CROSS Industries AG

ANNUAL REPORT 2013

KEY FIGURES

	2013 in €m	2012 in €m	2011 in €m
Earnings figures			
Revenues	896.3	788.6	678.6
EBITDA	111.1	95.3	85.5
Operating income (EBIT)	59.3	48.0	38.9
Net profit from continuing operations	37.7	21.8	21.5
Key balance sheet figures			
Balance sheet total	977	917.9	818.5
Equity	346.3	316.1	306.0
Net debt	342.7	361.5	320.4
Cash flow			
Cash flow from operating activities	64.1	75.8	57.3

CROSS Industries AG bond

ISIN	AT0000A0WQ66
Coupon	4.625%
Maturity	2012–2018
Issuing total	€ 75m
Denomination	€ 500
Listing	Second Regulated Market of the Vienna Stock Exchange

CROSS Industries AG

ANNUAL REPORT 2013

CROSS INDUSTRIES AG IS AN INDUSTRIAL GROUP, STRATEGICALLY AND OPERATIVELY FOCUSING ON THE AUTOMOTIVE SECTOR. THE CROSS INDUSTRIES GROUP COMPRISES THE FOLLOWING STRATEGIC CORE AREAS – "COMPLETE VEHICLE" WITH ITS SHAREHOLDINGS IN KTM AG, KTM TECHNOLOGIES GMBH AND KISKA GMBH, "LIGHTWEIGHT" WITH ITS SHAREHOLDINGS IN WETHJE GROUP, AS WELL AS "HIGH PERFORMANCE" WITH ITS SHAREHOLDINGS IN PANKL RACING SYSTEMS AG AND WP PERFORMANCE GROUP.

Overall, the business year 2013 was greatly successful for the CROSS Industries Group. The KTM Group realized new sales and revenue records and looks back on the most successful year in the company's history. The Pankl Group could increase revenues in 2013 as well. The CROSS Industries Group successfully sold its shareholdings in the IT sector and is now concentrating even more on the automotive sector, which is characterized by a major investment in a new production site at the headquarters of WP Group in Munderfing.

The CROSS Industries Group realized revenues in the amount of € 896.3m (previous year: € 788.6m) and an EBIT of € 59.3m (previous year: € 48.0m). The result from continuing operations of the business year amounts to € 37.7m (previous year: € 21.8m).

In the business year 2013 the **KTM AG** realized the highest sales and revenue figures in the company's history. The group revenues increased to € 716.4m (+17.1%) and 123,859 (+15.6%) vehicles were sold, taking into consideration the 200 Duke and 390 Duke models sold by KTM's partner Bajaj in India. The reason for that amongst others was the successful launch of the new 1190 Adventure as well as the 390 Duke.

Therefore the KTM Group could extend its market share by 11% despite a market decline of approximately 3.8% in Europe in 2013. At the European overall market KTM gained an 8.5% share. In the USA, where the market developed slightly positive with 2.7%, the group's market share increased by 8.5% to 4.0%.

In the business year 2013 the EBIT reached € 54.9m, which is with 49.5% high above previous year's value. This led to a strong rise in the EBIT margin to 7.7%, compared to the business year 2012 with 6.0%.

In 2013 the KTM Group invested in the further development of the existing product range and in new KTM products in the offroad and street segment as well as the development and procurement of tools. Furthermore KTM leads the development of the first generation of a comprehensive Husqvarna 2- and 4-stroke engine model range for the motocross and enduro sector to serial production. According to prognosis, the KTM Group is expecting the overall European market to stabilize at a low level and the American overall market shows a stable to slightly positive development. Through the implementation of new models KTM consistently pursues a global product strategy and further expansion into Asian markets. Based on this framework KTM expects further increase of revenues and sales for 2014.

In the business year 2013, revenues of Pankl Group increased by 9.5% to € 139.8m. The EBIT declined from the record € 10.4m in 2012 to € 6.2m in 2013. In the first half of the business year racing budgets were squeezed due to the uncertain economic outlook. In Formula 1, still Pankl's largest market, teams focused primarily on the 2014 season rule changes, which led to a decline in business for the 2013 season.

In the first few months of the business year, Pankl also experienced declines in the US aerospace business. In the first half the growth in sales was rather moderate with 1.5%, but on a quarterly basis, all business segments developed favourably from second half onwards and sales figures increased to 16.8%. For 2014 Pankl is expecting a growth rate from 7% to 10% and significantly higher operating results.

The business year 2013 for WP Performance Group was characterized by a major investment in the area of frame production. A new production site at the headquarters of WP Performance Group in Munderfing was built and production launched in the first quarter 2013. According to this modern headquarters the logistic cycles can be improved significantly and the process and product quality will also rise strongly. WP Performance Group increased revenues in its core business and achieved revenues in the amount of € 111.1m, also the EBIT increased to € 6.4m.

Wethje Group increased the revenues by 3% to € 25.2m, whereby the business year was characterized by series production start-ups. The production site in Pleinting was completed in 2013.

In December 2013 CROSS Industries AG sold 90% of its shares in CROSS Immobilien GmbH, Wels, which holds WP-Immobilien, Munderfing as main asset, to WP Performance Systems GmbH and held 5% at the reporting date.

As of the reporting date on 31 December 2013 the Group held 50% in CROSS Informatik GmbH, Wels, which sold the majority interests in BRAIN FORCE HOLDING AG, in All for One Steeb AG as well as the minority interest in Triplan AG in 2013. The CROSS Informatik GmbH does not hold any further shares.

The development of the CROSS Industries Group strongly depends on the development of subsidiaries integrated in the corporation.

For 2014 a positive outlook can be given for all business segments of the CROSS Industries Group. Based on the current market development and the consistent implementation of its global product strategy the KTM Group expects a further increase of revenues and sales for 2014. The Pankl Group sees its future with confidence due to the expected further growth of its racing and aerospace business and the acquired bulk order from sports car manufacturers in the high performance sector. The order situation at WP Performance Group for suspension elements and frame production for 2014 is at previous year's level, as result of which revenues will remain consistent. Innovative products will be the key to a successful future development.

As a result of the stable financial situation in all subsidiaries with high equity ratios and financing with matching maturities, new market opportunities will arise for companies of the CROSS Industries Group in 2014.

Wels, April 2014

Stefan Pierer
CEO

MANAGEMENT BOARD

Stefan Pierer (CEO)
Appointed until 31 December 2016

After graduating from the Montan University Leoben (Business and Energy Management), Stefan Pierer started his career as sales assistant at HOVAL GmbH in Marchtrenk in 1982 and later on as sales manager and authorized signatory. In 1987, he founded the CROSS Industries Group in which he acts as shareholder and member of the Management Board. He has been shareholder and member of the Executive Board of the KTM Group since 1992. In 2011 he established Pierer Industrie AG, in which he is sole shareholder and Chairman of the Management Board.

Other functions:
- Chairman of the Management Board of KTM AG and Pierer Industrie AG
- Chairman of the Supervisory Board of Pankl Racing Systems AG and BRAIN FORCE HOLDING AG; Member of the Supervisory Board of SMP Deutschland GmbH, Germany

Friedrich Roithner (CFO)
Appointed until 30 June 2018

After graduating from the Johannes Kepler University in Linz (Business Administration) Friedrich Roithner started his career at Ernst & Young GmbH. After three years he left the company and joined Austria Metall AG, where he was member of the Management Board from 2002 until 2006. In 2006 Friedrich Roithner joint the Mangement of CROSS Industries Group. From March 2008 until June 2010 he was member of the Management Board of Unternehmens Invest AG; in July 2010 he joined the Management Board of CROSS Industries AG. In January 2011 he was appointed CFO of KTM AG.

Other functions:
- Member of the Management Board of KTM AG
- Deputy Chairman of the Supervisory Board of BRAIN FORCE HOLDING AG; Member of the Supervisory Board of Pankl Racing Systems AG and All for One Steeb AG, Germany

SUPERVISORY BOARD

Rudolf Knünz
Chairman, Entrepreneur

Josef Blazicek
Deputy Chairman, Entrepreneur

Ernst Chalupsky
Member, Attorney

Gerald Kiska
Member, Entrepreneur

Alfred Hörtenhuber
Appointed until 31 January 2018

After taking his school leaving exam Alfred Hörtenhuber began his career as sales assistant at K. Rosenbauer KG in Leonding in 1975 and afterwards as export manager for Western Europe. He completed a management training at the MZSG St. Gallen and the IMD Lausanne. In 1985 Alfred Hörtenhuber joined the Miba Group, where he started out as marketing manager. In 1990 he became member of the Management Board and was responsible for marketing, research and development of Miba Sintermetall AG. In 1998 he was appointed member of the Management Board of Miba AG and CEO of the Miba Friction Group. Since 2008 Alfred Hörtenhuber has been member of the Management Board of CROSS Motorsport Systems AG and since October 2010 also member of the Management Board of CROSS Industries AG.

Other functions:
- Member of the Supervisory Board of Pankl Racing Systems AG and KTM AG
- Member of the Board of the Foundation TGW Future Privatstiftung

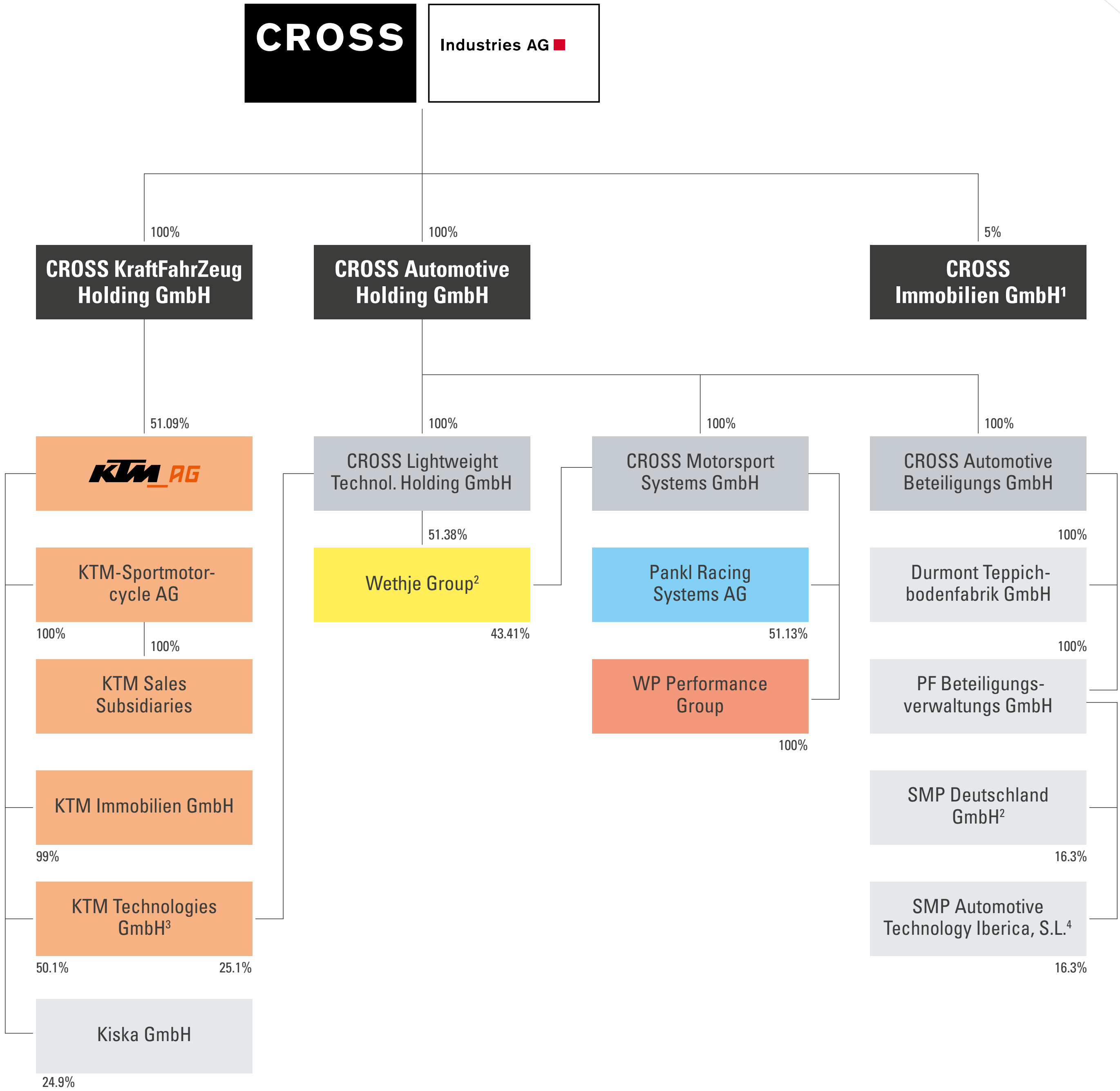
Klaus Rinnerberger
Appointed until 30 September 2015

After graduating from the University of Vienna (Law) Klaus Rinnerberger startet his career in 1987 at Arthur Andersen & Co as auditor and consultant. He had several executive positions in the automotive industry, e. g. member of the Management Board of Magna Automobiltechnik AG and Magna Steyr AG. In 2009 he became member of the Management Board of Polytec Holding AG and until November 2011 he was CEO of the Peguform Group. In October 2010 he became member of the Management Board of CROSS Industries AG.

Other functions:
- Member of the Supervisory Board of SMP Deutschland GmbH

GROUP STRUCTURE

Simplified presentation as of 31 December 2013



1 95% are held by WP Performance Group
2 5.21% are held by Pierer Invest Beteiligungs GmbH
3 24.8% are held by Kiska Holding GmbH
4 83.7% are held by Samvardhana Motherson Group, India (simplified presentation)

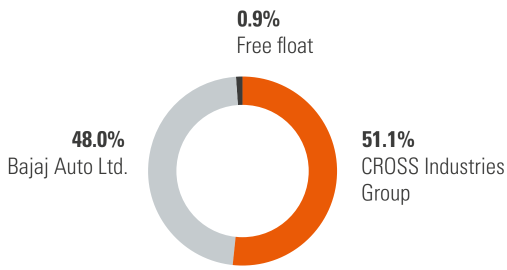
KTM AG

MILESTONES OF THE BUSINESS YEAR

- 2013 was another record year for KTM AG; highest sales and revenues in the company's history
- 123,859 motorcycles sold worldwide (+15.6%); revenues increased by 17.1% to € 716.4m
- Equity ratio increased to 49.5%
- Successful market launch of KTM models 1190 Adventure and 390 Duke
- Increase of market shares – 8.5% of the overall European market and 4% of the North American market
- Consistent implementation of global product strategy and expansion into the growth markets of Asia and South America
- Investments in the amount of approximately € 68m planned – for new development projects, buildings and expansion of capacity

KEY FIGURES in €m	2013	2012
Revenues	716.4	612.0
EBITDA	87.7	67.8
EBIT	54.9	36.7
Net profit of the year	36.5	25.3
Balance sheet total	571.4	521.4
Equity	282.8	254.5
Net debt	82.4	99.3
Free cash flow	25.2	15.6

SHAREHOLDER STRUCTURE as of 31 Dec 2013



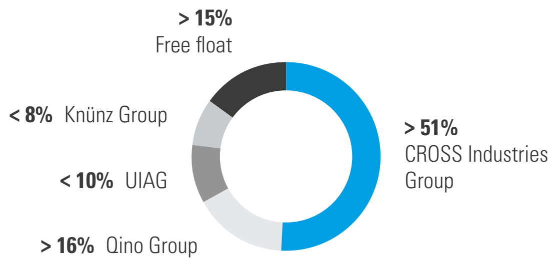
PANKL RACING SYSTEMS AG

MILESTONES OF THE BUSINESS YEAR

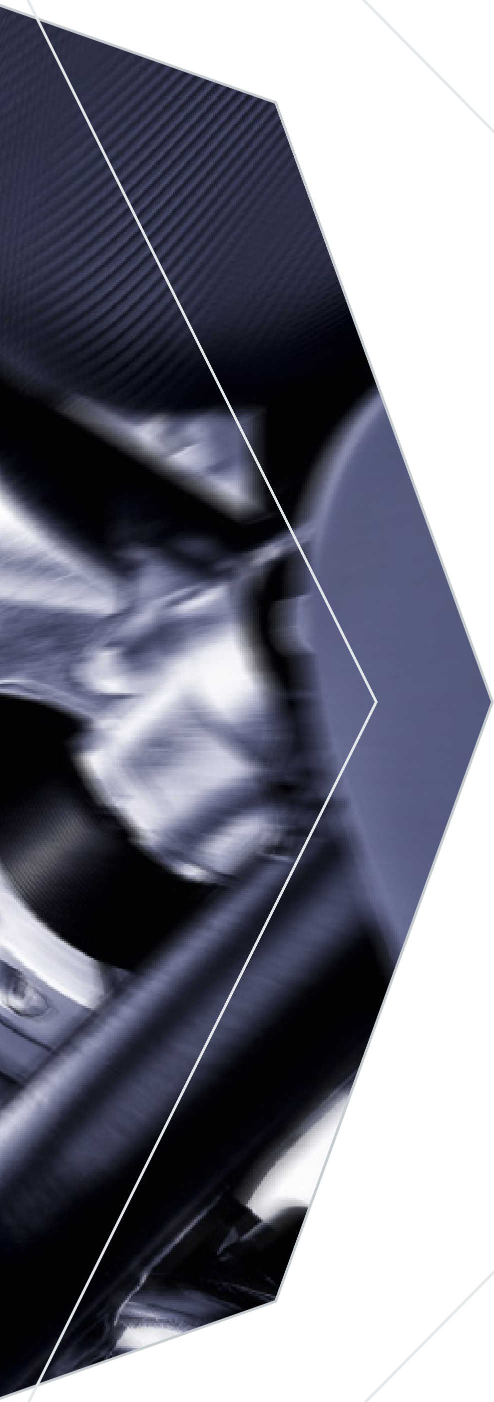
- Sales increased by 9.5% to € 139.8m
- EBIT decreased from € 10.4m to € 6.2m
- Profitability burdened by start-up expenses for new serial production projects and weak F1 business and weak results in the first quarter of the US aerospace subsidiary
- Significant revenue increase in the second half 2013 (16.8%)
- As of October 2013 record order intake from F1
- Pankl – APC Turbosystems GmbH almost doubled revenues
- Planned dividend payment of € 0.20 per share, or 30% of the annual profit, in total € 630k
- Pankl expects revenues growth of 7% to 10% for business year 2014

KEY FIGURES in €m	2013	2012
Revenues	139.8	127.7
EBITDA	17.5	19.9
EBIT	6.2	10.4
Net profit of the year	2.5	5.9
Balance sheet total	170.7	149.8
Equity	68.3	69.6
Net debt	68.2	46.8
Free cash flow	(17.9)	(12.2)

SHAREHOLDER STRUCTURE as of 31 Dec 2013



WP PERFORMANCE GROUP

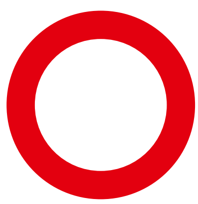


MILESTONES OF THE BUSINESS YEAR

- Increase of revenues to € 111.1m in core areas
- EBIT increases to € 6.4m
- New production site at head quarter in Munderfing – production started in the first quarter 2013
- Improvement of logistical processes and of process- and product quality
- Acquisition of 95% of CROSS Immobilien GmbH in December 2013
- Sales expected to remain at the same level in business year 2014

KEY FIGURES in €m	2013	2012
Revenues	111.1	108.0
EBITDA	8.8	8.5
EBIT	6.4	6.3
Net profit of the year	4.9	5.3
Balance sheet total	87.9	52.5
Equity	23.6	19.8
Net debt	41.5	11.0

SHAREHOLDER STRUCTURE as of 31 Dec 2013



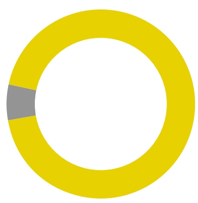
WETHJE GROUP

MILESTONES OF THE BUSINESS YEAR

- Increase of revenues by 3.0% to € 25.2m
- Business year 2013 characterized by serial production starts
- Start of RTM serial production
- New production site in Pleinting/Vilshofen finished in August 2013

KEY FIGURES in €m	2013	2012
Revenues	25.1	24.4
EBIT	(6.1)	0.6
EBIT margin	(24.3%)	2.5%

SHAREHOLDER STRUCTURE as of 31 Dec 2013



5.2%
Pierer Invest Beteiligungs GmbH

94.8%
CROSS Industries Group

In the business year 2013, the Supervisory Board of CROSS Industries AG held four meetings, thus fulfilling its duties required by law and under the articles of association.

The Management Board of CROSS Industries AG regularly reported to the Supervisory Board on business development and the economic state of the corporation, including its associated companies. The annual financial statements and the management report for the business year 2013 as well as the consolidated financial statements and group management report for business year 2013 were audited by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz. The audit did not give rise to any objections and the individual and consolidated statements for business year 2013 were granted an unqualified audit certificate.

The auditors certified that the accounting and the annual financial statements as of business year 2013 are consistent with the applicable laws, that the annual financial statements give, in all material respects, a true and fair view as possible of the company's net assets, financial position and results of operations for business year 2013 in accordance with generally accepted accounting principles, and that the management report is consistent with the annual financial statements. Further, the auditors certified that the consolidated financial statements give a true and fair view in all material respects of the group's net assets and financial position as of 31 December 2013, as well as of the results of operations and cash flows for the past business year in accordance with the International Financial Reporting Standards (IFRS) – as applicable in the EU –, and that the other details in the group management report do not misrepresent the group's situation and the legal requirements from exemption of preparing a group statement in accordance with Austrian law are met.

The Supervisory Board concurs with the Auditor's report and consequently also with the results of the final audit. After obtaining the final results of its review of the Management Board's management report and group management report, the annual financial statements and consolidated financial statements, and its management review, the Supervisory Board also raised no objections. Having been accepted by the Supervisory Board, the annual financial statements can be deemed approved pursuant to article 96 (4) Stock Corporation Law (AktG). The Supervisory Board acknowledged the consolidated financial statements and the group management report for the business year 2013. The Supervisory Board concurs with the Management Board on the proposal of the distribution of net profit.

The Supervisory Board recommends that KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, be appointed as independent auditors for the business year 2014.

