

# ANNUAL REPORT 2015

**CROSS**

Industries AG ■

**AUTOMOTIVE TECHNOLOGY.**



## HIGHLIGHTS 2015

### **Streamlining of the Group structure**

**Merger** of CROSS Industries AG into BF HOLDING AG

Admission to the **Prime Market** of  
the Vienna Stock Exchange

**Restructuring** of the long-term financing

**All time high** in revenues and profit

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## KEY FIGURES

<b>Earnings Figures</b>		<b>2014</b>	<b>2015</b>	<b>Change in %</b>
Revenues	in m€	1,086.3	1,223.6	13
EBITDA	in m€	148.1	178.4	20
EBIT	in m€	93.0	112.9	21
Earnings after taxes from continuing operations	in m€	54.9	65.0	18
EBITDA margin	in %	13.6%	14.6%	-
EBIT margin	in %	8.6%	9.2%	-
<b>Balance Sheet Figures</b>		<b>31.12.2014</b>	<b>31.12.2015</b>	<b>Change in %</b>
Balance sheet total	in m€	1,031.1	1,177.6	14
Equity	in m€	370.9	386.6	4
Equity ratio	in %	36.0%	32.8%	-
Net liquid funds (+) / Net debt (-)	in m€	315.1	387.4	23
Gearing	in %	85.0%	100.2%	-
<b>Employees</b>		<b>31.12.2014</b>	<b>31.12.2015</b>	<b>Change in %</b>
Number of employees as of reporting date incl. contract workers and externals		4,182	4,553	9

