000	4 224	14 000	3 843	28 000	8 067
– Finance leasing	499	117	497	95	996	212
Short-term financial liabilities	17 126	4 461	19 841	4 052	36 967	8 513
Short-term liabilities	150 898	4 461	19 904	4 052	170 802	8 513

	Agreed cash flows					
	2–5 years		>5 years		Total	
	Capital	Interest	Capital	Interest	Capital	Interest
Long-term liabilities						
Long-term financial liabilities						
– Secured	327	112	18	9	345	121
– Unsecured	1 894	85	0	0	1 894	85
– Syndicated bank loan	133 431	18 653	35 000	753	168 431	19 406
– Finance leasing	2 718	530	1 366	68	4 084	598
Long-term financial liabilities	138 370	19 380	36 384	830	174 754	20 210
Other long-term liabilities	1 842	431	157	16	1 999	447
Long-term liabilities	140 212	19 811	36 541	846	176 753	20 657
Total liabilities					**347 555**	**29 170**

Market risks

The risk of a change in the fair market value or of future cash flows of a financial instrument due to market price fluctuations is defined as market risk.

The three market risk factors are: interest rate risk, currency risk and other price risks.

Interest rate risk

For the Quadrant Group, a fluctuation of market interest rates on the syndicated bank loan represents the highest interest rate risk. The group has hedged against this risk since 30 June 2006, partly by means of a three-and-a-half-year interest cap. The cap covers 50 % of the syndicated bank loan. As at 31 December 2007, the liabilities toward the bank consortium amounted to CHF 196.431 million (2006: CHF 229.250 million). The essential benchmark figures of the interest cap as at 31 December 2007 are (see also Note No. 29 concerning financial instruments):

Par value:	CHF 0.102 Mio. (2006: 0.115 Mio.)
Fair market value:	CHF 0.047 Mio. (2006: 0.055 Mio.)
Exercising interest rate:	based on a CHF libor of 4 %
Maturity:	30 June 2006 until 31 December 2009
Cover:	at least 50 % of the syndicated bank loan

In 2007, a change of the market rate by 100 basis points (1 percentage point) would have resulted in an additional financial expense or revenue shown in the income statement of approximately CHF 2.0 million (2006: CHF 2.3 million).

The current interest rates and the due date for interest rate adjustments are shown in the detailed explanations to the individual balance sheet items.

Currency risks

Owing to its international focus, the group is exposed to foreign exchange risks. These risks derive from transactions made by group companies in currencies other than the local functional currency. Essentially, the foreign currencies used for such transactions are CHF, EUR and USD. The following positions, especially, contain foreign exchange risks:

- Cash and cash items
- Trade receivables
- Accounts receivables
- Financing liabilities

The group finance department centrally monitors the foreign currency share of the financial assets and liabilities. To some extent, forward exchange transactions are used for control purposes.

The following table shows the foreign currency position of the Quadrant companies resulting from monetary positions as at 31 December 2006 and 2007 (held with third parties and other companies in the Quadrant Group), which do not refer to the functional currency (e. g. long-term financial liabilities of an American Quadrant company in CHF).

(in 1 000)	2006			2007		
	CHF	EUR	USD	CHF	EUR	USD
Cash and cash equivalents	2 659	6 931	4 128	608	7 875	6 051
Short-term receivables	12	11 824	17 143	7	12 618	11 698
Long-term receivables	5 700	26 263	0	5 700	21 641	0
Total monetary assets	8 371	45 018	21 271	6 315	42 134	17 749
Short-term liabilities	(1 061)	(22 415)	(8 166)	(1 870)	(23 576)	(7 192)
Short-term financial liabilities	(26 731)	(7 804)	(2 806)	(24 960)	(7 403)	(2 591)
Long-term liabilities	0	0	0	0	0	0
Long-term financial liabilities	(150 339)	(1 599)	(3 140)	(128 909)	(785)	0
Total monetary liabilities	(178 131)	(31 818)	(14 112)	(155 739)	(31 764)	(9 783)
Balance sheet foreign currency risks	**(169 760)**	**13 200**	**7 159**	**(149 424)**	**10 370**	**7 966**
Net sales	0	101 915	24 821	0	104 036	37 444
Material costs	0	(70 778)	(3 228)	0	(77 039)	(5 011)
Foreign currency risks, gross	**(169 760)**	**44 337**	**28 752**	**(149 424)**	**37 367**	**40 399**
Forward currency transactions	0	0	0	0	(6 603)	0
Foreign currency risks, net	**(169 760)**	**44 337**	**28 752**	**(149 424)**	**30 764**	**40 399**