Wels, April 2014

Rudolf Knünz
Chairman of the Supervisory Board

GROUP STATUS REPORT 2013

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1. BUSINESS DEVELOPMENT AND COMPANY STATUS

EXPLANATIONS TO THE INVESTMENT DEVELOPMENT OF CROSS INDUSTRIES AG (INDIVIDUAL AND GROUP)

Regarding its strategic orientation CROSS Industries AG focuses on the automotive, industrial sector. The CROSS Industries Group basically comprises the following strategic core areas:

- The subarea "complete vehicle" with its 100% share in CROSS KraftFahrZeug Holding GmbH, which holds shares in the KTM Group
- the subarea "high performance" with its shareholdings in Pankl Racing Systems AG, Bruck upon Mur, and WP Performance Systems GmbH, Munderfing, and its subsidiaries WP Components GmbH, Munderfing, and CROSS Immobilien GmbH, Wels, as well as
- the subarea "lightweight" with its 100% share in CROSS Lightweight Technologies Holding GmbH, Wels, which holds shares in the Wethje Group

Furthermore, the company still holds 100% of shares in CROSS Automotive Beteiligungs GmbH, Wels, with a 16.3% interest in the Peguform Group and a 100% interest in Durmont Teppichbodenfabrik GmbH, Hartberg.

As of the reporting date on 31 December 2013 the CROSS Industries Group held 51.09% (previous year 51.69%) in KTM AG indirectly through CROSS KraftFahrZeug Holding GmbH, 51.13% (previous year 58.31%) in Pankl Racing Systems AG indirectly through CROSS Motorsport Systems GmbH and 100% in WP Performance Systems GmbH and its subsidiary WP Components GmbH.

Furthermore as of the reporting date the CROSS Industries Group held indirectly 16.3% in SMP Automotive Technology Iberica, S.L., Polinyà, Spain, and in SMP Deutschland GmbH, Bötzingen, Germany, and through CROSS Lightweight Technologies Holding GmbH and CROSS Motorsport Systems GmbH 94.79% of the shares in Wethje Holding GmbH, Hengersberg, Germany.

As of the reporting date on 31 December 2013 the Group held 50% in CROSS Informatik GmbH, Wels, which sold the majority interests in BRAIN FORCE HOLDING AG, Vienna, and in All for One Steeb AG, Filderstadt, Germany as well as the minority interest in Triplan AG, Bad Soden, Germany, in 2013.

In business year 2013 CROSS Industries AG sold 90% of its shares in CROSS Immobilien GmbH, Wels to WP Performance Systems GmbH and held 5% at the reporting date. The CROSS Industries Group holds 100% in CROSS Immobilien GmbH as of the reporting date.

Moreover CROSS Automotive Beteiligungs GmbH still holds 100% in Durmont Teppichbodenfabrik GmbH, Hartberg, and CROSS Industries AG still holds 100 % in CROSS Automotive Holding GmbH.

Further details regarding interest developments are explained the notes to the annual financial statements as of 31 December 2013.

BUSINESS PERFORMANCE

Despite a declining motorcycle market in Europe KTM AG improved its revenues to € 716.4m (+17.1% compared to the previous year) and sales to 114,250 vehicles (+15.7% compared to the previous year). Taking into consideration the 200 Duke and 390 Duke models sold by KTM's partner Bajaj in India, 123,859 KTM motorcycles were sold worldwide in 2013. Despite the further declining motorcycle market, this increase in revenues leads to significant market share growth, especially in Europe. Although the market in Europe fell by more than 3.8% in 2013, KTM managed to increase sales and market shares by about 11 percentage points. KTM thus reached a share of 8.5% of the European total market. In the USA, where the market has developed slightly positive with 2.7%, market shares, increased by 8.5 percentage points to 4.0%.

In the business year 2013, revenues of Pankl Group increased by 9.5% to € 139.8m. In the first half of the business year racing budgets were squeezed due to the uncertain economic outlook. In Formula 1, still Pankl's largest market, teams focused primarily on the 2014 season rule changes, which led to a decline in business for the 2013 season. In the first few months of the business year, Pankl also experienced declines in the US aerospace business. On a quarterly basis, all business segments developed favorably from second half onwards. In the business year 2013, operating earnings were burdened by a short Formula 1 racing season, start-up expenses for long-term high performance projects and weak results of the US aerospace subsidiary in the first quarter. EBIT declined from the record of € 10.4m in 2012 to € 6.2m in 2013.

The business year 2013 for WP Performance Group was characterized by a major investment in the area of frame production. A new production site at the headquarters of WP Performance Group in Munderfing was built and production launched in the first quarter 2013. 95% of the shares of CROSS Immobilien GmbH were acquired to ensure further growth at the top location. The company's major asset is the real estate of WP Performance Group in Munderfing. In 2013 revenues increased in both production ranges. To strengthen the competitive position the company's orientation towards retail business was further developed. The acquisition of the real estate company increased the net debt of WP Performance Group, which will be again reduced considerably in the short-to-medium term by the positive profit situation.

Wethje Group increased the revenues by 3.0% to € 25.2m, whereby the business year was characterized by series production start-ups. The production site at Pleinting was completed in 2013.

2. FINANCIAL SITUATION

RESULT ANALYSIS

The result of CROSS Industries Group amounts to € 31.7m (previous year: € 19.5m). The result from continuing operations of the business year amounts to € 37.7m (previous year: € 21.8m). Hereto the KMT Group contributed € 36.5m (previous year: € 25.3m), the Pankl Group € 2.5m (previous year: € 5.9m), the WP Performance Group € 4.9m (previous year: € 5.3m) and the remaining companies and holding companies (including consolidation effect) € –6.2m (previous year € –14.7m).
The result from discontinued operations of the business year amounts to € –6.1m (previous year: € –2.3m) and can be attributed to the sale of the Peguform Group in 2011 and the result of Durmont Teppichbodenfabrik GmbH.

Since CROSS Industries AG basically performs functions of a holding company, the status report covers the development of its subsidiaries as well as of the group of business year 2013.

The group revenues of the KTM Group increased in comparison to the previous year by 17.1% to € 714.6m with 114,250 vehicles sold, resulting in an EBIT of € 54.9m (previous year: € 36.7m) despite a market decline of approximately 3.8% Thus both revenues and the EBIT increased significantly in comparison to the previous year.

In the annual comparison the revenues of the Pankl Group increased by 9.5% from € 127.7m in 2012 to € 139.8m in 2013, which can be attributed to the positive development in both segments (racing/high performance and aerospace). In the business year 2013, operating earnings were burdened by a short Formula 1 racing season, start-up expenses for long-term high performance projects and weak results of the US aerospace subsidiary in the first quarter. Thus EBIT declined compared to previous year by € 4.2m to € 6.2m.

WP Performance Group increased revenues in its core business and achieved revenues in the amount of € 111.1m, also EBIT increased slightly to € 6.4m. The new production site at the headquarters of WP Performance Group in Munderfing launched production in the first quarter 2013. The modern site enables to enhance logistical processes considerably and increase process and product quality.

BALANCE SHEET ANALYSIS

In comparison to the same period in the previous year the balance sheet total increased from € 917.9m to € 977.0m, whereby this can be mainly attributed to the increase in revenues and its impact on the working capital.

Cash and cash equivalents decreased from € 43.3m to € 42.7m. Trade receivables increased by 12.1% to € 82.8m in the business year 2013. Inventory levels increased as well by 10.9% to € 197.3m. Inventories in the amount of € 120.6m basically concern the KTM Group, € 49.0m can be attributed to the Pankl Group and € 22.0m to the WP Performance Group.

Other current assets and advance payments increased by € 9.6m to € 34.4m in 2013.

Non-current assets decreased by € 23.2m from € 596.3m to € 573.1m and make up 58.6% (previous year: 65.0%) of the balance sheet total. The decrease of non-current assets can be attributed on the one hand to the divesture of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels, and CROSS Informatik GmbH, Wels, – both reported associated companies in 2012 – and on the other hand on the reclassification of the share of SMP Deutschland GmbH, Bötzingen, Germany, reported as held for sale and the shares in SMP Automotive Technology Iberica, S.L., Polinyà, Spain.

Tangible fixed assets amounted to € 234.3m as of the balance sheet date and rose by € 14.7m compared to the previous year. This increase is mainly related to investment activities in business year 2013. Tangible assets are attributed to the KTM Group with € 99.1m and the Pankl Group with € 44.1m and to Wethje Group.

Revenues in €m	**2013**	**2012**	**2011**
KTM AG	716.4	612.0	526.8
Pankl Racing Systems AG	139.8	127.7	105.4
WP Performance Group	111.1	108.0	69.9
Others and consolidation	(71.0)	(59.1)	(23.5)
CROSS Industries Group	**896.3**	**788.6**	**678.6**

EBIT[1] in €m	**2013**	**2012**	**2011**
KTM AG	54.9	36.7	31.0
Pankl Racing Systems AG	6.2	10.4	7.0
WP Performance Group	6.4	6.3	5.2
Others and consolidation	(8.1)	(5.3)	(4.3)
CROSS Industries Group	**59.3**	**48.0**	**38.9**

[1] Before write-down

In 2013 intangible assets increased by 14.9% to € 165.3m. In connection with this item € 61.1m (previous year: € 61.1m) can be attributed to the brand "KTM", € 10.0m (previous year: € 0.0m) to the brand "Husqvarna" and € 77.3m (previous year: € 64.4m) to capitalized development costs at KTM.

On the liabilities side the increase of the balance sheet total can be found in the following items:

Financial liabilities (current and non-current) decreased by € 14.3m to € 212.4m compared to previous year as of the balance sheet date.

Bond liabilities (current and non-current) decreased in business year 2013 by € 3.4m to € 169.0m. This decrease can be attributed to the redemption of the CROSS Motorsport Systems AG bond (2008–2013) in the amount of € 13.6m in July 2013 and the placing of a 3.25% bond with a volume of € 10.0m in August 2013 and a term of four years by Pankl Racing Systems AG.

Equity capital rose by € 30.3m to € 346.3m compared to the previous year. In this connection, equity capital of majority shareholders increased by € 11.9m to € 175.8m and the shares of non-controlling shareholders increased from € 152.1m to € 170.5m, which can be mainly attributed to the positive attributable annual group result. As of the reporting date the equity ratio amounted 35.5% (previous year: 34.4%)

LIQUIDITY ANALYSIS

The group cash flow from the operating business amounts to € 64.1m (previous year: € 75.8m) and is composed of the cash flow (€ 77.9m) due to the positive result development in the respective subsidiaries, as well as the changes in balance sheet items in the amount of € –13.8m.

The cash flow from investments in the amount of € –41.0m (previous year: € –109.2m) mainly resulted from expenses for investments and property, plant and equipment as well as intangible assets (€ –91.2m), which are slightly below previous year's level. Sales and profit distributions from associated companies in the amount of € 37.0m contributed.

The group cash flow from financing activities amounts to € –23.6m (previous year: € 48.4m) and results from dividend payments and the repayment of financial liabilities.

INVESTMENTS

In the past business year the CROSS Industries Group invested € 96.1m in property, plant and equipment as well as intangible assets, out of which about € 63.3m (previous year: € 52.4m) were taken from the KTM Group and € 30.3m (previous year: € 27.8m) resulted from the capitalization of serial production development costs. In this respect investments were made in the further development of the existing product range and for new KTM products in the offroad and street segment as well as the development and procurement of tools. Furthermore KTM lead the development of the first generation of a comprehensive Husqvarna 2- and 4-stroke engine model range for the motocross and endure sector to serial production.

The Pankl Group has made investments in the amount of € 19.0m (previous year: € 25.9m) in property, plants and equipment as well as intangible assets. This considerable increase mainly results from the expansion of sites of the Pankl Group in Bruck upon Mur and the increase of the aerospace segment in Kapfenberg. Both investment projects started in 2012 and were finished an put into operation in 2013

KEY FINANCIAL PERFORMANCE INDICATORS

in €m	2013	2012	2011
Earning figures			
Revenues	896.3	788.6	678.6
EBITDA	111.1	95.3	85.5
EBITDA margin	12.4%	12.1%	12.6%
EBIT[1]	59.3	48.0	38.9
EBIT margin	6.6%	6.1%	5.7%
Result from continuing operations	37.7	21.8	21.5
Result from discontinued operations	(6.1)	(2.3)	24.0
Operating cash flow	64.1	75.8	57.3
Balance sheet figures			
Balance sheet total	977.0	917.9	818.5
Equity	346.3	316.1	306.0
Equity ratio	35.4%	34.4%	37.4%
Working capital employed[2]	180.4	156.9	161.9
Net debt[3]	342.7	361.5	320.4

[1] Before write-down
[2] Working capital employed: Trade receivables plus inventory less trade liabilities
[3] Net debt: Bank liabilities plus bond liabilities less liabilities from finance lease and other financing less cash and cash equivalents

3. HUMAN RESOURCES

As of 31 December 2013 the number of personnel amounted to 3,928 employees (previous year: 3,703 employees). KTM employed 1,808 people on average (31 December 2013: 1,825 people). The Pankl Group employed 1,189 people on average in 2013 (31 December 2013: 1,189 people). As of the reporting date further 470 employees from the WP Performance Group (average 2013: 460 employees) were integrated into the CROSS Industries Group. The Wethje Group added 321 employees at balance sheet date (average 2013: 308 employees), and Durmont Teppichbodenfabrik GmbH 106 employees (average 2013: 104 employees) to the CROSS Industries Group.

Our employees have always been the key factor for the company's success. This is also the reason, why we focus our attention on responsible human resource management. In this respect our apprenticeship program plays an important role, allowing our future technicians to learn and perfect company-specific processes. Moreover we try to fill management positions internally, which provides numerous career- and advancement opportunities for our staff. Apart from the employees' commitment, another great benefit is that executives already know and understand the company and the business environment.

4. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Regarding the important events after the balance sheet date please refer to the notes to the consolidated financial statements of CROSS Industries AG, see item (32).

5. RISK REPORT

Regarding the risk report please refer to the notes to the consolidated financial statements of CROSS Industries AG, see item (28).

6. RESEARCH AND DEVELOPMENT

In business year 2013 expenses for research and development of the CROSS Industries Group amounted to € 27.7m (previous year: € 27.2m). The products of all group companies are on a very high performance level paired with customers' expectations of consistent development and further development. The product life cycle is subject to strong deviations depending on individual customers.

In business year 2013 the KTM Group employed 294 people on average (16.2% of the overall workforce). In particular in the racing segment, technology leadership is one of the key success factors. All components and systems have to be continuously developed and improved in order to meet highest customer requirements.

Research and development services represent a main part of the strategic planning of the Pankl Group. The cooperations with university research facilities such as the TU Graz, TU Vienna, Montanuniversity Leoben and Turbo Academy at the university Mannheim are an important basis for innovation projects. Knowledge gained in the framework of research and development in the racing segment is systematically applied in the segments "high performance" and "aerospace" and therefore strengthens Pankl's market position in these business areas.

Both the Pankl Group and the WP Performance Group pursue a consistent and sustainable path with regards to the improvement of their quality management systems and all internal and external processes for product manufacturing as well as quick reactions to market requirements.

7. QUALITY AND SUSTAINABILITY

The CROSS Industries Group pursues a consistent and sustainable path in order to improve its quality management system as well as internal and external processes for product development. A quick reaction to market requirements is also of great importance to the group.

KTM applies a process-oriented quality management system to all activities from the product idea through market analyses, design studies, engineering and development, cooperation with suppliers, purchasing of components for manufacture, parts production, assembly of the engine and vehicle to packaging and shipping.

KTM creates added value for society and shareholders with strategic leadership, focusing on developing core strengths, continuous improvement of work processes, treating employees and suppliers as partners, and the process-oriented quality management system. With 1,808 people on average working at the facilities in Mattighofen, KTM is one of the largest employers in the region.

KTM takes every opportunity they can to meet the sustainability demands of a modern company. The production and administration buildings, for example, are energy efficient and economical on resources, air conditioning for the testing rooms and the tool shop is controlled with groundwater, and separate various materials for preliminary and finished products, and use returnable containers.

The manufacturing company in Mattighofen, Austria, uses locally sourced products for meeting most of its needs, which means that KTM plays a proactive role in creating and maintaining regional value added.

The development, production and distribution of high quality products are major constituents of the Pankl Racing Systems AG. Pankl secures highest quality standards via comprehensive quality management regarding product quality and process supervision. Additional certifications to meet the expectations of the automotive and aerospace industry are ensured by annual surveillance audits. According to the requirements of the automobile- and aerospace industry the Pankl Group has the following certifications: ISO 9001, ISO/TS 16949, VDA 6.1 and Aerospace license EN 9100.

In addition, Pankl increasingly devotes its attention to ensuring and adhering to the quality requirements through its own supply chain ("flow-down of requirements").

8. ENVIRONMENT

Environmentally responsible behavior and sustainable production are of great importance to the CROSS Industries Group.

As a manufacturing company, KTM is fully aware of its responsibility towards the environment. Setting an innovative example for the entire industry, we have developed a special KTM motorcycle logistic system on reusable metal plates, which dispenses with the need for additional packaging material.

KTM meets Euro III, the European emission standard for motorcycles, with all off-road carburetors (EXC models). The standard not only applies to new, but also to already existing vehicle types. We primarily achieve compliance by using fuel injection systems.

Pankl Group's energy cost amount to 2.0% of the annual revenues in 2013 (previous year: 1.8%). In the previous business year there were no expenses in connection with the purchase of CO_2 certificates. The Pankl Group is not registered for the national allocation plan (NAP).

9. CORPORATE SOCIAL RESPONSIBILITY

Our operating entities choose which social projects are supported by the company, because they know the local needs and requirements. Since we strive to assume socio-political responsibility, for many years we have been appointing BBRZ (education and rehabilitation center) to run the canteen of our Kapfenberg facility in order to help integrating handicapped persons.

KTM supports the Wings for Life Spinal Cord Research Foundation, which was set up by Heinz Kinigadner, in all marketing issues in connection with KTM. Wings for Life is a non-profit organization which follows the principle aim of promoting research worldwide in order to expedite scientific and clinical progress towards a putative cure for spinal cord injury (SCI) paralysis.

10. OUTLOOK

The development of the CROSS Industries Group strongly depends on the development of subsidiaries integrated in the corporation.

Due to the still challenging global economic development, the planning at group subsidiaries is subject to an increased planning risk, which has to be faced with enhanced monitoring of economic framework conditions.

For business year 2013 the management anticipates further growth. Although the order situation for the first half of 2013 is on a good level, framework conditions are still hard to predict in the long-term. Therefore a continuous verification and critical assessment of the market situation is emphasized to be able to implement immediate measures to stabilize the earning position if necessary. In individual segments we are still working on rationalization measures.

For 2014 a positive outlook can be given for all business segments of the CROSS Industries Group.

According to prognosis the overall European market is expected to stabilize at a low level. The American overall market shows a stable to slightly positive development. Through the implementation of new models **KTM Group** consistently pursues a global product strategy and further expansion into Asian markets. Based on this framework KTM expects further increase of revenues and sales for 2014.

The **Pankl Group** sees its future with confidence due to the expected further growth of its racing and aerospace business and the acquired bulk orders from sports car manufacturers in the high performance sector.

The order situation at **WP Performance Group** for suspension elements and frame production for 2014 is at previous year's level, as result of which revenues will remain consistent. Innovative products are the key to a successful future development. WP Performance Group will increase investments in R&D in 2014 to remain a major player in the motorcycle supply industry.

As a result of the stable financial situation in all subsidiaries with high equity ratios and financing with matching maturities, new market opportunities will arise for companies of the CROSS Industries Group in 2014.

Wels, 18 March 2014

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

CONSOLIDATED FINANCIAL STATEMENTS 2013

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CONSOLIDATED BALANCE SHEET

as at 31 December 2013 of CROSS Industries AG, Wels, Austria

ASSETS in €k	Note	**31 Dec 2013**	**31 Dec 2012**
NON-CURRENT ASSETS			
Property, plant and equipment	(13)	234,329	219,619
Goodwill	(15)	156,259	156,518
Intangible assets	(16)	165,322	143,877
Investments accounted for using the equity method	(17)	2,422	25,073
Deferred taxes	(11)	6,936	6,508
Other non-current assets	(18)	7,812	44,753
		573,080	596,348
CURRENT ASSETS			
Cash and cash equivalents	(19)	42,720	43,279
Trade receivables	(20)	82,768	73,821
Trade receivables from affiliated companies		6,456	1,843
Inventory	(21)	197,285	177,922
Payments on account		3,794	3,244
Receivables and other assets	(20)	30,556	21,475
Discontinued operations and assets held for sale	(2c), (22)	40,345	0
		403,924	321,584
Total assets		977,004	917,932

GROUP EQUITY AND LIABILITES in €k	Note	**31 Dec 2013**	**31 Dec 2012**
GROUP EQUITY			
Share capital	(23)	1,332	1,332
Capital reserves	(23)	141,220	141,220
Perpetual bond	(23)	58,987	58,987
Other reserves including retained earnings	(23)	(25,742)	(37,597)
Equity of owners of parent company		175,797	163,942
Minority interests	(23)	170,529	152,118
		346,326	316,060
NON-CURRENT LIABILITIES			
Financial liabilities	(24)	177,665	172,466
Bonds	(24)	168,996	158,850
Employee benefits	(27)	14,792	12,732
Deferred tax liabilities	(11)	22,109	16,346
Liabilities to affiliated companies		4,087	0
Other non-current liabilities	(24)	10,694	13,651
		398,343	374,045
CURRENT LIABILITIES			
Financial liabilities	(24)	34,768	54,279
Bonds	(24)	0	13,574
Trade payables		104,219	90,604
Liabilities from affiliated companies		1,657	7,038
Provisions	(26)	6,686	7,373
Tax liabilities		1,052	859
Advance payments		2,653	1,700
Other current liabilities	(24)	63,593	52,400
Discontinued operations and liabilities from assets held for sale	(2c), (22)	17,707	0
		232,335	227,827
Total group equity and liabilites		977,004	917,932

The following notes to the consolidated financial statements are an integral part of the consolidated balance sheet.

