QUADRANT

ANNUAL REPORT

2008

QUADRANT

Quadrant is a leading global manufacturer of high-performance thermoplastic materials in the form of semi-finished products and finished parts. With locations in 19 countries and more than 2 400 employees, Quadrant reported sales of CHF 733 million for 2008. Its specialty engineering thermoplastics and composites 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. By virtue of its clear strategic focus and orientation, Quadrant is well prepared to expand its market leadership position in the future.

Board of directors

Dr. Adrian Niggli, Chairman
Marco Forster, Vice-Chairman
Dr. Luigi Borla
Dr. Walter Grüebler
Prof. Dr. Ulrich W. Suter
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	SIX Swiss Exchange (Main Market)

Investor relations diary

5 May 2009	Sales / Ebit 1st quarter 2009
5 May 2009	Annual general meeting
3 September 2009	Half-year 2009
3 November 2009	Sales / Ebit 3rd quarter 2009
5 February 2010	Sales 2009
30 March 2010	Financial year 2009
4 May 2010	Sales / Ebit 1st quarter 2010
4 May 2010	Annual general meeting

Investor relations contact

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Group [1]

in CHF millions

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net sales	133.6	156.5	464.9	428.5	411.4	470.0	591.7	804.3	811.8	733.4
Ebitda	26.8	24.8	62.5	61.1	54.8	70.0	71.8	94.7	98.4	68.0
– in % of net sales	20.1%	15.8%	13.4%	14.3%	13.3%	14.9%	12.1%	11.8%	12.1%	9.3%
Ebita	21.6	19.0	42.6	41.5	35.5	51.6	46.8	59.3	65.4	35.1
Ebit [2]	19.0	16.4	28.2	26.4	21.1	37.5	50.8	59.3	65.4	30.6
Net profit [2]	13.7	12.6	11.2	11.9	2.2	16.2	33.4	36.1	39.6	10.8
Cash flow from operations before changes in NWC [3]	17.6	19.2	43.4	26.8	35.9	47.4	47.6	62.8	64.6	46.6
Cash flow from operations	10.0	19.3	32.1	53.4	51.2	45.7	48.1	72.1	58.3	64.7
Capital expenditure	(11.0)	(6.9)	(14.7)	(13.2)	(9.5)	(14.0)	(29.2)	(35.5)	(22.8)	(22.5)
Free cash flow [4]	(1.0)	12.5	17.3	58.9	42.4	33.9	19.4	37.7	36.4	44.3
Total assets	173.0	186.5	609.2	549.9	520.0	498.1	704.0	720.6	719.4	638.3
Net debt	21.1	5.5	237.3	219.8	176.7	141.9	217.5	175.0	143.3	107.8
Shareholders' equity [5]	87.4	107.0	209.1	167.6	167.7	174.9	231.3	268.5	307.9	270.2
– in % of total assets	50.5%	57.3%	34.3%	30.5%	32.3%	35.1%	32.9%	37.3%	42.8%	42.3%
Employees (full-time units)	256	309	1 330	1 341	1 297	1 320	2 396	2 423	2 451	2 407

Key data per share [6]

in CHF (undiluted)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net earnings per share	8.34	7.29	4.69	5.13	1.00	7.20	14.05	14.35	15.07	4.15
Free cash flow per share	(2.07)	7.22	7.60	25.34	19.16	15.22	8.16	14.97	13.88	16.82
Share price										
– High	159	194	185	120	42	94	170	248	267	153
– Low	44	132	110	25	16	42	91	168	137	53
– Year-end	136	151	112	30	41	94	169	238	153	60
– Year-on-year performance	+151%	+11%	–26%	–71%	+39%	+128%	+81%	+41%	–36%	–61%
– Swiss Performance Index	+12%	+12%	–22%	–26%	+22%	+7%	+36%	+21%	–0%	–34%

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

5) Since 2005, actuarial surpluses and deficits arising from employees' defined-benefit plans and connected tax effects are being posted to shareholders' equity.

6) 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	2004	2005	2006	2007	2008
Nominal capital (in CHF 1 000)	25 275	25 848	26 250	27 495	27 503
Number of registered shares (CHF 10 p. v.)	2 527 500	2 584 835	2 625 042	2 749 543	2 750 256

All changes in shareholders' equity, including reserves and accumulated surplus, for the last two accounting years are shown on page 21 of this report and on page 21 of the 2007 annual report.

	2008	
	Number of shares	CHF
Authorized capital		
For acquisitions (authorized until 4 May 2009)	1 312 521	13 125 210
Conditional capital (available)		
For capital market purposes	676 200	6 762 000
For management stock option plans	511 086	5 110 860

Major shareholders [1)]

	31.12.2007			31.12.2008		
	Shares	Options [2)]	Total	Shares	Options [2)]	Total
Shareholders' group Corisol Holding AG & Swiss Small Cap Invest	n. a.	–	n. a.	10.40 %	–	10.40 %
Dr. A. Schenk	5.30 %	–	5.30 %	5.03 %	1.25 %	6.28 %
Pool Dr. R.-P. Müller	4.80 %	–	4.80 %	4.43 %	1.25 %	5.68 %
Dr. A. Niggli	n. a.	–	n. a.	2.99 %	1.25 %	4.24 %

1) In accordance with article 663 c, Swiss Code of Obligations (> 3 %) and pro rata to shareholders' equity as stated in the Commercial Register on the balance sheet date

2) Assuming all options or stock subscriptions were exercised on the balance sheet date

As of 31 December 2008, 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 2008 5.9 % (2007: 3.7 %) of its own shares.

As of 31 December 2008

Board of directors

Name Board function Education	In office since	Elected until	Natio-nality	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	2011	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., Chem. Engineering, ETHZ Polymer Chemistry	2004	2011	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
Ulrich Suter non-executive director Emeritus (Professor)	2008	2011	CH	1944	Consultant *other directorships:* Sika AG, Wicor AG, Global Surface AG *previously:* Professor MIT and ETH Zurich; Vice-President Research, ETH Zurich; IBM Research Center San José
René-Pierre Müller 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

[1] Audit committee
[2] Compensation committee

As of 31 December 2008

Group management board

Name Education	Natio- nality	Year of birth	Current main occupation Previous occupations
René-Pierre Müller Ph. D., ETHZ Physical Chemistry; MBA Insead	CH	1952	CEO *previously:* Corporate Finance, Rothschild Group; Corporate Development, Lonza and Saurer
Arno Schenk Ph. D., ETHZ Physical Chemistry; MBA Insead	CH	1956	CEO *previously:* Corporate Finance, Rothschild Group; Corporate Development, Saurer
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

A disadvantage today – an advantage tomorrow

Dear Shareholders

While the world seems to collapse around us, it takes flexibility to remain calm and focus on established values. What is within acceptable limits today may no longer be acceptable tomorrow. And conversely, what is deemed a disadvantage today might be an advantage down the road. Here are two examples from Quadrant's perspective.

As a result of its external growth, Quadrant, compared to its size, today owns a disproportionately high number of production sites worldwide, and this in 19 countries. This broad lineup may now be put into question and a concentration on only a few locations in a few cost-efficient countries be considered. However, this may backfire, not only because of the protection of know-how and of the fact that the cost levels of industrialized countries tend to align in the medium term. There is an additional, somewhat neglected reason.

All of us have benefited from globalization and from the gradual opening up of international trade – a steady expansion that turned into a veritable growth machine. As a result of the current economic crisis, governments in many countries have initiated support programs for their domestic economies amounting to billions of dollars, euro and other currencies. It goes without saying that these governments will try to assure that domestic companies, in particular, will benefit from the stimulation packages. This protection of domestic interests includes walling off the domestic market and discriminating against foreign competitors by means of protectionist measures. Therefore, so as not to be excluded from a national market, it may be important for such internationally operating companies as Quadrant to operate their own subsidiaries with domestic production in their most important countries of demand. The high costs of operating a network of companies and the positive or negative currency effects – as was painfully noticed in 2008 – could in the near future serve as a competitive advantage.

A second example: In recent years, Quadrant generated considerable free cash flow, which was used almost exclusively to pay off debt to the banks. During this period, banks, professional investors and financial analysts frequently asked when we planned to use our cash flow and our borrowing capacity to make the next substantial acquisition. Their argumentation was that due to diminishing leverage we were throwing away enormous potential to raise the yield on shareholders' capital, thereby generating shareholder value. Today, we are all extremely glad we put off spending the money. Had we succumbed to the pressure in the market at that moment in time and made a significant acquisition, our balance sheet would not look as sound today as it does, and our bank debt would be considerably larger. Thus, the assumed disadvantage of low leverage vanished in thin air within a very short period.

These two examples show that there are neither guarantees nor patent remedies in a world that is changing rapidly. Today, not only is flexibility important, but also stability and action based on tried and tested principles. Soon we shall again hear the mainstream call for quick action. Often, in such cases, it is best to wait and see in the good old Swiss tradition and not to act rashly, even though expectations of short-term profit may seem enticing. As entrepreneurs with a long-term perspective, it is our priority to weather out the current economic storm as well as possible and in the long run to continue strengthening our position as the leading manufacturer of thermoplastic polymer specialties.

Quadrant – high performance in plastics!

Adrian Niggli
Chairman

Quadrant experienced abrupt slowdown as a result of the global economic crisis

Quadrant's 2008 financial year was characterized by a progressively deteriorating economic situation. By the end of the year, the global financial and credibility crisis had spread to all industry sectors with a ferocity never before experienced so that the balancing effect of Quadrant's proven broad diversification in terms of regions, industries and customers was unable to fully unfold. In addition, the financial statements were burdened by the general strengthening of the Swiss franc compared to all currencies of relevance to Quadrant. As expected, the currency situation seriously compromised the results. However, the difficult economic parameters did not hinder Quadrant from pressing ahead with its strategic development. Quadrant strengthened its market position by means of two smaller acquisitions in Mexico and Sweden and higher equity holdings in joint ventures in Poland and South Africa.

Consolidated results

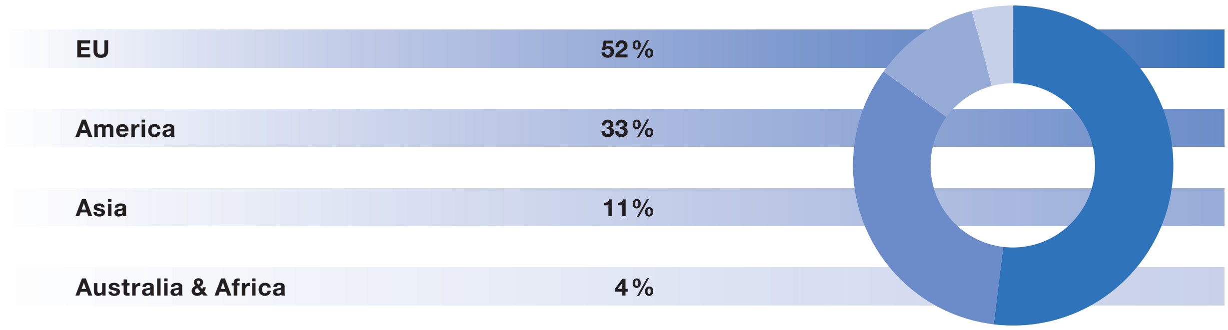
Annual results characterized by currency translations and weak fourth quarter

Quadrant reported net sales of CHF 733.4 million (2007: CHF 811.8 million) for the 2008 financial year, corresponding to a 10 % reduction compared to the previous year. The organic reduction amounted to only 5 %. The remaining 5 % includes negative currency translations (– 7 %) and a positive effect from the first-time consolidation of Quadrant EPP Japan (+ 2 %), of which Quadrant owned 80 % since the beginning of 2008. The sales share achieved from customers in the automotive industry fell further to 16 % (2007: 17 %). As in previous years, the remaining 84 % was spread across numerous markets in the capital goods industry. Regional sales distribution remained within the previous year's range.

The High-Performance Plastics Division (QEPP / QCMS) reported net sales of CHF 608.3 million (2007: CHF 663.9 million). The 8 % decline is due mainly to negative currency translations (– 7 %). While the Asian markets again developed the most favorably, they were unable to make up for the economic weakness experienced in North America and during the second half-year in Europe.

In the year under review, the Quadrant Engineering Plastics Division (QEPP) when adjusted for currencies was able to maintain its sales levels despite adverse economic conditions, due primarily to positive growth activities in Asia despite difficult market conditions. North American and European activities were unable to escape the abrupt weakness in demand experienced toward the end of the financial year and had to accept a slight loss. To complicate matters, the inflationary tendencies experienced in the first half-year were replaced by deflationary tendencies in the

Sales by market region



second half-year. For many customers, the resulting price insecurity led to a reduction of inventory in an already fragile environment, thus further increasing the effect of the economic slowdown. Medical engineering was the only business able to withstand this negative trend for the duration of the year. From early fall, the significantly smaller injection moulding business (QCMS), which is active mainly in the European market, suffered from a significant demand weakness in all customer segments. While promising new developments were introduced in the market, the quantities sold remained significantly below expectations, which in turn resulted in underutilization at both locations, in Belgium and in Hungary.

Net sales of the Plastic Composites & Pipes Division (QPC / QCPS) in 2008 amounted to CHF 125.1 million (2007: CHF 147.9 million). The 15 % decline (of which 2 % was currency related) was due to the weakness experienced in the plastic composites business.

Quadrant Plastic Composites (QPC) activities again suffered from the extremely difficult market situation in the automotive industry. In the second half-year, a significant reduction in volume coupled with the existing pressure on prices: from September, the automobile manufacturers suffered from increasingly difficult market conditions, which resulted in a near standstill of activities in December. In contrast, the non-automotive activities, which are in the development phase, fulfilled expectations and developed very positively. However, it is too early to report a noteworthy contribution toward overall results. The development of the Cable Protection Systems business (QCPS), which focuses on the Swiss market, was again very positive. The previous year's results were exceeded thanks to continued good market conditions in the field of civil engineering.

Operating results

The speed and the extent of the economic decline in the wake of the financial crisis left its mark on group operating results and demanded quick action to stabilize the liquidity situation, of particular importance in times such as these. In such a short time frame, large adjustments to the cost structure were possible only to a limited degree so that the focus was directed on optimizing the net working capital and maintaining the gross margin. Thanks to Quadrant's strong market position, the gross margin fell only slightly while the level of free cash flow was simultaneously increased to a considerable degree in the short term by means of various measures affecting liquidity.

Earnings before depreciation and goodwill amortization (Ebitda) amounted to CHF 68.0 million (2007: CHF 98.4 million), corresponding to a margin contraction from 12.1 % to 9.3 %. The margin development in the High-Performance Plastics Division carried the most weight. In contrast, the Plastic Composites & Pipes Division attained a slight improvement in its margin thanks to the cable protection business. The increasingly problematic economic situation in the automotive industry resulted in a need for value adjustments on assets in the group activities in this industry. Consequently, an impairment of CHF 2.6 mil-

QEPP application example

A Quadrant material reduces the downtime of wind-energy plants

With fossil fuel reserves in decline and the consequent high cost of energy, with the challenges faced by climate change and the reliance on foreign nations for the supply of fuel, the development and maintenance of alternative sources of energy have been accelerating in many countries. For years, the wind-energy industry has grown rapidly, and the trend continues. Everywhere on the planet, be it on water or on land, new wind-energy plants are being erected in an effort to meet the growing demand for electricity.

Quadrant's development teams are working together with leading manufacturers of wind-energy plants to further improve the reliability and efficiency of these plants. For instance, a wind-farm operator contacted Quadrant in an attempt to find a solution for a frequently occurring problem. As a result of climatic influences, temperature fluctuations and mechanical pressure, the sliding surfaces in the wind plant's positioning systems caused malfunctions for short periods of time. In order to repair the fault, a maintenance engineer had to climb an 80-meter ladder each time to grease the blocked sliding surfaces. The defects occurred in all kinds of weather conditions and at any time of the day or night. A quick solution was of the essence to keep downtimes to a minimum. The cost of maintenance and downtimes are among the largest cost factors affecting wind-park operators.