REVENUES

**+13%****+13%**

EBITDA

**+20%****+50%**

EBIT

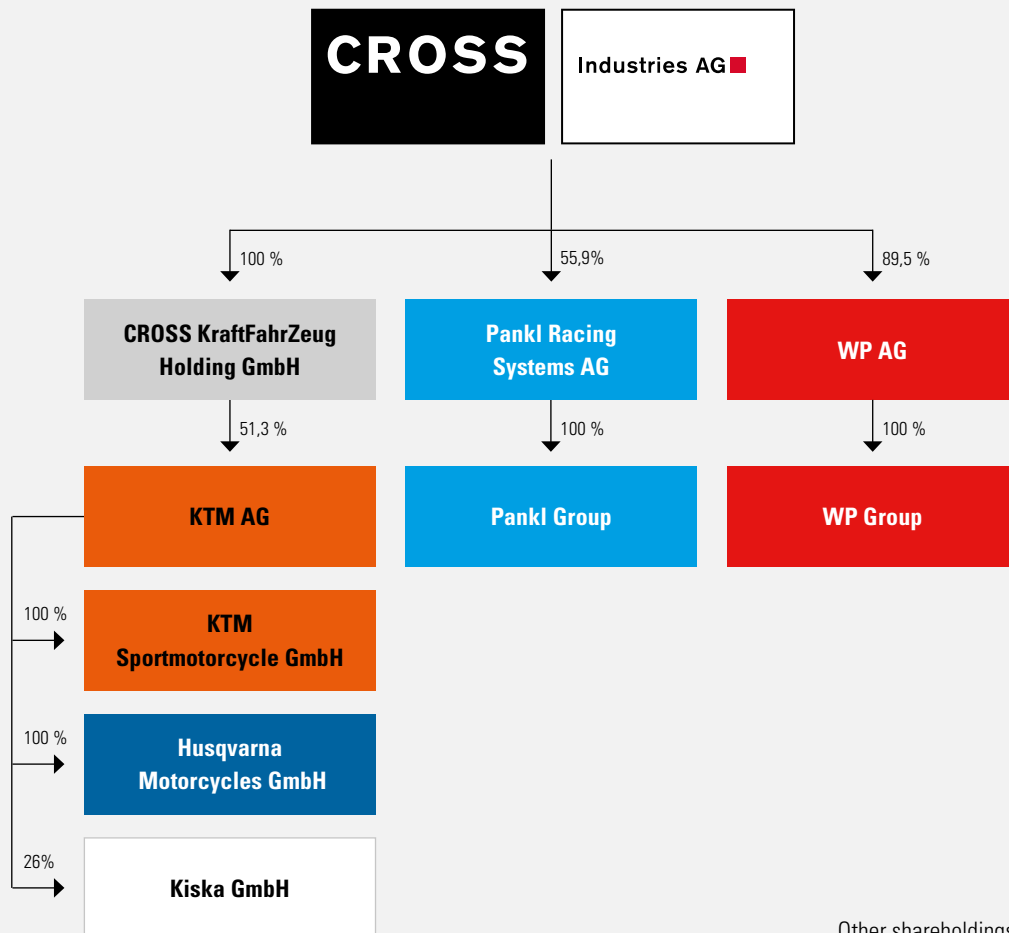
**+21%****+51%**

EMPLOYEES

**+9%****+9%**

# GROUP STRUCTURE

Simplified presentation, December 31, 2015



Other shareholdings:  
 PF Beteiligungsverwaltungs GmbH 100%  
 Network Performance Channel GmbH 100%  
 Wethje Carbon Composites GmbH 49%  
 Durmont Teppichbodenfabrik GmbH 24%  
 ACstyria Autocluster GmbH 12.3%

## FOREWORD OF THE MANAGEMENT



The CROSS Industries Group is a global automotive niche player that include worldwide renowned brands (KTM, Husqvarna, Pankl, WP), which are technology and market leaders in each niche. In the business year 2015 the focus was again on the strategic development of the majority interests. As of December 31, 2015 CROSS Industries AG holds 51.3% in KTM AG, 55.9% in Pankl Racing Systems AG and 89.5% in WP AG. The company holds further minority interests in Wethje Group (49%) and Durmont Teppichbodenfabrik GmbH (24%).

### **CROSS Industries AG achieved record results in 2015**

In the business year 2015 the CROSS Industries Group surpassed the one billion mark again and generated revenues in the amount of 1,223.6 m€, after 1,086.3 in the previous year and achieved a record EBIT in the amount of 112.9 m€ (93.0 m€ in the previous year). The balance sheet total increased from 1,031.1 m€ to 1,177.6 m€, the equity ratio is 32.8%.

In 2015 the CROSS Industries Group employed more than 4,500 people, thereof more than 75% in Austria. After the company's streamlining of the Group structure, restructurings and after the successful merger of CROSS Industries AG with BF HOLDING AG in the business year 2015, CROSS Industries AG still continues to focus intensively on the automotive niche areas.

### **Positive development of all shareholdings**

All of the fully consolidated majority interests of CROSS Industries AG achieved record results in the business year 2015.

### **KTM AG**

The major shareholding KTM AG could again increase both revenue and sales figures to new record levels by consistently implementing the global product strategy and expanding into all continents. Thus, KTM has been among the world's fastest growing motorcycle brands for a number of years. In the business year 2015 KTM increased revenues to 1,022.5 m€ (+18.3%) and sales to 152,181 vehicles, which corresponds to an increase of 8.3%. Worldwide 183,170 vehicles of KTM and Husqvarna have been sold, including DUKE 200, DUKE 390, RC 200 and RC 390 sold by the Indian partner Bajaj. Consequently, revenues broke through the one billion Euro mark for the first time. After the integration of the brand "Husqvarna", which could be completed successfully in 2014, KTM follows now a consistent two-brand strategy based on the brands "KTM" and "Husqvarna". After the completion of a new logistics center in Munderfing, the construction of a new motorsport building has begun, completion of which is scheduled for the first half of 2016. For 2016, extensive capital expenditures of over 100 m€ are planned to be made in infrastructure and model development for future motorcycles at the Mattighofen and Munderfing sites.

### **Pankl Racing Systems AG**

Pankl Racing Systems AG could also surpass its prior records in revenues in the business year 2015. Pankl achieved an increase in revenues by 5% to 173.6 m€. While revenues in Racing within the segment Racing/High Performance as well as revenues in the segment Aerospace experienced declines, the revenues of the High Performance segment showed a significant growth. The main reason for this favorable development was significant growth in the Kapfenberg high performance facility after starting the production of the new automated press line in autumn 2014. The high performance sites in Bruck

upon Mur and Slovakia contributed to the growth as well. Operating earnings of the Pankl Group decreased because of the expected slowdown in the Formula 1 business and ongoing weakness of the helicopter market and reached with 10.2 m€ (previous year: 11.9 m€) a solid level. The EBIT margin reached 5.9% of revenues (previous year: 7.2%). In the business year 2015 capital expenditures in tangible and intangible assets amounted to 11.6 m€. In 2015, capital expenditures were significant lower than depreciation after the significant capex program of the past years.