Sensitivity analysis:

EUR and USD are of relevance in evaluating the preceding foreign exchange risks.

Currency	Unit	Year-end rates		Annual average rates	
		31.12.2006	31.12.2007	2006	2007
EUR	1	1.6097	1.6587	1.5733	1.6432
USD	1	1.2198	1.1267	1.2536	1.2004

A strengthening of the Swiss franc against EUR or USD year-end rates by 10 % would have the following effects, including relevant tax effects, on the Quadrant Group’s shareholders’ equity and net profit. For the analysis of the 2006 and 2007 financial years all other variables, especially interest rates, remained constant.

(in CHF millions)	2006		2007	
	Shareholders' equity	Income statement	Shareholders' equity	Income statement
EUR	(15.6)	(2.4)	(15.8)	(1.8)
USD	(15.4)	(1.4)	(15.8)	(1.4)

A weakening of the Swiss franc against these currencies would have the same, but opposite, effect.

Hedging tool for market risks

A derivative financial instrument is considered a hedging tool only when

- the hedging of the attributable future cash flow is considered highly effective,
- the effect of the hedging transaction can be reliably determined,
- the probability of occurrence of the expected future cash flow is high,
- the hedging relationship has been documented from the start of the hedging transaction.

The interest cap described in the position "Interest rate risk" fulfills these criteria as the underlying transaction and the interest cap overlap to a high degree. It is considered highly effective and is subject to hedge accounting. Therefore, the changes in market value are revealed in shareholders' equity until realization. The costs of hedging are posted via financial expenses in the income statement for the duration of the hedging instrument.

The derivative financial instruments used by the Quadrant Group to hedge against foreign currency fluctuations do not qualify as hedging instruments in the sense of the IFRS. These financial instruments not classified as hedging instruments are valued at the fair value. The valuation fluctuations are shown affecting net income.

Other price risks

Purchasing prices of raw materials used in the production processes are influenced strongly by the development of market prices in the petrochemical industry without, however, having any influence on the financial assets or liabilities of the Quadrant Group. On the other hand, a change in the price of raw materials will change the valuation of inventories on the balance sheet date. Yet, when taking into consideration the rate of inventory turnover of manufactured and semi-manufactured goods, this influence is negligible.

31. Valuation uncertainties

Goodwill

The Quadrant Group has acquired intangible assets in the form of goodwill as a result of various acquisitions (see Note No. 7). The group has some scope for discretion in specifying the relevant cash flow factors, such as discount rate, capital expenditure requirements and development of operating cash flow in the context of the annual verification of the remaining value of goodwill (impairment test). This discretionary scope can result in valuation uncertainties which are not reflected in the consolidated financial statements.

Taxes

The group has material actual and deferred tax assets (see Note No. 22). Assessment of the ability to realize these assets depends on the assessment of local profits in future and differing national tax legislation, and is largely at the group's discretion. Rapid changes in the business environment and dependence on national tax legislation can materially affect the assessment of the ability to realize tax assets and thus have a major impact on tax expenses in the consolidated income statement.