Quadrant worked with the engineers of the wind farm to develop a suitable material to eliminate these problems. Their decision fell on Ketron® PEEK HPV, a material that possesses the optimal combination of lubricity and load-bearing capability as well as a low coefficient of friction. Furthermore, Quadrant made use of its long-standing parts-making experience and was able to produce and make available the prototypes required for tests. At the end of the extensive test phase, the wind-farm operator replaced all of the 18 slide bearings in each wind plant with bearings made of Ketron® PEEK HPV. The power supplier expressed interest in utilizing this solution for all of the seven wind-energy plants it operates.

lion was made on machinery and equipment at the Guelph location (Plastic Composites & Pipes) and of CHF 5.0 million on the goodwill for the injection moulding activities (High-Performance Plastics). At stable interest expense, net financial income was affected by the currency development. Net realized and unrealized currency losses amounted to CHF 5.9 million. Despite all of these negative factors, Quadrant reported a net profit of CHF 10.8 million (2007: CHF 39.6 million), as a result of which undiluted net profit per share amounted to CHF 4.15 (2007: CHF 15.07).

Quadrant's strong focus on ensuring liquidity favored the cash flow from operating activity, which was reported as CHF 64.7 million. The decline in operating business and the effects of strict payment control resulted in a release of funds from current assets amounting to CHF 18.1 million. At CHF 44.3 million, free cash flow was maintained at the previous year's level. The reduction in net working capital is reflected in the short-term rise in liquid assets to CHF 80.9 million. Taking into consideration the current economic parameters, this level is not considered sustainable.

At 42.3 %, the equity ratio remained at the healthy level seen the previous year, although the strong Swiss franc resulted in a substantial decrease in shareholder capital. As at 31 December 2008, shareholders' equity covered goodwill to 161 % (2007: 167 %). Net debt continued to be reduced in 2008 and inclusive of the short-term release of funds from net working capital amounted to CHF 107.8 million (2007: CHF 143.3 million) representing 40 % (2007: 47 %) of the shareholders' equity (gearing).

Holding company results

The 2008 annual results of Quadrant AG were characterized by the current economic situation. The loss of income provided by subsidiaries from investment, the lower valuation of own stock and valuation adjustment on the investment portfolio resulted in an annual loss of CHF 16.6 million (2007: annual profit CHF 1.4 million). The equity ratio of 73.3 % (2007: 76.6 %) continues to be sound, although compared to the previous year shareholders' equity fell from CHF 172.0 million to CHF 155.5 million.

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

Despite difficult economic times, in the 2008 financial year Quadrant was able to take advantage of the strengths of its business model.

Innovative development of materials

The rapid technological progress in the semiconductor industry is continuously making greater demands on the materials used. As the market leader in important segments of this industry, Quadrant performs constant pioneering work, and during the year under review has launched many new materials. These materials include Semitron® MDS 100, a material developed especially for the wafer test socket market, and

QCMS application example

New dust-filter system for Bosch power drills

To develop a do-it-yourself power tool with which to drill holes without distributing dust in the work area was Bosch's idea. Bosch contacted Quadrant as their development partner to implement the microfilter concept. The power tool works along the principles of a vacuum cleaner that absorbs the dust directly at the drill site. As a result, the work area remains clean. Thanks to the know-how gained through many years of cooperation with Bosch, Quadrant realized the concept for a technically functional system using injection moulding. The system requirements involved operating the machinery at right angles to the wall and offering easy assembly. Furthermore, the new system was to be suitable for mass production and compatible with various other types of Bosch drilling equipment. The filter system consists of 19 polymer components produced by means of 19 different injection moulds. The materials used were selected by Quadrant in cooperation with Bosch. The additional parts required for assembly of the power drill, such as springs, filter and screws, are outsourced. Assembly of the dust-filter system is carried out at Quadrant's Hungarian plant.

How does the microfilter system work? The system is mounted below the power drill's electric motor. The motor's ventilator creates a vacuum that draws air through the filter and collects dust in a receptacle. It is important that the parts of the filter system fit precisely; if not, vacuum will be lost and the device's efficiency no longer guaranteed. The reason for the large number of injection-moulding parts is to ensure extremely tight tolerances in production. According to tests carried out by Bosch, the useful life of a power drill with a filter is up to ten times longer than that of a power drill without a microfilter system, as dust cannot settle inside the machine.

The new microfilter system is an innovative accessory for power drills for both home and professional use. For Quadrant, it represents an expansion of its cooperation with Bosch, which now includes accessory parts in addition to power drill enclosures.

Torlon XL 20, which significantly extends the useful life of CMP (Chemical Mechanical Polishing) rings.

Together with Blechformwerke Bernsbach in Germany, Quadrant Plastic Composites established a company to advance the development of lightweight construction with a high degree of rigidity for the automotive industry. The combination of metal and plastic elements allows for very rigid applications, and the material can be used in roll bars. This combination of Quadrant's large experience in high-performance plastics with Blechformwerke Bernsbach's metal-processing know-how is extremely promising. After only a short time, initial development orders were taken which could lead to interesting orders in the coming years.

Implementation of new technology

On 18 June 2008, Quadrant complemented its technology and production portfolio with further specialties through the acquisition of Sydsvensk Plastbeläggning AB in Sweden. Now, large-scale components in high-performance plastics can be manufactured in serial production.

Consistent expansion of market presence

As in the previous year, Quadrant continued to strengthen its position in important markets through the integration of companies originally managed as joint ventures in individual countries. Effective 30 September 2008, Quadrant's shareholding in its Polish sales organization, Quadrant EPP Kaprolan Sp.z.o.o., was increased from 50 % to 75 %, leading to acceptance of management responsibility and the strategic integration of activities in Quadrant's most important Eastern European market.

Furthermore, effective 1 October 2008, Quadrant acquired the minority (10 %) of Quadrant Chemplast (Pty.) Ltd of South Africa hold by a minority shareholder. This further step in the simplification of ownership in Quadrant's South African companies expedited their strategic integration into the group.

Ongoing optimization of production locations

As at 21 April 2008, Quadrant acquired the Mexican production plant from the insolvent Global EPP Group in the UK. This step facilitates the expansion of Mexican production capacity serving the entire North-American market.

Outlook

The beginning of 2009 was distinguished by the global economic crisis. Various intervention programs carried out by central banks and governments have until now been unable to return calm and trust to the economic process. For the first time in Quadrant's history, insecurity looms simultaneously in all regions of the world. Caution reigns over a large number of companies, and investments and warehousing have been reduced to an absolute minimum. In the globalized economy, and therefore in all major industrial

QPC application example

New generation of floor and wall coverings

With the objective to further expand its industrial applications, Quadrant has evaluated a wide range of markets and products. The primary focus was on the analysis of laminary applications. The product developers wanted to ensure that the intrinsic advantages of Quadrant's products would be fully effective in the new applications and that any new solution would be distinctly different from the existing systems. Analyses have shown that substrates for floor and wall coverings would be an ideal area of application. Up to now, traditional wood-based products were used for these applications, i. e. MDF materials (medium-density fiberboards). The main advantages of Quadrant's MultiQ™ DecoLine in comparsion to wood-based materials are that it is absolutely resistant to water, decay and other decomposition processes and distinctly lighter than wood. Weight is a significant factor in transportation and in laying the substrates, a process which is carried out manually. Furthermore, owing to its porous structure, the material is sound absorbant and the same machining techniques can be used as for wood-based materials.

These unique advantages have convinced Resopal of Germany, the well-known premium manufacturer of floor and wall panels, that MultiQ™ DecoLine is the ideal base material for a new generation of floor and wall coverings. In a solution-driven cooperation, the affiliated SymaLITE® material, which previously had been used exclusively by the automotive industry, was modified within only twelve months to enable Resopal to introduce a new generation of base material at the beginning of 2009. The unique material characteristics allow Resopal to produce new high-gloss design surfaces and use them in areas which had been the exclusive domain of derived timber products, such as bathrooms, kitchens and wellness areas. Resopal takes advantage of the water resistance of MultiQ™ also in its traditional products, thereby obtaining a significant improvement in quality.

countries, such actions lead to recession, which Quadrant cannot escape. No one can reliably forecast when the trough will have been reached or when the upswing will set in. Based on sales of the first two months of the current year, Quadrant expects 2009 to develop into a difficult year, even if some market participants expect a ray of hope for the second half-year.

In the current situation, Quadrant Engineering Plastic Products (QEPP) is fortunate enough to benefit from its market leadership, as in a recession customers wish to increasingly rely on safe values and reliable partners. Nevertheless, a temporary adjustment of the production capacity and cost structure to the current market situation will be inevitable. It will be difficult to reach the same level of organic growth as seen in 2008 when taking into consideration that the recessive tendencies started only in the fourth quarter of 2008. The injection-moulding activities are being confronted with two contradictory developments: on the one hand, the volume reduction in the existing projects leads to lower plant utilization while on the other hand the insecure environment experienced today increases the significance of a company's solidity. As a result, QCMS is beginning to benefit from the transfer of projects. However, a specific outlook in this environment is very difficult to predict.

In the Plastic Composites business, the development of the non-automotive business continues to enjoy the highest priority. Following initial success of sandwich panels for concrete shuttering systems, Quadrant is currently assessing an expansion of the system's application from ceiling shuttering to wall shuttering, and interest has been shown for further areas of application, such as in construction scaffolding and water-resistant floor coverings. Efforts made over the past years in the field of automobiles, as reported in previous annual reports, are beginning to show results. There is, however, a large degree of uncertainty concerning the marketable volume. Quadrant expects sound performance in the current year from its cable protection activities (QCPS) assuming that civil engineering contracts remain stable.

Overall, from today's perspective and based on the very delicate economic parameters, Quadrant will not be in a position to generate growth in 2009. Based on the low capacity utilization, the company expects the Ebitda margin to remain at the previous year's level at best. As in previous years and, of course, especially in times of economic crisis, Quadrant gives highest priority to optimizing free cash flow and maintaining sound group financing. Investments are continuously being adjusted to the business development, so that the investment volume for 2009 will be clearly below that of the previous year. Quadrant pays great attention to securing and further developing its strategic strengths.

QCPS application example

Flame-retardant cable protection conduits increase hospital safety

For every hospital, the safety of its patients, staff and visitors is an important issue. Accidents can occur even with comprehensive safety measures in place, be it through a technical defect or human error. Often, preplanned emergency procedures are put in place for potential crisis management. One such scenario is the fire drill. Fires can spread quickly and generate enormous heat. Cables protected only by conventional polyethylene conduits are unable to withstand such extreme conditions. Consequently, cables carrying important information, such as a fire alarm to the fire brigade, must be protected. Flame-retardant Symalit® Noflam cable protection conduits are conceived in such a way that they are capable of withstanding the flames and heat generated by a serious fire for a significantly longer period than conventional conduits while safeguarding the transmission of data. These cable protection conduits are therefore an effective alternative in areas exposed to increased fire risk and in situations where the highest level of cable protection safety is of vital importance, for instance, where cable protection conduits cannot be encased in concrete, as is often the case in tunnels. When compared to conduits made of metal, Symalit® Noflam cable protection conduits enjoy a much lighter weight and are therefore easier to install, which in turn lowers installation costs. As the Symalit® Noflam cable protection conduits are manufactured of a special halogen-free polymer, no life-threatening toxic or corrosive fumes are present in the case of a fire.

Symalit® Noflam cable protection conduits were installed during conversion work at the Giessen University Hospital and the Brandenburg Clinic, both in Germany. As a result, these hospitals now take into account today's higher fire protection requirements for communications systems in hospitals. Quadrant's partner in Germany looked after the customers on site. Quadrant works with marketing partners in other European countries, such as in The Netherlands, the United Kingdom, Austria and the Czech Republic.

Corporate Governance

The contents of this section are based on the "Directive on Information Relating to Corporate Governance" issued by the SIX 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 SIX 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.six-swiss-exchange.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 2008 was about CHF 165 million (2 750 256 registered shares at CHF 59.90 each, Security Code 558 940). The holdings of Quadrant AG in its subsidiaries and associated companies are set out in detail on pages 33 to 34. There are no cross-holdings.

Major shareholders

Major shareholders are listed on pages 3 and 108 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 Code 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 about 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 seven members. The board of directors constitutes itself. The chairman is elected from the five non-executive directors. In the event of a tied vote, the chairman has the casting vote. The board of directors held eight usually all-day ordinary meetings in 2008. 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 5 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 76 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.

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 2008 financial year (2007: CHF 1.3 million). In addition, the KPMG Group performed consulting services worldwide in 2008 amounting to CHF 0.4 million (2007: CHF 0.5 million).

QUADRANT

QUADRANT

Consolidated income statement

(in CHF 1 000)	Note	2007	In % of net sales	2008	In % of net sales
Net sales	2	**811 822**	**100.0 %**	**733 436**	**100.0 %**
Change in inventory of work in progress and finished goods		348	0.0 %	(5 349)	(0.7 %)
Own work capitalized		88	0.0 %	9	0.0 %
Other operating income		3 975	0.5 %	5 264	0.7 %
Income from operations		**816 233**	**100.5 %**	**733 360**	**100.0 %**
Cost of materials		(365 209)	(45.0 %)	(334 217)	(45.6 %)
Personnel costs	17	(208 579)	(25.7 %)	(193 733)	(26.4 %)
Other operating expenses	18	(144 018)	(17.7 %)	(137 364)	(18.7 %)
Ebitda [1]		**98 427**	**12.1 %**	**68 046**	**9.3 %**
Depreciation	19	(33 052)	(4.0 %)	(30 410)	(4.1 %)
Impairment of tangible fixed assets	7	0	0.0 %	(2 584)	(0.4 %)
Ebita [2]		**65 375**	**8.1 %**	**35 052**	**4.8 %**
Reversal of negative goodwill	8	0	0.0 %	523	0.1 %
Impairment of goodwill	7	0	0.0 %	(5 000)	(0.7 %)
Ebit [3]		**65 375**	**8.1 %**	**30 575**	**4.2 %**
Financial expenses	20	(17 118)	(2.1 %)	(22 725)	(3.1 %)
Financial income	21	7 254	0.9 %	7 858	1.1 %
Income from investments in associated companies	7	4 111	0.5 %	3 491	0.4 %
Profit before income taxes		**59 622**	**7.4 %**	**19 199**	**2.6 %**
Income taxes	22	(20 011)	(2.5 %)	(8 376)	(1.1 %)
Net profit		**39 611**	**4.9 %**	**10 823**	**1.5 %**
– of which Quadrant AG shareholders		39 483	4.9 %	10 926	1.5 %
– of which minority interests		128	0.0 %	(103)	(0.0 %)
Earnings per share (in CHF):					
– undiluted	24	15.07		4.15	
– diluted	24	15.04		4.15	

[1] Earnings before depreciation, impairment and reversal of negative goodwill as well as interest and taxes
[2] Earnings before impairment and reversal of negative goodwill as well as interest and taxes
[3] Earnings before interest and taxes

The Principles of consolidation and basis of valuation (pages 24 to 32) as well as the Notes (pages 33 to 92) form an integral part of the consolidated financial statements.