CONSOLIDATED INCOME STATEMENT

for Business Year 2013 of CROSS Industries AG, Wels, Austria

in €k	Note	2013	2012
Revenues	(05)	896,273	788,642
Cost of goods sold	(06)	(631,614)	(557,450)
Gross margin		**264,659**	**231,192**
Distribution and motorsport expenses	(06)	(110,528)	(95,556)
Research and develoment expenses	(06)	(27,669)	(27,240)
Administation cost	(06)	(57,078)	(52,602)
Other operating expenses	(08)	(13,350)	(10,902)
Other operating income	(09)	3,244	3,062
Operating income before impairment		**59,278**	**47,954**
Impairment	(13)	(456)	0
Operating income after impairment		**58,822**	**47,954**
Interest income		1,010	2,269
Interest expenses		(19,470)	(19,099)
Result from at-equity shareholdings	(17)	12,447	559
Other financial and participation result	(10)	(2,247)	(6,753)
Pre-tax profit		**50,562**	**24,930**
Tax on income and earnings	(11)	(12,822)	(3,086)
Net profit from continuing operations		37,740	21,844
Result from discontinued operations	(12)	(6,057)	(2,313)
Net profit of the year		**31,683**	**19,531**
thereof shareholders of parent company		13,609	5,261
thereof minority interests		18,074	14,270

The following notes to the consolidated fiscal statements are an integral part of the consolidtaed income statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for Business Year 2013 of CROSS Industries AG, Wels, Austria

in €k	Shareholders of parent company	Minority interests	Total
2013			
Net profit of the year	13,609	18,074	31,683
Currency conversion	(643)	(518)	(1,161)
Valuation of cash flow hedges	636	480	1,116
Deferred taxes on valuation of cash flow hedges	(159)	(120)	(279)
Revenues and expenses recognized in the income statement	(166)	(158)	(324)
Actuarial losses	(700)	(397)	(1,097)
Deferred taxes on actuarial losses	175	99	274
Revenues and expenses not recognized in the income statement	(525)	(298)	(823)
Other income	(691)	(456)	(1,147)
Total comprehensive income	12,918	17,618	30,536
2012			
Net profit of the year	5,261	14,270	19,531
Currency conversion	(394)	(211)	(605)
Investment valuation not affecting income	233	0	233
Deferred taxes on available for sale-securites	(58)	0	(58)
Valuation of cash flow hedges	405	988	1,393
Deferred taxes on valuation of cash flow hedges	(101)	(247)	(348)
Revenues and expenses recognized in the income statement	85	530	615
Actuarial losses	(1,184)	(547)	(1,731)
Deferred taxes on actuarial losses	296	137	433
Revenues and expenses not recognized in the income statement	(888)	(410)	(1,298)
Other income	(803)	120	(683)
Total comprehensive income	4,458	14,390	18,848

CONSOLIDATED CASH FLOW STATEMENT

for Business Year 2013 of CROSS Industries AG, Wels, Austria

	in €k	2013	2012
	CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit of the year	31,683	19,531
+ (–)	Amortization (write-ups) on assets and intangible assets	52,528	47,890
+ (–)	Addition (reversal) from long-term employee benefits	1,237	1,263
– (+)	Profit (loss) from equity consolidation	(12,447)	(559)
– (+)	Profit (loss) from the sale of fixed assets	(1,129)	(328)
+ (–)	Other non-cash expenses (income)	5,982	(798)
	Consolidated cash flow from results	77,854	66,999
– (+)	Inrease (decrease) inventories including advance payments on account	(22,919)	(10,525)
– (+)	Increase (decrease) from trade receivables, advance payments and other current and non-current assets	(19,081)	(2,691)
+ (–)	Increase (decrease) from trade payables, advance payments and other current and non-current liabilities	23,036	23,111
+ (–)	Increase (decrease) from tax provisinos, deferred taxes and other provisions	6,341	(482)
– (+)	Increase (decrease) from assets held for sale	(11)	0
– (+)	Increase (decrease) from currency rate differencies	(1,152)	(605)
		(13,786)	8,808
		64,068	75,807

	in €k	2013	2012
	CASH FLOW FROM INVESTMENT ACTIVITIES		
–	Investments in fixed assets (outflow of funds from investments)	(91,204)	(102,859)
–	Investments in financial assets	(40)	(1,895)
– (+)	Purchase (sale) from shareholdings in subsidiaries	8,119	(6,129)
+	Disposals from fixed assets (cash flow from sale: residual carrying amount + profits (– losses) from the sale of fixed assets)	4,106	1,440
+	Income from associated companies	36,981	0
+ (–)	Currency rate differencies from fixed assets	995	207
		(41,043)	**(109,236)**
	CONSOLIDATED CASH FLOW FROM FINANCING ACTIVITES		
–	Dividend payments to third parties	(8,398)	(3,971)
+	Capital increase	0	62
+ (–)	Increase (decrease) from current and non-current financial liabilities	(11,758)	(6,392)
+ (–)	Increase (decrease) in bonds	(3,428)	58,711
		(23,584)	**48,410**
	CONSOLIDATED CASH FLOW		
	Consolidated cash flow from operating activites	64,068	75,807
	Consolidated cash flow from investment activities	(41,043)	(109,236)
	Consolidated cash flow from financing activities	(23,584)	48,410
	Change in the liquidity of the group	**(559)**	**14,981**
+	Opening balance of cash and cash equivalents of the group	43,279	28,298
	Closing balance of cash and cash equivalents of the group	**42,720**	**43,279**
	Consisting of cash in hand, cheques and cash at bank	42,720	43,279
	Interest paid	17,102	20,776
	Income tax paid	4,247	1,804
	Dividends achieved	**550**	**541**

The following notes to the consolidated financial statements are an integral part of the consolidated cash flow statement

SCHEDULE OF DEVELOPMENT OF SHAREHOLDERS' FUNDS

for Business Year 2013 of CROSS Industries AG, Wels, Austria

in €k	Share capital	Capital reserve	Perpetual bond	Reserves incl. retained earnings	IAS 39 reserve
2013					
As at 1 January 2013	1,332	141,220	58,987	(33,297)	(2,261)
Total profit (loss) directly included in equity	0	0	0	13,609	477
Dividends to third parties	0	0	0	(3,094)	0
Purchase (sale) of shareholdings in subsidiaries	0	0	0	2,058	0
Other entries not affecting net income	0	0	0	(27)	0
As at 31 December 2013	1,332	141,220	58,987	(20,750)	(1,784)
2012					
As at 1 January 2012	1,332	141,220	58,987	(29,146)	(2,740)
Total profit (loss) directly included in equity	0	0	0	5,261	479
Dividends to third parties	0	0	0	(3,094)	0
First-time consolidation Pankl – APC Turbosystems GmbH	0	0	0	0	0
First-time consolidation Wethje Group	0	0	0	0	0
Purchase (sale) of shareholdings in subsidiaries	0	0	0	(6,400)	0
Other entries not affecting net income	0	0	0	82	0
As at 31 December 2012	1,332	141,220	58,987	(33,297)	(2,261)

The following notes to the consolidated financial statements are an integral part of the schedule of development of shareholders' funds.

Adjustment according to IAS 19 (rev. 2011)	Adjustments conversion reserve	Total	Minority interests	Total group equity
(1,545)	(495)	163,942	152,118	316,060
(525)	(643)	12,918	17,618	30,536
0	0	(3,094)	(5,304)	(8,398)
0	0	2,058	6,061	8,119
0	0	(27)	36	9
(2,070)	(1,138)	175,797	170,529	346,326
(657)	(101)	168,895	137,540	306,435
(888)	(394)	4,458	14,390	18,848
0	0	(3,094)	(877)	(3,971)
0	0	0	1,886	1,886
0	0	0	4,686	4,686
0	0	(6,400)	(5,509)	(11,909)
0	0	82	2	84
(1,545)	(495)	163,942	152,118	316,060

I. THE COMPANY

CROSS Industries AG, located in Wels, Austria, operates as a holding company, with a particular focus on the acquisition and administration of industrial companies as well as companies and investments in industrial companies, the management of companies and investments being part of the CROSS Industries Group, the performance of services for these companies (group services) as well as, in general, services in the field of management consultancy. CROSS Industries AG is registered with the commercial register Wels, commercial register certificate FN 261823 i.

The company is part of the group with Pierer Konzerngesellschaft mbH, Wels, (group parent company) and its affiliated companies and is included in the parent's consolidated financial statements. These consolidated financial statements for the largest scope of consolidation are filed with the commercial court Wels, commercial register certificate FN 134766 k.

The following table shows the main fully consolidated group companies or subgroups, the interest held (taking direct and indirect interests into account), the voting rights held as well as the corporate purpose as at 31 December 2013.

Subsidiaries	**Share**	**Voting rights**	**Corporate purpose**
KTM AG	51.09%	51.09%	Development, production and distribution of motorized leisure equipment (Power Sports)
Pankl Racing Systems AG	51.13%	51.13%	Development, production and distribution of motor-, drivetrain and chassis parts for the racing industry, high-performance vehicles and the aerospace industry
WP Performance Group	100.00%	100.00%	Development, production and distribution of suspension units, manufacturing and distribution of radiators and parts for combustion engines
Wethje Group	94.79%	94.79%	Manufacturing of carbon composite parts for racing and the automotive premium sector

II. PRINCIPLES OF ACCOUNTING AND BALANCING AND VALUATION METHODS

(01) PRINCIPLES OF ACCOUNTING

The annual consolidated financial statements as at 31 December 2012 and 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), to the extent used in the EU. The additional requirements according to article 245a, Austrian Commercial Code (Unternehmensgesetzbuch, UGB), were adhered to.

Changes in Reporting Rules
The following changes were passed by the IASB for already existing IFRS, and several new IFRS and IFRIC were enacted, which were already adopted by the EU Commission and are thus mandatory applicable as at 1 January 2013:

- IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
- IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets
- IAS 19 Employee Benefits – Amendments

– IFRS 1 First-time Adoption of International Financial Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
– IFRS 1 Government Loans
– FRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
– IFRS 13 Fair Value Measurement
– IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
– Annual Improvements IFRS 2009–2011 (Revisions in IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34)

The first-time adaption of the listed IFRS had no major impact on the consolidated financial statements compared to the previous year. There were no major effects on the accounting- and valuation methods.

The following standard is applied prematurely in business year 2013

Standard / Amendment	Coming into force IASB	EU endorse-ment?	Coming into force EU
Recoverable Amount Disclosures for Non-Financial Assets (Amendment of IAS 36)	1 Jan 2014	yes	1 Jan 2014

CROSS Industries Group applies IAS 36 prematurely for the first time in business year 2013 in accordance with application requirements regarding the amendment of IAS 26. The amendment of IAS 36 applies to the disclosure of information to determine the recoverable amount of impaired assets, if the amount is based on the fair value less cost to sell. The recoverable amount for assets not impaired is not disclosed any longer.

Future changes in reporting rules
The IASB and IFRIC have passed further standards and interpretations, which however are not yet binding in business year 2013 and have not yet been adopted by the EU Commission. These standards and interpretations are as follows.

Standard / Amendment	Coming into force IASB	EU endorse-ment?	Coming into force EU
IAS 27 Separate Financial Statements	1 Jan 2013	yes	1 Jan 2014
IAS 28 (Amended 2011) Investments in Associates and Joint Ventures	1 Jan 2013	yes	1 Jan 2014
IAS 32 Financial Instruments: Presentation – Offsetting of Financial Assets and Liabilities	1 Jan 2014	yes	1 Jan 2014
IFRS 10 Consolidation	1 Jan 2013	yes	1 Jan 2014
IFRS 11 Joint Arrangements	1 Jan 2013	yes	1 Jan 2014
IFRS 12 Disclosure of interests in Other Entities	1 Jan 2013	yes	1 Jan 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 Jan 2014	yes	1 Jan 2014
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12	1 Jan 2013	yes	1 Jan 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendment to IAS 39)	1 Jan 2014	yes	1 Jan 2014
IFRIC 21 Levies	1 Jan 2014	no	–
IAS 19 Defined Benefit Plans: Employee Contributions (21 Nov 2013)	1 Jul 2014	no	–
Annual Improvements to IFRS 2010–2012 (12 Dec 2013)	1 Jul 2014	no	–
Annual Improvements to IFRS 2011–2013 (12 Dec 2013)	1 Jul 2014	no	–
IFRS 14 Regulatory Deferral Accounts (30 Jan 2014)	1 Jan 2016	no	–

Standard / Amendment	Coming into force IASB	EU endorsement?	Coming into force EU
IFRS 9 Financial Instruments	postponed	no	–
IFRS 9 Financial Instruments: Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39	postponed	no	–
IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures	postponed	no	–

IAS1 “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income” was applied prematurely in business year 2012. Items that will not be reclassified and shown in the consolidated income statement shall be reported separately from those items that can be shown in the consolidated income statement in future.

IAS 19 (rev. 2011) “Employee Benefits” – adopted by the EU on 5 June 2012 – is mandatory for business years that start on or after 1 January 2013. Early adoption is permissible; hence the CROSS Industries Group has already applied IAS 19 (rev. 2011) in business year 2012 for the first time. The effect of the early adoption is described in the accounting- and valuation methods.

In December 2011 IASB issued amendments to IFRS 7 “Financial Instruments on the Offsetting of Financial Assets and Financial Liabilities”. The amendments to the disclosure requirements of IFRS 7 require information to all recognized financial instruments set off according to IAS 32. The amendments also require disclosure of information on recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off according to IAS 32.

In May 2011 IASB issued IFRS 13 “Fair Value Evaluation”. Fair value is the price that would be achieved to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For this purpose an orderly transaction between random market participants is assumed. The fair value measurement is based on a hypothetical transaction; the actual intention is not relevant. The transaction shall take place at the most advantageous market. The most advantageous market is the marketplace where the proceeds achieved for an asset will be highest or for the transfer of the liability will be the lowest. The principal market is characterized by the highest liquidity and transaction volume for the asset or liability being measured. A market is a principal market in accordance with IFRS 13 if the entity has access to the market at the valuation date. To determine the principal or most advantageous market all information that is reasonably available shall be considered.

In November 2009 the IASB issued IFRS 9 “Financial Instruments” – amending the provisions for classification and measurement of financial assets. It uses a uniform approach to accounting of a financial asset at amortized cost or at fair value, replacing the different regulations in IAS 39. The European Financial Reporting Advisory Group postponed its endorsement advice to adopt IFRS 9 in the EU to allow itself more time to investigate the outcome from the IASB’s project on the improvement of accounting for financial instruments.

In May 2011 IASB issued five new and revised standards covering the handling of subsidiaries, joint arrangements and the disclosure of interests in other entities and the identification of entities to be included in the scope of consolidation.

– IFRS 10 builds on principles currently applied by identifying a comprehensive concept of control to regulate which entity should be included in the consolidated financial statements. According to the new concept, an entity has control if it has the power to decide on relevant processes, generates variable returns from its subsidiary and is able to impact these returns.

– IFRS 11 regulates the accounting of joint operations and joint ventures and replaces IAS 31. Joint arrangements are to be included in the consolidated financial statements using the at-equity method in accordance with IAS 28. The option of proportionate consolidation was eliminated.

– IFRS 12 defines disclosure requirements regarding interests in any kind of entities, including joint arrangements, interests in associates and unconsolidated structured entities.

– IAS 27 was renamed in "Separate financial statements" and applies to separate financial statements only.

– IAS 28 was renamed in "Investments in associates and joint ventures" and outlines the equity method to be used for the accounting of both forms of entities in future and defines the requirements for application.

The amendment of IAS 39 defines that derivatives continue to be designated as hedging instruments in continuing hedging relationships despite novation, provided the novation leads to the involvement of a central counterparty as required by law or regulations.

No other major effects on the consolidated financial statements of CROSS Industries AG are expected from the new or amended standards.

Basis of preparation

The accounting of the companies included in the group financial statements is based on the standardized accounting principles. These principles were applied by all of the companies included. The companies included in the group financial statements set up their financial statements at the group's balance sheet date (31 December).

The financial statements for all major fully consolidated domestic and foreign companies that are subject to auditing under national regulations or undergo auditing voluntarily were audited by independent auditors and provided with unqualified audit certificates.

The consolidated financial statements are set up in thousand euros (€k) (rounded according to the commercial rounding method). Where rounded amounts and percentages are aggregated, rounding differences may occur.

(02) SCOPE OF CONSOLIDATION

All principal subsidiaries are included in the annual consolidated financial statements for the time during which the parent company exercises legal and effective control of them. The companies included in the consolidated financial statements are stated in the list of the equity interests per 31 December 2013 (please refer to enclosure 1 of the notes to the consolidated financial statements).

CROSS Industries AG's business year 2013 covers the period from 1 January to 31 December 2013.

(a) Changes in the Scope of Consolidation

In business year 2013 the scope of consolidation changed as follows:

	Fully consolidated	Consolidated at-equity
As at 31 December 2012	46	3
Additions to the scope of consolidation	24	2
Disposals from the scope of consolidation	0	(2)
As at 31 December 2013	**70**	**3**
thereof foreign companies	44	2

CROSS Industries AG – as the parent company of the CROSS Industries Group – was not considered in the above table.

(b) Changes in the Scope of Consolidation

In 2013 KTM-Sportmotorcycle Singapore PTE Ltd. – a distribution company, to develop distribution channels in South East Asia – was established. Since the company generates neither revenues nor non-current assets or liabilities it is recognized at acquisition cost due to immateriality.

As at 1 January 2013 the newly established Husaberg Vertriebs GmbH – renamed into Husqvarna Motorcycles GmbH in September 2013 – was first consolidated. In future the company will bundle all activities relating to the brand "Husqvarna". In 2013 distribution companies of Husqvarna Motorcycles GmbH were established in Italy, Great Britain, Germany, Spain, Sweden and France. Furthermore KTM North America, Inc. established the distribution company Husqvarna Motorcycles North America, Inc. in 2013. As at 1 December 2013 the company was first consolidated.

16 KTM distribution subsidiaries recognized at acquisition cost in the consolidated fiscal statements in 2012 will be fully consolidated in 2013.

(c) Discontinued operations

As at 31 December 2013 Durmont Teppichbodenfabrik GmbH, Hartberg, is reported as discontinued operation according to IFRS 5, since the CROSS Industries Group plans to sell the company. The income statement for 2012 was adjusted to recognize the discontinued operations and the continuing operations separately.

Expenses and income as well as cash flow from discontinued operations are as follows:

Income statement in €k	**2013**	**2012**
Revenues	39,466	37,009
Expenses	(39,315)	(37,989)
EBIT	151	(980)
Financial result	(233)	(239)
Income before taxes = Income after tax from discontinued operations	(82)	(1,219)

Cash flow in €k	**2013**	**2012**
Cash flow from operations	(470)	16
Cash flow from investments	(792)	(1,464)
Cash flow from financing activities	1,264	1,447
	2	(1)

Assets and liabilities held for sale are as follows:

Balance sheet in €k	**31 Dec 2013**	**31 Dec 2012**
Cash and cash equivalents	2	0
Accounts receivable	3,590	3,253
Inventories	3,501	2,993
Tangible and intangible assets	3,866	3,798
Other assets	896	519
Total assets	11,855	10,563
Hybrid capital	2,017	2,017
Financial liabilities	4,253	3,608
Accounts payable	2,881	2,679
Other liabilities	1,556	2,064
Total liabilities	10,707	10,368
Equity	1,148	195

(03) CONSOLIDATION METHODS

Capital consolidation: The first consolidation was carried out on 1 October 2009 using the acquisition method according to IFRS 3 (2008). On the acquisition date – the date when the control is transferred – the revalued identifiable assets and liabilities of the acquired company are compared to the equivalent; the amount attributable to the non-controlled interests, if applicable and the fair value of the shares already held at acquisition date. A remaining positive amount is activated as goodwill, a remaining negative amount will be revaluated as "acquisition below market value" realized as earning in the income statement. The costs related to the acquisition are recorded as an expense. Unless otherwise stated the amount for the non-controlling shares is recognized with the pro rata net asset of the acquired company without goodwill.

Transactions with non-controlling shareholders, not resulting in a loss of control, are realized directly and solely in equity, without adjustments of assets and liabilities of the company or the goodwill.

Mergers carried out before 1 October 2009 were pursued according to transitional provisions.

In the consolidation of income and expenses, intercompany sales and other income were set off with material and other intercompany expenses. Thus, the consolidated income statement only records external turnover.

All debts, receivables and loans of consolidated companies are allocated in the debt consolidation.

Interim results from the intercompany sales of inventories and assets were eliminated.

Deferred taxes from consolidation are recognized against income in the consolidation processes in the income statement.

Shares of non-controlling shareholders in equity are listed separately within the equity capital. Minority interests are regrouped into liabilities if the right to tender applies.

Shares in associated companies and in joint ventures are recognized at-equity according to IAS 28 respectively according to the voting right in IAS 31. Changes of the shares of the group after the acquisition of shares are recognized in the net assets of the associated company/joint venture. If the loss attributable to the group exceeds the shareholding in the associated company/joint venture, the book value of this shareholding (including long-term investments) is written off completely. Further losses are only recognized, if the group is obliged to pay or did pay already. The financial statements of the associated companies/joint ventures are set up or transferred to IFRS in all major issues. The goodwill of the associated company/joint venture is included in the book value of the shareholding and is not amortized as scheduled.

Currency conversion: The group currency is the euro. Subsidiaries located outside the euro zone are regarded as economically independent companies. Under the functional currency concept, the assets and liabilities reported in the individual financial statements for these companies, including goodwill reported and value adjustments resulting from initial consolidation, are therefore translated at the average exchange rate at the balance sheet date and the items recognized in income statement at the weighted average exchange rate for the business year. Any resultant foreign currency profits and losses are recognized in the statement of comprehensive income as "other income" without affecting net income.

In the balance sheets of group companies transactions in foreign currencies were recorded at the exchange rate on the transaction date. When the balance sheet was prepared, the foreign currency items were translated at the reporting date rate. All exchange rate differences are recorded as income or expense in the individual financial statements for the period in which they occurred.

The main foreign exchange rates used for currency translation in the consolidated financial statements showed the following trends over the year:

in €	Closing rate		Average rate	
	31 Dec 2013	31 Dec 2012	2013	2012
US dollar	1.3791	1.3194	1.3281	1.2856
British pound	0.8337	0.8161	0.8493	0.8111
Swiss franc	1.2276	1.2072	1.2309	1.2053
Japanese yen	144.7200	113.6100	129.6595	102.6236
South african rand	14.5660	11.1727	12.8308	10.5546
Mexican peso	18.0731	17.1845	16.9644	16.9087

(04) ACCOUNTING AND VALUATION METHODS

The financial reporting of the companies included in the consolidated financial statements is based on standardized accounting and valuation methods. They are identical to those used in the business year 2012 except for the new obligatory standards.