### **WP AG**

WP AG, a technology leader in the power sports segment, could also increase considerably its revenues to 144.6 m€ (+19.4%) and its EBIT to 9.7 m€ (previous year: 8.6 m€) and achieved new record levels. During the business year under review the serial production for two important products in the division chassis started. On the one hand it came to the first series start-up of semiactive chassis – developed and produced by WP. These components are used with street motorcycles and allow the driver an optimum adaption of the chassis to the driving conditions. Furthermore, “AER 48” - the first suspension fork for motocross motorcycles, developed by WP - was launched.

The key for a successful development in the future will be innovative products. In the business year research and development expenses amounted to 4.4 m€ (previous year: 2.0 m€). The products of WP Group are performing on an ambitious level; therefore customers expect ongoing further development. Since April 2015 WP AG is listed on the Vienna Stock Exchange. Two non-operating properties in Graz and Vienna were sold in the fourth quarter 2015. The financial resources, that have been made available, will be invested in the plant extension in Munderfing.

### **Outlook**

In the business year 2016 the CROSS Industries Group further concentrates on organic growth in all core areas, through further expansion of the market share and global growth, whereby the focus is on the emerging markets (especially Asian markets). Within the group divisions the focus is still on the mutual utilization of synergy potentials and on further development of cooperative projects.

Overall, a positive outlook can be given for all business segments of the CROSS Industries Group for 2016.

Wels, in March 2016



Stefan Pierer  
Chief Executive Officer

## BOARDS OF THE COMPANY

### Management Board

**Stefan Pierer**

CEO

Appointed until February 29, 2020

**Friedrich Roithner**

CFO

Appointed until February 29, 2020

**Alfred Hörtenhuber**

Appointed until January 31, 2018

**Wolfgang Plasser**

Appointed until May 31, 2017



## Supervisory Board

### **Josef Blazicek**

Chairman

Elected until the end of the Annual General Meeting which votes on the discharge for the business year 2015

### **Ernst Chalupsky**

Deputy Chairman

Elected until the end of the Annual General Meeting which votes on the discharge for the business year 2015

### **Gerald Kiska**

Member

Elected until the end of the Annual General Meeting which votes on the discharge for the business year 2015

### **Klaus Rinnerberger**

Member

Elected until the end of the Annual General Meeting which votes on the discharge for the business year 2015



## GROUP COMPANIES

### Business performance

The business year 2015 will go down as another record year in KTM's history. A gratifying business performance could be realized and thus group revenues in the amount of 1,022.5 m€ could be achieved. Therefore, an increase by 18.3% compared to the previous year's period, could be registered. In the business year 2015 sales could be increased to 183,170 vehicles (+15.4% to the previous year) including the sales of the DUKE 200, DUKE 390, RC 200 and RC 390 by KTM's partner Bajaj in India. Thus, KTM reached an EBITDA in the amount of 141.5 m€ (+26.3% to the previous year) and an EBIT in the amount of 95.1 m€ (+26.2% to the previous year). The net income after taxes increased from 57.2 m€ in the previous year to 63.9 m€ in the business year 2015.

The implementation of the global product strategy as well as the expansion in further Asian and South American markets were consistently pursued in the business year 2015. Since the integration of the brand Husqvarna into the KTM Group, KTM AG pursues a consequent two-brand strategy for "KTM" and "Husqvarna".

As of December 31, 2015 the number of employees amounted to 2,515 (including contract workers and externals).

### KTM share

In the business year 2015 the KTM share was affected by some upwards and downwards movements and closed on the last trading day (December 31, 2015) at € 122.0 (December 29, 2014: € 135). Over the reporting period of nine months the highest closing price was € 138.4, the lowest € 104.5. The market capitalization for 10,845,000 shares admitted for trading amounted to 1,323.1 m€ as of December 31, 2015.