Consolidated balance sheet

ASSETS

(in CHF 1 000)	Note	31.12.2007	31.12.2008
Cash and cash equivalents	3	67 584	80 871
Trade receivables	4	118 011	82 647
Other receivables and accrued income	5	12 565	11 155
Income tax receivables		531	1 221
Inventories	6	103 410	83 842
Current assets before assets available for sale		302 101	259 736
Assets available for sale	7	0	143
Current assets		**302 101**	**259 879**
Tangible fixed assets:			
– Land and buildings	7	82 905	73 928
– Machinery and equipment	7	93 884	78 661
– Construction in progress	7	4 935	3 663
– Other tangible assets	7	6 588	8 218
Intangible assets:			
– Goodwill	7	184 249	168 252
– Other intangible assets	7	8 170	6 626
Financial assets:			
– Investments in associated companies	7	21 068	21 296
– Long-term financial receivables	7	400	297
Other long-term receivables	7	2 833	1 354
Deferred tax assets	22	12 244	16 105
Fixed assets	**7**	**417 276**	**378 400**
Total assets		**719 377**	**638 279**

The Principles of consolidation and basis of valuation (pages 24 to 32) as well as the Notes (pages 33 to 92) form an integral part of the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS’ EQUITY

(in CHF 1 000)	Note	31.12.2007	31.12.2008
Trade payables		95 172	84 680
Other liabilities and accrued expenses	9	40 758	29 537
Income tax liabilities		12 040	4 032
Short-term financial liabilities	10	36 967	41 183
Short-term provisions	11	3 052	1 809
Current liabilities		187 989	161 241
Long-term financial liabilities	12	172 594	146 476
Other long-term liabilities	13	1 999	2 365
Deferred tax liabilities	22	12 220	9 384
Long-term provisions	14 / 17	36 641	48 637
Non-current liabilities		223 454	206 862
Liabilities		**411 443**	**368 103**
Share capital	15	27 495	27 503
Reserves		294 046	262 021
Treasury stock		(15 655)	(21 148)
Shareholders’ equity: Quadrant AG shareholders		305 886	268 376
Minority interests		2 048	1 800
Shareholders’ equity		**307 934**	**270 176**
Total liabilities and shareholders’ equity		**719 377**	**638 279**

The Principles of consolidation and basis of valuation (pages 24 to 32) as well as the Notes (pages 33 to 92) form an integral part of the consolidated financial statements.

Statement of the group's recognized income and expenses

(in CHF 1 000)	Note	2007	2008
Net profit		**39 611**	**10 823**
Other recognized income and expenses:			
Translation gains / (losses) resulting from fully consolidated investments in foreign subsidiaries		(5 920)	(18 295)
Translation adjustments from loans with equity character between group companies			
– Previous period		(6 275)	(15 479)
– Period under review		1 646	1 253
Translation gains / (losses) resulting from investments in associated companies	7	(1 133)	(430)
Valuation of interest rate cap:			
– Depreciation recognized as income		110	110
– Unrealized gain / (loss)		(8)	(46)
Actuarial gains / (losses) on employees' defined-benefit plans	14 / 17	3 050	(26 813)
Changes in non-capitalized assets of defined-benefit pension plans	14 / 17	(1 647)	4 566
Fair value adjustment due to change from equity consolidation to full consolidation of subsidiaries	8	20	(73)
Income tax on other recognized income and expenses	22	2 086	9 430
Other recognized income and expenses after deduction of income taxes		(8 071)	(45 777)
Total recognized income and expenses		**31 540**	**(34 954)**
– of which Quadrant AG shareholders		31 449	(35 085)
– of which minority shareholdings		91	131

The Principles of consolidation and basis of valuation (pages 24 to 32) as well as the Notes (pages 33 to 92) 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			Quadrant AG shareholders' equity	Minority interests	Shareholders' equity
				Translation adjustments	Hedging reserves	Other			
At 31 December 2006	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 [2]	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
Recognized income and expenses	0	0	0	(30 108)	64	(5 041)	(35 085)	131	(34 954)
Purchase of treasury stock	0	(10 813)	0	0	0	0	(10 813)	0	(10 813)
Sale of treasury stock	0	4 674	0	0	0	0	4 674	0	4 674
Loss on sale of treasury stock	0	646	(646)	0	0	0	0	0	0
Management call options:									
– Exercise	8	0	44	0	0	0	52	0	52
– Personnel costs	0	0	142	0	0	0	142	0	142
– New issues	0	0	125	0	0	0	125	0	125
Issue of paid-up board of directors' options	0	0	3 446	0	0	0	3 446	0	3 446
Acquisition of minority interests [3]	0	0	0	0	0	(51)	(51)	(299)	(350)
Dividends from minority interests	0	0	0	0	0	0	0	(80)	(80)
Total transactions with shareholders	8	(5 493)	3 111	0	0	(51)	(2 425)	(379)	(2 804)
At 31 December 2008	27 503	(21 148)	144 022	(73 934)	(55)	191 988	268 376	1 800	270 176

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

[2] 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.

[3] In 2008, the following minority interests were acquired in the already fully consolidated subsidiaries:
– 10 % Quadrant Chemplast (Pty.) Ltd — Purchasing price CHF 0.255 million
– 10 % Shandre Investments (Pty.) Ltd — Purchasing price CHF 0.095 million

The valuation difference compared to the fully consolidated shareholders' equity of the companies amounting to CHF –0.051 million was set off against the shareholders' equity 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 –22.6 million (2007: CHF –12.0 million) at balance sheet date rates and CHF –28.4 million (2007: CHF –16.5 million) at historical exchange rates.

The Principles of consolidation and basis of valuation (pages 24 to 32) as well as the Notes (pages 33 to 92) form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	Note	2007	2008
Net profit		39 611	10 823
Depreciation on tangible fixed assets	7/19	29 651	26 800
Depreciation on other intangible assets	7/19	3 401	3 610
Impairment on tangible fixed assets	7	0	2 584
Impairment on goodwill	7	0	5 000
Change in long-term provisions and deferred taxes		(4 580)	(3 373)
Income from investments in associated companies	7	(4 111)	(3 491)
Other non-cash income		635	4 633
Net cash from operating activities before change in net working capital		64 607	46 586
Change in net working capital		(6 275)	18 110
Net cash from operating activities		**58 332**	**64 696**
Sale of tangible fixed assets	7	355	1 058
Purchase of tangible fixed assets	7	(21 562)	(21 531)
Purchase of intangible assets	7	(1 216)	(929)
Dividends from investments in associated companies	7	2 426	1 957
Acquisition of subsidiaries	8	(3 293)	(1 404)
(Granting)/repayment of loans		119	47
Changes in other long-term receivables		(443)	236
Net cash from investing activities		**(23 614)**	**(20 566)**
Capital increase from exercise of listed call options (QUANO)		8 181	0
Capital increase from exercise of management options		824	52
Costs of capital increase		(89)	0
Purchase of treasury stock		(21 393)	(10 813)
Sale of treasury stock		19 539	4 674
Issue of management options against payment		74	125
Issue of paid-up board of directors' options		0	3 446
Acquisition of minority interests		(384)	(350)
Dividends from minority interests		0	(80)
Amortization of syndicated bank loan	12	(32 819)	(28 000)
Increase of syndicated bank loan	12	0	5 000
Granting/(repayment) of other financial liabilities		(1 941)	722
Costs for the additional flexibilization of the syndicated bank loan		0	(375)
Reimbursement from acquisition (earn out)		(292)	0
Payments arising from financial leasing		(1 464)	(994)
Changes in other non-current liabilities		(48)	(232)
Net cash from financing activities		**(29 812)**	**(26 825)**

The Principles of consolidation and basis of valuation (pages 24 to 32) as well as the Notes (pages 33 to 92) form an integral part of the consolidated financial statements.

(in CHF 1 000)	Note	2007	2008
Effect of exchange rate movements on cash holdings		**(1 970)**	**(4 018)**
Change in net cash		**2 936**	**13 287**
Change in net cash		2 936	13 287
Cash at 1 January		64 648	67 584
Cash at 31 December		**67 584**	**80 871**
Other non-cash income			
Financial expenses related to the application of the effective interest method		1 376	890
Unrealized exchange rate differences arising from financing		(1 401)	3 973
Valuation adjustment on short-term receivables and inventories		174	1 310
Other non-cash income		486	(1 540)
		635	4 633
Net cash from interest and taxes [1]			
Interest received		894	783
Interest paid		(8 166)	(9 823)
Income taxes paid		(16 995)	(15 219)
		(24 267)	(24 259)
Cash arising from change in net working capital			
Inventories		(3 873)	10 945
Receivables		(2 226)	24 533
Liabilities		(176)	(17 368)
		(6 275)	18 110

[1] Included in net cash from operating activities

The Principles of consolidation and basis of valuation (pages 24 to 32) as well as the Notes (pages 33 to 92) 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) 2008 and comply with Swiss law.

The accounting principles applied to the consolidated annual financial statements at 31 December 2008 have been amended to comply with all new and revised IFRS standards and interpretations since 1 January 2008:

– IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
– IFRIC 12 Service Concession Arrangements
– IFRIC 14 The Limits of a Defined Benefit Asset Minimum Funding Requirements and their Interaction
– IAS 39 Reclassification of Assets

The new interpretations had no material effect on the classification and accounting applied to the present consolidated financial statement.

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 acquisition. 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 fair value 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: “High-Performance Plastics” (QEPP / QCMS), “Plastic Composites & Pipes” (QPC / QCPS) and “Other”. The “High-Performance Plastics” Division includes the activities with semi-finished and finished products made from high-performance plastics. The “Plastic Composites & Pipes” 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 statement of the group’s recognized income and expenses. Substantial reductions of the net investments made in these subsidiaries lead to the realization of pro rata currency translations affecting current results.

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	
			31.12.2007	31.12.2008	2007	2008
EUR	(euro)	1	1.6587	1.4888	1.6432	1.5874
GBP	(British pound)	1	2.2498	1.5286	2.4016	2.0006
HKD	(Hong Kong dollar)	1	0.1440	0.1363	0.1539	0.1391
JPY	(Japanese yen)	1	0.0100	0.0117	0.0102	0.0105
USD	(US dollar)	1	1.1267	1.0561	1.2004	1.0831
ZAR	(South African rand)	1	0.1668	0.1120	0.1708	0.1330

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	
			2007	2008
JPY	(Japanese yen)	1	0.0100	
MXP	(Mexican peso)	1	0.1097	0.0959
PLZ	(Polish zloty)	1		0.4674
SEK	(Swedish crown)	1		0.1722

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, consumables and merchandise are stated at acquisition cost, work in progress and finished goods 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 negative goodwill. 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 intrinsic 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 new 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. 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 present 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 present value of the proportionate claim acquired up to that date. The expected trend in salaries and pensions or health care costs is taken into account in the calculation.

Liabilities to defined-benefit plans are established 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 actuarial gains and losses are 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 present value of the expected future service costs exceeds the present 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 duration of the performance conditions 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 rewards and risks (realization principle).

Net sales from current, customer-specific production orders for objects (e.g. injection moulds) 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.

Income taxes

Current income taxes on all taxable profits earned by the balance sheet date are accrued and shown as "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 tax losses carried forward which are regarded as realizable in future are capitalized on the basis of the applicable expected 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 by 31 December 2008, 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 13 (New) Customer Loyalty Programmes	1 July 2008	2009 financial year	1)
IFRIC 16 (New) Hedges of a Net Investment in a Foreign Operation	1 October 2008	2009 financial year	1)
IFRIC 15 (New) Agreements for the Construction of Real Estate	1 January 2009	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)
IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 (Amendment) Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	2009 financial year	3)
IFRS 1 (Amendment) First-Time Adoption of International Financial Reporting Standards and IAS 27 (Amendment) Consolidated and Separate Financial Statements	1 January 2009	2009 financial year	1)

Standard / interpretation	Effective date	Planned application	Probable impact on the consolidated financial statements
IFRS 2 (Amendment) Share-based Payment Vesting Conditions and Cancellations	1 January 2009	2009 financial year	1)
IFRS 8 (New) Operating Segments	1 January 2009	2009 financial year	2)
IFRS 39 (Amendment) Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009	2010 financial year	1)
IFRS 1 (Amendment) First-Time Adoption of International Financial Reporting Standards – Improved Structure	1 July 2009	–	1)
IFRS 3 (Amendment) Business Combinations	1 July 2009	2010 financial year	1)
IAS 27 (Amendment) Consolidated and Separate Financial Statements	1 July 2009	2010 financial year	1)
IFRIC 17 (New) Distributions of Non-cash Assets to Owners	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.
[3] The effects on the consolidated accounts cannot yet be determined with sufficient reliability.

Notes to the consolidated financial statements

1. Scope of consolidation

(in 1 000)		Currency		31.12.2007 Share capital	Equity holding		31.12.2008 Share capital	Equity holding
Quadrant AG	Switzerland	CHF	C	27 495		C	27 502	
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 %	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 Composites GmbH	Germany	EUR	C	25	100 %	C	25	100 %
Quadrant Metal Plastic Solutions GmbH	Germany	EUR		[2]		C	25	51 %
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	C	78 000	80 %	C	78 000	80 %
Quadrant Plastic Composites Canada Inc.	Canada	CAD	C	1	100 %	C	1	100 %

(in 1 000)

		Currency		31.12.2007 Share capital	31.12.2007 Equity holding		31.12.2008 Share capital	31.12.2008 Equity holding
Q Engineering Plastic Products Mexico S. A. de C. V.	Mexico	MXP	C	50	100 %	C	50	100 %
Q Engineering Plastic Products Irapuato S. A. de C. V.	Mexico	MXP		[3]		C	100	100 %
Nylamid S. A. de C. V.	Mexico	MXP	C	30 757	80 %	C	30 757	80 %
Quadrant EPP Nederland B. V.	The Netherlands	EUR	C	1 737	100 %	C	1 737	100 %
Quadrant EPP Kaprolan Sp.z.o.o.	Poland	PLZ		[4]		C	2 940	75 %
Quadrant Plastic Composites International AG	Switzerland	CHF	C	100	100 %	C	100	100 %
Quadrant Plastic Composites (Schweiz) AG	Switzerland	CHF	C	5 200	100 %	C	5 200	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	South Africa	ZAR	C	33	100 %	C	33	100 %
Quadrant PHS South Africa (Pty.) Ltd	South Africa	ZAR	C	282	85 %	C	282	85 %
Filtaquip (Pty.) Ltd	South Africa	ZAR	C	[5]	85 %	C	[5]	85 %
Quadrant Chemplast (Pty.) Ltd	South Africa	ZAR	C	955	90 %	C	955	100 %
Shandre Investments (Pty.) Ltd	South Africa	ZAR	C	1	90 %	C	1	100 %
Quadrant Korea Co. Ltd	South Korea	KRW	C	500 000	100 %	C	500 000	100 %
Sydsvensk Plastbeläggning AB	Sweden	SEK		[6]		C	100	100 %
Quadrant Teraglobus Kft	Hungary	HUF	C	33 770	100 %	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	[7]	100 %	C	[7]	100 %

Holdings in associated companies

		Currency		31.12.2007 Share capital	31.12.2007 Equity holding		31.12.2008 Share capital	31.12.2008 Equity holding
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 Kaprolan Sp.z.o.o.	Poland	PLZ	E	2 940	50 %		[4]	
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 Metal Plastic Solutions GmbH, Germany, was founded in April 2008.
[3] Quadrant acquired controlling majority in Global EPP Mexico S. A. de C. V., Mexico, with effect from April 2008; in May 2008, the company was renamed Q Engineering Plastic Products Irapuato S. A. de C. V.
[4] In September 2008, Quadrant acquired controlling majority in Quadrant EPP Kaprolan Sp.z.o.o., Poland.
[5] The share capital of Filtaquip Pty. Ltd, South Africa, is ZAR 100.00.
[6] With effect from June 2008, Quadrant acquired controlling majority in Sydsvensk Plastbeläggning AB, Sweden.
[7] The share capital of Quadrant Plastic Composites Inc., USA, is USD 100.00.

Quadrant PHS South Africa (Pty.) Ltd, Filtaquip (Pty.) Ltd, Nylamid S. A. de C. V. and Quadrant EPP Kaprolan Sp.z.o.o. are being consolidated as 100 % investments since the Quadrant Group is under certain conditions obliged to acquire the minority shareholdings. As of 31 December 2008, these discounted deferred liabilities amounted to CHF 1.2 million (2007: CHF 1.6 million).