Pension liabilities

The provisions for pension liabilities stated in the consolidated balance sheet (see Note No. 14) are affected by factors which cannot be objectively determined. For example, the expected long-term return on capital investments, the forecast rate of inflation, the expected wage trend or the health care cost trend which are essential factors in calculating provisions, can rapidly change substantially due to external influences. In addition to the discretionary scope in determining these factors, the resulting change in provisions can cause material fluctuations in the shareholders' equity stated in the consolidated financial statements. This valuation uncertainty cannot be taken into account in the consolidated financial statements.

32. Significant scope for discretion

Net investment approach

The distribution of financing within the group in connection with the acquisition of EPP activities (2001) and the Poly Hi Solidur Group (2005) (see also Note No. 12) represents a significant shareholders' equity character for the subsidiaries. Consequently, the net investment approach is applied for the foreign currency evaluation of long-term group financing. The currency translations resulting form the foreign currency valuation are credited, or charged, directly to shareholders' equity. Substantial reductions of net investments carried out in these subsidiaries result in the realization of the pro rata currency translations affecting net income.

33. Events occurring after year-end

Clearance for publication of the consolidated financial statements

These consolidated financial statements were approved by the board of Quadrant AG on 27 March 2008. The annual general meeting called for 6 May 2008 will vote on the final acceptance of the consolidated financial statements.

No notifiable events have occurred since balance sheet date.

Report of the group auditors
to the General Meeting of
Quadrant AG, Lenzburg

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of the group's recognized income and expenses, change in shareholders' equity, cash flow statement and notes, pages 17 to 93) of Quadrant AG for the year ending 31 December 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the financial statements submitted to you be approved.

KPMG

KPMG AG

Hanspeter Stocker
Auditor in charge

Thomas Lehner

Zurich, 27 March 2008

QUADRANT

QUADRANT

Income statement

(in CHF 1 000)	2006	2007
Income from subsidiaries	13 800	4 900
Financial income:		
– Group companies	1 700	2 265
– Third parties	479	1 152
– For treasury stock, net	137	0
Other operating earnings:		
– Group companies	7 009	7 538
– Third parties	21	5
Total income	**23 146**	**15 860**
Financial expenses:		
– Group companies	(255)	(323)
– Third parties	(3 125)	(2 899)
– For treasury stock, net	0	(1 625)
Personnel costs	(5 239)	(5 765)
Operating expenses	(3 977)	(3 504)
Depreciation	(343)	(322)
Total expenses	**(12 939)**	**(14 438)**
Profit (loss) before income taxes	**10 207**	**1 422**
Taxes	(89)	(60)
Net profit	**10 118**	**1 362**

Balance sheet

ASSETS

(in CHF 1 000)	Note	31.12.2006	31.12.2007
Cash and cash equivalents		2 983	5 590
Receivables:			
– Third parties		402	150
– Group companies		24 368	12 953
Current assets		**27 753**	**18 693**
Tangible fixed assets		203	147
Financial assets:			
– Investments in subsidiaries	1	160 074	165 278
– Loans to group companies		21 421	24 205
– Other financial assets		34	34
Intangible assets:			
– Capitalized financing costs		1 301	612
– Organization costs		802	578
– Other intangible assets		63	69
Treasury stock	2	13 509	14 919
Fixed assets		**197 407**	**205 842**
Total assets		**225 160**	**224 535**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in CHF 1 000)	Note	31.12.2006	31.12.2007
Liabilities:			
– Third parties	3	2 690	2 046
– Group companies		1 337	413
Bank debt		0	3 182
Loans from group companies		1 464	1 352
Accrued expenses		588	739
Current liabilities		**6 079**	**7 732**
Bank debt		51 737	39 092
Loans from group companies		5 700	5 700
Non-current liabilities		**57 437**	**44 792**
Liabilities		**63 516**	**52 524**
Share capital	4 / 5	26 250	27 495
Legal reserves:			
– General reserve	4	75 315	81 058
– Reserve for treasury stock	4	14 164	16 181
Retained earnings:			
– Profit brought forward		35 797	45 915
– Net profit for the year		10 118	1 362
Shareholders' equity	**6**	**161 644**	**172 011**
Total liabilities and shareholders' equity		**225 160**	**224 535**