### Outlook

It is expected that the North American motorcycle market enjoys significant growth in the coming year and KTM is also relatively bullish with regard to Europe; the emerging markets in South America and Asia are marked by numerous uncertainties. Asian markets are regarded to represent the biggest growth opportunities over the medium term.

### KTM Key figures

<b>Earnings figures</b>		<b>2014</b>	<b>2015</b>	<b>Chg. in %</b>
Revenues	in m€	864.6	1,022.5	18%
EBITDA	in m€	112.1	141.5	26%
EBIT	in m€	75.4	95.1	26%
Earnings after taxes	in m€	57.2	63.9	12%
<b>Balance sheet figures</b>		<b>31.12.2014</b>	<b>31.12.2015</b>	<b>Chg. in %</b>
Balance sheet total	in m€	694.8	848.9	22%
Equity	in m€	327.6	379.8	16%
Equity ratio		47.1%	44.7%	-
Net debt	in m€	87.5	97.2	11%
Gearing		26.7%	25.6%	-
<b>Stock exchange figures</b>		<b>2014</b>	<b>2015</b>	<b>Chg. in %</b>
Number of shares	share	10,845,000	10,845,000	-
Market capitalization	in m€	1,464.1	1,323.1	-10%
Closing price	in €	135.0	122.0	-10%

### INVESTMENT

**51.3%**

### Shareholder structure KTM AG (Dec. 31, 2015)



51.3%	CROSS Industries AG
48.0%	Bajaj Auto International Holdings B.V.
0.7%	Freefloat

A close-up photograph of a car engine, showing various metal components like pistons and valves. The image is overlaid with a large, semi-transparent blue banner that contains the text "AUTOMOTIVE TECHNOLOGY." in white, uppercase letters. The background is a soft, out-of-focus blue and white, suggesting a clean, industrial environment.

**AUTOMOTIVE TECHNOLOGY.**

## GROUP COMPANIES

### Business performance

In the business year 2015 revenues of Pankl Group increased by 5% to a new record of 173.6 m€ (previous year: 165.0 m€). Operating earnings decreased because of the expected slowdown in the Formula 1 business and an ongoing weakness of the helicopter market. The EBIT reached a solid level of 10.2 m€ (previous year: 11.9 m€); the EBIT margin amounted to 5.9% (previous year: 7.2%) of revenues. After adding depreciation in the amount of 13.4 m€ EBITDA amounted to 23.6 m€ after 24.3 m€ in the previous year. The earnings after taxes increased from 6.9 m€ to 7.9 m€ in the business year 2015.

In the business year 2015, the Racing/High Performance segment revenues increased by 8.4% from 137.2 m€ to 148.7 m€. The main reason for this favorable development was significant growth in the High Performance segment. In the business year 2014 the motor racing business was characterized by an additional demand in early 2014 due to a rule change; as expected, the previous year's revenues could therefore not be attained in 2015. The Aerospace segment continued to suffer from low demand for civil helicopters.

As of December 31, 2015 the number of employees amounted to 1,319.

### Pankl share

During the twelve-month period under review the highest closing price was € 30.2; the lowest € 26.0. As of December 31, 2015 the Pankl share closed at € 27.5. The market capitalization for 3,150,000 shares admitted for trading amounted to 86.6 m€.

### Outlook

Pankl will secure its technological leadership in its high market shares in the highly volatile and stagnating racing business by ongoing intense R&D activities. Pankl will utilize this know-how in serial applications also in the coming years. Future revenues growth of Pankl Group will primarily be generated in the High Performance division. In the Aerospace division Pankl will primarily focus on the jet engine business.