Changes in the scope of consolidation in 2007

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

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

Changes in the scope of consolidation in 2008

	Equity holding	Date	Division
Acquisitions [1]			
Q Engineering Plastic Products Irapuato S. A. de C. V., Mexico	100 %	April 2008	High-Performance Plastics
Sydsvensk Plastbeläggning AB, Sweden	100 %	June 2008	High-Performance Plastics
Quadrant EPP Kaprolan Sp.z.o.o. [2], Poland	25 %	September 2008	High-Performance Plastics
Newly incorporated companies			
Quadrant Metal Plastic Solutions GmbH, Germany	51 %	April 2008	Plastic Composites & Pipes

[1] See Note No. 8
[2] In 2008, the interest share was increased by 25 percentage points to 75 %.

The acquisition of further minority shareholdings in Quadrant Chemplast (Pty.) Ltd and Shandre Investments (Pty.) Ltd has no effect on the scope of consolidation as these companies were fully consolidated as of 31 December 2007.

2. Segment information

(in CHF 1 000)

Financial segment information 2007	High-Performance Plastics	Plastic Composites & Pipes	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
Reversal of negative goodwill	0	0	0	0	0
Depreciation	24 763	7 520	769	0	33 052
Impairment of tangible fixed assets	0	0	0	0	0
Impairment of goodwill	0	0	0	0	0
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
Net cash from operating activities	45 211	8 105	5 016	0	58 332
Capital expenditure	19 917	2 639	222	0	22 778
Acquisition of subsidiaries	3 293	0	0	0	3 293

	Europe	America	Asia	Australia & Africa	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 taxes and financial assets, and investments.
[2] Operating liabilities include all liabilities, excl. income taxes and financial liabilities, which can be allocated to the division.

(in CHF 1 000)

Financial segment information 2008	High-Performance Plastics	Plastic Composites & Pipes	Other	Consolidation eliminations	Group
Net sales to third parties	608 304	125 132	0	0	733 436
Net sales to group companies	0	0	13 241	(13 241)	0
Earnings before interest and taxes (Ebit)	24 769	2 349	3 457	0	30 575
Reversal of negative goodwill	523	0	0	0	523
Depreciation	23 330	6 423	657	0	30 410
Impairment of tangible fixed assets	0	2 584	0	0	2 584
Impairment of goodwill	5 000	0	0	0	5 000
Pro rata share of income from associated companies	3 491	0	0	0	3 491
Operating assets (incl. goodwill) [1]	421 755	93 987	4 730	(3 424)	517 048
Investments in associated companies	21 296	0	0	0	21 296
Operating liabilities [2]	(141 514)	(25 049)	(1 966)	3 424	(165 105)
Operating fixed assets (acquisition values)	391 728	174 460	4 924	0	571 112
Net cash from operating activities	53 512	11 018	166	0	64 696
Capital expenditure	17 284	4 512	664	0	22 460
Acquisition of subsidiaries	1 404	0	0	0	1 404
	Europe	America	Asia	Australia & Africa	Group
Net sales	378 797	243 145	85 871	25 623	733 436
Operating assets (incl. goodwill) [1]	296 217	179 629	29 395	11 807	517 048
Investments in associated companies	7 098	14 198	0	0	21 296
Operating liabilities [2]	(95 876)	(58 919)	(8 038)	(2 272)	(165 105)
Capital expenditure	11 515	9 152	531	1 262	22 460
Acquisition of subsidiaries	546	858	0	0	1 404

[1] Operating assets include all operating assets of the division, excl. cash on hand, income taxes and financial assets, and investments.
[2] Operating liabilities include all liabilities, excl. income taxes 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 2007 and 2008 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)	31.12.2007	31.12.2008
Trade receivables	118 011	82 647
Other receivables and accrued income	12 565	11 155
– of which non-operating other receivables and accrued expenses	(643)	(669)
Inventories	103 410	83 842
Cost value of fixed assets:		
– Tangible fixed assets	392 473	378 600
– Goodwill	184 249	172 942
– Other intangible assets	18 541	19 570
– Other long-term receivables	3 116	1 684
– of which non-operating other long-term receivables	(2 008)	(629)
Value adjustments to assets:		
– Tangible fixed assets	(204 161)	(214 130)
– Goodwill	0	(4 690)
– Other intangible assets	(10 371)	(12 944)
– Other long-term receivables	(283)	(330)
	614 899	**517 048**

Composition of operating liabilities

(in CHF 1 000)	31.12.2007	31.12.2008
Trade payables	(95 172)	(84 680)
Other liabilities and accrued expenses	(40 758)	(29 537)
– of which non-operating other liabilities and accrued expenses	1 359	618
Short-term provisions	(3 052)	(1 809)
Other long-term liabilities	(1 999)	(2 365)
– of which put option rights minority shareholders	885	1 305
Long-term provisions	(36 641)	(48 637)
– of which non-operating long-term provisions	254	0
	(175 124)	**(165 105)**

3. Cash and cash equivalents

(in CHF 1 000)	31.12.2007	31.12.2008
Bank current accounts (freely available)	67 554	77 719
Time deposits (maturing in less than 90 days)	30	3 152
	67 584	**80 871**

Time deposits were made at interest rates between 0.05 % and 4.30 % in the 2008 financial year (2007: between 1.6 % and 5.3 %). Cash holdings are invested short term with recognized international financial institutions.

4. Trade receivables

(in CHF 1 000)	31.12.2007	31.12.2008
Trade receivables	119 071	85 365
Receivables from associated companies	3 079	1 536
Individual value adjustments on accounts receivables	(2 908)	(3 373)
Collective valuation adjustments on accounts receivables	(1 231)	(881)
	118 011	**82 647**

5. Other receivables and accrued income

(in CHF 1 000)	31.12.2007	31.12.2008
Tax claims (value-added tax)	5 042	3 705
Advance payments to suppliers	2 535	2 695
Loans to employees	16	1
Loans to associated companies	390	334
Other receivables	4 567	4 413
Accrued interest	15	7
	12 565	**11 155**

6. Inventories

(in CHF 1 000)	31.12.2007	31.12.2008
High-Performance Plastics		
Raw materials and consumables	17 071	13 933
Work in progress	9 298	5 629
Construction contracts	1 197	968
Finished goods	62 002	52 867
Total inventories at acquisition or manufacturing cost	89 568	73 397
Valuation adjustments	(4 382)	(3 473)
Total High-Performance Plastics	85 186	69 924
Plastic Composites & Pipes		
Raw materials and consumables	7 223	5 736
Work in progress	530	297
Finished goods	11 792	10 440
Total inventories at acquisition or manufacturing cost	19 545	16 473
Value adjustments	(1 321)	(2 555)
Total Plastic Composites & Pipes	18 224	13 918
	103 410	83 842

Composition of construction contracts High-Performance Plastics

(in CHF 1 000)	31.12.2007	31.12.2008
Contract revenue recognized	6 195	5 380
Progress billings	(5 009)	(4 348)
Translation differences	11	(64)
	1 197	968

In the 2008 financial year, sales of CHF 6.3 million (2007: CHF 7.7 million) were generated with construction contracts.

7. Fixed assets

(in CHF 1 000)	31.12.2007			31.12.2008		
	Acquisition value	Accumulated depreciation and impairment	Book value	Acquisition value	Accumulated depreciation and impairment	Book value
Land and buildings	118 905	(36 000)	82 905	111 735	(37 807)	73 928
Machinery and equipment	248 755	(154 871)	93 884	242 132	(163 471)	78 661
Construction in progress	4 935	0	4 935	3 663	0	3 663
Other tangible assets	19 878	(13 290)	6 588	21 070	(12 852)	8 218
Goodwill	184 249	0	184 249	172 942	(4 690)	168 252
Other intangible assets	18 541	(10 371)	8 170	19 570	(12 944)	6 626
Investments in associated companies	21 068	0	21 068	21 296	0	21 296
Long-term financial receivables	400	0	400	297	0	297
Other long-term receivables	3 116	(283)	2 833	1 684	(330)	1 354
Deferred tax assets	12 244	0	12 244	16 105	0	16 105
	632 091	(214 815)	417 276	610 494	(232 094)	378 400

Changes in fixed assets in 2007

(in CHF 1 000)	31.12.2006	Acquisi-tions	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

Changes in fixed assets in 2008

(in CHF 1 000)	31.12.2007	Acquisitions	Translation adjustments	Additions	Disposals	Other	31.12.2008
Acquisition value							
Land and buildings	118 905	782	(9 887)	648	(366)	1 653	111 735
Machinery and equipment	248 755	619	(19 019)	8 064	(4 292)	8 005	242 132
Construction in progress	4 935	0	(501)	10 525	0	(11 296)	3 663
Other tangible assets	19 878	173	(1 451)	2 294	(1 288)	1 464	21 070
Goodwill	184 249	295	(11 617)	15	0	0	172 942
Other intangible assets	18 541	1 734	(1 083)	929	(557)	6	19 570
Investments in associated companies	21 068	(876) [1)]	(430)	3 491	(1 957)	0	21 296
Long-term financial receivables	400	0	0	0	(103)	0	297
Other long-term receivables	3 116	6	1	0	(1 439)	0	1 684
Deferred tax assets	12 244	266	(1 731)	8 248	(2 400)	(522)	16 105
	632 091	2 999 [1)]	(45 718)	34 214	(12 402)	(690)	610 494
Accumulated depreciation							
Land and buildings	(35 005)	0	2 374	(4 337)	118	(64)	(36 914)
Machinery and equipment	(153 764)	0	9 990	(19 546)	4 257	(1 110)	(160 173)
Other tangible assets	(13 290)	0	919	(2 917)	1 288	1 148	(12 852)
Other intangible assets	(10 371)	0	435	(3 610)	557	45	(12 944)
Other long-term receivables	(283)	0	0	(47)	0	0	(330)
	(212 713)	0	13 718	(30 457)	6 220	19	(223 213)
Accumulated impairment							
Land and buildings	(995)	0	102	0	0	0	(893)
Machinery and equipment	(1 107)	0	393	(2 584)	0	0	(3 298)
Goodwill	0	0	310	(5 000)	0	0	(4 690)
	(2 102)	0	805	(7 584)	0	0	(8 881)
Fixed assets, net	**417 276**	**2 999**	**(31 195)**	**(3 827)**	**(6 182)**	**(671)**	**378 400**
Fire insurance value	**930 400**						**892 902**

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

Quadrant EPP Kaprolan Sp.z.o.o.:		
Settlement of previous investment accounting value	CHF	(0.876) million
Fixed assets	CHF	0.830 million
Goodwill	CHF	0.295 million
	CHF	0.249 million
Fixed assets of other companies acquired	CHF	2.750 million
Total change due to acquisitions as at 31 December 2008	CHF	2.999 million

Other

(in CHF 1 000)	Acquisition value	Accumulated depreciation	Accumulated impairment	31.12.2007
Reclassification within fixed assets	865	(865)	0	0
Settlement with 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.

(in CHF 1 000)	Acquisition value	Accumulated depreciation	Accumulated impairment	31.12.2008
Reclassification within fixed assets	(19)	19	0	0
Reclassification as assets available for sale	(170)	0	0	(170)
Finance leasing	21	0	0	21
Settlement with deferred tax liabilities	(522)	0	0	(522)
Total	**(690)**	**19**	**0**	**(671)**

The reclassification as assets available for sale refers to a smaller property not for operational use in South Africa. The value on the balance sheet date was CHF 0.143 million.

Land and buildings

Various properties were pledged in the amount of CHF 13.5 million on 31 December 2008 (2007: CHF 31.1 million).

The item land and buildings includes the following currently non-utilized real estate closely connected to existing operational locations:

– Land reserves in Canada and Switzerland as well as
– an administrative building in Germany.

in CHF 1 000	31.12.2007	31.12.2008
Acquisition value	5 716	5 457
Accumulated depreciation	(466)	(465)
Accumulated impairment	(995)	(893)
Book value	4 255	4 099
Depreciation	(51)	(50)
Translation adjustments, net	36	(106)

Impairment machinery and equipment

2007

No impairment

2008

Due to the continuing difficult economic environment experienced in the North American market, an impairment of CHF 2.584 million was made in the Plastic Composites & Pipes Division on machinery and equipment of the location in Guelph, Canada. The reduced book value as at 31 December 2008 reflects the currently estimated fair market price less cost of disposal.

Goodwill

(in CHF 1 000)	Business activity	31.12.2007	Translation adjustments	Change	31.12.2008
– Quadrant Engineering Plastic Products	(QEPP)	133 231	(9 937)	310	123 604
– Quadrant Creative Moulding & Systems	(QCMS)	16 488	(1 323)	(5 000)	10 165
High-Performance Plastics Division		149 719	(11 260)	(4 690)	133 769
– Quadrant Plastic Composites	(QPC)	33 744	(47)	0	33 697
– Quadrant Cable Protection Systems	(QCPS)	786	0	0	786
Plastic Composites & Pipes Division		34 530	(47)	0	34 483
Total		**184 249**	**(11 307)**	**(4 690)**	**168 252**

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

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 –11.3 million in 2008 (2007: CHF –3.6 million).

During the 2008 financial year, goodwill increased by CHF 0.295 million following the acquisition of the controlling majority in Quadrant EPP Kaprolan Sp.z.o.o., and the annual valuation of the put option agreement with the minority shareholder in Nylamid S. A. de C. V. increased by CHF 0.015 million. In the High-Performance Plastics Division, Quadrant Creative Moulding & Systems (injection moulding) with a product portfolio largely oriented toward the automobile industry is heavily affected by the current economic situation. The development was accounted for by decreasing the value of the allocated goodwill item by CHF 5.0 million, which was recognized in the income statement.

The calculation of value in use is based on the discounted expected future cash flows before interest payments (gross method) of the individual business activities. The separate calculations cover a planning horizon of 5 years, whereby sustained cash flow (residual value) was indexed at 1.5 %. 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 continued to be used for impairment testing of the goodwill on the balance sheet at 31 December 2008 (2007: 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 of interest one percentage point higher of 10.0 % (2007: 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 and Quadrant Creative Moulding & Systems does not reflect the long-term expectations of management. For the business activities of Quadrant Plastic Composites, the calculated reserve between the book value of goodwill and its beneficial use amounts to about CHF 22.7 million. This reserve covers possible valuation insecurities and an increase in the discount rate of up to 2.5 percentage points.

Other intangible assets

Changes in other intangible assets in 2007 and in 2008 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 5.5 million (2007: CHF 7.6 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)	31.12.2007	31.12.2008
Operating leasing		
2008	6 060	
2009	4 122	5 812
2010	3 019	3 478
2011	2 270	2 374
2012	1 879	1 509
2013		373
Maturity after 5 years	1 127	170
Total future minimum operating leasing payments	18 477	13 716

The significant decline in liabilities concerning operating leasing is essentially due to the expiration of the rental agreement for a French location (CHF 6.0 million) and the weak pound Sterling.

(in CHF 1 000)	31.12.2007	31.12.2008
Financial leasing		
2008	1 208	
2009	926	977
2010	811	827
2011	785	744
2012	725	629
2013		598
Maturity after 5 years	1 435	690
Total future minimum financial leasing payments	5 890	4 465
Interest	(810)	(558)
Current value of minimum financial leasing payments, net	5 080	3 907

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 2008 financial year:

		Equity holding	
		31.12.2007	31.12.2008
Quadrant EPP Surlon India Ltd	India	51.0 %	51.0 %
Nippon Polypenco Ltd	Japan	45.0 %	45.0 %
Quadrant EPP Kaprolan Sp.z.o.o.	Poland	50.0 %	n. a.
Polypenco Korea and Co. Ltd	South Korea	45.0 %	45.0 %

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. Following the acquisition of the controlling majority in Quadrant EPP Kaprolan Sp.z.o.o. in September 2008, the company as of 31 December 2008 is no longer shown as an associated company (see Notes No. 8). The company was fully consolidated on a pro rata basis since the acquisition of the controlling majority.