Notes to the financial statements

1. Investments in subsidiaries

(in CHF 1 000)		Currency	31.12.2006 Share capital	31.12.2006 Equity quota	31.12.2007 Share capital	31.12.2007 Equity quota
Quadrant CMS N. V.	Belgium	EUR	2 510	100 %	2 510	100 %
Quadrant EPP Verwaltungsges. mbH	Germany	EUR	100	100 %	100	100 %
Quadrant Holding B. V.	The Netherlands	EUR	15 365	100 %	15 365	100 %
Quadrant EPP AG	Switzerland	CHF	[1]		100	100 %
Quadrant IP AG	Switzerland	CHF	100	100 %	100	100 %
Quadrant Plastic Composites AG	Switzerland	CHF	4 000	100 %	4 000	100 %
Quadrant Holding Inc.	USA	USD	[2]	100 %	[2]	100 %

[1] Acquisition from Quadrant Plastic Composites AG of the investment in Quadrant EPP AG with effect from 1 August 2007
[2] The share capital of Quadrant Holding Inc., USA, amounts to USD 10.00.

2. Treasury stock held by the company and subsidiaries

(in CHF 1 000)	2006	2007
Holding on 1 January	13 838	13 509
Purchase from third-party interests	14 010	21 394
Purchase from subsidiaries	0	1 181
Sales	(14 477)	(19 540)
Realized gains / (losses)	138	(363)
Holdings of Quadrant AG at 31 December at cost of acquisition	13 509	16 181
Unrealized gains / (losses)	0	(1 262)
Holding of Quadrant AG at 31 December	**13 509**	**14 919**
Shares owned by group companies	655	0
Holding of Quadrant Group at 31 December	14 164	14 919

The treasury stock owned by the company is valued at the lower of cost or market.

Holdings of treasury stock on 31 December 2007 corresponded to 3.7 % of the company's share capital (2006: 3.5 %).

The voting rights and associated rights of the treasury stock are suspended. The changes in these holdings are shown in the table below:

(number of shares)	2006	2007
Holding on 1 January	90 272	87 826
Purchases	67 252	105 960
Sales	(69 698)	(91 699)
Holding of Quadrant AG, 31 December	87 826	102 087
Shares owned by group companies	4 550	0
Holding of Quadrant Group, 31 December	92 376	102 087

3. Liabilities to third parties

(in CHF 1 000)	31.12.2006	31.12.2007
Liabilities from option commitments:		
– QUANO	979	0
– Management options	26	28
Other	1 685	2 018
	2 690	2 046

4. Share capital

(in CHF 1 000)	31.12.2006	31.12.2007
Share capital	26 250	27 495
General reserve	75 315	81 058
Reserve for treasury stock	14 164	16 181
Legal reserves	89 479	97 239
Authorized capital	12 637	13 125
Conditional capital	9 600	12 635

Share capital

The annual general meeting held on 14 May 2002 adopted a resolution to introduce a single category of shares. The bearer shares in issue were therefore exchanged for registered shares at a ratio of 5 for 1. At the same time the articles of incorporation were amended to impose a registration and voting limit of 3 % for new shareholders.

The Quadrant Group held 102 087 shares of treasury stock at 31 December 2007 (2006: 92 376 shares). This corresponds to 3.7 % (2006: 3.5 %) of the share capital of 2 749 543 registered shares of CHF 10.00 p. v. (2006: 2 625 042 shares).

Authorized capital

The annual general meeting held on 29 April 2005 authorized the board of directors pursuant to Art. 651 of the Swiss Code of Obligations to increase the company's share capital by up to CHF 12.6375 million by issuing up to 1 263 750 fully paid registered shares of CHF 10.00 p. v. by no later than 29 April 2007 in order to finance potential acquisitions.