To improve the value of information of the consolidated financial statements, several items and accounts were renamed respectively classified differently as at 31 December 2013 as well as some information partially reclassified and the presentations in the notes adjusted and complemented.

In particular, the following items in the consolidated financial statements were changed respectively adjusted:

– Shareholdings in associated companies, recognized at-equity are reported at the balance sheet line item "financial assets recognized at-equity".

– Subsidiaries and associated companies, non-consolidated due to immateriality, respectively recognized at-equity are reported at the balance sheet line "other non-current assets".

– The German term previously used to refer to "cash and cash equivalents" was replaced.

– The term "consolidated statement of shareholder's equity" was replaced by the term "consolidated statement of changes in shareholder's equity".

– The sequence of the notes was partially regrouped, several terms slightly changed and the presentation adjusted and complemented.

The change of presentation respectively name did not result in a change of valuation. Previous year's amounts were adjusted accordingly.

Several items in the income statement and balance sheet are summarized to improve the clarity. These items are separately shown in the notes to the consolidated financial statements. Any current assets and liabilities are basically realized within twelve months after the balance sheet date. All other assets and liabilities are basically realized beyond this period.

Consolidated income statement

The cost of sales method was applied to set up the consolidated income statement.

Revenues are reported after the transfer of risk or after the time when a service was performed, as the case may be, less cash discounts, customer bonuses and other discounts.

Other operating income is recognized if a financial benefit is likely to arise from the underlying contract and a reliable use of the income.

Interest income is realized in due consideration of the effective interest rate; dividends are reported when the legal right is constituted.

Consolidated balance sheet

Tangible assets are valued at acquisition or manufacturing costs, less scheduled depreciation. Scheduled depreciation is calculated according to the linear depreciation method with the following life expectancy:

	Effective life
Buildings	6 to 50 years
Machines and tools	2 to 15 years
Fixtures and furnishings	2 to 15 years

All direct costs, including separable material and production overheads, are recorded in the manufacturing costs of self-constructed assets. Financing costs resulting from the direct allocation of borrowed capital or the application of an average capitalization interest rate to the expenses incurred are capitalized according to IAS 23.

Non-scheduled depreciation is carried out when the expected discounted earnings (future cash flows) fall short of the current book values.

Tangible assets include property held as financial investment (investment property). This includes property to obtain lease income and/or for value increase. They are recognized – corresponding to tangible assets – with their acquisition of manufacturing cost at cost method less scheduled and necessary depreciation, where applicable. The fair value is determined internally based on accredited valuation methods or is based on external expert testimony.

If tangible assets are financed with leasing contracts that give the company rights similar to those of an owner, the items are shown on the balance sheet. They are reported at the present value of the minimum lease payments to be expected in the future. At the same time, a corresponding liability is shown on the balance sheet as lease liabilities. Straight-line depreciation is used over the normal useful life of these tangible assets. Amortization is deducted from the lease liability. The interest component in the lease liability is directly recognized in the income statement.

Goodwill is not subject to regular depreciation, but undergoes an annual impairment test and appropriate depreciation is taken into consideration in the net income as required. The impairment requirement for the consolidated financial statements as per 31 December 2013 is calculated based on current planning according to the discounted cash flow method. Therefore the achievable amount (net profit on sales) of the cash generating units – i.e. the higher amount of the fair value less cost of sale and value in use – has to be estimated.

The evaluation of assumptions is based on the valuation of future trends in the respective industries by the management and on internal and external resources.The calculation is based on the following parameters:

	WACC		Growth parameter for perpetual annuity		Interest rate	
	2013	2012	2013	2012	2013	2012
KTM Group	8.97%	8.44%	1.00%	2.00%	25%	25%
Pankl Group	8.94%	8.03%	2.00%	2.00%	25%	27%
WP Performance Group	8.97%	8.44%	1.00%	1.00%	25%	25%

The results of the impairment tests are sensitive in regard to the growth parameters of the operative results and the WACC interest rate. The sensitivity analysis results in – the same conditions provided – a sufficient coverage of net assets for the WACC interest rates listed below, respectively decrease of future planned EBIT:

	Potential WACC		**Potential EBIT decrease**	
	2013	**2012**	**2013**	**2012**
KTM Group	12.65%	12.10%	(39%)	(44%)
Pankl Group	10.60%	11.25%	(20%)	(35%)
WP Performance Group	16.00%	12.70%	(35%)	(22%)

For Wethje Group an objective estimate of the economical profitability (cash generating unit) was conducted. Internal data and external evaluation factors were used to evaluate the goodwill. The valuation was retained on the basis of the objective impairment test.

Intangible assets are capitalized at acquisition- and manufacturing cost and valued less scheduled amortization. Scheduled depreciation is calculated using the straight-line method based on the following periods of useful life:

	Effective life
Software	3 to 5 years
Self-constructed intangible assets	5 years
Other intangible assets	1 to 16 years

In the case of self-constructed intangible assets, the manufacturing period is divided into a research, a development and a model upgrading phase. Costs incurred during the research and model upgrading phases are immediately recognized in the income statement. Costs incurred during the development phase are capitalized as intangible assets if certain conditions are met that confirm the future usefulness of the expenses incurred, in particular the technical feasibility of the developed product or process and its marketability. The valuation of the self-constructed intangible assets is ascertained by calculating the manufacturing costs less scheduled and non-scheduled amortization and impairment. Scheduled depreciation is calculated using the straight-line method based on a five-year period of useful life. Scheduled depreciation of capitalized development cost that is clearly attributed to projects starts with serial production. Depreciation of development cost that cannot be attributed to projects starts with capitalization.

Intangible assets with an indefinite useful life, as the brand name "KTM", in the amount of € 60,000k capitalized during the original purchase price allocation, are not amortized regularly, but are subjected to an annual impairment test and any depreciation recognized in the income statement. The Management Board considers the useful life as indefinite since the rights in the relevant sales markets do not underlie timely, legal or contractual restrictions and no economic devaluation exists due to the sustainable reputation of the brand.

The valuation of the brand is based on the relief-from-royalty method. The royalty rate of 1.5% of the revenues – which is the basis for the measurement – derives from comparable publicly available license agreements. The assessment of the impairment requirement as per 31 December 2013 is carried out in consistence with the impairment test for goodwill based on the current five-year plan. The discount interest rates are based on the asset-specific capital cost in the amount of 11.97% (previous year: 11.44%), comprised of the group WACC in the amount of 8.97% (previous year: 8.44%) and a risk premium for the brand in the amount of 3% (previous year: 3%). The risk premium is based on the WACC-to-WARA concept.

Discount interest rate, royalty and budgeted revenues are the material value determining parameters of the valuation of the brand "KTM". The sensitivity analysis for these parameters shows that sufficient coverage of the carrying amount is based on a group WACC of 16.4% (previous year: 14.1%) and a royalty of 0.9% (previous year: 1.0%), the same conditions provided. All other conditions being equal, the carrying amount is also sufficiently covered for a decline of future planned revenues of up to 41% (previous year: 36%).

Allocations for active and passive deferred taxes are created for business transactions expected to have tax implications, and are either already reflected in the group financial statements or in tax balance sheet (timing differences). Deferred taxes for losses carried forward are set up according to their feasibility. Deferred tax items on both the asset and liability side are reported balanced out if they are subject to the same tax jurisdiction. To determine the difference of the tax base of consolidated or at-equity valued shares in regard to the group equity, deferred taxes are allocated if a realization is feasible in the foreseeable future. Calculations are based on the normal income tax rate in the relevant country at the time of the anticipated reversal of the difference in value.

Financial instruments

Purchases and sales of financial instruments are recognized at settlement date.

Primary financial instruments

Financial assets held for trading are reported at market price, reclassifications are recognized in the income statement.

Financial assets held to maturity are recognized according to the effective interest method at amortized cost.

Other financial assets (financial assets held for sale) are recognized at fair value at balance sheet date. The fair value is the market price at balance sheet date, valuation adjustments are recognized – if essential – in the other comprehensive income. Other non-current assets include equity instruments that are not listed in an active market and whose fair value cannot be measured reliably. These are recognized at acquisition cost less impairment.

Impairment of financial assets is reported if there is objective evidence, such as e.g. financial difficulties, insolvency, breach of contract, default of payment of debtor or issuer. For equity instruments a significant or prolonged decrease of fair value below acquisition cost is an objective evidence of impairment. The group considers a decrease of 20% as significant and a period of nine months as prolonged.

Cash and cash equivalents include cash on hand, cash in banks, checks and fixed-term deposits for a maximum of three months (from acquisition date) and are reported at fair value at balance sheet date.

Accounts receivable and other assets are reported at fair value upon acquisition and at amortized cost in the subsequent periods. Foreign currencies receivables are recognized at the reporting date rate less necessary impairment due to recognizable risks. Financial receivables are classified as “loans and receivables” and reported using the amortized cost method.

Specific value adjustments of financial assets are only executed if they are uncollectible or partially uncollectible. Indictors for specific value adjustments are financial difficulties, insolvency, breach of contract, default of payment of customers. Specific value adjustments consist of numerous separate items – none is considered substantial by itself. Financial assets are derecognized directly if contractual rights for payments from financial assets (in case of insolvency in particular) no longer exist. If the amount of the value adjustment in subsequent periods decreases and the decrease can be related objectively to an event occurring after the adjustment was recognized, the previously recognized adjustment is reversed directly or by adjusting an allowance account.

Financial liabilities are valued at amortized cost. Foreign currency liabilities are converted at the reporting date rate. Financial debts are allocated to the "financial liabilities at amortized cost" category. The difference between the amount received and the repayment is allocated according to the effective interest method until maturity and recognized in the financial result. Issuing costs for the bonds are recognized over the entire maturity period.

Derivative financial instruments and hedging

The CROSS Industries Group holds derivative financial instruments (foreign currency forwards and interest rate swaps) to hedge interest rate and foreign currency risks. Derivative financial instruments are used to offset the graduation of cash flows from future transactions. Expected revenues in foreign currency are the basis for the planning of future cash flows.

According to IAS 39, derivatives are generally measured at their market value. For derivative financial instruments the CROSS Industries Group applies the rules of "cash flow hedge accounting" in accordance with IAS 39. The CROSS Industries Group does not apply fair value hedge accounting.

A cash flow hedge exists when variable payment flows from assets, liabilities and forecast transactions that are subject to a market price risk are hedged. If the requirements for a cash flow hedge are met, the effective portion of the market value fluctuations of the hedging instrument must be recognized directly in the group's consolidated equity. It is only reported in the income statement when the transaction is occurred. With the cash flow hedge the CROSS Industries Group recognizes the change of the market value of the derivatives used in the income statement. Upon that changes in the market value can be compared to the reporting date rate of foreign currency trade payables or foreign currency trade receivables. Changes in earnings from ineffectiveness of the derivative financial instruments are recognized in the income statement.

Hedge accounting requires certain prerequisites. On the one hand a documentation of hedging relationships must be available and on the other hand the hedging effectiveness must range from 80% to 125% to be determined by periodically repeated measurements. The balance between unrealized losses and profits is verified by efficiency analysis.

To measure the effectiveness of currency hedges the underlying- and hedging transactions are grouped into maturity ranges according to the hedged risk. The maturity ranges shall comprise one quarter at the maximum. The hedging relationship is tested prospectively by comparing the material terms (maturity, etc.) of the hedging and underlying transactions. The dollar-offset method is used for the retrospective hedge effectiveness measurement fair value changes of the underlying transaction are compared and assessed against the fair value changes of the hedging transaction.

The prospective effectiveness of interest hedgings is measured by sensitivity analysis, the retrospective effectiveness is measured using the dollar-offset-method.

Hedging transactions that do not meet the criteria for hedging instruments defined in IAS 39 are classified as trading transactions and recognized in the financial assets "at fair value through profit or loss" category (held for trading). Fair market value changes are recognized in full in the income statement for the current period and reported in the financial result.

Derivatives are measured at fair value. The fair value is the market value, determined by actuarial methods. The basis are the market data (interest rate, exchange rates, etc.) at balance sheet date. The valuation of currency forwards is based on the forward rate at balance sheet date. The credit rating of the contracting party is included into the valuation by credit value adjustment (CVA) if the market values are positive. If the market values are negative a debit value adjustment (DVA) is deducted to account for the default risk. Special models are used to estimate the measurement, which are checked for plausibility by bank valuations.

Production orders are recognized at cost of goods sold plus profit accrued until measurement date less provisions for onerous contracts less progress billings if the degree of completion can be determined reliably. The company determines the degree of completion based on the milestones achieved. The cost include all expenses attributably directly to the specific projects as well as a share of fixed and variable overheads, as accrued for production orders in the group at an average range of utilization. If the degree of completion cannot be determined reliably no profit is yielded and sales revenues are recognized at the level of manufacturing costs incurred (zero-profit-margin-method). Costs for financing are not included in the acquisition and manufacturing cost.

Inventories are valued at acquisition or manufacturing costs or, if lower, at net realizable value on the balance sheet date. For this purpose, the weighted average cost method is used. An inventory coverage analysis with adjustments for limited usability was applied.

Acquisition costs include all costs incurred for the item to achieve the required state and to be shipped to the relevant location. Manufacturing costs include material and production costs as well as appropriate parts of the material and production overheads. Administrative and distribution overheads are not part of the manufacturing costs. Interest on debt capital is not capitalized since inventories are no qualified assets according to IAS 23.

The social capital obligations consist of obligations for severance payments, pensions and anniversary bonuses. Moreover, statutory provisions require the CROSS Industries Group to make severance payments to all employees in Austria whose employment contracts commenced before 1 January 2003 if the employer terminates the contract or the employee retires. This defined benefit obligation depends on the number of years of service and the income at the time of termination or retirement. For all employees in Austria whose contracts commenced after 31 December 2002, 1.53% of their salaries are paid monthly into a company employee benefit fund, where the contributions are saved in employees' accounts and paid out to them on termination of their employment contract or transferred as credit to another fund. The group is only obliged to pay the contributions that are reported under expenses in the fiscal year for which they were paid (defined contribution obligation).

As a result of individual bargaining agreements, several group companies are obliged to pay retirement benefits (defined benefit obligation). As a result of collective bargaining agreements companies of the CROSS Industries Group are required to pay employees in Austria jubilee benefits once they have reached a certain number of years in service (minimum years of service: 25) (defined benefit obligation).

The value of defined benefit obligations for pensions and severance payments is determined using the projected unit credit method specified in IAS 19 “Employee Benefits” on the basis of actuarial assumptions. This projected unit credit method takes into consideration both the known benefits accrued at the balance sheet date and the increases in salaries and pensions to be expected in the future. It involves determining the present value of the defined benefit obligation (DBO) and offsetting it against the fair-value of the existing plan assets at the balance sheet date if necessary.

Any differences at the end of the year (actuarial gains or losses) between the severance payment obligations calculated according to plan and the actual projected benefit obligations are recognized in the other comprehensive income.

Provisions for warranties are set up at the time the products are sold and thus affect net income.

Other provisions are set up in case obligations towards third parties exist, insofar as the utilization of these provisions is more likely than not and the expected amount of the required provision can be estimated reliably.

Government grants and subsidies are recognized as soon as it is certain that the group will receive them and the group can meet the specified requirements. Grants and subsidies are generally recognized in the income statement on the basis of a direct connection with the relevant costs that will be settled by the grant or subsidy.

Investment grants from public funds that are shown as individual positions in the financial statements of the companies are shown in the consolidated financial statements under long-term borrowed funds.

Contingent liabilities are potential liabilities resulting from past events, whether or not a contingent liability comes into being is determined by whether or not future events occur that are beyond the full control of the company. The contingent liability is a current obligation based on previous events, but not recognized since it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the extremely rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

Estimates and uncertainties in cases of discretionary decisions and assumptions

To a certain extent, estimates and assumptions have to be made in the consolidated financial statements. These estimates have an impact on the balance sheet assets and liabilities, the disclosure of contingent liabilities at the balance sheet date, and the reporting of expenses and income in the business year. The Management refers to empirical data that is considered adequate. The subsequent actual amounts may then differ from such estimates, if parameters do not develop according to expectations. New conditions will considered when arising and assumptions adjusted.

Assumptions are made to evaluate the impairment of goodwill and intangible assets of indefinite useful life. At balance sheet date goodwill in the amount of € 156,259k (previous year: € 156,158k) and the brand "KTM" with the amount of € 60,000k (previous year: € 60,000k) were recognized. The annual evaluation with an impairment test and a sensitivity analysis are described in the Principles of Accounting and Balancing and Valuation Methods.

Deferred tax assets for nonforfeitable tax losses carried forward are reported to generate sufficient taxable income to realize tax losses carried forward in future. For uncertainties in the assumptions valuation adjustments are set up. As at 31 December 2013 deferred tax assets on losses carried forward in the amount of € 19,969k (previous year: € 24,452k) were capitalized. Based on the current tax planning the management expects the realization of the tax losses carried forward as at 31 December 2013 within the next seven years. For further details on deferred taxes refer to the notes, item (11) "Taxes on income".

In cash flow hedge accounting assessments are made regarding the occurrence of future cash flows. The planning of future cash flows is based on the sales and order volume planning and is reviewed for achievement of objectives on a monthly basis and verified for plausibility using past experience. Foreign currency hedges are generally entered into a rolling basis for a period of up to twelve months in accordance with the internal currency hedging strategy. The hedge ratio of the individual currencies is determined based on the planning uncertainty of the respective market, the volatility of the currency and the hedging cost. The currencies are aggregated by type based on their importance (volume, revenue relevance) and different methods are applied accordingly. The hedge ratio per currency must not exceed 80% of the foreign currency exposure. For details to currency and interest sensitivities refer to the notes, item (29.c) "Financial risk management".

Furthermore, estimation uncertainty exists with the recognition and measurement of obligations relating to social capital. Assumptions are made regarding the following factors: expected values, demographic assumptions such as the retirement page of women/men and employee fluctuation as well as financial assumptions such as the discount rate and future wage and salary trends. As at the balance sheet date, obligations in the respect of claims to severance payments were recognized at € 14,792k. For further explanations see item (27) "Employee benefits".

Regarding provisions, estimates have been made in order to assess probabilities and determine the expected amount for measuring the obligations. These assumptions essentially concern provisions relating to guarantees and warranties, based on past experience, a direct connections was established, per product group, between the guarantee and warranty expense incurred and the revenues. The Management Board due to longstanding experience expects this relationship to remain stable. The average percentage of guarantee and warranty expense in the revenues is checked several times a year and adjusted if necessary. The amount recognized as a provision is therefore derived as an average percentage, determined over a three-year observation period, of the warranty expenses and the revenues. As at 31 December 2013 provisions relating to guarantees and warranties were recognized at € 5,601k (previous year: € 5,018k).

For the development of provisions see item (26) "Provisions".

III. NOTES TO THE CONSOLIDATED INCOME STATEMENT AND THE CONSOLIDATED BALANCE SHEET

(05) NET SALES

Net Sales by product groups

in €k	2013	2012
KTM products	716,390	612,008
Pankl high performance products	139,804	127,685
WP products	111,087	107,978
Others	35,141	31,542
Consolidation	(106,149)	(90,571)
	896,273	**788,642**

Sponsorship income, contributions and subsidies are deducted outright from the corresponding expenses.

Net Sales by regions

in €k	Europe		North America		Others	
	2013	2012	2013	2012	2013	2012
External Sales	525,112	483,187	196,774	173,570	174,387	131,885

The breakdown of external sales by region is based on the location of the customers

(06) BREAKDOWN OF EXPENSES

Cost of Sales

in €k	2013	2012
Cost of materials and services for purchased services	485,393	416,569
Personnel expenses	102,240	89,641
Depreciation and amortization of tangible assets and intangible assets including low-value assets	22,451	20,350
Other operating expenses	21,530	30,890
	631,614	**557,450**

Distribution and motorsport expenses

in €k	2013	2012
Cost of materials and expenses for purchased services	36,883	33,402
Personnel expenses	30,542	24,200
Depreciation and amortization of tangible assets and intangible assets including low-value assets	3,527	3,296
Other operating expenses	47,136	41,543
Sponsorship income and other operating earnings	(7,560)	(6,885)
	110,528	**95,556**

Expenses for research and development

in €k	2013	2012
Cost of materials and expenses for purchased services	2,408	4,327
Personnel expenses	7,409	7,935
Depreciation and amortization of tangible assets and intangible assets including low-value assets	20,379	19,345
Other operating expenses	2,768	732
Subsidies and other operating earnings	(5,295)	(5,099)
	27,669	**27,240**

Administration expenses

in €k	2013	2012
Cost of materials and expenses for purchased services	292	576
Personnel expenses	25,709	22,890
Depreciation and amortization of tangible assets and intangible assets including low-value assets	5,376	4,309
Other operating expenses	30,543	27,434
Other operating income	(4,842)	(2,607)
	57,078	**52,602**

Scheduled depreciation and impairment on assets are shown in the income statement under their corresponding operating area (see above).

Audit Expenses

The expenses for the audit carried out by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft can be broken down as follows:

in €k	2013	2012
Audit of separate financial statements	346	332
Audit of consolidated financial statements	246	265
Special audits	5	121
Other services	41	67
	638	**785**

(07) MANAGEMENT BOARD REMUNERATION AND STAFF INFORMATION

The total salaries paid by the CROSS Industries Group for the Management Board's activities and their administrative duties amounted to € 6,695k (previous year: € 6,589k). Liabilities relating to severance payments for the Management Board amount to € 1,405k (previous year: € 0k).

A remuneration totaling € 96k (previous year: € 49k) will be proposed for the Supervisory Board for the business year 2013 (to be paid in business year 2014).

As at the balance sheet date, there are no pending loans and advances granted to members of the Supervisory Board of CROSS Industries AG.

Employees

	2013
As at 1 January 2013	3,703
Changes in the business year	225
As at 31 December 2013	**3,928**
thereof workers	2,187
thereof employees	1,741

Employee expenses in business year 2013 amounted to € 188,073k (previous year: € 166,142k).