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

(in CHF 1 000)	100 %		Group share	
	31.12.2007	31.12.2008	31.12.2007	31.12.2008
Current assets	51 256	50 147	23 277	22 713
Fixed assets	20 893	22 916	9 536	10 386
Assets	72 149	73 063	32 813	33 099
Current liabilities	22 827	22 727	10 415	10 273
Non-current liabilities	2 821	3 245	1 330	1 530
Shareholders' equity	46 501	47 091	21 068	21 296
Liabilities and shareholders' equity	72 149	73 063	32 813	33 099
Net sales	123 041	94 635	56 376	43 085
Ebit	15 090	11 460	6 856	5 204
Net profit	9 133	7 569	4 111	3 491

8. Acquisition of business activities and subsidiaries

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 5 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.

2008

Quadrant Group further strengthened its position in Mexico through the acquisition of 100 % of the corporate stock of the largely inactive Global EPP Mexico S. A. de C. V (renamed in May 2008 to Q Engineering Plastic Products Irapuato S. A. de C. V.) with effect from 21 April 2008 from the bankruptcy assets of the British Nylacast Group. The property and production plant owned by the company allow for consistent expansion of the Mexican production capacity to serve the entire North American market. In the 2008 financial year, the company reported net sales of CHF 0.5 million and a net loss of CHF 0.3 million.

In 2008, a further controlling majority of a previous joint-venture partner was acquired. With effect from 30 September 2008, Quadrant Group purchased the controlling shareholding in the Polish sales organization Quadrant EPP Kaprolan Sp.z.o.o. The shareholding quota was increased from 50 % to 75 %. A fixed agreement with the minority shareholder governs the acquisition of the remaining 25 % by the Quadrant Group in 2013. Provisions for the commitments resulting from this agreement have been made as long-term obligations. For the 2008 financial year, the company reported net sales mainly with Quadrant products of about CHF 4.2 million and a net loss of CHF 0.2 million, for the most part due to the significant devaluation of the Polish currency.

Sydsvensk Plastbeläggning AB in Sweden produces mainly small series and specialty products. The connected know-how is an important addition for the Quadrant Group. Quadrant acquired 100 % of the corporate stock of the company with effect from 18 June 2008. The company reported net sales for 2008 of CHF 0.7 million and a net profit of CHF 0.1 million.

If the corporate activities and controlling majority had been acquired with effect from 1 January 2008, Quadrant Group's net sales would have been reported as CHF 735.4 million with operating results (Ebit) of CHF 30.6 million and net income of CHF 11.0 million.

Value adjustments for the relevant fair value in 2007

(in CHF 1 000)	IFRS value on acquisition	Value adjustments	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**

Value adjustments for the relevant fair value in 2008

(in CHF 1 000)	IFRS value on acquisition	Value adjustments	Fair value
Current assets	3 183	49	3 232
Fixed assets	1 865	1 715	3 580
Current liabilities	(1 656)	0	(1 656)
Non-current liabilities	(402)	(438)	(840)
Shareholders' equity acquired	**2 990**	**1 326**	**4 316**

Fair value of net assets acquired

(in CHF 1 000)	2007 High-Performance Plastics	2007 Plastic Composites & Pipes	2007 Total	2008 High-Performance Plastics	2008 Plastic Composites & Pipes	2008 Total
Cash and cash equivalents	1 261	0	1 261	809	0	809
Receivables	5 898	0	5 898	1 072	0	1 072
Inventories	2 273	0	2 273	1 351	0	1 351
Current assets	9 432	0	9 432	3 232	0	3 232
Tangible fixed assets	9 665	0	9 665	1 574	0	1 574
Intangible assets	923	0	923	1 734	0	1 734
Other assets	510	0	510	6	0	6
Deferred tax assets	154	0	154	266	0	266
Fixed assets	11 252	0	11 252	3 580	0	3 580
Liabilities	(2 780)	0	(2 780)	(1 619)	0	(1 619)
Bank borrowings and financial leases	(4 708)	0	(4 708)	(37)	0	(37)
Current liabilities	(7 488)	0	(7 488)	(1 656)	0	(1 656)
Liabilities	(166)	0	(166)	(13)	0	(13)
Bank borrowings and financial leases	(2 394)	0	(2 394)	(55)	0	(55)
Provisions	(338)	0	(338)	(150)	0	(150)
Deferred tax liabilities	(337)	0	(337)	(622)	0	(622)
Long-term liabilities	(3 235)	0	(3 235)	(840)	0	(840)
Minority interests	(1 000)	0	(1 000)	0	0	0
Shareholders' equity acquired	**8 961**	**0**	**8 961**	**4 316**	**0**	**4 316**
Existing book value of holding		0	(4 214)	(876)	0	(876)
Fair value adjustment of existing book value of holding		0	(20)	73	0	73
	(4 234)	0	(4 234)	(803)	0	(803)
Pro rata shareholders' equity acquired	**4 727**	**0**	**4 727**	**3 513**	**0**	**3 513**
Goodwill	608	0	608	295	0	295
Negative goodwill	0	0	0	(523)	0	(523)
Acquisition costs	**5 335**	**0**	**5 335**	**3 285**	**0**	**3 285**
Cash and cash equivalents acquired	(1 261)	0	(1 261)	(809)	0	(809)
Acquisition excluding cash and cash equivalents acquired	**4 074**	**0**	**4 074**	**2 476**	**0**	**2 476**
– of which call and put rights	781	0	781	0	0	0
– of which short-term liabilities	0	0	0	351	0	351
– of which long-term liabilities	0	0	0	721	0	721
– of which cash payment	3 293	0	3 293	1 404	0	1 404

9. Other liabilities and accrued expenses

(in CHF 1 000)	31.12.2007	31.12.2008
Personnel	23 057	17 470
Liabilities arising from sales tax settlements (value-added tax)	5 813	4 373
Liabilities arising from construction contracts	840	217
Accrued expenses (interest)	1 255	306
Other	9 793	7 171
	40 758	29 537

Composition of liabilities resulting from construction contracts

(in CHF 1 000)	31.12.2007	31.12.2008
Progress billings	2 367	1 149
Contract revenue recognized	(1 535)	(918)
Translation differences	8	(14)
	840	217

10. Short-term financial liabilities

(in CHF 1 000)	31.12.2007	31.12.2008
Banks and other financial institutions (secured liabilities)	2 342	5 573
Banks and other financial institutions (unsecured liabilities)	5 629	3 555
Annual maturity of syndicated bank loan	28 000	31 250
Leasing liabilities maturing during the year	996	805
	36 967	41 183

The average rate of interest in the 2008 financial year was 4.0 % (2007: 3.7 %).

Non-current liabilities maturing during the year totaled CHF 31.25 million (2007: CHF 28.0 million) for the contractually agreed amortization of the syndicated loan (see Note No. 12).

11. Short-term provisions

(in CHF 1 000)	Personnel		Other	Total
	Retirement pensions	Other		
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)
Translation adjustments	13	(13)	8	8
At 31 December 2007	**575**	**43**	**2 434**	**3 052**
Addition charged to income	187	635	1 335	2 157
Utilization	(55)	(626)	(1 333)	(2 014)
Reversal credited to income	0	0	(526)	(526)
Reclassification	(682)	0	0	(682)
Translation adjustments	(25)	(15)	(138)	(178)
At 31 December 2008	**0**	**37**	**1 772**	**1 809**

Other short-term provisions as at 31 December 2008

An adjustment of existing production capacity to the currently weak economic conditions has become necessary for the Quadrant Plastic Composites Division. An amount of CHF 0.6 million was included in other short-term provisions as at 31 December 2008 for the restructuring measure, which had been announced at the end of 2007 (2007: CHF 1.5 million).

Within the parameters of ongoing production optimization, Quadrant will combine North-American production locations of Quadrant Engineering Plastic Products in 2009. The amalgamation was announced in 2008 and an allowance of CHF 0.3 million was made as at 31 December 2008 for the connected restructuring expenses.

The remaining amount of CHF 0.9 million essentially includes expected expenses for damage claims (CHF 0.5 million), warranty payments (CHF 0.3 million) and pending legal cases (CHF 0.1 million). The outflow of funds is expected within the coming twelve months.

12. Long-term financial liabilities

(in CHF 1 000)	Medium-term (2 to 5 years)		Long-term (more than 5 years)		Total	
	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008
Bank loans	133 431	142 181	35 000	0	168 431	142 181
Other loans secured	327	1 881	18	0	345	1 881
Other loans unsecured	1 894	952	0	0	1 894	952
Leasing	2 718	2 422	1 366	680	4 084	3 102
	138 370	147 436	36 384	680	174 754	148 116
Financing costs	(2 149)	(1 640)	(11)	0	(2 160)	(1 640)
	136 221	145 796	36 373	680	172 594	146 476

Composition of financing costs for the syndicated bank loan:		
Acquisition financing in 2001	(159)	0
Acquisition financing in 2005 (tranches A and B)	(2 001)	(1 302)
Acquisition financing in 2008 (additional tranche C)	0	(338)
Financing costs	(2 160)	(1 640)

Bank loans

The group has financial liabilities (current and non-current) to a consortium of banks totaling CHF 173.431 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 at 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.

During the first half-year 2008, a further tranche to the existing syndicated bank loan was added (tranche C), of which CHF 5.0 million was claimed by 30 June 2008. This additional tranche of CHF 50.0 million maximum is available until 30 June 2013 for acquisitions or the redemption of Quadrant AG shares. Within these parameters, the loan can be either drawn or reduced at any time. There is no fixed agreement concerning the amortization plan. The expenses for the extension of the existing syndicated bank loan amounted to CHF 0.4 million and will be included pro rata in the financing expenses for the duration of the loan.

The minimum annual amortization payments on tranche A are 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. The CHF 5.0 million of tranche C claimed by 31 December 2008 are to be paid back 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 2008 consolidated financial statements, no further amortization is required. The additional amortization payment of CHF 7.8 million made for the 2006 financial year reduced the minimum amortization rate for 2012 to CHF 31.7 million from a total of CHF 39.5 million.

The Quadrant Group is required to comply with financial and non-financial covenants customary on the market in order to maintain access to the syndicated loan. The financial covenants are reviewed every six months, and at 31 December 2008 they were fully complied with. However, should these covenants not be complied with effective 30 June 2009 due to the current economic parameters, the bank syndicate by majority resolution may request an adjustment of the conditions or call the loan. From today's perspective, management and board of directors are confident that the continuation of the loan will be ensured should the financial covenants be broken.

Amortization payments of CHF 28.0 million were made on the syndicated loans in 2008 in terms of the agreement. The average rate of interest, based on actual interest rates and due dates, was 4.6 % in 2008 (2007: 4.3 %). On 31 December 2008, the outstanding bank loan was stated as a short-term financial liability of CHF 31.250 million and a long-term financial liability of CHF 142.181 million. There are two interest rate adjustment dates in the first half of 2009 for the outstanding total loan of CHF 173.431 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. 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)	31.12.2007	31.12.2008
Put option right minority shareholder Nylamid S. A. de C. V.	885	692
Performance-related residual payments (earn out) arising from acquisitions	0	298
Liability minority shareholder Quadrant EPP Kaprolan Sp.z.o.o.	0	315
Other	1 114	1 060
	1 999	2 365

14. Long-term provisions

(in CHF 1 000)	31.12.2007	31.12.2008
Health care provisions [1]	9 863	11 503
Retirement pension provisions [1]	23 975	34 509
Other operational provisions	2 803	2 625
	36 641	48 637

[1] See also Note No. 17

(in CHF 1 000)	Health care	Retirement pensions			Other	Total
		Defined benefit	Defined contribution	Early retirement		
At 31 December 2006	10 481	25 322	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
Utilization	(216)	(6 951)	0	(51)	(103)	(7 321)
Reclassification	(100)	1 621	0	(1 621)	100	0
(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**
Change in scope of consolidation	0	0	0	0	150	150
Addition charged to income	839	769	(11)	291	708	2 596
Utilization	(270)	(4 858)	(16)	(608)	(872)	(6 624)
Reclassification	0	353	(24)	353	0	682
Reclassification from non-qualified pension plans (pension plan assets)	0	(109)	(1 000)	0	0	(1 109)
(Gains) and losses set off directly against shareholders' equity:						
a) Actuarial gains and losses	1 747	24 824	0	0	242	26 813
b) Non-capitalized assets from defined-benefit pension plans	0	(4 566)	0	0	0	(4 566)
c) Translation adjustments	(676)	(4 424)	(8)	(432)	(406)	(5 946)
At 31 December 2008	**11 503**	**30 857**	**278**	**3 374**	**2 625**	**48 637**

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		
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
2008						
Assets from non-qualified retirement pension plans [1]	0	(257)	(278)	0	0	(535)
Provisions	11 503	30 857	278	3 374	2 625	48 637
Total pension liabilities, net	11 503	30 600	0	3 374	2 625	48 102

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

Other provisions consist largely of severance and long-service compensation totaling CHF 2.2 million (2007: CHF 1.9 million), long-term obligations toward staff minority shareholders amounting to CHF 0.2 million (2007: CHF 0.7 million) and CHF 0.2 million (2007: CHF 0.0 million) long-term reconversion liabilities from rent lease agreements.

15. Share capital

(in CHF 1 000)	31.12.2007	31.12.2008
Share capital	**27 495**	**27 503**
Authorized capital	**13 125**	**13 125**
Conditional capital (available)	**11 880**	**11 873**

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 2008, the shareholders’ equity of Quadrant AG as holding company of the Quadrant Group consisted of 2 750 256 registered shares (2007: 2 749 543 registered shares) at a par value of CHF 10.00 each. As at 31 December 2008, the Quadrant Group disposed of 161 894 treasury shares (2007: 102 087) corresponding to 5.9 % (2007: 3.7 %) of shareholders’ equity.

The group’s major shareholders are listed on page 108.

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 2006	12 637 [1)]		
Change in 2007	488 [2)]	n. a.	n. a.
At 31 December 2007	**13 125**		
Change in 2008	0	n. a.	n. a.
At 31 December 2008	**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)	31.12.2007	31.12.2008	Subscription right
For capital market purposes	7 875	7 875	possible
For management stock option plans	5 250	5 250	no
Approved capital	13 125	13 125	

Conditional capital (available)	Capital market purposes	Management stock option plans	Total
Available capital at 31 December 2006 [1)]	7 875	5 250	13 125
Utilization 2007			
– Exercise of QUANO options	(1 113)	0	(1 113)
– Exercise of management options	0	(132)	(132)
Available capital at 31 December 2007	6 762	5 118	11 880
Utilization 2008			
– Exercise of management options	0	(7)	(7)
Available capital at 31 December 2008	6 762	5 111	11 873

1) In accordance with a resolution passed by the annual meeting of shareholders on 4 May 2007

16. Stock options

On 31 December 2008, a total of 148 579 options (2007: 19 764 options) entitling holders to acquire shares at a ratio of 1:1 were outstanding. These options entitle the holders to acquire a maximum of 148 579 Quadrant shares (2007: 19 764).

Traded equity options

1 500 000 options on Quadrant shares with a value of CHF 1.320 million were issued in 2004. The options expired on 14 May 2007 and were publicly traded on the SIX 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 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 AG, 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.

All 118 500 options were outstanding as at 31 December 2008.