This resolution was renewed at the annual general meeting held on 4 May 2007, authorizing a possible issue of up to 1 312 521 fully paid registered shares of CHF 10.00 p. v. amounting to CHF 13.12521 million for a new term ending 4 May 2009.

The authorized capital, therefore, remains within the 50 % of shareholders' equity permitted by law.

	Authorized capital (in CHF 1 000)	Issue price per share (in CHF)	Subscription rights
At 31 December 2005	12 637 [1]		
Changes in 2006	0	n. a.	n. a.
At 31 December 2006	12 637		
Changes in 2007	488 [2]	n. a.	n. a.
At 31 December 2007	13 125		

[1] 50 % of shareholders' equity as at 31 December 2004 of CHF 25.275 million

[2] Adjustment to 50 % of shareholders' equity as at 31 December 2006 of CHF 26.250 million

Conditional capital

On 4 May 2007, the annual general meeting resolved to create conditional capital for capital market purposes and for management stock option plans. The following table shows the development of the approved conditional capital and the remaining availability:

(in CHF 1 000)

Conditional capital (authorized)	31.12.2006	31.12.2007	Subscription rights
Annual general meeting of	11 May 2001	4 May 2007	
For capital market purposes	5 795	7 875	possible
For management stock option plans	6 155	5 250	no
	11 950	13 125	

Conditional capital (available)	Capital market purposes	Management stock option plans	Total
Utilization for	5 776	4 226	10 002
– Exercising of QUANO options			
– Exercising of management options	(368)	0	(368)
At 31 December 2006	5 408	4 192	9 600
Utilization from 1 January to 3 May 2007 for			
– Exercising of QUANO options	(732)	0	(732)
Increase by AGM resolution of 4 May 2007	3 199	1 081	4 280
Utilization from 4 May to 31 December 2007 for			
– Exercising of QUANO options	(381)	0	(381)
– Exercising of management options	0	(132)	(132)
At 31 December 2007	7 494	5 141	12 635

5. Stock options

On 31 December 2007, a total of 19 764 options (2006: 28 607 options) entitling holders to acquire shares at a ratio of 1:1 and 0 options (2006: 1 113 000 options) entitling holders to acquire shares at a ratio of 10:1 were outstanding. These options entitle the holders to acquire a maximum of 19 764 Quadrant shares (2006: 139 907 Quadrant shares).

Traded equity options

1 500 000 options on Quadrant shares with a value of CHF 1.320 million were issued in 2004. The options expire on 14 May 2007 and are publicly traded on the SWX Swiss Exchange (QUANO), with 10 options entitling the holder to acquire 1 Quadrant registered share. An initial allotment of 963 000 options was sold to directors in the context of the stock option plan for directors (see Stock option plans for directors and management).

(in 1 000)	Development of traded share options QUANO
Issue 2004	1 500
Exercise 2005	(19)
Exercise 2006	(368)
Exercise 2007	(1 113)
Expiry on 14 May 2007	0

Stock option plans for directors and management

The stock options outstanding under the stock option plans for directors and management entitle the holders to acquire shares amounting to no more than 20 % of the share capital. All unlisted options are valued at market prices by an independent bank on the date of issue.

Directors' share option plans

The stock option plan for directors (including executive directors) entitles them to purchase call options on Quadrant registered shares at market value. The exercise price depends on the life of the option and is higher than the market price of the stock when the options are issued.