(08) OTHER OPERATING EXPENSES

Other operating expenses can be broken down as follows:

in €k	2013	2012
Guarantee expenses	13,192	10,406
Other expenses	158	496
	13,350	**10,902**

(09) OTHER OPERATING INCOME

Other operating income can be broken down as follows:

in €k	2013	2012
Grants	654	999
Income from the sale of fixed assets	1,129	413
Insurance income	71	198
Remaining other income	1,390	1,452
	3,244	**3,062**

(10) FINANCIAL- AND INVESTMENT RESULT

The financial- and investment result can be broken down as follows:

in €k	2013	2012
Interest income	1,010	2,269
Interest expenses	(19,470)	(19,099)
Result from at-equity holdings	12,447	559
Other financial- and investment result	(2,247)	(6,753)
	(8,260)	**(23,024)**

For the result from interest recognized at-equity please refer to item (17) "Investments accounted for using the equity method".

The other financing and investment result includes expenses from financial instruments in the amount of € 465k (previous year: € 1,134k), depreciation from non-current assets in the amount of € 632k (previous year: €709k) and losses from foreign currency transactions in the amount of € 619k (previous year: € 238k). In 2012 this item included expenses from the reversal of transaction cost (€ 2,451k) and expenses from shareholdings (€ 2,166k).

(11) TAXES ON INCOME

The group's income tax income and expenses can be broken into current and deferred taxes as follows:

in €k	2013	2012
Current tax	(7,388)	(4,169)
Deferred tax	(5,434)	1,083
	(12,822)	**(3,086)**

Taxes on income and earnings, which are paid or owed in the individual countries as well as deferred taxes are recognized as income taxes. The Austrian companies in the CROSS Industries Group are subject to a corporation tax rate of 25.0%. Calculation of foreign income taxes is based on the laws passed or regulations applicable in the individual countries. The income tax rates applied to foreign companies vary from 10% to 40%.

Offsetting and reconciliation from the expected tax expenses for the business year (application of the total group tax rate of 25.0% to the pre-tax profit of € 50,562k (previous year: € 24,930k) to the actual tax expenses/income can be shown as follows:

in €k	2013	2012
Expected tax expense/income	(12,641)	(6,233)
Non-temporary differences	1,186	(4,774)
Rate for tax loss carried forward / value adjustments / utilization of losses carried forward	(7,221)	5,917
Taxes from prior periods	843	(39)
Effects of foreign tax rates	280	28
Result from at-equity interest	3,118	0
Investment-related benefits	976	842
Others	637	1,173
	(12,822)	**(3,086)**

The capitalized tax losses of the CROSS Industries Group carried forward can be summarized as follows:

in €k	Losses carried forward	thereof value adjusted	Remaining losses carried forward	Deferred tax assets
31 December 2013				
CROSS Industries AG, Wels	33,564	(33,564)	0	0
CROSS Motorsport Systems GmbH, Wels	27,121	(27,121)	0	0
CROSS Immobilien GmbH, Wels	689	(689)	0	0
CROSS KraftFahrZeug GmbH, Wels	4,495	(4,495)	0	0
PF Beteiligungsverwaltungs GmbH, Wels	27,785	(27,785)	0	0
KTM AG, Mattighofen	83,054	(16,612)	66,442	16,611
Pankl Group	16,015	(4,107)	11,908	3,358
Wethje Group	9,466	(9,466)	0	0
Others	2,716	(2,716)	0	0
	204,905	**(126,555)**	**78,350**	**19,969**

in €k	Losses carried forward	thereof value adjusted	Remaining losses carried forward	Deferred tax assets
31 December 2012				
CROSS Industries AG, Wels	25,054	(25,054)	0	0
CROSS Motorsport Systems AG, Wels	21,038	(21,038)	0	0
CROSS Immobilien AG, Wels	990	(990)	0	0
CROSS KraftFahrZeug GmbH, Wels	4,857	(4,857)	0	0
PF Beteiligungsverwaltungs GmbH, Wels	28,118	(28,118)	0	0
KTM AG, Mattighofen	107,439	(21,487)	85,952	21,488
Pankl Group	14,525	(5,803)	8,722	2,549
Wethje Group	1,644	(113)	1,531	415
Others	4,624	(4,624)	0	0
	208,289	**(112,084)**	**96,205**	**24,452**

Deductible temporary differences and not yet used tax losses (incl. not yet used partial depreciations) for which active deferred taxes were not capitalized amounted to € 156,202k (previous year: € 130,607k). When assessing the value adjustments of the losses carried forward and temporary differences, a mid-term realization of deferred tax asset was considered uncertain from today's point of view.

Active and passive deferred taxes are generated from the following items of the balance sheet:

in €k	31 Dec 2013	31 Dec 2012
Deferred tax assets		
Current assets	2,160	1,635
Non-current assets		
Assets	1,146	1,146
Losses carried forward	19,969	24,452
Current and non-current liabilities	5,460	3,439
Others	227	205
	28,962	**30,877**
Offset	(22,026)	(24,369)
	6,936	**6,508**
Deferred tax liabilities		
Current assets	(4,029)	(3,442)
Non-current assets		
Intangible assets	(36,902)	(34,148)
Tangible assets	(2,990)	(2,899)
Subsidies	(119)	(127)
Others	(95)	(99)
	(44,135)	**(40,715)**
Offset	22,026	24,369
	(22,109)	**(16,346)**

The deferred taxes in business year 2013 developed as follows:

in €k	2013	2012
Deferred taxes (net) as at 1 January	(9,838)	(10,180)
Changes in the scope of consolidation	0	(767)
Deferred taxes affecting income	(5,434)	1,083
Deferred taxes recognized in other income	(5)	26
Other changes	104	0
Deferred taxes (net) as at at December	**(15,173)**	**(9,838)**

According to IAS 12.39 no deferred tax was set up for temporary differences in connection with bonds to subsidiaries.

(12) INCOME FROM DISCONTINUED OPERATIONS

The income from discontinued operations includes the result in the amount of € –82k from Durmont Teppichbodenfabrik GmbH in 2013 and € 5,975k from expenses for warranties (arbitration proceedings and additional tax claim from a tax audit at SMP Deutschland GmbH) from the sale of the Peguform Group in November 2011. The expenses also include advisory cost related to these cases.

(13) TANGIBLE ASSETS

in €k	Real estate	Buildings	Technical equipment and machinery	Factory- and business equipment	Advanced payments and facilities under construction	Total
2013						
Acquisition- and manufacturing cost						
As at 1 January 2013	23,558	127,660	120,971	158,479	25,804	456,472
Currency conversion	(5)	(258)	(654)	(407)	(28)	(1,352)
Disposals from the reporting as discontinued operation	0	0	(2,162)	(292)	(1,628)	(4,082)
Additions	216	7,398	10,598	13,469	20,005	51,686
Transfers	(128)	15,445	5,470	7,051	(28,651)	(813)
Disposals	(114)	(2,639)	(3,016)	(4,274)	(547)	(10,590)
As at 31 December 2013	**23,527**	**147,606**	**131,207**	**174,026**	**14,955**	**491,321**
Accumulated depreciation						
As at 1 January 2013	57	32,461	80,348	123,987	0	236,853
Currency conversion	(1)	(90)	(497)	(361)	0	(949)
Disposals from the reporting as discontinued operation	0	0	(448)	(111)	0	(559)
Additions	458	5,131	11,058	12,733	0	29,380
Transfers	0	12	(5)	(7)	0	0
Disposals	0	(1,148)	(2,711)	(3,874)	0	(7,733)
As at 31 December 2013	**514**	**36,366**	**87,745**	**132,367**	**0**	**256,992**

(Continuation) in €k	**Real estate**	**Buildings**	**Technical equipment and machinery**	**Factory- and business equipment**	**Advanced payments and facilities under construction**	**Total**
Book value						
As at 31 December 2013	23,013	111,240	43,462	41,659	14,955	234,329
As at 31 December 2012	23,501	95,199	40,623	34,492	25,804	219,619

The consolidated statement of fixed assets of 2013 includes Durmont Teppichbodenfabrik GmbH with acquisition cost in the amount of € 535k and depreciation in the amount of € 253k until its divesture as discontinued operations on 30 June 2013.

The depreciations include unscheduled depreciation in the amount of € 456k from real estate of Wethje Group.

in €k	**Real estate**	**Buildings**	**Technical equipment and machinery**	**Factory- and business equipment**	**Advanced payments and facilities under construction**	**Total**
2012						
Acquisition- and manufacturing cost						
As at 1 January 2012	16,008	104,329	102,763	142,874	9,365	375,339
Currency conversion	(2)	(95)	(140)	(186)	(2)	(425)
Additions/disposals due to changes of consolidation scope	1,942	8,881	4,125	506	197	15,651
Additions	7,772	5,109	12,310	11,893	34,332	71,416
Transfers	(2,162)	9,487	4,802	5,524	(17,889)	(238)
Disposals	0	(51)	(2,889)	(2,132)	(199)	(5,271)
As at 31 December 2012	**23,558**	**127,660**	**120,971**	**158,479**	**25,804**	**456,472**
Accumulated depreciation						
As at 1 January 2012	56	27,959	72,872	114,152	0	215,039
Currency conversion	(1)	(24)	(125)	(158)	0	(308)
Additions/disposals due to changes of consolidation scope	0	0	51	27	0	78
Additions	2	4,566	10,006	12,253	4	26,831
Transfers	0	0	0	0	0	0
Allocations	0	0	0	(256)	0	(256)
Disposals	0	(40)	(2,456)	(2,0319	(4)	(4,531)
As at 31 December 2012	**57**	**32,461**	**80,348**	**123,987**	**0**	**236,853**
Book value						
As at 31 December 2012	23,501	95,199	40,623	34,492	25,804	219,619
As at 31 December 2011	15,952	76,370	29,891	28,722	9,365	160,300

As at 31 December 2013 government grants in the amount of € 1,757k (previous year: € 1,709k) were classified as a liability. Due to missing qualifying assets in the tangible assets no interests on debt capital are capitalized – as in the previous year.

The following items of the tangible fixed assets comprise capitalized capital lease:

in €k	31 Dec 2013	31 Dec 2012
Leasing machinery		
Acquisition cost	4,215	6,650
Accumulated depreciation	(1,947)	(2,904)
Carrying amount	2,268	3,746

(14) REAL ESTATE HELD AS FINANCIAL INVESTMENT

Intangible assets comprise properties including buildings with a carrying amount of € 14,251k (previous year: € 15,147k), which are not used for own purposes. The fair value of these properties, which has to be explained according to IAS 40, basically corresponds to the reported carrying amounts.

As at the balance sheet dates there were no contractual obligations apart from buying, establishing or developing real estate held as financial investments. There are also no obligations regarding repairs, maintenance or improvements

(15) GOODWILL

The capitalized goodwill in the amount of € 156,259k (previous year: € 15,147k) include the following:

in €k	31 Dec 2013	31 Dec 2012
KTM AG	132,010	132,071
Pankl Group	21,475	21,673
Wethje Group	1,814	1,814
WP Performance Group	913	913
CROSS Immobilien GmbH	47	47
	156,259	156,518

The capitalized goodwill is not written-off in accordance with IAS 36 "Impairment of Assets" but tested for impairment. For the valuation method refer to chapter II "Principles of accounting and balancing and valuation methods".

(16) INTANGIBLE ASSETS

In business year 2013 development cost in the amount of € 31,172k (previous year: € 27,794) were capitalized. As per 31 December 2013 the item "intangible assets" includes development cost with a carrying amount in the amount of € 77,280k (previous year: € 64,383k) a depreciation period of five years, in accordance with an expected useful life was determined.

The brand "KTM" – recognized in the first-time consolidation with € 60,000k – is included with the amount of € 61,103k as intangible asset. The increase of € 1,103k in financial year 2010 is due to a payment on account to KTM Kühler GmbH, Mattighofen. The brand value is subject to an annual impairment test but did not result in a requirement to value adjustment. Please refer to the section II "Principles of accounting and balancing for the method of calculation".

By transfer agreement, dated 17 September 2013 KTM AG acquired the license rights for the use of the brand "Husqvarn" and the Husqvarna dealer network from Pierer Industrie AG. The license right is amortized over the remaining useful life and tested for impairment.

in €k	Concessions, industrial property rights, similar rights and benefits as well as licenses derived from them	Customer base, brand value, self-provided intangible assets	Goodwill	Total
2013				
Acquisition- and manufacturing costs				
As at 1 January 2013	23,342	180,700	179,352	383,394
Currency conversion	(231)	(16)	(266)	(513)
Disposals from the reporting as discontinued operation	(56)	(840)	0	(896)
Additions	13,256	31,186	0	44,442
Transfers	1,196	(383)	0	813
Disposals	(1,030)	0	0	(1,030)
As at 31 December 2013	**36,477**	**210,647**	**179,086**	**426,210**
Accumulated depriciation				
As at 1 January 2013	17,091	43,074	22,834	82,999
Currency conversion	(157)	(8)	(7)	(172)
Disposals from the reporting as discontinued operation	(24)	(315)	0	(339)
Additions	2,792	20,356	0	23,148
Transfers	0	0	0	0
Disposals	(1,006)	0	0	(1,006)
As at 31 December 2013	**18,696**	**63,107**	**22,827**	**104,629**
Book value				
As at 31 December 2013	17,781	147,540	156,259	321,580
As at 31 December 2012	6,251	137,626	156,518	300,395
2012				
Acquisition- and manufacturing costs				
As at 1 January 2012	20,799	250,600	176,575	447,974
Currency conversion	(81)	6	(10)	(85)
Additions/disposals due to changes of the consolidation scope	263	2,952	3,600	6,815
Additions	2,525	28,918	0	31,443
Transfers	238	0	0	238
Disposals	(402)	(101,776)	(813)	(102,991)
As at 31 December 2012	**23,342**	**180,700**	**179,352**	**383,394**
Accumulated depriciation				
As at 1 January 2012	15,487	125,542	22,827	163,856
Currency conversion	(48)	3	7	(38)
Additions/disposals due to changes of the consolidation scope	42	0	0	42
Additions	2,010	19,305	0	21,315
Transfers	0	0	0	0
Disposals	(400)	(101,776)	0	(102,176)
As at 31 December 2012	**17,091**	**43,074**	**22,834**	**82,999**
Book value				
As at 31 December 2012	6,251	137,626	156,518	300,395
As at 31 December 2011	5,312	125,058	153,748	284,118

(17) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in affiliated companies, recognized at-equity:

in €k	Profit share 2013	Investment valuation 31 Dec 2013
Kiska GmbH, Anif	400	2,111
KTM Middle East Al Shafar LLC, Dubai, VAE	139	140
KTM New Zealand Ltd., Auckland, New Zealand	0	171
Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels	236	0
CROSS Informatik GmbH, Wels	11,672	0
	12,447	**2,422**

In business year 2013 the shareholding in Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels, was sold. CROSS Informatik GmbH distributed its equity less nominal capital to the shareholders. As at 31 December 2013 the company is recognized at-equity due to immateriality.

The asset, financial and earnings positions of the companies recognized at-equity in 2013 are as follows (100% respectively). The values refer to the balance sheet date unless otherwise indicated.

in €k	Revenues	Result	Assets	Liabilities
Associated companies	15,075	1,252	7,429	4,801

(18) OTHER NON-CURRENT ASSETS

in €k	31 Dec 2013	31 Dec 2012
Liabilities to shareholders	5,913	12,168
Shareholdings	0	30,538
Loans	1,860	2,003
Others	39	44
	7,812	**44,753**

The carrying amount of financial assets developed as follows:

in €k	As at 1 Jan 2013	Addition	Reclassi-fication	Disposition	As at 31 Dec 2013
Shareholdings in affiliated companies	12,168	0	0	(6,255)	5,913
Financial assets recognized at-equity	25,073	12,447	2,048	(37,146)	2,422
Shareholdings	30,538	0	(2,048)	(28,490)	0
Loans	2,003	40	0	(183)	1,860
	69,782	**12,487**	**0**	**(72,0749**	**10,195**

(19) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in banks, checks and fixed-term deposits in the amount of € 42,270k. The KTM Group has an enforceable right of mutual set-off of certain items in the financial assets and financial liabilities. These items are reported with their net amount in the consolidated financial statements.

(20) TRADE ACCOUNTS RECEIVABLE, CURRENT AND NON-CURRENT ASSETS

The adjustments to receivables developed as follows:

in €k	Trade receivables	Other financial receivables (current and non-current)	Financial assets – loans
As at 1 January 2012	2,689	99	0
Changes in the consolidation scope	14	0	0
Currency conversion	4	0	0
Additions	1,638	0	0
Use	(798)	(99)	0
Disposals	(360)	0	0
As at 31 December 2012 = 1 January 2013	**3,187**	**0**	**0**
Changes in the consolidation scope	0	0	0
Currency conversion	(28)	0	0
Additions	619	0	0
Use	(1,272)	0	0
Disposals	(366)	0	0
As at 31 December 2013	**2,140**	**0**	**0**

The expenses for completely writing off trade accounts receivables amounted to € 406k (previous year: € 275k). Income from payments of written off trade accounts receivables amounted to € 0k (previous year: € 47k). Trade receivables include receivables in the amount of € 2,501k (previous year: € 0k) applying the percentage of completion method.

Current receivables and other assets are made up as follows:

in €k	31 Dec 2013	31 Dec 2012
Receivables from derivative financial instruments and option contracts	2,252	1,804
thereof derivative cash flow hedge	1,088	1,148
thereof derivative fair value hedge	1,164	656
Other current financial assets	14,513	9,556
thereof accrued subsidies	6,011	3,235
thereof accrued interest	64	49
thereof others	8,438	6,272
Receivables from associated companies	4,886	2,775
Other current financial assets	**21,651**	**14,135**
Receivables towards tax authorities	6,149	3,946
Others	2,756	3,394
Other current non-financial assets	**8,905**	**7,340**
Other current assets	**30,556**	**21,475**

(21) INVENTORIES

in €k	31 Dec 2013	31 Dec 2012
Raw and auxiliary materials and supplies	54,039	44,839
Unfinished goods	34,867	28,842
Finished goods and products	106,284	103,027
Payments on account	2,095	1,214
	197,285	**177,922**

in €k	31 Dec 2013	31 Dec 2012
Inventory gross	218,406	199,736
minus depreciation	(21,121)	(21,814)
Inventory net	**197,285**	**177,922**

The carrying amount of inventories written off below cost to the lower fair value less costs to sell amounts to € 90,938k (previous year: € 80,217k).

(22) DISCONTINUED OPERATIONS, ASSETS HELD FOR SALE AND RELATED LIABILITIES

For the discontinued operation Durmont Teppichbodenfabrik GmbH, Hartberg, please refer to item (2.c) "Discontinued operations".

Assets held for sale are the shareholding in SMP Deutschland GmbH, Bötzingen, Germany, and the shareholding in SMP Automotive Technology Iberica, S.L., Polinyà, Spain in the amount of € 28,490k. In November 2013 CROSS exercised the put option to sell the shareholdings; the transaction will be executed in business year 2014.

In 2011 80% of Peguform Group was sold and PF Beteiligungsverwaltungs GmbH granted guarantees at a maximum of 15% of the purchase price to the buyer. At balance sheet date provisions in the amount of € 7,000k were set up for two warranty cases (arbitration proceedings and additional tax claim from a tax audit at SMP Deutschland GmbH).

(23) GROUP EQUITY

The development of the group equity in business year 2013 and 2012 is presented on page 36.

The share capital as at 31 December 2013 amounts to € 1,332k (previous year: € 1,332k) and is divided into 1,332,000 equity shares with a nominal value of € 1.00 each.

The rights conferred on the holders of the shares are those ordinarily conferred under the Austrian Stock Companies Act. They include the right to payment of dividends pursuant to a resolution of the Annual General Meeting together with the right to vote at the Annual General Meeting. All of the interests were fully paid. The share capital reported in the consolidated financial statements as well as the capital reserves correspond to the figures reported in the individual financial statements of CROSS Industries AG. Regarding the capital reserves in the amount of € 141,220k there is a payout block according to article 235 para 3 of the Austrian Commercial Code (UGB) in the amount of € 107,626k.

In December 2005 a perpetual bond of CROSS Industries AG in the amount of € 60,000k was issued. This bond was adjusted by adding the agio and deducting transaction expenses; the associated deferred taxes are shown in the equity capital. The bond was reported as equity, since capital of CROSS Industries AG is available without limitation and there is further no call option on the part of the bond creditors. Under IAS 32.20 there is also no actual redemption commitment.

The perpetual bond is configured as a not collateralized partial debenture, subordinate to all other current or future not collateralized, not subordinate liabilities of CROSS Industries AG. Interest shall be paid by CROSS Industries AG only, if a dividend or another payment to shareholders is resolved, if other subordinate liabilities or shareholder loans are redeemed or if interest is paid on shareholder loans. The resulting capital increase amounted to € 58,987k.

The group's reserves include transactions from the capital consolidation, which strengthen the equity as well as other equity transactions not affecting results including the revaluation of financial assets and the result of the business year. The revaluation reserve according to IAS 39 comprises the cash flow hedge reserve and the available for sale reserve.

The cash flow hedges including shares of minority interest (after taxes) developed as follows:

in €k	
As at 1 January 2012	(5,104)
Effective share of fair value adjustments of cash flow hedges	(1,422)
Reclassification of group equity in the consolidated income statement – recognition in financial result	243
Reclassification of group equity in the consolidated income statement – recognition in operative result	2,225
As at 31 December 2012	**(4,058)**
Effective share of fair value adjustments of cash flow hedges	(1,377)
Reclassification of group equity in the consolidated income statement – recognition in financial result	2,029
Reclassification of group equity in the consolidated income statement – recognition in operative result	175
As at 31 December 2013	**(3,231)**

The IAS 19 reserve includes actuarial losses from pension and severance pay provisions. As at 31 December 2013 the IAS 19 reserve – including shareholdings of non-controlling parties – amounts to € –3,340k (previous year: € –2,516k).

Reserves from exchange rate differences comprise all price differences resulting from the conversion of annual financial statements of consolidated subsidiaries, which have been prepared in foreign currencies.

The minority shareholdings comprise shareholdings of third parties in the equity of consolidated subsidiaries.