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)
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
Forfeited	(1 318)		(442)		(1 760)	
At 31 December 2007	**13 180**		**6 584**		**19 764**	
Options issued 2008 / 2013	7 853	242	4 072	125	11 925	367
Options exercised 2004 / 2009	(428)	31	(285)	21	(713)	52
Forfeited	(559)		(338)		(897)	
At 31 December 2008	**20 046**		**10 033**		**30 079**	

The price of call options issued to management in 2008 was calculated by an independent bank according to the trinomial model at CHF 30.78. This was based on the following values:

– Current share price	CHF 135.00
– Exercise price	CHF 141.75
– Expected volatility	33.5 % (historical volatility according to Bloomberg)
– Life of the option	16 May 2013
– Expiry of blocking period	16 May 2011
– Risk-free interest rate	3.265 %
– Type of option	American

The average share price weighted with the trading volume in the 2008 financial year amounted to CHF 113.05 (2007: CHF 210.66).

The outstanding options from the directors' and management option plans as at 31 December 2008 are made up as follows:

Year of issue	Number of option [1]	Subscription ratio	Exercise price CHF	Exercise price Total in CHF 1 000	Cannot be exercised before	Must be exercised by
2004	5 026 [2]	1:1	73.59	370	01.05.2007	30.04.2009
2005	3 717 [2]	1:1	157.60	586	08.09.2008	30.09.2010
2006	4 129 [2]	1:1	221.00	913	19.05.2009	19.05.2011
2007	5 282 [2]	1:1	236.25	1 248	25.05.2010	25.05.2012
2008	11 925 [2]	1:1	141.75	1 690	16.05.2011	16.05.2013
2008	118 500 [3]	1:1	158.16	18 742	10.01.2011	10.01.2013
Total	148 579			23 549		

[1] Including options paid by former employees
[2] Management options
[3] Board of directors' options

The stock and options owned by the individual members of the board of directors and the group management board including related persons in accordance with article 663 b^{bis}, Swiss Code of Obligations, are disclosed on the following list:

		31.12.2007		31.12.2008	
		Amount of stock	Amount of options	Amount of stock	Amount of options
Board of directors:					
Adrian Niggli	Chairman	78 745	0	82 485	34 500
Marco Forster	Vice-Chairman	0	0	0	1 700
Luigi Borla	Director	400	642	400	3 942
Walter Grüebler	Director	27 324	0	27 324	10 000
Ulrich Suter	Director	n. a	n. a.	0	0
René-Pierre Müller [1]	Director and CEO	126 418	0	121 919	34 500
Arno Schenk [1]	Director and CEO	138 235	0	138 235	34 500
		371 122	642	370 363	119 142
Group management board:					
Wolf-Günter Freese	CFO	0	1 338	0	2 118
Total		371 122	1 980	370 363	121 260

[1] Also a member of the group management board

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)	2007	2008
Wages and salaries	154 847	144 161
Social security	37 423	33 992
Health care	825	839
Pension defined-benefit plan	(17)	769
Pension defined-contribution plan	2 241	2 243
Temporary employees and other personnel costs	13 128	11 587
Share-based payments	132	142
	208 579	**193 733**
Number of employees (full-time units) on 31 December	2 451	2 407

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 present 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 31.12.2007	Assets 31.12.2007
The Netherlands	156 182	CHF 24.2 billion	CHF 32.7 billion
– of which group share	80	n. a.	n. a.
Germany	56 719	CHF 8.1 billion	CHF 8.1 billion
– of which group share	37	n. a.	n. a.

The premiums recorded by the Quadrant companies in the income statement amounted to CHF 0.7 million in 2008 (2007: CHF 0.7 million).

Pension liabilities arising from defined-benefit plans

These are calculated on the basis of the following assumptions:

	2007		2008	
	Weighted	Range	Weighted	Range
Discount rate	4.81 %	1.70 % – 8.00 %	4.93 %	1.50 % – 6.90 %
Return on plan asset	5.85 %	4.00 % – 7.13 %	5.55 %	3.00 % – 8.00 %
Expected wage growth	0.81 %	0.50 % – 4.20 %	0.88 %	0.50 % – 4.00 %

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

(in CHF 1 000)	31.12.2007	31.12.2008
Pension liabilities		
Liabilities at beginning of the year	(139 764)	(136 060)
Current service costs	(1 674)	(1 522)
Interest costs	(6 384)	(5 994)
Curtailment gain	1 094	22
Actuarial gains and (losses)	3 619	(5 605)
Benefits paid	8 960	8 252
Capital contribution by employees	(1 305)	(948)
Contribution by employees	(1 175)	(1 445)
Reclassification from provisions for other pension liabilities	(1 621)	(353)
Reclassification from non-qualifying pension funds (pension assets)	0	109
Translation adjustment	2 190	14 460
Liabilities at end of the year	(136 060)	(129 084)
Plan assets		
Assets at beginning of the year	120 236	124 633
Expected return on plan assets	6 981	6 725
Actuarial gains and (losses)	(451)	(19 219)
Benefits paid	(8 960)	(8 252)
Capital contribution by employees	1 305	948
Contribution by employees	1 175	1 445
Contribution by employer	5 776	4 858
Translation adjustment	(1 429)	(10 036)
Assets at end of the year	124 633	101 102
Provisions for pension liabilities arising from defined-benefit plans, net	(11 427)	(27 982)
Non-capitalized pension assets	(7 441)	(2 875)
Provisions for pension liabilities arising from defined-benefit plans	(18 868)	(30 857)

During the period of 2004 to 2008 the need for provisions for pension obligations from defined-benefit plans changed as follows:

(in CHF 1 000)	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008
Pension liabilities	(106 589)	(132 464)	(139 764)	(136 060)	(129 084)
Market value of plan assets	77 751	94 372	103 431	124 633	101 102
Restatement	15 947	16 511	16 805	0	0
Market value of plan assets restated	93 698	110 883	120 236	124 633	101 102
Underfunding (need for provisions), net	(12 891)	(21 581)	(19 528)	(11 427)	(27 982)
Non-capitalized pension assets	(8 951)	(8 222)	(5 794)	(7 441)	(2 875)
Underfunding (need for provisions)	(21 842)	(29 803)	(25 322)	(18 868)	(30 857)
Experience adjustments on plan assets	2 391	3 106	4 955	(451)	(19 219)
– in % of plan assets	2.6 %	2.8 %	4.1 %	(0.4 %)	(19.0 %)
Experience adjustments on pension liabilities	(108)	(4 453)	(3 630)	(1 215)	(5 411)
– in % of pension liabilities	0.1 %	3.4 %	2.6 %	0.9 %	4.2 %

On 31 December 2008, the plan assets were made up of 20 % shares (2007: 38 %), 24 % bonds (2007: 51 %), 1 % real estate (2007: 3 %) and 55 % cash (2007: 8 %). 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 experience adjustment of the plan assets of CHF 19.219 million as at 31 December 2008 represents a loss in value which is mainly due to the financial crisis.

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)	2007	2008
Provisions at beginning of the year	(25 322)	(18 868)
Reclassification	(1 621)	(244)
Recognized expenses (see next table)	(1 158)	(2 214)
Contribution paid to fund (employer)	5 776	4 858
Contribution paid to fund (employees)	1 175	1 445
Actuarial gains and (losses)	3 168	(24 824)
Non-capitalized pension assets	(1 647)	4 566
Translation adjustments	761	4 424
Provision at end of the year	(18 868)	(30 857)

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 1000)	2007	2008
Current service costs (employer)	1674	1522
Current service costs (employees)	1175	1445
Interest costs	6384	5994
Expected return on plan assets	(6981)	(6725)
Curtailment gain	(1094)	(22)
Total costs, gross	1158	2214
Less employee contributions	(1175)	(1445)
Total expenses/(total income), net	(17)	769
Effective revenue/(loss) from plan assets	6530	(12494)

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.

	2007	2008
Discount rate	6.25 %	6.17 %
Health care costs trend rates	declining from 7.5 % in 2008 to 4.0 % in 2020	declining from 8.0 % in 2009 to 5.2 % in 2021

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)	31.12.2007	31.12.2008
Health care liabilities		
Liabilities at beginning of the year	(10 481)	(9 863)
Current service costs	(247)	(235)
Interest costs	(578)	(604)
Reclassification resulting from provisions for other pension liabilities	100	0
Actuarial gains and (losses)	319	(1 747)
Benefits paid	793	866
Contribution by employees	(578)	(596)
Translation adjustments	809	676
Liabilities at end of the year	(9 863)	(11 503)
Plan assets		
Benefits paid	(793)	(866)
Contribution by employees	578	596
Contribution by employer	216	270
Translation adjustments	(1)	0
Assets at end of the year	0	0
Provision for health care liabilities	(9 863)	(11 503)

The need for provisions for health care liabilities for the period from 2004 to 2008 changed as follows:

(in CHF 1 000)	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008
Health care liabilities	(18 319)	(23 104)	(10 481)	(9 863)	(11 503)
Market value of plan assets	0	0	0	0	0
Underfunding (need for provisions)	(18 319)	(23 104)	(10 481)	(9 863)	(11 503)
Experience adjustments on health care liabilities	1 293	(468)	11 891 [1)]	320	(304)
– in % of health care liabilities	(7.1 %)	2.0 %	(113.4 %)	(3.2 %)	2.6 %

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)	2007	2008
Provisions required at the beginning of the year	(10 481)	(9 863)
Reclassification resulting from provisions for other pension liabilities	100	0
Recognized expenses (see next table)	(1 403)	(1 435)
Contribution paid to fund (employer)	216	270
Contribution paid to fund (employees)	578	596
Actuarial gains and (losses)	319	(1 747)
Translation adjustments	808	676
Provisions at end of the year	(9 863)	(11 503)

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)	2007	2008
Current service costs (employer)	247	235
Current service costs (employees)	578	596
Interest costs	578	604
Total costs	1 403	1 435
Less employee contributions	(578)	(596)
Total expenses / (total revenue), net	825	839

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 0.138 million (2007: CHF 0.150 million)
– health care liabilities: increase by CHF 1.855 million (2007: CHF 1.509 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 0.110 million (2007: CHF 0.099 million)
– health care liabilities: reduction by CHF 1.487 million (2007: CHF 1.217 million)

18. Other operating expenses

(in CHF 1 000)	2007	2008
Cost of logistics and agent commissions	28 245	24 838
Utilities	25 381	25 610
Repairs and maintenance	22 838	21 003
Consumables	17 446	16 457
Capital taxes, insurance and advice	16 981	18 117
Marketing and travel expenses	14 278	13 414
Operative leasing and rent	9 066	9 069
Other operating expenses	9 783	8 856
	144 018	137 364

19. Depreciation

(in CHF 1 000)	2007	2008
Land and buildings	4 859	4 337
Machinery and equipment	21 821	19 546
Other tangible assets	2 971	2 917
Other intangible assets	3 401	3 610
	33 052	30 410

20. Financial expenses

(in CHF 1 000)	2007	2008
Interest expenses	9 127	8 877
Realized translation differences	4 247	5 818
Unrealized translation differences	1 942	6 744
Other financial expenses	1 802	1 286
	17 118	22 725

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)	2007	2008
Interest income	875	775
Realized translation differences	3 719	5 263
Unrealized translation differences	2 654	1 396
Other financial income	6	424
	7 254	7 858

22. Income taxes

(in CHF 1 000)	2007	2008
Current income taxes	20 672	7 721
Change in deferred taxes	(661)	655
	20 011	8 376

Reconciliation of income tax expense

(in CHF 1 000)	2007	2008
Net profit before tax	59 622	19 199
Average expected tax rate in %	33.6 %	34.2 %
Tax charge at expected tax rates	20 044	6 570
Tax impact:		
– of non-tax-deductible expenses	534	2 077
– of non-taxable income	(779)	(561)
– of the utilization of tax loss carry-forwards not capitalized	(1 467)	(192)
– from reversal of previously capitalized tax losses brought forward	520	246
– from recognition of previously non-capitalized tax assets on temporary differences (capital allowance)	(1 260)	(70)
– on earnings of tax loss carry-forwards not capitalized	1 320	1 940
– from previous years	1 235	(1 072)
– of tax incentive scheme	(534)	(890)
– of changes in tax rates	(59)	(382)
– of non-reclaimable withholding taxes	98	213
– of the creation and reversal of other differences	359	497
Actual income taxes	20 011	8 376

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)	31.12.2007		31.12.2008	
	Assets	Liabilities	Assets	Liabilities
Deferred taxes arising from temporary valuation differences:				
– Inventories	1 399	(700)	1 620	(451)
– Receivables	(2 060)	(1 432)	(2 867)	(1 028)
– Tangible fixed assets	(4 053)	(11 212)	(5 944)	(8 903)
– Other liabilities	6 954	85	7 658	285
– Provisions	7 332	1 039	11 793	713
	9 572	(12 220)	12 260	(9 384)
Deferred taxes arising from tax loss carry-forwards	2 672	0	3 174	0
Deferred tax from unused tax credits	0	0	671	0
	12 244	(12 220)	16 105	(9 384)

Development of deferred tax assets and tax liabilities

(in CHF 1 000)	Tax loss carry-forwards	Unused tax credits	Temporary valuation differences: Assets	Temporary valuation differences: Liabilities	Total (net)
At 31 December 2006	4 832	0	11 398	(18 648)	(2 418)
Change in scope of consolidation	0	0	154	(337)	(183)
Addition / (reversal) charged to income statement	(2 221)	0	3 569	(714)	634
Taxes charged / credited directly to equity	0	0	1 923	175	2 098
Reclassification [1]	0	0	(7 210)	7 210	0
Currency translation	61	0	(262)	94	(107)
At 31 December 2007	2 672	0	9 572	(12 220)	24
Change in scope of consolidation	232	0	34	(622)	(356)
Addition / (reversal) charged to income statement	518	717	(3 543)	1 653	(655)
Taxes charged / credited directly to equity	0	0	8 156	203	8 359
Reclassification	600	0	(1 122)	522	0
Currency translation	(848)	(46)	(837)	1 080	(651)
At 31 December 2008	3 174	671	12 260	(9 384)	6 721

[1] 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	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

(in CHF 1 000)	Deferred taxes	Current taxes	Total
2008			
Application of net investment approach	2 541	1 071	3 612
Actuarial gains and (losses) from defined-benefit plans	7 215	0	7 215
From non-capitalized assets of defined-benefit pension plans	(861)	0	(861)
Currency translation from investments in associated companies	(536)	0	(536)
Total credit / (charge) to shareholders' equity 2008	8 359	1 071	9 430

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

(in CHF 1 000)	2007	2008
Holding at beginning of the year	15 297	9 739
Change in scope of consolidation	0	829
Adjustment from previous years	2 817	60
Setoff against generated profits	(9 049)	(3 166)
Capitalization of temporary valuation differences (capital allowance)	0	2 003
Additions from losses	393	5 532
Currency translations	281	(3 202)
Holding at end of the year	9 739	11 795

Expiration of tax loss carry-forwards

(in CHF 1 000)	2007				2008			
	Tax loss carry-forwards recognized in balance sheet		Tax loss carry-forwards not recognized in balance sheet		Tax loss carry-forwards recognized in balance sheet		Tax loss carry-forwards not recognized 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	155	51	0	0	153	38
Expiry >5 years	2 271	706	66	22	3 959	1 042	799	213
Unlimited	7 468	1 966	23 374	7 562	7 836	2 132	35 058	8 366
	9 739	2 672	23 595	7 635	11 795	3 174	36 010	8 617

Deferred taxes from unused tax credits amounting to CHF 0.7 million (2007: none) expire after 7 years. In order to benefit from the tax credits, taxable earnings of CHF 2.0 million have to be generated by the companies concerned.

The unaccounted tax losses brought forward mainly concern holding companies which, due to their tax status, enjoy limited possibilities to take advantage of tax losses brought forward.

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

On 31 December 2008, Quadrant Group disposed of valuation differences between the shareholders' equity of subsidiary companies and the book value of investments in the subsidiary companies of about CHF 104.5 million (2007: CHF 134.0 million). In the case of fully consolidated investments, a provision for income taxes 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 2008 the possible deferred tax assets to be credited via income statement amounted to CHF 0.853 million (2007: CHF 1.599 million), and the deferred tax assets to be credited directly to equity amounted to CHF 2.586 million (2007: CHF 2.216 million).