In January 2008, the directors of Quadrant AG purchased 118 500 options. The issuing price of CHF 29.08 was calculated by an independent bank according to the trinomial model taking into consideration the following values:

– Current share price	CHF 131.80
– Exercise price	CHF 158.16
– Expected volatility	38.0 % (historical volatility according to Bloomberg)
– Life of the option	10 January 2013
– Expiry of blocking period	10 January 2011
– Risk-free interest rate	3.00 %
– Type of option	American

In case of a binding takeover offer made to the shareholders of the Quadrant Group, or the voting out or the not electing of individual or all members of the board of directors against the motion proposed by the board of directors as a whole, the beneficiaries are immediately entitled to request reverse transaction of the option plan, or to exercise the options at the conditions stipulated for such a case.

Management share option plans

The stock option plan for management (excluding all directors) entitles them to acquire call options on Quadrant registered shares. 50 % of the options are issued free of charge and a further 50 % can be acquired at fair value. The exercise price is 5 % to 10 % higher than the current market price of the stock when the options are issued.

	Free options		Paid options		Total	
	Number	Value (in CHF 1 000)	Number	Value (in CHF 1 000)	Number	Value (in CHF 1 000)
At 31 December 2005	20 362		11 719		32 081	
Issue of options 2006/2011	4 075	229	1 514	85	5 589	314
Exercise of options 2003/2007	(1 411)	43	(1 996)	61	(3 407)	104
Expiry	(4 552)		(1 104)		(5 656)	
At 31 December 2006	18 474		10 133		28 607	
Issue of options 2007/2012	4 724	250	1 394	74	6 118	324
Exercise of options 2003/2007	(1 868)	57	(1 568)	48	(3 436)	105
Exercise of options 2004/2009	(6 832)	503	(2 933)	216	(9 765)	719
Expiry [1]	(1 318)		(442)		(1 760)	
At 31 December 2007	13 180		6 584		19 764	

[1] of which 342 options issued in 2007

The price of call options issued to management in 2007 was calculated by an independent bank according to the trinomial model at CHF 52.96. This was based on the following values:

- Current share price CHF 225.00
- Exercise price CHF 236.25
- Expected volatility 35.0 % (historical volatility according to Bloomberg)
- Life of the option 25 May 2012
- Expiry of blocking period 25 May 2010
- Risk-free interest rate 3.00 %
- Type of option American

The average share price in the 2007 financial year weighted with the trading volume amounted to CHF 210.66 (2006: CHF 206.43).

6. Changes in shareholders' equity

(in CHF 1 000)	Share capital	Legal reserves		Retained earnings	Total
		General reserve	Reserve for treasury stock		
At 31 December 2005	25 848	72 579	14 493	35 797	148 717
Increase in share capital from conditional capital	402	2 407	0	0	2 809
Reserve for treasury stock	0	329	(329)	0	0
Net profit for the year	0	0	0	10 118	10 118
At 31 December 2006	**26 250**	**75 315**	**14 164**	**45 915**	**161 644**
Increase in share capital from conditional capital	1 245	7 760	0	0	9 005
Reserve for treasury stock	0	(2 017)	2 017	0	0
Net profit for the year	0	0	0	1 362	1 362
At 31 December 2007	**27 495**	**81 058**	**16 181**	**47 277**	**172 011**

7. Major shareholders[1)]

	31.12.2006 Shares[2)]	31.12.2007 Shares[2)]
Dr. A. Schenk	4.0 %	5.3 %
Pool Dr. R.-P. Müller	5.1 %	4.8 %
Fidelity International Ltd, Hamilton, Bermuda	5.5 %	n. a.

1) Subject to Swiss Code of Obligations (> 3 %)

2) In accordance with stock exchange legislation, this figure is based on share capital recorded in the Commercial Register on balance sheet date.

The company is not aware of any further major shareholders or shareholder groups pooling voting rights with a shareholding requiring public disclosure.