Capital management

The aim of capital management is to maintain a strong capital basis so that an appropriate yield for the company's shareholders reflecting the company's risk situation can be further generated, the future development of the company ensured and also so that benefits for other stakeholders can be generated. Management views capital exclusively as book equity according to IFRS. As at the balance sheet date the equity ratio amounted to 35.4% (previous year: 34.4%).

The capital management of the CROSS Industries Group aims at ensuring equity resources to its group companies that meet the local requirements.

(24) ACCOUNTS PAYABLE

Bonds

In April 2012 KTM AG successfully issued a bond (ISIN: AT0000A0UJP7) with a five-year term and a total volume of € 85m. The bond with a denomination of € 500.00 is listed in the Second Regulated Market of the Vienna Stock Exchange; the coupon amounts to 4,375%. The syndicated loan in the amount of € 90,000k taken out in 2009 was paid back with the proceeds of the bond. Securities provided for the syndicated loan – various pledges and a guarantee by the Province of Upper Austria, as explained in the notes to the consolidated statement of business year 2011 – were released in business year 2012 and the financial covenants agreement nullified.

In October 2012 CROSS Industries AG issued a bond (ISIN: AT0000A0WQ66) with a six-year term and a total volume of € 75m. The bond with a denomination of € 500.00 is listed in the Second Regulated Market of the Vienna Stock Exchange, the coupon amounts to 4,625%. Two third of the proceedings of the bond were used for the premature repayment of the equity financing of CROSS Industries Group due 31 December 2017. One third of the proceedings will be used by the CROSS Industries Group for the financing of the planned organic growth, including investments and possible future acquisitions and for general business purposes.

In August 2013 Pankl Racing Systems AG issued a bond with a four-year term and a total volume of € 10m. The coupon amounts to 3.25%.

As at 31 December 2013 the following bonds payable in the group exist:

in €k	Currency	Issuing date	Nominal	Term
KTM AG	€	April 2012	85,000	5 years
CROSS Industries AG	€	October 2012	75,000	6 years
Pankl Racing Systems AG	€	August 2013	10,000	4 years
			170,000	
thereof current			0	
thereof non-current			17,000	

Interest-bearing liabilities

in €k	31 Dec 2013	31 Dec 2012
Bonds payable	168,996	172,424
Bank loans	210,579	224,193
Finance lease obligations	1,854	2,552
Other interest-bearing liablities (discounted bond interest rate)	3,964	5,659
	385,393	**404,828**
thereof remaining term up to 1 year	36,102	70,423
thereof remaining term more than 1 year	349,291	334,405

For certain items in the financial assets and in the financial liabilities a legally enforceable right to set off exists. These items are reported in the notes to the consolidated financial statements with the net amount. Therefore, from liabilities towards banks the amount of € 26,564k (previous year: € 42,946k) was balanced.

The lease payments from finance lease agreements for the next years can be broken down as follows:

in €k	Leasing payments		Fair market value	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Up to 1 year	684	797	627	708
2 to 5 year	1,280	1,915	1,227	1,792
More than 5 years	0	52	0	52
	1,964	**2,764**	**1,854**	**2,552**

Payments due to minimum lease payments recorded as expense (interest expense) in business year 2013 amounted to € 82k (previous year: € 0k). Expenses from finance lease agreements do not include any material, contingent rental payments.

Finance lease agreements are mainly concluded for a basic lease period of six years. After the basic lease period has expired the agreement provides either a purchase option or a purchase requirement. Interest rates of the agreements are mostly variable and underlie current reference rates.

Other current debts can be mainly broken down in personnel liabilities in the amount of € 19,308k (previous year: € 15,625k), liabilities from derivative financial instruments in the amount of € 6,142k (previous year: € 6,039k) liabilities towards the financial authority in the amount of € 4,398k (previous year: € 3,602k) as well as liabilities towards shareholders in the amount of € 1,256k (previous year: € 5,008k).

As at 31 December 2013 **other non-current debts** include liabilities towards shareholders in the amount of € 1,353 (previous year: € 5,214k) as well as investment grants of € 1,757k (previous year: € 1,709k).

(25) CONTINGENCIES, LIEN RIGHTS AND LIABILITIES

Registered liens amount to € 168,536 k (previous year: € 154,011k) and can be broken down as follows:

in €k	31 Dec 2013	31 Dec 2012
Tangible assets	114,656	127,595
Receiveables	33,823	26,416
	148,479	**154,011**

As at the balance sheet date liabilities towards banks were secured by mortgages by collateralization of shares in affiliated companies with a market value of € 155,577k (previous year: € 253,914k). These affect KTM AG with 1,853,850 shares and Pankl Racing Systems AG with 1,562,500 shares.

In April 2012 CROSS Industries AG and CROSS Motorsport Systems GmbH (formerly: CROSS Motorsport Systems AG) restructured their equity financing, whereby financial convenants were agreed upon. The financial covenants were calculated on the basis of the current mid-term plan considering safety margins. If a key financial indicator deviates adversely on two successive quarter reporting dates, the bank consortium is technically entitled to demand repayment under the financing agreement described above. As at 31 December 2013 there were no negative deviations from the financial covenants.

In the course of the sale of a 80%-share in the Peguform Group, PF Beteiligungsverwaltungs GmbH granted guarantees in the amount of maximum of 15% of the purchase price to the buyer. At balance sheet date provisions in the amount of € 7,000k were set up for two warranty cases (arbitration proceedings and additional tax claim from a tax audit at SMP Deutschland GmbH). € 18,500k are reported as contingencies.

(26) PROVISIONS

The group forms provisions for guarantees, gestures of goodwill and complaints for known, expectable individual cases. The expected expenses are mainly based on former experiences.

Estimates of future expenses are inevitably subject to numerous uncertainties, which can lead to an adjustment of the formed provision. It cannot be excluded that the actual expenses for these measures exceed the therefore formed provision in an unforeseeable way. As at 31 December 2013 a total amount of € 5,601k (previous year: € 5,018k) for provisions for guarantees and gestures of goodwill was balanced.

During the business year provisions have developed as follows:

in €k	As at 1 Jan 2013	Currency conversion	Additions	Disposals	Use	Reclassification of discontinued operations	As at 31 Dec 2013
Current provisons for:							
Guaranties	4,759	(1)	4,968	(69)	(3,973)	(122)	5,562
Restructuring measurements	131	(3)	0	(69)	(59)	0	0
Litigation cost	62	0	660	(2)	(60)	0	660
Others	2,421	0	215	(7)	(519)	(1,646)	464
	7,373	**(4)**	**5,843**	**(147)**	**(4,611)**	**(1,768)**	**6,686**
Non-current provisons for:							
Guaranties	259	0	0	(220)	0	0	39
Others	0	0	0	0	0	0	0
	259	**0**	**0**	**(220)**	**0**	**0**	**39**

(27) SOCIAL CAPITAL OBLIGATIONS

Social capital obligations include provisions for:

in €k	31 Dec 2013	31 Dec 2012
Severance pay	12,492	10,887
Anniversary bonus	656	512
Retirement pay	1,644	1,333
	14,792	**12,732**

During the business year social capital obligations developed as follows:

in €k	2013	2012
Projected benefit obligation		
Aa at 1 January	11,704	9,431
Service cost	678	738
Interest expenses	440	484
Payments made	(485)	(858)
Actuarial loss	1,078	1,735
Others	(4)	174
As at 31 December	**13,411**	**11,704**

(Continuation) in €k	**2013**	**2012**
Projected benefit obligation as at 31 December	**13,411**	**11,704**
Plan assets		
As at 1 January	305	224
Payments received	9	0
Payments made	(38)	(36)
Actuarial loss	(13)	0
Others	0	117
As at 31 December	**263**	**305**
Net debt as at 31 December (projected benefit obligation minus plan assets	**13,148**	**11,399**

The defined benefit obligation of obligations after termination of the employment can be broken down as follows after its fund financing:

in €k	**31 Dec 2013**	**31 Dec 2012**
Projected benefit obligation covered by plan assets (gross)	919	817
Market value of plan assets	263	305
Projected benefit obligation covered by plan assets (net)	**656**	**512**
Projected benefit obligation not covered by plan assets	12,492	10,887
Total projected benefit obligations	**13,148**	**11,399**

As at 31 December 2013 the weighted remaining terms (duration) of the obligations relating to severance payments and anniversary bonuses is 14 years (previous year: 13 years).

The actuarial loss is made up as follows:

in €k	**31 Dec 2013**	**31 Dec 2012**
Change in expected values	334	336
Change in demographic assumptions	(75)	4
Change in financial assumptions	832	1,395
Actuarial loss	**1,091**	**1,735**

The valuation of obligations is subject to the following assumptions:

	31 Dec 2013	**31 Dec 2012**
Interest rate	3.50%	4.00%
Wages and salary trend	3.00%	3.00%
Pension age for women/men (with transition rule)	65 years	65 years

The actual income from the plan assets amount to € 9k (previous year: € 0k).

The discounting rate was determined based on very long average terms and high average life expectancy. The discounting rate is the yield for first-rank fixed-rate corporate bonds at balance sheet date.

Staff fluctuation is determined for each company and taken into account depending on age/service. The actuarial assumptions are based on mortality tables for the individual country. The statutory retirement age for each country was selected as the retirement age.

As at 31 December 2013 a change (± 0.5 percentage points) of the parameters “interest rate” and “wages and salary trend” had changed the present value of the future payments as follows:

	Change –0.5 percentage points	Change +0.5 % percentage points
31 December 2013		
Discounting rate	7.5%	(6.7%)
Wage and salary trend	(6.5%)	7.2%

As at 31 December 2012 a change (± 0.5 percentage points) of the parameters “interest rate” and “wages and salary trend” had changed the present value of the future payments as follows:

	Change –0.5 percentage points	Change +0.5 % percentage points
31 December 2012		
Discounting rate	6.9%	(6.2%)
Wage and salary trend	(5.9%)	6.4%

Obligations related to claims from anniversary bonuses developed as follows:

in €k	2013	2012
As at 1 January	1,333	964
Service cost	136	110
Interest expenses	53	54
Actuarial loss	126	222
Others	(4)	(17)
As at 31 December	**1,644**	**1,333**

For employees in Austria whose employment contracts commenced before 1 January 2003 1.53% of their salaries are paid monthly into a company employee benefit fund. In business year 2013 payments in the amount of € 1,297k (previous year: € 1,367k) were made.

IV. OTHER EXPLANATIONS

(28) RISK REPORT

As a group of companies doing business on a global scale, the KTM Group faces a multitude of possible risks that are monitored by means of a comprehensive risk management system. The Executive Board and Supervisory Board are periodically informed about risks that can have a major impact on the Group’s business operations. Management takes timely action to avoid, minimize and hedge risks.

An internal control system adapted to the company’s needs and incorporating basic principles such as segregation of duties and dual control has been integrated into the financial reporting process. Internal and external audits ensure that the processes are continually improved and optimized. Furthermore, a uniform reporting system is in place throughout the Group, for the ongoing management and control of the risk management process.

Continuous growth of subsidiaries depends on a variety of factors, such as demand behavior, product development, changes in foreign exchange rates, the general economic setting in the individual markets, prices of goods purchased from others, or talent management.

CROSS Industries AG as holding company

The profit situation of CROSS Industries AG is characterized by expenses for financing, acquisition of shareholdings and expenses for projects and mainly depends on the dividend policy of its holding companies. The shareholding in KTM AG is currently its biggest and most essential interest.

The CROSS industries Group is a diversified group of companies focusing on the automotive sector. Besides those risks the group faces, the individual group companies also face specific risks.

Cyclical risk

The focus of activities of the KTM/WP Performance Group is on the motorcycle industry. The sales opportunities for motorcycles are determined by the general economic trend prevailing in the countries and regions where the motorcycle manufacturers do business. As these last years have shown, the motorcycle industry is generally a cyclical industry and is moreover subject to strong fluctuations regarding demand. This risk is counteracted by relevant market research and market forecasts, which are then taken into account in the planning process.

The Pankl Group is influenced by rule changes in the motor racing market. The rule changes result in increased development and testing activities in the upcoming years. The risk exists, on the one hand, that the challenges cannot be met by Pankl, but on the other hand, the opportunity is given for Pankl to further increase market share and to further strengthen the leading market position via innovations.

In the aerospace segment Pankl faces the fluctuations of the aerospace industry. Whereas the trend is positive in the civil aviation industry, the global reduction of military budgets has a negative impact on the military aerospace segment.

Competition and pricing pressure

The market for motorcycles in the industrialized countries is dominated by intense competition; KTM's strongest competitors are four Japanese and three European manufacturers and, on a slightly smaller scale, a U.S. manufacturer, with some of them having the benefit of greater financial resources and higher sales figures and market shares. The street motorcycle market is moreover characterized by high pricing pressure, and new competitors are trying to enter the market by relying on a low-price strategy. Due to KTM's successful market strategy, market leadership was achieved in Europe.

Sales risk

The largest individual sales markets of the KTM Group are the European market and the U.S. market. A slump in these markets could have a negative impact on the business activities of the KTM Group. Entering new markets essentially involves a cost risk for the KTM Group as, in some of these markets, the trend of sales as well as the political framework are difficult to assess. By collaborating with its strategic partner Bajaj Auto Ltd., India, KTM continues the committed joint efforts towards the implementation of a global product strategy.

Restrictions relating to motorcycling

The revenue of the KTM/WP Performance Group depends, inter alia, on the possible offroad uses of its motorcycles and is therefore considerably influenced by the national legal framework regulating offroad motorsport, motorcycle registration and rider's licenses in the countries where the vehicles are sold.

Changes of the procurement market

Quantity, quality and price are the most relevant risks the CROSS Industries Group faces on the procurement market. The CROSS Industries Group reacts to these risks by continuous auditing of existing and potential suppliers and long-term purchasing contracts. The quality of provided materials is continuously monitored.

The manufacturing company KTM in Mattighofen covers its demand to a great extent on the local procurement market, allowing KTM to play an active role in creating and maintaining regional added value. Aiming at minimizing risks and securing the availability of materials KTM puts great emphasis on selecting new suppliers according to fixed criteria as well as sustainable cooperation and development with already chosen suppliers. Since the quality of KTM products mainly depends on the quality and characteristics of subcomponents that have to be procured, the company puts great emphasis on financial standing, works equipment and production processes of suppliers.

The Pankl Group needs high quality (raw-)materials such as high-grade steel, titanium- and aluminum alloys for the production of individual components. Timely availability of raw materials is – especially in the view of a reviving economy – depended on careful planning of future order volumes. A shortage of materials might lead to delays in production and deliveries or higher material expenses. Since Pankl buys the majority of raw materials abroad, the company is subject to numerous risks including economic or political disruptions, delays in transport or exchange rate fluctuations. Each of the above mentioned risks might have a negative impact on the company's business operations.

At the WP Performance Group the risk in connection with the procurement markets is currently considered to be high. The supply with certain raw materials (aluminum alloys, special steel and plastic) is currently very difficult and may lead to bottlenecks. The further price development of raw materials is difficult to predict, which may have effects on the WP Performance Group.

Research and development, racing

Technical innovation and the introduction of new products contribute in a relevant measure to the position among competitors. It is therefore vital that new trends be timely identified. To counteract the risk, the products' innovative capacity must be ensured.

KTM therefore places a high value on the early recognition of motorcycle trends, on research and development regarding engineering and functionality and on investigating customer wishes so as to achieve innovative product development close to the market. Racing achievements are not only an important marketing instrument for the company but also form the basis for product development and set standards for series development. Valuable experience is gathered whenever products can be tested in racing conditions at racing events. Before being introduced into series production, all technical innovations are moreover subjected to comprehensive testing by the quality management system so as to eliminate, to the greatest extent possible, any technical defects that could have a negative effect on earnings development.

Pankl's reseach and development process carries the risk that the development activities may not bring the desired results and the customers may not honor the effort with appropriate orders. The Pankl Group aims to minimize these risks through ongoing market observation and close cooperation with customers.

Product liability risk

In its business environment, the CROSS Industries Group is also exposed to claims for damages raised because of accidents and injuries. This applies especially to the U.S., where claims asserted in product liability cases involve higher amounts of liability. Corresponding insurance has been taken out to hedge these risks.

Risks due to the legal framework

As the CROSS Industries Group markets its products in a large number of countries, it is exposed to the risk of changes in national regulations, terms of licenses, taxes, trade restrictions, prices, income and exchange restrictions as well as to the risk of political, social and economic instability, inflation and interest rate fluctuations. The respective country specific risks are checked thoroughly before a new market is entered and continuously monitored to enable the group to react to changes in a timely manner.

Business and environmental risk

Although risk cannot be fully excluded as regards forces of nature, the CROSS Industries Group tries to minimize the risk of production processes being affected, by providing appropriate contingency plans and insurance.

Personnel-related risks

Especially with regard to the growth course, risks may arise if key staff leaves the company. Efficient personnel management as well as the constant pursuit of personnel development programs are designed to counteract the risk of managerial staff leaving the company.

The risk of a shortage of skilled staff is minimized by a comprehensive apprentice training program in our own apprentice workshop. The aim is to recruit employees in the region and retain them in the long term.

Financial risks

Regarding the financial risks (currency risks, interest rate risks, default risks as well as liquidity risks), reference is made to the explanations given in item (29) "Financial instruments and financial risk management".

(29) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Basis

The CROSS Industries Group holds primary and derivative financial instruments. Primary financial instruments mainly include financial assets, trade accounts receivable, deposits with banks, bank loans, trade accounts payable, financial liabilities and bonds. The amount of financial instruments is shown in the balance sheet and described in the notes to the consolidated financial statements.

Derivative financial instruments are generally used to hedge existing change in interest rate and foreign exchange risks. The use of derivative financial instruments is subject to appropriate authorization and control procedures in the group.

Acquisitions and sales of any financial instruments are recognized on the settlement date.

The financial instruments are generally valued at cost at the time of addition. The financial instruments are written off if the rights to payments from the investment have expired or have been transferred and the group has basically transferred all the risks and rewards that are involved in ownership.

(b) Classification and fair value

The fair value of financial instruments is determined by listed market prices for the identical instrument in active markets (level 1). In case no listed market price on active markets is available, the fair value is determined by valuation methods, whose parameters are based on monitorable market data (level 2). Otherwise the determination of the fair value is based on valuation methods whose parameters are not based on monitorable market data (level 3).

Reclassifications between levels are considered at balance sheet date. There were no reclassifications between levels in business year 2013.

The following table shows carrying amounts and fair values of the financial assets (financial instruments on the assets side), broken down by class and measurement category in accordance with IAS 39. It does not provide information for financial assets not measured at the fair value, if the carrying amount constitutes a reasonable approximate value of fair value.

in €k	Carrying amount	Fair value	Fair value Level 1	Level 2	Level 3	Total
31 December 2013						
Loans and receiveables						
Cash and cash equivalents	42,720	0	0	0	0	0
Trade receivables	82,768	0	0	0	0	0
Receivables to affiliated companies	6,456	0	0	0	0	0
Other financial assets (current and non-current)	19,438	0	0	0	0	0
Financial assets – loans	1,860	0	0	0	0	0
	153,242	**0**	**0**	**0**	**0**	**0**
Available for sale						
Other non-current financial assets	5,913	0	0	0	0	0
	5,913	**0**	**0**	**0**	**0**	**0**
Fair value – hedging instruments						
Other current assets – derivatives with positve market value	2,252	2,252	0	2,252	0	2,252
	2,252	**2,252**	**0**	**0**	**0**	**0**
	161,407	**2,252**	**0**	**0**	**0**	**0**
31 December 2012						
Loans and receiveables						
Cash and cash equivalents	43,279	0	0	0	0	0
Trade receivables	73,821	0	0	0	0	0
Receivables to affiliated companies	1,843	0	0	0	0	0
Other financial assets (current and non-current)	12,326	0	0	0	0	0
Financial assets – loans	2,003	0	0	0	0	0
	133,272	**0**	**0**	**0**	**0**	**0**
Available for sale						
Other non-current financial assets	42,706	0	0	0	0	0
	42,706	**0**	**0**	**0**	**0**	**0**
Fair value – hedging instruments						
Other current assets – derivatives with positve market value	1,804	1,804	0	1,804	0	1,804
	1,804	**1,804**	**0**	**0**	**00**	**0**
	177,782	**1,804**	**0**	**0**	**0**	**0**

Receivables sold in connection with the existing ABS program are derecognized according to the regulations provided in IAS 39 "Continuing involvement". As at 31 December 2013 trade receivables sold to third parties amount to € 35,159k (previous year: € 37,519k).

The following tables shows the carrying amounts and fair values of the financial liabilities (financial insturments shown on the liabilities side) broken down by class or measurement category according to IAS 39. It does not provide information for financial assets not measured at the fair value, if the carrying amount constitutes a reasonable approximate value of fair value.

in €k	Carrying amount	Fair value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
31 December 2013						
At amortized cost						
Liabilities to banks	210,579	212,469	0	0	212,469	212,469
Bonds	168,996	173,956	163,324	0	10,632	173,956
Trade payables	104,915	0	0	0	0	0
Finacial liabilities to affiliated companies	5,744	0	0	0	0	0
Liabilities financial leasing	1,854	0	0	0	0	0
Other financial liabilities (current and non-current)	47,349	0	0	0	0	0
	539,437	**386,425**	**0**	**0**	**0**	**0**
Held for trading						
Other financial liabilities – derivatives with negative market value	550	550	0	550	0	550
	550	**550**	**0**	**0**	**0**	**0**
Fair value – hedging instruments						
Other financial liabilities – derivatives with negative market value (cash flow hedge)	5,592	5,592	0	5,592	0	5,592
	5,592	**5,592**	**0**	**0**	**0**	**0**
	545,579	**392,567**	**0**	**0**	**0**	**0**
31 December 2012						
At amortized cost						
Liabilities to banks	224,193	225,440	0	0	225,440	225,440
Bonds	172,424	184,367	184,367	0	0	184,367
Trade payables	90,604	0	0	0	0	0
Finacial liabilities to affiliated companies	7,038	0	0	0	0	0
Liabilities financial leasing	2,552	0	0	0	0	0
Other financial liabilities (current and non-current)	41,464	0	0	0	0	0
	538,275	**409,807**	**0**	**0**	**0**	**0**

(Continuation) in €k	Carrying amount	Fair value	Fair value			
			Level 1	Level 2	Level 3	Total
At amortized cost	538,275	409,807	0	0	0	0
Held for trading						
Other financial liabilities – derivatives with negative market value	1,609	1,609	0	1,609	0	1,609
	1,609	1,609	0	0	0	0
Fair value – hedging instruments						
Other financial liabilities – derivatives with negative market value (cash flow hedge)	4,430	4,430	0	4,430	0	4,430
	4,430	4,430	0	0	0	0
	544,314	415,846	0	0	0	0

Fair value determination

The following table shows the valuation technique used to determine the fair value in Level 2 and Level 3 as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Connection between significant unobservable inputs and fair value measurement
Financial instruments measured at fair value			
Foreign currency forwards and interest rate swaps	Market comparison method: The fair values are based on the market values determined using accepted methodologies of financial mathematics; they are regularly checked for plausibility	Not applicable	Not applicable
Financial instruments not measured at fair value			
Liabilities to banks	The exchange-listed bond is measured using the price quoted on the balance sheet date	Not applicable	–
Loans	Discounted cash flows	Risk premium for own credit risk	–

Offsetting

The Group enters into set-off agreements with banks in connection with derivatives. Generally, the amounts owed by each counterparty on a single day with regard to all outstanding transactions in the same currency according to such agreements are aggregated into a single net amount payable by one party to the other. In certain cases – e. g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, their value as at termination is determined and only a single net amount is payable for settling all transactions.