23. Research and development costs

Quadrant's research and development expenses amounted to CHF 10.4 million (2007: CHF 9.4 million) in 2008.

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.

	2007	2008
Undiluted earnings per share		
Weighted average number of shares outstanding:		
– Shares subscribed for (CHF 10.00 p. v.)	2 749 543	2 750 256
– Holding of treasury stock	(102 087)	(161 894)
Weighted average number of shares for calculating undiluted earnings per share (at CHF 10.00 p. v.)	2 620 586	2 631 825
Net profit attributable to shareholders of Quadrant AG (in CHF 1 000)	39 483	10 926
Undiluted earnings per share (CHF)	**15.07**	**4.15**
Diluted earnings per share		
Weighted average number of shares outstanding for calculating undiluted earnings per share (at CHF 10.00 p. v.)	2 620 586	2 631 825
Adjustment for dilutive share options	4 737	1 754
Weighted average number of shares for calculating diluted earnings per share (at CHF 10.00 p. v.)	2 625 323	2 633 579
Net profit attributable to shareholders of Quadrant AG (in CHF 1 000)	39 483	10 926
Diluted earnings per share (CHF)	**15.04**	**4.15**

On 31 December 2008, 143 553 options reserved for the board of directors and group management board (2007: 10 042 options) were not in the money, and they were therefore not considered for the calculation of the diluted group earnings per share.

25. Contingent liabilities

(in CHF 1 000)	31.12.2007	31.12.2008
Conditional liabilities arising from guarantees	1 695	1 528
	1 695	1 528

Repayment obligations for utilized Hungarian subsidies amounting to CHF 0.6 million (2007: CHF 0.6 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 0.9 million (2007: CHF 4.6 million) were outstanding on 31 December 2008; these are not included in the consolidated balance sheet.

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 eventually required for the 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 2008, 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 229.3 million on 31 December 2008 (2007: CHF 259.0 million). This amount includes pledged real estate with a book value of CHF 13.5 million (2007: CHF 31.1 million).

Within the parameters of an ancillary contract agreed on with the banking consortium in the 2007 financial year, 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

Other guarantees

Trade receivables totaling CHF 2.2 million were pledged to local banks at 31 December 2008 (2007: CHF 4.8 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 Quadrant Group's management board are divided into a basic fee or salary and a variable profit-related component. Total remuneration of directors and members of group management board is made up as follows:

(in CHF 1 000)		Salary/ Directors' fee [1]	Stock-related remu-neration	Other costs	Social security costs	Consult-ing fee	Total
2007							
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 [2]	Director and CEO	937	0	22	134	0	1 093
Arno Schenk [2]	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
2008							
Board of directors:							
Adrian Niggli	Chairman	162	0	18	48	0	228
Marco Forster	Vice-Chairman	58	0	0	9	43	110
Luigi Borla	Director	110	0	19	11	0	140
Walter Grüebler	Director	48	0	0	6	0	54
Ulrich Suter	Director	32	0	0	5	0	37
René-Pierre Müller [2]	Director and CEO	650	0	22	121	0	793
Arno Schenk [2]	Director and CEO	650	0	24	106	0	780
Board of directors		1 710	0	83	306	43	2 142
Group management board:							
Wolf-Günter Freese	CFO	500	24	0	83	0	607
Total remuneration 2008		2 210	24	83	389	43	2 749

[1] Including profit-related variable component

[2] Also a member of the group management board

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 also Note No. 16).

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)	2007	2008
Purchases of goods	4 431	4 505
Sales of goods	23 647	15 462
Receivables	3 085	1 565
Liabilities	1 186	683
Loans	390	305
Financial income	21	25

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)	2007	2008
Shareholders' equity Quadrant AG	305 886	268 376
Minority shareholdings	2 048	1 800
Equity	307 934	270 176
Total assets	719 377	638 279
Equity ratio	42.8 %	42.3 %
Average shareholders' equity (weighted on a monthly basis)	299 439	305 196
Net profit	39 611	10 823
Return on equity	13.2 %	3.5 %

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 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 financial instruments active	190 583	122 999	0	0	0	0	0	67 584
Long-term financial receivables	400	400	0	0	0	0	0	0
Other long-term receivables	2 833	1 062	0	0	1 724	0	47	0
Total long-term financial instruments active	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	
		Loans and receivables		Trading	Designated			
Trade payables	95 172	95 172		0	0		0	
Other liabilities	34 105	34 087		0	0		18	
Short-term financial liabilities	36 967	36 967		0	0		0	
Long-term financial liabilities	172 594	172 594		0	0		0	
Other long-term liabilities	1 999	1 999		0	0		0	
Total financial instruments passive	340 837	340 819		0	0		18	
Total financial instruments	(147 021)	(216 358)	0	0	1 724	0	29	67 584

Financial instruments as at 31 December 2008

(in CHF 1 000)	Total financial instru-ments	At amortized costs: Loans and receiv-ables	At amortized costs: Held to maturity	At fair value: Trading	At fair value: Desig-nated	At fair value: Available for sale	Deri-vatives for hedging purposes	Cash
Cash and cash equivalents	80 871	0	0	0	0	0	0	80 871
Trade receivables	82 647	82 647	0	0	0	0	0	0
Other receivables	4 755	4 755	0	0	0	0	0	0
Total short-term financial instruments active	168 273	87 402	0	0	0	0	0	80 871
Long-term financial receivables	297	297	0	0	0	0	0	0
Other long-term receivables	1 354	819	0	0	535	0	[1]	0
Total long-term financial instruments active	1 651	1 116	0	0	535	0	0	0
Total financial instruments active	169 924	88 518	0	0	535	0	0	80 871

	Total financial instru-ments	At amortized costs: Loans and receiv-ables	At fair value: Trading	At fair value: Desig-nated	Deri-vatives for hedging purposes
Trade payables	84 680	84 680	0	0	0
Other liabilities	24 947	24 947	0	0	0
Short-term financial liabilities	41 183	41 183	0	0	0
Long-term financial liabilities	146 476	146 476	0	0	0
Other long-term liabilities	2 365	2 365	0	0	0
Total financial instruments passive	299 651	299 651	0	0	0

	Total financial instru-ments	Loans and receiv-ables	Held to maturity	Trading	Desig-nated	Available for sale	Deri-vatives for hedging purposes	Cash
Total financial instruments	(129 727)	(211 133)	0	0	535	0	0	80 871

[1] The market value of the outstanding interest cap as at 31 December 2008 amounted to CHF 0.001 million.

In 2007 and 2008, 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

2007

(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	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)

2008

(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	88 518	319	0	424	0	0	743	0	(410)
– 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)	535	0	0	0	0	0	0	0	0
– Available for sale	0	0	0	0	0	0	0	0	0
Total financial receivables	89 053	319	0	424	0	0	743	0	(410)
Liabilities:									
– Other liabilities	(299 651)	0	0	0	(8 877)	(1 176)	(10 053)	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	(299 651)	0	0	0	(8 877)	(1 176)	(10 053)	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)	0	0	0	0	0	(110)	(110)	64	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	0	0	0	0	0	(110)	(110)	64	0
Cash and cash equivalents	80 871	456	0	0	0	0	456	0	0
Total	(129 727)	775	0	424	(8 877)	(1 286)	(8 964)	64	(410)

Derivative financial instruments

A derivative financial instrument is used to hedge against interest risks connected with group financing. The main parameters of the interest rate caps outstanding on 31 December 2008 are:

- Par value: CHF 88.000 million
- Market value: CHF 0.001 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 interest cap 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.

No derivative financial instruments (forward exchange transactions) were used to hedge against currency risks as at 31 December 2007 and 2008.

30. Risk management

Both, the board of directors and the group management board, deal with issues concerning risk management. A top-down and bottom-up approach is applied to ensure a comprehensive approach to risk assessment.

The board of directors assesses strategic and operational risk issues from the group's perspective (top-down). Analyses carried out by the group management board represent the basis for discussion during the board of directors' annual strategy meeting.

In addition, the individual group divisions carry out a systematic analysis of risk (bottom-up). Owing to its size and global perspective, the High-Performance Plastics Division also conducts a regional analysis. Local management assesses defined risk areas and provides an independent assessment of the risk. Guidelines in the form of standardized assessment criteria ensure that the assessment of risk is as comparable as possible. The resulting risk reporting is then presented at a board of directors meeting by Internal Audit.

Based on the internal group reporting, which includes an updated forecast once per quarter, the board of directors obtains regular information concerning the group's financial, asset and earnings situation, and assesses these with a view on the budget and the corporate targets. Together with the systematically compiled risk information, this represents the basis for risk assessment by the board of directors. Entrepreneurial risks are, therefore, limited to a dimension defined by the board of directors.

This risk assessment is carried out in view of the group's steering and control and in connection with financial accounting in order to avoid substantial misinterpretation in the consolidated financial statements. Currently, the group does not apply statistical methods or simulation models based on mathematics.

The group management board obtains its information concerning current risk issues and their potential future consequences from regular meetings with the local management and visits on site. Furthermore, the monthly internal reporting in consideration with a comparison of actual and budgeted values ensures that corrective measures could be taken timely.

The risk management of financial instruments is presented separately in Note No. 31.

31. 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.

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. guarantees 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. Furthermore, until the end of 2009, the credit risks of Quadrant Plastic Composites activities in the automobile industry are covered to a large degree by a credit insurance.

While credit risk management has not changed when compared to the previous year, the uncertain recessive economic situation produces higher credit risks. However, the risk situation continues to be considered limited when taking into consideration the existing monitoring procedures and the broad distribution of accounts receivables. Quadrant does not expect a material impact on the asset, financial and earnings situation.

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)	31.12.2007			31.12.2008		
	Par value	Individual value adjustment	Collective value adjustment	Par value	Individual value adjustment	Collective value adjustment
Accounts receivables						
Customer receivables:						
a) Not past due	102 198	0	(384)	71 283	0	(695)
b) Past due since						
– < 30 days	9 113	0	(96)	8 741	0	(122)
– 31–60 days	2 393	0	(264)	1 063	(8)	(2)
– 61–90 days	1 294	(12)	(235)	933	(309)	(3)
– 91–180 days	1 541	(364)	(252)	708	(452)	(26)
– 181–360 days	363	(363)	0	681	(653)	(28)
– More than 360 days	2 169	(2 169)	0	1 956	(1 951)	(5)
	119 071	(2 908)	(1 231)	85 365	(3 373)	(881)
Accounts receivables from associated companies:						
a) Not due	2 892	0	0	1 002	0	0
b) Past due < 180 days	187	0	0	534	0	0
	3 079	0	0	1 536	0	0
	122 150	(2 908)	(1 231)	86 901	(3 373)	(881)
Other accounts receivables						
a) Not due						
– Loans to employees	16	0	0	1	0	0
– Loans to associated companies	390	0	0	334	0	0
– Other accounts receivables	4 582 [1)]	0	0	4 420	0	0
b) Past due > 360 days (loans)	0	0	0	0	0	0
	4 988	0	0	4 755	0	0
Total accounts receivables	**127 138 [1)]**	**(2 908)**	**(1 231)**	**91 656**	**(3 373)**	**(881)**

[1)] Correction previous year: reduction due to tax receivables (value-added tax) amounting to CHF 5.042 million

Composition and development of value adjustments

(in CHF 1000)	Trade accounts receivables			Other accounts receivables		
	Individual value adjustment	Collective value adjustment	Total	Individual value adjustment	Collective value adjustment	Total
At 31 December 2006	(2452)	(1003)	(3455)	(1000)	0	(1000)
Change in scope of consolidation	0	(37)	(37)	0	0	0
Addition changed to income	(751)	(336)	(1087)	0	0	0
Release / utilization	348	56	404	1000	0	1000
Currency translation	(53)	89	36	0	0	0
At 31 December 2007	**(2908)**	**(1231)**	**(4139)**	**0**	**0**	**0**
Change in scope of consolidation	(174)	0	(174)	0	0	0
Addition changed to income	(718)	(200)	(918)	0	0	0
Release / utilization	92	416	508	0	0	0
Currency translation	335	134	469	0	0	0
At 31 December 2008	**(3373)**	**(881)**	**(4254)**	**0**	**0**	**0**

Maturity index of long-term accounts receivables

(in CHF 1000)	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**

(in CHF 1000)	Maturity					Total
	2010	2011	2012	2013	> 2013	
Loans to employees	43	4	250	0	0	297
Assets from non-qualified retirement pension plans	0	0	535	0	0	535
Other long-term accounts receivables	748	3	0	0	68	819
At 31 December 2008	**791**	**7**	**785**	**0**	**68**	**1651**

Liquidity risks

The group finance department controls and monitors the group-wide finance situation and the cash 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. Nevertheless, the continuing financial crisis and the unpredictable development of the banking industry increase the liquidity risk. Quadrant believes that this risk remains limited considering the strict liquidity management.

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	32 787 [1]	0	63	0	32 850 [1]	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	145 085 [1]	4 461	19 904	4 052	164 989 [1]	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					341 742 [1]	29 170

[1] Correction previous year: reduction due to tax receivables (value-added tax) amounting to CHF 5.813 million

Development of cash flows 2008 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	84 201	0	479	0	84 680	0
Other liabilities	24 102	0	539	0	24 641	0
Short-term financial liabilities						
– Secured	4 383	61	1 190	23	5 573	84
– Unsecured	1 424	77	2 131	53	3 555	130
– Syndicated bank loan	15 500	3 165	15 750	2 882	31 250	6 047
– Finance leasing	402	95	403	79	805	174
Short-term financial liabilities	21 709	3 398	19 474	3 037	41 183	6 435
Short-term liabilities	130 012	3 398	20 492	3 037	150 504	6 435

	Agreed cash flows					
	2–5 years		> 5 years		Total	
	Capital	Interest	Capital	Interest	Capital	Interest
Long-term liabilities						
Long-term financial liabilities						
– Secured	1 881	117	0	0	1 881	117
– Unsecured	952	50	0	0	952	50
– Syndicated bank loan	142 181	11 720	0	0	142 181	11 720
– Finance leasing	2 422	374	680	10	3 102	384
Long-term financial liabilities	147 436	12 261	680	10	148 116	12 271
Other long-term liabilities	2 257	520	108	18	2 365	538
Long-term liabilities	149 693	12 781	788	28	150 481	12 809
Total liabilities					300 985	19 244

Market-price 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 2008, the liabilities toward the bank consortium amounted to CHF 173.431 million (2007: CHF 196.431 million). The essential benchmark figures of the interest cap as at 31 December 2008 are (see also Note No. 29 concerning financial instruments):

Par value:	CHF 88.000 million (2007: CHF 102.000 million)
Fair market value:	CHF 0.001 million (2007: CHF 0.047 million)
Exercising interest rate:	based on a CHF Libor of 4.0 %
Maturity:	30 June 2006 until 31 December 2009
Cover:	at least 50 % of the syndicated bank loan

In 2008, 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 (2007: CHF 2.0 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.