8. Pledged assets and guarantee commitments

The shares of the following direct and indirect participations in group companies have been pledged as at 31 December 2007 in connection with syndicated group financing:

– Quadrant EPP Belgium N. V.
– Quadrant Holding B. V.
– Quadrant EPP USA Inc.
– Quadrant Plastic Composites AG

The following direct and indirect investments of Quadrant AG pledged as at 31 December 2006 were released within the parameters of an additional agreement with the underwriting banks:

– Quadrant CMS N. V.
– Quadrant EPP France SAS
– Quadrant EPP Nederland B. V.
– Quadrant IP AG
– Quadrant PHS Inc. (merger with Quadrant EPP USA Inc. with effect from 1. 1. 2007)

No Quadrant AG treasury shares were pledged as at 31 December 2007 (2006: 78 381).

Quadrant AG is jointly and severally liable for the syndicated loan of CHF 260.0 million utilized by various group companies. At 31 December 2007, the amount of the loan required by the group companies amounted to a total of CHF 196.4 million and is shown as follows:

– Quadrant AG	CHF	39.1 million
– Quadrant Deutschland Holding GmbH & Co. KG	CHF	26.1 million
– Quadrant EPP Nederland B. V.	CHF	16.9 million
– Quadrant EPP USA Inc.	CHF	58.1 million
– Quadrant Holding France SAS	CHF	5.3 million
– Quadrant Holding Inc.	CHF	37.5 million
– Quadrant Holding B. V.	CHF	4.2 million
– Quadrant Holding UK Ltd	CHF	2.2 million
– Quadrant Plastic Composites AG	CHF	7.0 million

9. Fire insurance value of tangible fixed assets

Tangible fixed assets are covered by group-wide property insurance. The pro rata fire insurance value amounts to some CHF 1.7 million (2006: CHF 1.5 million).

10. Off-balance-sheet leasing commitments

On 31 December 2007, the company held tangible fixed assets under operating leasing contracts with commitments totaling some CHF 0.5 million (2006: CHF 0.9 million).

(in CHF 1 000)	2006	2007
2007	230	234
2008	230	229
2009	230	
2010	173	
2011		
Total future minimum leasing payments	**863**	**463**

11. Liabilities to pension funds

On 31 December 2007, the company had no liabilities to its pension fund (2006: none).

12. Joint and several liability

Until 31 December 2006, the company belonged to a value-added-tax group dissolved with effect from 1 January 2007, and it is therefore jointly and severally liable toward the Swiss Tax Administration until 31 December 2011.

There are no other notifiable events within the scope of Art. 663 b of the Swiss Code of Obligations.

Proposed appropriation of available earnings

(in CHF 1 000)	2006	2007
Carried forward on 1 January	35 797	45 915
Profit for the year	10 118	1 362
Retained earnings on 31 December	**45 915**	**47 277**

The board of directors will propose to the annual general meeting of shareholders called for 6 May 2008 that the retained earnings of CHF 47.277 million should be carried forward.

Since the legal reserves have reached 50 % of the share capital, there will be no further allocation to the legal reserves.

Report of the statutory auditors
to the General Meeting of
Quadrant AG, Lenzburg

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet, and notes, pages 97 to 108) of Quadrant AG for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of the available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

KPMG

KPMG AG

Hanspeter Stocker	Thomas Lehner
Auditor in charge	

Zurich, 27 March 2008

Quadrant Group

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This annual report is also available in German.
The German version is definitive.

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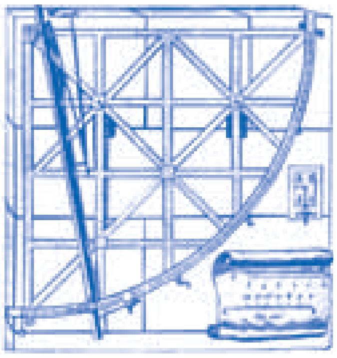

THE QUADRANT

<u>Quadrant</u> [from Latin quadrans, quadrantis >the fourth part<]
1) *Astronomy and navigation: historical and astronomical instrument made of a swiveling bar with a visor mechanism to sight the star; the inclination and the star's position was taken on a quadrant having a degree scale. (Brockhaus)*

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