These agreements do not satisfy the criteria for offsetting in the consolidated balance sheet as, operatively, no net settlement takes place.

in €k	Financial assets (gross)	Offset accounting amounts (gross)	Recognized financial assets (net)	Effects from master settlement agreement	Net amounts
Financial assets 2013					
Cash and cash equivalents	69,284	(26,564)	42,720	0	42,720
Other financial assets – derivatives with positive market value					
Currency forwards	2,252	0	2,252	(1,333)	919
	71,536	**(26,564)**	**44,972**	**(1,333)**	**43,639**

in €k	Financial liabilities (gross)	Offset accounting amounts (gross)	Recognized financial liabilities (net)	Effects from master settlement agreement	Net amounts
Financial liabilities 2013					
Financial liabilities	61,332	(26,564)	34,768	0	34,768
Other financial liabilities – derivatives negative market value					
Currency forwards	2,594	0	2,594	(1,333)	1,261
Interest swaps	3,548	0	3,548	0	3,548
	6,142	**0**	**6,142**	**(1,333)**	**4,810**
	67,474	**(26,564)**	**40,910**	**(1,333)**	**39,578**

in €k	Financial assets (gross)	Offset accounting amounts (gross)	Recognized financial assets (net)	Effects from master settlement agreement	Net amounts
Financial assets 2012					
Cash and cash equivalentse	86,225	(42,946)	43,279	0	43,279
Other financial assets – derivatives with positive market value					
Currency forwards	1,804	0	1,804	(206)	1,598
	88,029	**(42,946)**	**45,083**	**(206)**	**44,877**

(Continuation) in €k	**Financial assets (gross)**	**Offset accounting amounts (gross)**	**Recognized financial assets (net)**	**Effects from master settlement agreement**	**Net amounts**
Financial assets 2012	88,029	(42,946)	45,083	(206)	44,877
Financial liabilities 2012					
Financial liabilities	97,225	(42,946)	54,279	0	54,279
Other financial liabilities – derivatives negative market value					
Currency forwards	206	0	206	(206)	0
Interest swaps	5,833	0	5,833	0	5,833
	6,039	**0**	**6,039**	**(206)**	**5,834**
	103,264	**(42,946)**	**60,318**	**(206)**	**60,113**

The net result from the financial instruments as by class or measurement category according to IAS 39 includes net gains/losses, total interest income/expenses as well as impairment losses, and breaks down as follows:

in €k	**From interest**	**From subsequent fair value measurement**	**From value adjustment**	**From gain/loss on disposal**	**Net result (total)**
2013					
Loans and receivables	1,010	0	(283)	(406)	321
Available for sale	0	0	(592)	0	(592)
At fair value – hedging instruments and held for trading	(1,589)	(505)	0	26	(2,068)
At amortized cost	(17,214)	0	0	0	(17,214)
	(17,793)	**(505)**	**(875)**	**(380)**	**(19,553)**
2012					
Loans and receivables	2,269	0	(1,278)	(228)	763
Available for sale	0	64	(709)	0	(645)
At fair value – hedging instruments and held for trading	0	(1,192)	0	(216)	(1,408)
At amortized cost	(18,350)	0	0	0	(18,350)
	(16,081)	**(1,128)**	**(1,987)**	**(444)**	**(19,640)**

The change in the value adjustment to loans and receivables is shown under the other operating expenses the portion not recognized in profit or loss from the subsequent fair value measurement of the financial assets “available for sale” is recognized in the fair value provision of the available for sale-securities. The remaining components of the net result are included in financial income and financial expenses, respectively.

(c) Financial risk management

Principles of financial risk management

Regarding its assets, debts and planned transactions, the CROSS Industries Group is exposed to credit, market, currency and liquidity risks. The aim of financial risk management is therefore to control and limit these risks. The Management and Supervisory Boards are regularly informed about any risks that could have a significant effect on business development.

The basic principles of financial risk management are laid down and monitored by the Supervisory Board as well as the Management Board. Group treasury is in charge of implementation. The KTM Group, the Pankl Group as well as the CROSS Immobilien GmbH apply derivative financial instruments to hedge the financial risks described below. The aim is to hedge operative cash flows against fluctuations of foreign exchange rates and/or interest rates. The hedging scope usually encompasses currently still open items as well as planned transactions in the coming twelve months. In exceptional cases and in accordance with the Supervisory Board, also longer-term strategic hedge positions can be employed.

Currency risks

As a global corporation, the CROSS Industries Group is also affected by general economic conditions, such as changes in monetary parities or developments on the world's financial markets. The exchange rate trends for the US dollar in particular, which represents the highest individual foreign exchange risk for the KTM Group, play a significant role in the company's sales and earnings performance. In the business year 2013 23% of the turnover (previous year: 22%) was generated by the KTM Group in US dollars. Currency risk management, especially hedging strategies, can compensate for exchange rate deviations to a great extent, at least over a model year. For business year 2014 the US dollar-business was hedged at a rate between € 1.28 and € 1.34 per USD.

There are also currency risks for the group when financial assets and debts are in a currency that is not the local one for the company concerned. The group companies issue the majority of bills in their local currency and finance themselves to a large extent in the local currency. Investments are primarily in the national currency of the investing group company. As a result, the currency items are usually closed naturally.

Apart from investments in Austria, the CROSS Industries Group also makes international investments outside the euro zone, however to a subordinate extent. Exchange rate fluctuations, in particular between the euro and the US dollar and between currencies of Austria's neighboring countries can prove disadvantageous for the value of such interests.

Sensitivity analyses were carried out for the currency risks involved in financial instruments that show the impact of hypothetical changes in exchange rates on earnings (after tax) and equity. The balances affected at the balance sheet date were taken as basis. It was assumed for the analysis that the risk on the balance sheet date basically represents the risk during the business year. The group tax rate used was 25%. In addition, the analysis was also based on the assumption that all other variables, especially interest rates, remain constant. Included in the analysis were currency risks for financial instruments that are denominated in a currency deviating from the functional one and of a monetary nature.

Currency risks from euro items in subsidiaries whose functional currency deviates from the euro were added to the currency risk for the functional currency of the relevant subsidiary. Risks involved in foreign currency items not in euros were aggregated at group level. Exchange rates differences resulting from converting financial statements into the group currency are not taken into account.

Revaluation of the euro – on the basis of the above assumptions – by 10% against all other currencies on the balance sheet date would have the following effect on the balance sheet date:

in €k	Revaluation by 10%		Devaluation by 10%	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Change of result (after tax)	(10,424)	(4,904)	12,683	5,988
Change of currency related cash flow hedge provision	3,133	5,407	(3,829)	(6,597)
Change of equity	**(7,291)**	**503**	**8,854**	**–609**

Interest rate risks

The financial instruments primarily have variable interest rates both on the asset and liability side. As a result, the risk lies in rising expense interest rates and falling income interest rates due to an adverse change in the market interest rates.

The CROSS Industries Group has part of its debt refinanced at variable rates and is thus exposed to interest rate fluctuations of the market. The risk is observed by a constant monitoring of the money and capital markets as well as by the implementation of fixed interest rate payer swaps. If the interest rate payer swaps are closed the company receives variable interest and pays fixed interest on the nominal values agreed.

Interest rate risks are therefore generally the result of primary financial instruments with variable interest rates (cash flow risk). Sensitivity analyses were carried out for the interest rate risks involved in these financial instruments that show the impact of hypothetical changes in market interest rate levels on earnings (after tax) and group equity. The balances affected at the balance sheet date were taken as the basis. It was assumed for the analysis that the risk at the balance sheet date basically represents the risk during the business year. The group tax rate used was 25%. In addition, the analysis was also based on the assumption that all other variables, especially exchange rates, remain constant.

A change in the market interest rate level – on the basis of the above assumptions – by 50 basic points (BP)at the balance sheet date would have the following effect:

in €k	Increase by 50 BP		Decrease by 50 BP	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Change of result (after tax)	(174)	(255)	174	255
Change of currency related cash flow hedge provision	430	731	(436)	(749)
Change of equity	**256**	**476**	**(262)**	**(494)**

Default risks (credit risks)

The default risk is the risk of financial losses arising because a contracting party of a financial instrument fails to meet payment obligations.

Some operational subsidiaries of the group show a significant level of dependency on individual, major customers. The default risk involved in receivables from customers can be considered low, as the risk rating of new and existing customers is checked regularly and security is demanded. Default risks are hedged by bad debt insurance on the one hand and bank securities on the other (guarantees, letters of credit). Internal guidelines define the default risks and give procedures for controlling them.

Moreover, the group is exposed to a credit risk resulting from derivative financial instruments, should the parties not meet their contractual obligations. The contract parties are international financial institutions. When derivative financial instruments have a positive market value, the default risk is limited to the costs of replacing them. Given that the contract parties are solely banks with high credit ratings, the risk involved can be classed as low.

On the basis of their ratings, carried out by highly respected agencies, the risk for the group can be regarded as low.

On the asset side, the amounts shown represent the maximum default risk. Additional master settlement agreements – besides those settlement agreement described in item (29.b) "Classification and fair value of the consolidated notes" – do not exist.

The book values of the receivables can be broken down as follows:

in €k	Carrying amount	Thereof: As of the reporting date neither impaired nor overdue	Thereof: As of the reporting date not impaired and due in the following periods of time				Thereof impaired
			Up to 30 days	30 to 60 days	60 to 90 days	More than 90 days	
31 December 2013							
Trade receivables	82,768	29,715	21,984	6,030	2,054	20,332	2,653
Receivables towards affiliated companies	6,456	6,456	0	0	0	0	0
Other financial receivables (current and non-current)	19,438	19,070	147	0	16	205	0
Financial assets – loans	1,860	1,860	0	0	0	0	0
	110,522	**57,101**	**22,131**	**6,030**	**2,070**	**20,537**	**2,653**
31 December 2012							
Trade receivables	73,821	43,267	16,186	2,256	1,859	5,683	4,570
Receivables towards affiliated companies	1,843	1,843	0	0	0	0	0
Other financial receivables (current and non-current)	12,326	12,326	0	0	0	0	0
Financial assets – loans	2,003	2,003	0	0	0	0	0
	89,993	**59,439**	**16,186**	**2,256**	**1,859**	**5,683**	**4,570**

Regarding the recognized financial trade and other receivables that were neither written-off nor in default, there were no signs at the balance sheet date that the debtors may not fulfill their payment obligations.

Carrying amounts of financial assets that otherwise would have been reduced in value or overdue and the terms of which were renegotiated, amounted to € 0k (previous year: € 0k).

Liquidity risks

A major aim of financial risk management in the CROSS Industries Group is to ensure liquidity and financial flexibility at all times. For this purpose a liquidity reserve in the form of unused credit lines (cash and guaranteed credit) – and if required in the form of cash in hand – is held at banks with a high credit ranking. The long-term liquidity requirements are met by issuing company shares and bonds, taking out bank loans as well as by capital increases.

In April 2012 the equity financing of CROSS Industries AG and CROSS Motorsport Systems GmbH (formerly: CROSS Motorsport Systems AG was restructured. In the framework of this financing the company concluded financial covenants. The financial covenants were determined based on the current medium-term planning taking into account a safety margin. An adverse deviation from one of the financial covenants on two consecutive quarterly key dates, would in principle entitle the banks to call for debt repayment. As at the balance sheet date of 31 December 2013 the financial covenants were met.

Liquidity risks are, in particular, that receipt of payments from sales turn out to be below assumptions as a result of a decline in demand and that planned measures toward working capital optimization as well as fixed costs reduction are insufficiently implemented or else with delay.

The contractually agreed (undiscounted) cash flows (interest and amortization payments) for the financial debts can be broken down as follows:

in €k	Carrying amount	Cash flows 2014			Cash flows 2015 to 2018			Cash flows from 2019		
		Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion
31 December 2013										
Financial liabilities at amortized cost										
Liabilities towards banks	210,579	2,525	2,993	34,141	4,060	6,872	147,541	1,076	306	28,897
Bonds	168,996	7,513	0	0	22,887	0	168,996	0	0	0
Trade liabilities	104,915	0	7	104,219	0	17	696	0	0	0
Financial liabilities towards affiliated companies	5,744	0	114	1,657	0	44	4,087	0	0	0
Liabilities financial lease	1,854	26	35	627	17	38	1,227	0	0	0
Other financial liabilities (current and non-current)	47,349	29	110	43,366	25	171	3,983	0	0	0
	539,437	**10,093**	**3,259**	**184,010**	**26,989**	**7,142**	**326,530**	**1,076**	**306**	**28,897**
Financial liabilities at fair value through profit or loss										
Other financial liabilities – derivates with negative market value	550	507	0	0	297	0	0	0	0	0
	550	**507**	**0**	**0**	**297**	**0**	**0**	**0**	**0**	**0**
Fair value – hedging instruments										
Other financial liabilities – derivates with negative market value (cash flow hedge)	5,592	985	0	2,952	1,444	0	562	0	0	0
	5,592	**985**	**0**	**2,952**	**1,444**	**0**	**562**	**0**	**0**	**0**
	545,579	11,585	3,259	186,962	28,730	7,142	327,092	1,076	306	28,897

in €k	Carrying amount	Cash flows 2013			Cash flows 2014 to 2017			Cash flows from 2018		
		Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion
31 December 2012										
Financial liabilities at amortized cost										
Liabilities towards banks	224,193	2,649	3,630	53,571	3,972	7,598	138,696	302	1,594	31,926
Bonds	172,424	7,672	0	13,574	26,374	0	84,496	2,891	0	74,354
Trade liabilities	90,604	0	0	90,604	0	0	0	0	0	0
Financial liabilities towards affiliated companies	7,038	0	0	7,038	0	0	0	0	0	0
Liabilities financial lease	2,552	36	57	708	39	73	1,792	0	0	52
Other financial liabilities (current and non-current)	41,464	38	0	31,945	57	0	9,451	0	0	68
	538,275	**10,395**	**3,687**	**197,440**	**30,442**	**7,671**	**234,435**	**3,193**	**1,594**	**106,400**
Financial liabilities at fair value through profit or loss										
Other financial liabilities – derivates with negative market value	1,609	0	0	1,331	0	0	278	0	0	0
	1,609	**0**	**0**	**1,331**	**0**	**0**	**278**	**0**	**0**	**0**
Fair value – hedging instruments										
Other financial liabilities – derivates with negative market value (cash flow hedge)	4,430	0	0	1,761	0	0	2,669	0	0	0
	4,430	**0**	**0**	**1,761**	**0**	**0**	**2,669**	**0**	**0**	**0**
	544,314	10,395	3,687	200,532	30,442	7,671	237,382	3,193	1,594	106,400

The table includes all financial instruments that were held at the balance sheet date and where payments have already been agreed upon on a contractual basis. Budgeted figures for any additional future financial liabilities are not included. Working capital loans are assumed to have a twelve-month-term. These loans are regularly renewed and are, therefore, available to the company for a longer period of time. Foreign exchange balances were converted using the exchange rate at the balance sheet date. Variable interest payments were estimated based on the most recent interest rate fixing before the balance sheet date. Financial liabilities repayable at any time are allocated to the group with the shortest maturity.

(d) Derivate and hedging

The group's derivative instruments (currency futures, interest swaps) are essentially implemented to hedge foreign currency.

In the framework of cash flow hedge-accounting variable future payment flows from non-current liabilities with a term until 2016 as well as future operating foreign currency payment flows, whose in- and out payments are planned in the next twelve months are hedged.

The following derivate financial instruments used as hedging instruments were applied as at 31 December 2013

in €k	31 Dec 2013				31 Dec 2012			
	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years
Currency forwards								
USD	31,000	1,232	31,000	0	67,710	791	67,710	0
JPY	2,355,000	(1,909)	2,355,000	0	0	0	0	0
CAD	12,100	474	12,100	0	15,700	334	15,700	0
GBP	26,950	(597)	26,950	0	23,400	382	23,400	0
CHF	13,920	34	13,920	0	0	0	0	0
SEK	78,200	237	78,200	0	68,450	(12)	68,450	0
DKK	7,700	3	7,700	0	9,300	0	9,300	0
PLN	15,000	(49)	15,000	0	4,270	(18)	4,270	0
NOK	9,000	57	9,000	0	14,650	(22)	14,650	0
CZK	68,800	174	68,800	0	40,000	24	40,000	0
HUF	135,000	3	135,000	0	58,500	7	58,500	0
ZAR	0	0	0	0	16,300	113	16,300	0
Interest swaps								
	72,257	(2,999)	0	72,257	80,000	(5,175)	0	80,000

The changes of the market value of the derivatives have been recognized in the other comprehensive income in the amount of € –1,836k (previous year: € 1,896k). € 2,939 (previous year: € 3,291) were taken from other comprehensive income, whereof € 233k (previous year: € 2,967k) were transferred into the operating result and € 2,705k (previous year: € 324k) to the financial result.

No hedge accounting was established for the following derivative instruments.

in €k	31 Dec 2013				31 Dec 2012			
	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years
Interest swaps								
	41,000	(550)	30,000	11,000	31,000	(658)	0	31,000

Currency forwards

Currency forwards concluded by companies of the CROSS Industries Group are mainly concluded in order to hedge future revenues and material expenses in foreign currency fluctuation risks.

Interest swaps

As at the effective date interest rate swaps in the amount of € 113,257k (previous year: € 111,000k) were concluded in order to reduce volatility of variable interest payments from loans. Basically all underlying transactions and hedges are contracted in a way that all essential contractual components completely match (critical terms match). The security effect is reviewed on a regular basis by means of efficiency tests.

Due to the discontinuation of several hedged items, hedges were dissolved in 2012 and 2013. The interest rate swaps that were formerly used for hedging with a nominal value of € 41,000k were classified as held for trading and have a negative market value of € 514k as at 31 December 2013.

(30) OPERATING- AND FINANCIAL LEASE AGREEMENTS

(a) The CROSS Industries Group as lessee

In addition to the finance lease agreements, there are rental and lease agreements in the CROSS Industries Group that can be classified as operating lease agreements on account of their economic content. Leasing contracts include lease payments that are usually based on variable amounts.

In business year 2013 payments from lease payments (lease or rent expenses) from operating leasing relations recorded as expenses amounted to € 10,318k (previous year: € 9,612k). The shown expenses from operating leasing relations do not include contingent lease payments.

The use of lease assets not reported under tangible assets (mostly rent for operating- and administration, buildings and storage areas, CNC machinery, vehicles and computer equipment) entails obligations to third parties totaling € 46,332k (previous year: € 40,588k) that are payable as follows:

in €k	31 Dec 2013	31 Dec 2012
Up to 1 year	10,040	8,809
2 to 5 years	35,567	30,650
More than 5 years	725	1,129
	46,332	**40,588**

The reported expenses neither include payments from subleases recognized as expenses, nor significant contingent rental payments.

The operating leasing agreements are exclusively subject to variable interest rates; are purchase options are partly provided.

(b) The CROSS Industries Group as lessor

Apart from financing- and operating leasing relations, where the CROSS Industries Group operates as the lessee, there are rent and leasing relations in the CROSS Industries Group, where the group, according to the economic content of the operating leasing relation, operates as the lessor. Operating leasing relations are concluded for a basic leasing period of 25 years. The leasing agreements include leasing installments, which are mostly based on variable interest.

Claims for maintaining minimum leasing payments from irredeemable operating leasing relations exist, which will be due as follows:

in €k	31 Dec 2013	31 Dec 2012
Up to 1 year	857	1,408
2 to 5 years	2,189	5,043
More than 5 years	65	212
	3,111	**6,663**

In business year 2013 leasing agreements from operating leasing relations amounted to € 1,287k (previous year: € 887k).

(31) SEGMENT REPORTING

The business segments of the CROSS Industries Group comply with its holding companies (KTM AG Group, Pankl Racing Systems AG Group, WP Performance Systems GmbH Group). The segment others include CROSS Industries AG, Wethje Group as well as all other holding companies.

The segment reporting is provided in enclosure 2 to the notes.

(32) EVENTS AFTER THE BALANCE SHEET DATE

Events after 31 December 2013 that are of material interest for the assessment of assets and liabilities are either taken into account in the present report or not known.

(33) BUSINESS RELATIONS TO AFFILIATED COMPANIES AND PERSONS

Knünz GmbH, Dornbirn, and Pierer Konzerngesellschaft mbH (formerly: Pierer GmbH), Wels, have concluded a syndicate agreement on the exercise of voting rights in Pierer Invest Beteiligungs GmbH, Wels, on 13 June 2012. The conclusion of the syndicate agreement led from mutual control of Pierer Konzerngesellschaft mbH and Knünz GmbH over CROSS Industries AG to dominant control of Pierer Konzerngesellschaft mbH over CROSS Industries AG. Since that date Pierer Konzerngesellschaft mbH is the primary group company.