The following table shows the foreign currency position of the Quadrant companies resulting from monetary positions as at 31 December 2007 and 2008 (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)	2007			2008		
	CHF	EUR	USD	CHF	EUR	USD
Cash and cash equivalents	608	7 875	6 051	767	9 045	4 797
Short-term receivables	7	12 618	11 698	66	16 291	7 573
Long-term receivables	5 700	21 641	0	3 700	13 451	872
Total monetary assets	6 315	42 134	17 749	4 533	38 787	13 242
Short-term liabilities	(1 870)	(23 576)	(7 192)	(986)	(15 548)	(5 063)
Short-term financing liabilities	(24 960)	(7 403)	(2 591)	(27 065)	(6 870)	(1 374)
Long-term liabilities	0	0	0	0	(298)	(692)
Long-term financing liabilities	(128 909)	(785)	0	(100 295)	(705)	(739)
Total monetary liabilities	(155 739)	(31 764)	(9 783)	(128 346)	(23 421)	(7 868)
Balance sheet foreign currency risks	**(149 424)**	**10 370**	**7 966**	**(123 813)**	**15 366**	**5 374**
Net sales	0	104 036	37 444	626	91 881	20 917
Material costs	0	(77 039)	(5 011)	0	(56 944)	(5 099)
Foreign currency risks, gross	**(149 424)**	**37 367**	**40 399**	**(123 187)**	**50 303**	**21 192**

Sensitivity analysis:

EUR and USD are of relevance in evaluating the preceding foreign exchange risks. 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 2007 and 2008 financial years all other variables, especially interest rates, remained constant.

(in CHF millions)	2007		2008	
	Shareholders' equity	Income statement	Shareholders' equity	Income statement
EUR	(15.8)	(1.8)	(14.0)	(1.0)
USD	(15.8)	(1.4)	(13.6)	(0.8)

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

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 limited 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.

Hedging tools 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 inception 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 remaining 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.

32. 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 scope for discretion determines the book value of the goodwill.

Taxes

The group has material current 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.

Post-employment benefits

The provisions for post-employment benefits stated in the consolidated balance sheet (see Notes No. 14 and 17) are affected by factors which cannot be objectively determined. For example, the expected long-term return on plan assets, 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.

33. Significant scope for discretion (accounting principles)

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.

34. 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 26 March 2009. The annual general meeting called for 5 May 2009 will vote on the final acceptance of the consolidated financial statements.

No notifiable events have occurred since balance sheet date.

KPMG

Report of the Statutory Auditor
to the General Meeting of
Quadrant AG, Lenzburg

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Quadrant AG, Lenzburg, which are presented on pages 17 to 92 and comprise the consolidated income statement, consolidated balance sheet, statement of the group's recognized income and expenses, change in shareholders' equity, consolidated cash flow statement and notes for the year ended 31 December 2008.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728 a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG

Hanspeter Stocker	Thomas Lehner
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 26 March 2009

QUADRANT

QUADRANT

Income statement

(in CHF 1 000)	2007	2008
Income from subsidiaries	4 900	4 900
Financial income:		
– Group companies	2 265	1 665
– Third parties	1 152	218
Other operating earnings:		
– Group companies	7 538	7 066
– Third parties	5	12
Total income	**15 860**	**13 861**
Financial expenses:		
– Group companies	(323)	(2 145)
– Third parties	(2 899)	(2 872)
– For treasury stock, net	(1 625)	(11 397)
Personnel costs	(5 765)	(4 890)
Operating expenses	(3 504)	(3 752)
Depreciation	(322)	(342)
Value adjustment on investments	0	(5 000)
Total expenses	**(14 438)**	**(30 398)**
Profit (loss) before income taxes	**1 422**	**(16 537)**
Taxes	(60)	(57)
Profit / (loss) of the year	**1 362**	**(16 594)**

Balance sheet

ASSETS

(in CHF 1 000)	Note	31.12.2007	31.12.2008
Cash and cash equivalents		5 590	3 810
Receivables:			
– Third parties		150	162
– Group companies		12 953	14 111
Current assets		**18 693**	**18 083**
Tangible fixed assets		147	536
Financial assets:			
– Investments in subsidiaries	1	165 278	160 278
– Loans to group companies		24 205	22 430
– Other financial assets		34	35
Intangible assets:			
– Capitalized financing costs		612	617
– Organization costs		578	354
– Other intangible assets		69	42
Treasury stock	2	14 919	9 661
Fixed assets		**205 842**	**193 953**
Total assets		**224 535**	**212 036**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in CHF 1 000)	Note	31.12.2007	31.12.2008
Liabilities:			
– Third parties	3	2 046	4 788
– Group companies		413	263
Bank debt		3 182	2 132
Loans from group companies		1 352	1 267
Accrued expenses		739	325
Current liabilities		7 732	8 775
Bank debt		39 092	44 092
Loans from group companies		5 700	3 700
Non-current liabilities		44 792	47 792
Liabilities		**52 524**	**56 567**
Share capital	4 / 5	27 495	27 503
Legal reserves:			
– General reserve	4	81 058	75 609
– Reserve for treasury stock	4	16 181	21 674
Retained earnings:			
– Profit brought forward		45 915	47 277
– Profit / (loss) of the year		1 362	(16 594)
Shareholders' equity	**6**	**172 011**	**155 469**
Total liabilities and shareholders' equity		**224 535**	**212 036**

Notes to the financial statements

1. Investments in subsidiaries

(in CHF 1 000)			31.12.2007		31.12.2008	
		Currency	Share capital	Equity holding	Share capital	Equity holding
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	100	100 %	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	[1]	100 %	[1]	100 %

[1] 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)	2007	2008
Holding on 1 January	13 509	16 181
Purchase from third-party interests	21 394	10 813
Purchase from subsidiaries	1 181	0
Sales	(19 540)	(4 674)
Realized losses	(363)	(646)
Holdings of Quadrant AG at 31 December at cost of acquisition	16 181	21 674
Unrealized losses	(1 262)	(12 013)
Holding of Quadrant AG at 31 December	**14 919**	**9 661**
Shares owned by group companies	0	0
Holding of Quadrant Group at 31 December	14 919	9 661

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

Holdings of treasury stock on 31 December 2008 corresponded to 5.9 % of the company's share capital (2007: 3.7 %).

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)	2007	2008
Holding on 1 January	87 826	102 087
Purchases	105 960	100 589
Sales	(91 699)	(40 782)
Holding of Quadrant AG, 31 December	102 087	161 894
Shares owned by group companies	0	0
Holding of Quadrant Group, 31 December	102 087	161 894

3. Liabilities to third parties

(in CHF 1 000)	31.12.2007	31.12.2008
Liabilities from option commitments:		
– Board of directors’ options	0	3 446
– Management options	28	40
Other	2 018	1 302
	2 046	**4 788**

Obligations from option liabilities are retired via the income statement with effect from the due date or the expiration of the options.

4. Share capital

(in CHF 1 000)	31.12.2007	31.12.2008
Share capital	**27 495**	**27 503**
General reserve	81 058	75 609
Reserve for treasury stock	16 181	21 674
Legal reserves	**97 239**	**97 283**
Authorized capital	**13 125**	**13 125**
Conditional capital (available)	**11 880**	**11 873**

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 161 894 shares of treasury stock at 31 December 2008 (2007: 102 087 shares). This corresponds to 5.9 % (2007: 3.7 %) of the share capital of 2 750 256 registered shares of CHF 10.00 p. v. (2007: 2 749 543 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 2006	12 637 [1]		
Changes in 2007	488 [2]	n. a.	n. a.
At 31 December 2007	13 125		
Changes in 2008	0	n. a.	n. a.
At 31 December 2008	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)	31.12.2007	31.12.2008	Subscription right
For capital market purposes	7 875	7 875	possible
For management stock option plans	5 250	5 250	no
Approved capital	13 125	13 125	

Conditional capital (available)	Capital market purposes	Management stock option plans	Total
Available capital at 31 December 2006 [1]	7 875	5 250	13 125
Utilization 2007			
– Exercise of QUANO options	(1 113)	0	(1 113)
– Exercise of management options	0	(132)	(132)
Available capital at 31 December 2007	6 762	5 118	11 880
Utilization 2008			
– Exercise of management options	0	(7)	(7)
Available capital at 31 December 2008	6 762	5 111	11 873

[1] In accordance with a resolution passed by the annual meeting of shareholders on 4 May 2007

5. Stock options

On 31 December 2008, a total of 148 579 options (2007: 19 764 options) entitling holders to acquire shares at a ratio of 1:1 were outstanding. These options entitle the holders to acquire a maximum of 148 579 Quadrant shares (2007: 19 764 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 expired on 14 May 2007 and were publicly traded on the SIX 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 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, 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 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 AG, 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.

All 118 500 options were outstanding as of 31 December 2008.

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 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
Forfeited	(1 318)		(442)		(1 760)	
At 31 December 2007	13 180		6 584		19 764	
Issue of options 2008 / 2013	7 853	242	4 072	125	11 925	367
Exercise of options 2004 / 2009	(428)	31	(285)	21	(713)	52
Forfeited	(559)		(338)		(897)	
At 31 December 2008	20 046		10 033		30 079	

The price of call options issued to management in 2008 was calculated by an independent bank according to the trinomial model at CHF 30.78. This was based on the following values:

– Current share price	CHF 135.00
– Exercise price	CHF 141.75
– Expected volatility	33.5 % (historical volatility according to Bloomberg)
– Life of the option	16 May 2013
– Expiry of blocking period	16 May 2011
– Risk-free interest rate	3.265 %
– Type of option	American

The average share price in the 2008 financial year weighted with the trading volume amounted to CHF 113.05 (2007: CHF 210.66).

6. Changes in shareholders' equity

(in CHF 1 000)	Share capital	Legal reserves: General reserve	Legal reserves: Reserve for treasury stock	Retained earnings	Total
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**
Increase in share capital from conditional capital	8	44	0	0	52
Reserve for treasury stock	0	(5 493)	5 493	0	0
Net profit for the year	0	0	0	(16 594)	(16 594)
At 31 December 2008	**27 503**	**75 609**	**21 674**	**30 683**	**155 469**

7. Pledged assets and guarantee commitments

The shares of the following direct and indirect participations of Quadrant AG have been pledged as at 31 December 2008 in connection with syndicated group financing:

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

Quadrant AG, together with Quadrant EPP Belgium N. V. and Quadrant Plastic Composites AG, is liable for the syndicated acquisition loan of CHF 310.0 million utilized by various group companies. At 31 December 2008, the amount of the loan required by the group companies amounted to a total of CHF 173.4 million and is shown as follows:

– Quadrant AG	CHF 44.1 million
– Quadrant Deutschland Holding GmbH & Co. KG	CHF 26.1 million
– Quadrant EPP Nederland B. V.	CHF 12.5 million
– Quadrant EPP USA Inc.	CHF 57.5 million
– Quadrant Holding France SAS	CHF 0.8 million
– Quadrant Holding Inc.	CHF 20.0 million
– Quadrant Holding B. V.	CHF 3.2 million
– Quadrant Holding UK Ltd	CHF 2.2 million
– Quadrant Plastic Composites AG	CHF 7.0 million

8. 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 1.6 million (2007: CHF 1.7 million).

9. Off-balance-sheet leasing commitments

On 31 December 2008, the company held tangible fixed assets under operating leasing contracts with commitments totaling some CHF 1.4 million (2007: CHF 0.5 million).

(in CHF 1 000)	2007	2008
2008	234	
2009	229	378
2010		350
2011		325
2012		292
2013		53
Total future minimum leasing payments	**463**	**1 398**

10. Liabilities to pension funds

On 31 December 2008, the company had no liabilities to its pension fund (2007: none).

11. 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.

12. Risk management

Based on the risk reporting made by management, Quadrant AG's board of directors has carried out a risk assessment making adequate allowance for the Quadrant Group's strategic risk considerations.

Further information on the Quadrant Group's risk management is set out in Note No. 30 to the 2008 consolidated financial statements.

13. Major shareholders [1]

	31.12.2007			31.12.2008		
	Shares	Options [2]	Total	Shares	Options [2]	Total
Shareholders' group Corisol Holding AG & Swiss Small Cap Invest	n. a.	–	n. a.	10.40 %	–	10.40 %
Dr. A. Schenk	5.30 %	–	5.30 %	5.03 %	1.25 %	6.28 %
Pool Dr. R.-P. Müller	4.80 %	–	4.80 %	4.43 %	1.25 %	5.68 %
Dr. A. Niggli	n. a.	–	n. a.	2.99 %	1.25 %	4.24 %

[1] In accordance with article 663 c, Swiss Code of Obligations (> 3 %) and pro rata to shareholders' equity as stated in the Commercial Register on the balance sheet date

[2] Assuming all options or stock subscriptions were exercised on the balance sheet date

As of 31 December 2008, the company is not aware of any further major shareholders or shareholder groups pooling voting rights with a shareholding requiring public disclosure.

14. Stock and options owned by board of directors and group management board

The stock and options owned by the individual members of the board of directors and the group management board including related persons in accordance with article 663 b^{bis}, Swiss Code of Obligations, are disclosed on the following list:

		31.12.2007		31.12.2008	
		Amount of stock	Amount of options	Amount of stock	Amount of options
Board of directors:					
Adrian Niggli	Chairman	78 745	0	82 485	34 500
Marco Forster	Vice-Chairman	0	0	0	1 700
Luigi Borla	Director	400	642	400	3 942
Walter Grüebler	Director	27 324	0	27 324	10 000
Ulrich Suter	Director	n. a	n. a.	0	0
René-Pierre Müller [1]	Director and CEO	126 418	0	121 919	34 500
Arno Schenk [1]	Director and CEO	138 235	0	138 235	34 500
		371 122	642	370 363	119 142
Group management board:					
Wolf-Günter Freese	CFO	0	1 338	0	2 118
Total		371 122	1 980	370 363	121 260

[1] Also a member of the group management board

15. 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 Quadrant Group's management board are divided into a basic fee or salary and a variable profit-related component. Total remuneration of directors and members of group management board is made up as follows:

(in CHF 1 000)		Salary/ Directors' fee [1]	Stock-related remuneration	Other costs	Social security costs	Consulting fee	Total
2007							
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 [2]	Director and CEO	937	0	22	134	0	1 093
Arno Schenk [2]	Director and CEO	937	0	24	115	0	1 076
		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
2008							
Board of directors:							
Adrian Niggli	Chairman	162	0	18	48	0	228
Marco Forster	Vice-Chairman	58	0	0	9	43	110
Luigi Borla	Director	110	0	19	11	0	140
Walter Grüebler	Director	48	0	0	6	0	54
Ulrich Suter	Director	32	0	0	5	0	37
René-Pierre Müller [2]	Director and CEO	650	0	22	121	0	793
Arno Schenk [2]	Director and CEO	650	0	24	106	0	780
		1 710	0	83	306	43	2 142
Group management board:							
Wolf-Günter Freese	CFO	500	24	0	83	0	607
Total remuneration 2008		2 210	24	83	389	43	2 749

[1] Including performance-related variable components
[2] Also a member of the group management board

16. Events occurring after year-end

Quadrant AG's stock price has fluctuated considerably since 31 December 2008. Should the stock price decline turn out to be lasting, further value adjustments might have to be made to the treasury stock valued at CHF 59.90.

There are no further facts requiring disclosure in accordance with article 663 b, Swiss Code of Obligations.

Proposed appropriation of available earnings

(in CHF 1 000)	2007	2008
Carried forward on 1 January	45 915	47 277
Profit / (loss) of the year	1 362	(16 594)
Retained earnings on 31 December	**47 277**	**30 683**

The board of directors will propose to the annual general meeting of shareholders called for 5 May 2009 to offset the loss of the year against the profit brought forward and to carry forward the retained earnings of CHF 30.683 million.

KPMG

Report of the Statutory Auditor
to the General Meeting of
Quadrant AG, Lenzburg

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Quadrant AG, Lenzburg, which are presented on pages 97 to 111 and comprise the income statement, balance sheet and notes for the year ended 31 December 2008.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728 a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Hanspeter Stocker	Thomas Lehner
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 26 March 2009

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

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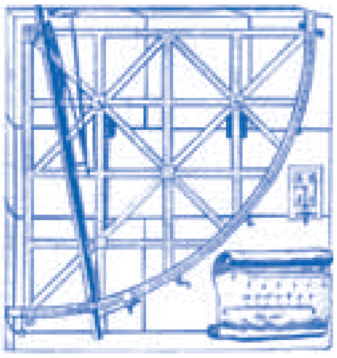

THE QUADRANT

<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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