Shares of CROSS Industries AG are held by Pierer Invest Beteiligungs GmbH, Wels, (50.05%), Pierer Industrie AG, Wels, (25.03%) as well as Unternehmens Invest AG (UIAG), Wels, (24.92%). 62,5% of the shares of Pierer Invest Beteiligungs GmbH, Wels, are held directly and indirectly by Pierer Konzerngesellschaft GmbH, Wels; 37,5% of the shares are held by Knünz GmbH, Dornbirn, whereby 100% of voting rights are held by Pierer Konzerngesellschaft mbH. Pierer Industrie AG is indirectly the 100% owner of Pierer Konzerngesellschaft mbH, Wels. Sole shareholder and CEO of Pierer Konzerngesellschaft GmbH, Wels, is Mr. Stefan Pierer; shareholder and CEO of Knünz GmbH, Dornbirn is Mr. Rudolf Knünz.

In business year 2013 the shareholders have not received any dividend from the previous business year.

Mr. Stefan Pierer holds the following positions in the Pierer Konzerngesellschaft mbH Group:

- Chairman of the Management Board of CROSS Industries AG, Wels
- Chairman of the Management Board of Pierer Industrie AG, Wels
- Chairman of the Management Board of KTM AG, Mattighofen
- Chairman of the Management Board of KTM-Sportmotorcycle AG, Mattighofen
- Managing Director of PF Beteiligungsverwaltungs GmbH, Wels
- Managing Director of CROSS Informatik GmbH, Wels
- Chairman of the Supervisory Board of CROSS Immobilien AG, Wels (until its transformation into CROSS Immobilien GmbH on 27 May 2013)
- Chairman of the Supervisory Board of CROSS Motorsport Systems AG, Wels (until its transformation into CROSS Motorsport Systems GmbH on 8 July 2013)
- Chairman of the Supervisory Board of Pankl Racing Systems AG, Bruck upon Mur
- Chairman of the Supervisory Board of BRAIN FORCE HOLDING AG, Vienna
- Member of the Supervisory Board of SMP Deutschland GmbH, Bötzingen, Germany
- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels

Mr. Gerald Kiska is member of the Supervisory Board of CROSS Industries AG, Wels, and CEO of Kiska GmbH, Anif, in which KTM AG holds a 24.9% share. Kiska GmbH, Anif, provided consulting services for the group in the amount of € 6,696k (previous year: € 4,209k). As at 31 December 2013 there were open liabilities towards Kiska GmbH, Anif, in the amount of € 2,342k (previous year: € 1,052k).

Mr. Ernst Chalupsky is member of the Supervisory Board of CROSS Industries AG, Wels, and KTM AG, Mattighofen, and partner in Saxinger, Chalupsky und Partner Rechtsanwälte GmbH, Wels. The group made use of consulting services from Saxinger, Chalupsky und Partner Rechtsanwälte GmbH, Wels, at standard market conditions in the amount of € 593k (previous year: € 270k) in 2013, which were approved by the Supervisory Board. As at the balance sheet date outstanding liabilities towards Saxinger, Chalupsky und Partner Rechtsanwälte GmbH, Wels, amounted to € 0k.

The material business transactions and the amount of outstanding balances with affiliated companies and persons can be broken down as follows:

in €k	Receivables	Liabilities	Income	Expense
2013				
Shareholder	4	7,711	2,161	180
Associated companies	3,683	2,336	28,983	16,152
Other affiliated companies	6,057	1,632	3,464	50,498
Other affiliated persons	0	0	0	65
	9,744	**11,679**	**34,608**	**66,895**
2012				
Shareholder	845	2,915	970	102
Associated companies	2,076	0	12,626	9,596
Other affiliated companies	726	16,583	2,297	30,078
Other affiliated persons	0	0	0	64
	3,647	**19,498**	**15,893**	**39,840**

By assignment agreement September 17, 2013 KTM AG acquired the license right for the use of the Husqvarna brand from Pierer Industie AG for € 10,000k. the license right is amortized over the remaining useful life and is periodically tested for impairment.

All transactions with affiliated companies and persons took place under standard market conditions.

(34) EQUITY HOLDINGS AS AT 31 DECEMBER 2013

The list of equity holdings comprises all companies, which have been included in the consolidated financial statements apart from the parent company (see enclosure 1 of the notes to the consolidated financial statements).

(35) BODIES OF CROSS INDUSTRIES AG

In business year 2013 the following members were appointed to the Supervisory Board:

- Rudolf Knünz, Chairman
- Josef Blazicek, Deputy Chairman
- Gerald Kiska
- Ernst Chalupsky

In business year 2013 the following, collectively authorized members were appointed to the Management Board:

- Stefan Pierer, Chairman
- Friedrich Roithner
- Alfred Hörtenhuber
- Klaus Rinnerberger

Wels, 18 March 2014

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

Enclosure 1 to the Notes to the Consolidated Financial Statements of CROSS Industries AG, Wels, Austria

Company	Initial consolidation date	Participation	Type of consolidation
Direct subsidiaries of CROSS Industries AG, Wels			
CROSS Automotive Holding GmbH, Wels	30 Jun 2010	100.00%	FC
CROSS Motorsport Systems GmbH (formerly: CROSS Motorsport Systems AG), Wels	30 Jun 2005	100.00%	FC
Pankl Group			
Pankl Racing Systems AG, Bruck upon Mur	1 Jan 2008	51.13%	FC
Pankl Engine Systems GmbH & Co KG, Bruck upon Mur	1 Jan 2008	51.13%	FC
Pankl Drivetrain Systems GmbH & Co KG, Kapfenberg	1 Jan 2008	51.13%	FC
Pankl Racing Systems UK Ltd., Bicester, Great Britain	1 Jan 2008	51.13%	FCA
Pankl Holdings, Inc., Carson City, Nevada, USA	1 Jan 2008	51.13%	FCA
Capital Technology Beteiligungs GmbH, Bruck upon Mur	1 Jan 2008	51.13%	FC
CP-CARRILLO, LLC, Irvine, USA	1 Jan 2008	35.79%	FCA
Performance Equipment Company, LLC, Irvine, USA	1 Jan 2008	35.79%	FCA
Pankl Emission Control Systems GmbH, Kapfenberg	1 Jan 2008	51.13%	FC
Pankl Aerospace Systems, Inc., Cerritos, USA	1 Jan 2008	51.13%	FCA
Pankl Engine Systems, Inc., Irvine, USA	27 Jul 2011	51.13%	FCA
Pankl Beteiligungs GmbH, Kapfenberg	1 Jan 2008	51.13%	FC
Pankl Schmiedetechnik GmbH & Co KG, Kapfenberg	1 Jan 2008	51.13%	FC
Pankl Aerospace Systems Europe GmbH, Kapfenberg	1 Jan 2008	51.13%	FC
Pankl Automotive Slovakia s.r.o., Topolcany, Slovakia	1 Jan 2008	51.13%	FCA
Pankl Aerospace Innovations, LLC, Cerritos, USA	13 Jun 2012	51.13%	FCA
Carrillo Acquisitions Inc., Irvine, USA	23 Dec 2011	51.13%	FCA
Pankl – APC Turbosystems GmbH, Mannheim, Germany	28 Sep 2012	26.08%	FCA
Pankl Japan, Inc., Tokyo, Japan	–	51.13%	NCA
WP Performance Group			
WP Performance Systems GmbH, Munderfing	30 Nov 2007	100.00%	FC
WP Suspension B.V., Malden, Niederlande (in liquidation)	–	100.00%	NCA
WP Components GmbH, Munderfing	31 Dec 2009	100.00%	FC
WP Cooling Systems (Dalian) Co., Ltd., Dalian, China	–	100.00%	NCA
WP Radiator Italia S.r.l., Vinovo, Italy	–	100.00%	NCA
WP Germany GmbH, Ursensollen, Germany	–	100.00%	NCA
WP Suspension North America, Inc., Murrieta, CA, USA	–	100.00%	NCA
CROSS Immobilien GmbH (formerly: CROSS Immobilien AG), Wels	30 Apr 2005	100.00%	FC

Legend:
FC = Full consolidation, Austria
FCA = Full consolidation, abroad
IE = Integration at-equity, Austria
IEA = Integration at-equity, abroad
NC = Not consolidated due to little or no significance, Austria
NCA = Not consolidated due to little or no significance, abroad

Company	Initial consolidation date	Participation	Type of consolidation
CROSS Automotive Beteiligungs GmbH, Wels	30 Jun 2010	100.00%	FC
Durmont Teppichbodenfabrik GmbH, Hartberg	31 Jul 2011	100.00%	FC
PF Beteiligungsverwaltungs GmbH, Wels	31 Dec 2009	100.00%	FC
SMP Deutschland GmbH, Bötzingen, Germany	–	16.30%	NCA
SMP Automotive Technology Iberica, S.L., Polinyà, Spain	–	16.30%	NCA
CROSS Lightweight Technologies Holding GmbH, Wels	31 Jul 2011	100.00%	FC
Wethje Holding GmbH, Hengersberg, Germany	25 Jun 2012	94.79%	FCA
Die Wethje GmbH Kunststofftechnik, Hengersberg, Germany	25 Jun 2012	94.79%	FCA
Wethje Immobilien GmbH, Vilshofen-Pleinting, Germany	25 Jun 2012	94.79%	FCA
CROSS Informatik GmbH, Wels	–	50.00%	NC
CROSS KraftFahrZeug Holding GmbH, Wels	30 Sep 2010	100.00%	FC
KTM Group			
KTM AG, Mattighofen	31 May 2005	51.09%	FC
KTM-Sportcar GmbH (formerly: KTM-Sportcar Sales GmbH), Mattighofen	31 May 2005	51.09%	FC
KTM-Sportmotorcycle AG, Mattighofen	31 May 2005	51.09%	FC
KTM Dealer & Financial Services GmbH, Mattighofen	31 Mar 2011	51.09%	FC
KTM Immobilien GmbH, Mattighofen	31 Dec 2010	51.58%	FC
KTM North America, Inc., Amherst, Ohio, USA	31 May 2005	51.09%	FCA
KTM-Motorsports, Inc., Amherst, Ohio, USA	31 May 2005	51.09%	FCA
KTM-Sportmotorcycle Japan K.K., Tokyo, Japan	31 May 2005	51.09%	FCA
KTM-Racing AG, Frauenfeld, Switzerland	31 May 2005	51.09%	FCA
KTM Events & Travel Service AG, Frauenfeld, Switzerland	1 Sep 2006	51.09%	FCA
KTM Motorcycles S.A. Pty. Ltd., Paulshof, South Africa	1 Mar 2009	51.09%	FCA
KTM Sportmotorcycle Mexico C.V. de S.A., Lerma, Mexico	1 Jun 2009	51.09%	FCA
KTM South East Europe S.A., Elefsina, Greece	1 Nov 2010	51.09%	FCA
KTM Technologies GmbH, Anif	1 Oct 2008	50.70%	FC
KTM-Sportmotorcycle India Private Limited, Pune, India	1 Jun 2012	51.09%	FCA
Husqvarna Motorcycles GmbH (formerly: Husaberg Vertriebs GmbH), Mattighofen	1 Jan 2013	51.09%	FC
KTM-Sportmotorcycle GmbH, Ursensollen, Germany	31 Dec 2013	51.09%	FCA
KTM Switzerland Ltd, Frauenfeld, Switzerland	31 Dec 2013	51.09%	FCA
KTM-Sportmotorcycle UK Ltd., Brackley, Great Britain	31 Dec 2013	51.09%	FCA

Legend:
FC = Full consolidation, Austria
FCA = Full consolidation, abroad
IE = Integration at-equity, Austria
IEA = Integration at-equity, abroad
NC = Not consolidated due to little or no significance, Austria
NCA = Not consolidated due to little or no significance, abroad

Company	Initial consolidation date	Participation	Type of consolidation
KTM-Sportmotorcycle España S.L., Terrassa, Spain	31 Dec 2013	51.09%	FCA
KTM-Sportmotorcycle France SAS, Saint Priest, France	31 Dec 2013	51.09%	FCA
KTM-Sportmotorcycle Italia s.r.l., Gorle, Italy	31 Dec 2013	51.09%	FCA
KTM-Sportmotorcycle Nederland B.V., Malden, Netherlands	31 Dec 2013	51.09%	FCA
KTM-Sportmotorcycle Scandinavia AB, Örebro, Sweden	31 Dec 2013	51.09%	FCA
KTM-Sportmotorcycle Belgium S.A., Wavre, Belgium	31 Dec 2013	51.09%	FCA
KTM Canada Inc., St-Bruno, Canada	31 Dec 2013	51.09%	FCA
KTM Hungária Kft., Törökbálint, Hungary	31 Dec 2013	51.09%	FCA
KTM Nordic Oy, Vantaa, Finland	31 Dec 2013	51.09%	FCA
KTM Sportmotorcycle d.o.o., Marburg, Slovenia	31 Dec 2013	51.09%	FCA
KTM Central East Europe s.r.o., Bratislava, Slovakia	31 Dec 2013	51.09%	FCA
KTM-Österreich Vertriebs GmbH, Mattighofen	31 Dec 2013	51.09%	FC
KTM Czech Republic s.r.o., Pilsen, Czech Republic	31 Dec 2013	51.09%	FCA
Husqvarna Motorcycles Italia S.r.l. (formerly: HUSABERG-Sportmotorcycle Italia S.r.l.), Albano Sant'Alessandro, Italy	31 Dec 2013	51.09%	FCA
Husqvarna Motorcycle North America, Inc., Murrieta, CA, USA	1 Dec 2013	51.09%	FCA
Husqvarna Motorcycles Deutschland GmbH, Ursensollen, Germany	31 Dec 2013	51.09%	FCA
Husqvarna Motorcycles Espana S.l., Terrassa, Spain	31 Dec 2013	51.09%	FCA
Husqvarna Motorcycles UK Ltd., Brackley, Great Britain	31 Dec 2013	51.09%	FCA
Husqvarna Motorcycles France SAS, Saint Priest, France	31 Dec 2013	51.09%	FCA
HQV Motorcycles Scandinavia AB, Örebro, Sweden	31 Dec 2013	51.09%	FCA
Other shareholdings			
KTM New Zealand Ltd., Auckland, New Zealand	–	13.28%	IEA
Kiska GmbH, Anif	–	12.72%	IE
KTM MIDDLE EAST AL SHAFAR LCC, Dubai, VAE	–	12.77%	IEA
KTM do Brasil Ltda., São Paulo, Brazil	–	51.09%	NCA
KTM Australia Pty Ltd. (formerly: KTM-Sportcar Australia Pty Ltd.), Perth, Australia	–	51.09%	NCA
KTM Finance GmbH, Frauenfeld, Switzerland	–	51.09%	NCA
KTM Wien GmbH, Mattighofen	–	51.09%	NC
KTM-Sportmotorcycle Singapore Pte. Ltd., Singapore	–	51.09%	NCA
KTM Regensburg GmbH, Regensburg, Germany	–	13.28%	NCA
KTM Braumandl GmbH, Wels	–	13.28%	NC
Project Moto Rütter & Holte GmbH, Oberhausen, Germany	–	13.28%	NCA
MX-KTM Kini GmbH, Wiesing	–	13.28%	NC

Legend:
FC = Full consolidation, Austria
FCA = Full consolidation, abroad
IE = Integration at-equity, Austria
IEA = Integration at-equity, abroad
NC = Not consolidated due to little or no significance, Austria
NCA = Not consolidated due to little or no significance, abroad

SEGMENT REPORTING

Enclosure 2 to the Notes to the Consolidated Financial Statements of CROSS Industries AG, Wels, Austria

in €k	KTM Group	Pankl Group	WP Performance Group	Others	Consolidation	Group – continuing operations	Discontinued operations
2013							
Revenue[1]	716,390	139,804	111,087	35,141	(106,149)	896,273	39,466
thereof external	716,322	133,297	21,752	24,902	0	896,273	39,466
EBIT[2]	54,886	6,150	6,411	(8,029)	(140)	59,278	(557)
Interest expenses	900	84	1	2,684	(2,659)	1,010	0
Interest income	(8,345)	(2,217)	(531)	(11,036)	2,659	(19,470)	(233)
Assets	571,435	170,650	87,879	788,492	(681,797)	936,659	40,345
Liabilities	288,591	102,312	64,307	258,727	(100,966)	612,971	17,707
Investments	63,315	18,950	3,971	9,357	0	95,593	792
Depreciation	32,781	11,323	2,421	5,750	0	52,275	724
thereof unscheduled	0	0	0	456	0	456	00
2012							
Revenue[1]	612,008	127,685	107,978	32,515	(91,544)	788,642	37,009
thereof external	611,891	123,125	29,130	24,496	0	788,642	37,009
EBIT[2]	36,716	10,380	6,263	(5,531)	126	47,954	(2,074)
Interest expenses	867	98	35	2,441	(1,172)	2,269	0
Interest income	(8,187)	(1,571)	(527)	(9,986)	1,172	(19,099)	(239)
Assets	521,351	149,762	52,499	868,346	(684,589)	907,369	10,563
Liabilities	266,828	80,151	32,665	312,007	(100,147)	591,504	10,368
Investments	52,400	25,865	6,116	20,656	(3,643)	101,394	1,465
Depreciation	31,111	9,598	2,233	4,446	0	47,388	502
thereof unscheduled	0	0	0	0	0	0	0

[1] Including revenues within segments

[2] Before write-downs

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of CROSS Industries AG, Wels, Austria, for the reporting period from 1 January 2013 to 31 December 2013. These consolidated financial statements comprise the balance sheet as at 31 December 2013, and the income statement, the consolidated statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended, and the notes.

Management's responsibility for the consolidated financial statements and accounting system

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and present fairly, in all material respects, the financial position of the group as at 31 December 2013 and its financial performance for the period from 1 January 2013 to 31 December 2013 in accordance with generally accepted accounting principles in the International Financial Reporting Standards (IFRSs) as adopted by the EU.

REPORT ON OTHER LEGAL REQUIREMENTS (GROUP MANAGEMENT REPORT)

Austrian legal requirements require us to verify whether the group management report is consistent with the financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group. The auditor's report should also include a statement whether the group management report is consistent with the consolidated financial statements.

In our opinion, the group management report is consistent with the consolidated financial statements.

Linz, 18 March 2014

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Ernst Pichler	ppa Mag. Daniela Köberl
Wirtschaftsprüfer	Wirtschaftsprüfer
(Austrian Chartered Accountants)	

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

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

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

Wels, April 2014

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

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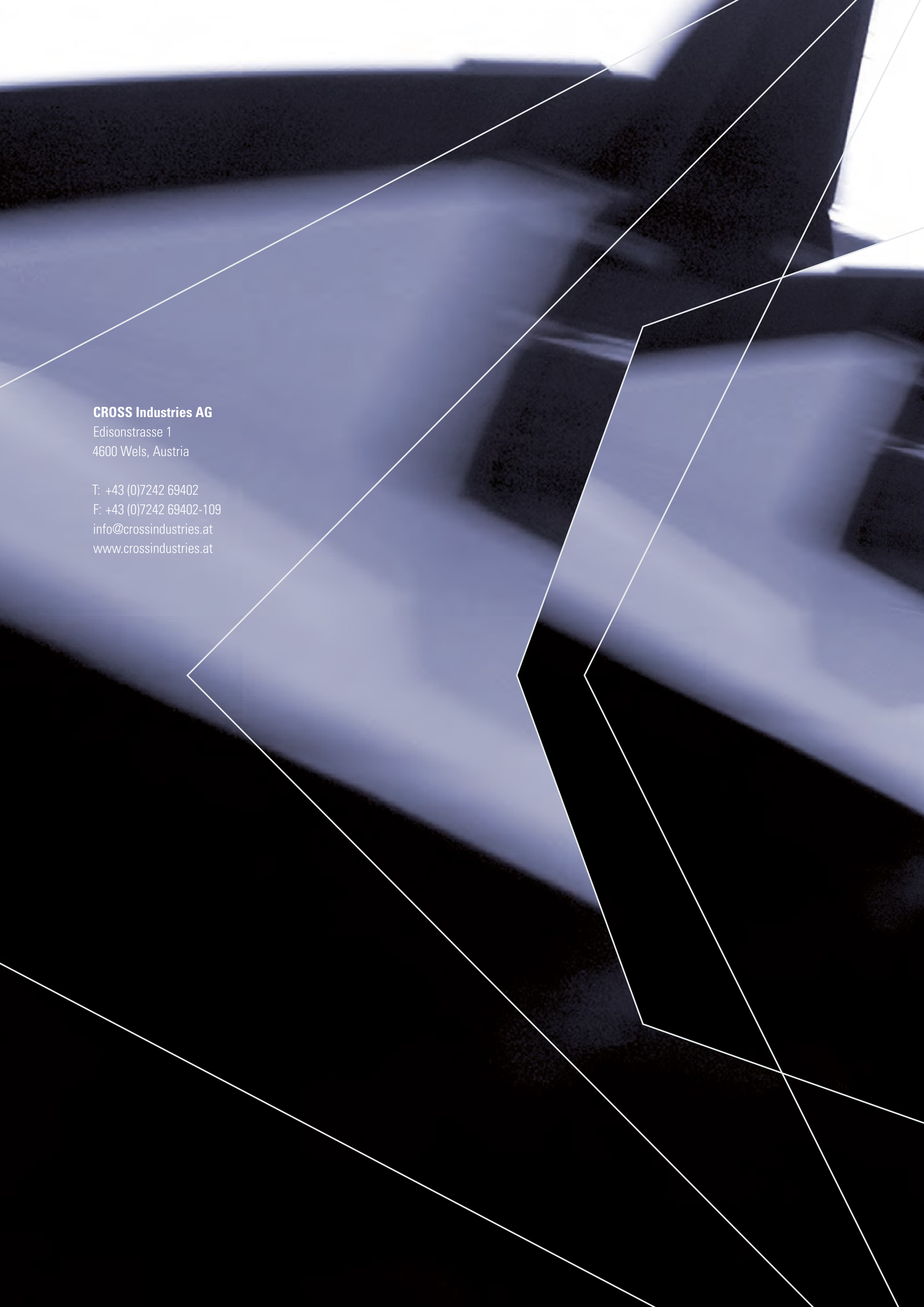
While every care was taken in compiling this Annual Report and checking that the data it contains is correct, slight differences in totals from adding up rounded amounts and percentages, typographical errors and misprints cannot be excluded.

This report and the forward-looking statements it contains were prepared on the basis of all the data and information available at the time of going to press. We wish to point out, however, that various factors may cause the actual results deviate from the forward-looking statements given in the report.



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