### Pankl Key figures

<b>Earnings figures</b>		<b>2014</b>	<b>2015</b>	<b>Chg. in %</b>
Revenues	in m€	165.0	173.6	5%
EBITDA	in m€	24.3	23.6	-3%
EBIT	in m€	11.9	10.2	-14%
Earnings after taxes	in m€	6.9	7.9	15%

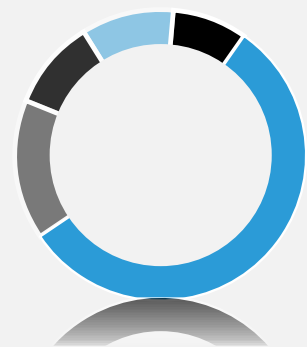
<b>Balance sheet figures</b>		<b>31.12.2014</b>	<b>31.12.2015</b>	<b>Chg. in %</b>
Balance sheet total	in m€	182.7	182.3	0%
Equity	in m€	76.8	82.9	8%
Equity ratio		42.0%	45.4%	-
Net debt	in m€	70.9	69.1	-3%
Gearing		92.4%	83.4%	-

<b>Stock exchange figures</b>		<b>2014</b>	<b>2015</b>	<b>Chg. in %</b>
Number of shares	share	3,150,000	3,150,000	-
Market capitalization	in m€	85.4	86.6	1%
Closing price	in €	27.1	27.5	2%

**INVESTMENT**  
**55.9%**

Shareholder structure  
Pankl Racing Systems AG  
(Dec. 31, 2015)



■ 55.9%	.....	CROSS Industries AG
■ 15.6%	....	Qino Capital Partners AG
■ 10.1%	.....	Pierer Industrie AG
■ 10.1%	....	Unternehmens Invest AG
■ 8.3%	.....	Freefloat



**AUTOMOTIVE TECHNOLOGY.**



## GROUP COMPANIES

### Business performance

The business operations of the WP Group have been newly targeted in 2014. The WP AG has been reconstructed gradually into the management holding of the WP Performance Systems Group.

The business year 2015 of the WP Group was characterized by a strong growth in revenues and essential product launches. The Group revenues increased significantly and reached with 144.6 m€ a new record level. The operating result of the WP Group (EBIT) amounted to 9.7 m€ in the period under review and was 13.3% above the previous year's level (previous year: 8.6 m€). The earnings position is mainly due to good fixed cost coverage on the current revenue level.

The balance sheet total as of December 31, 2015 amounted to 99.6 m€ (previous year: 103.7 m€). Consequently, the balance sheet total could be reduced by approximately 4%, despite strong growth in revenues. The decrease of the balance sheet total is mainly based on a reverse factoring program, concluded with KTM AG.

As of December 31, 2015 the number of employees amounted to 541.

### WP share

The initial listing of the WP share on the Vienna Stock Exchange was on April 10, 2015. The share is listed on the regulated market in the segment mid-market. Since the initial listing, the highest closing price was € 18.76; the lowest € 13.50. As of December 31, 2015 the share closed at € 14.10. The market capitalization for 5,000,000 shares admitted for trading amounted to 70.5 m€.

### Outlook

The order backlog in all business areas is at the level of the previous year; thus, constant revenues are expected for 2016. Primary target for 2016 is the consolidation of the company on the increased revenue level and an improvement of the operating profit margin.

### WP Key figures

<b>Earnings figures</b>		<b>2014</b>	<b>2015</b>	<b>Chg. in %</b>
Revenues	in m€	121.1	144.6	19%
EBITDA	in m€	12.1	13.6	12%
EBIT	in m€	8.6	9.7	13%
Earnings after taxes	in m€	8.9	7.1	-20%
<b>Balance sheet figures</b>		<b>31.12.2014</b>	<b>31.12.2015</b>	<b>Chg. in %</b>
Balance sheet total	in m€	103.7	99.6	-4%
Equity	in m€	37.9	42.3	12%
Equity ratio		36.5%	42.4%	-
Net debt	in m€	22.4	20.0	-11%
Gearing		59.0%	47.3%	-
<b>Stock exchange figures</b>		<b>2014</b>	<b>2015</b>	<b>Chg. in %</b>
Number of shares	share	-	5,000,000	-
Market capitalization	in m€	-	70.5	-
Closing price	in €	-	14.1	-

**INVESTMENT**  
**89.5%**

**Shareholder structure WP AG  
(Dec. 31, 2015)**



■ 89.5% ..... CROSS Industries AG  
■ 10.0% ..... QINO Flagship AG  
■ 0.5% ..... Freefloat

## SHARE & INVESTOR RELATIONS

### Shareholder structure as of December 31, 2015



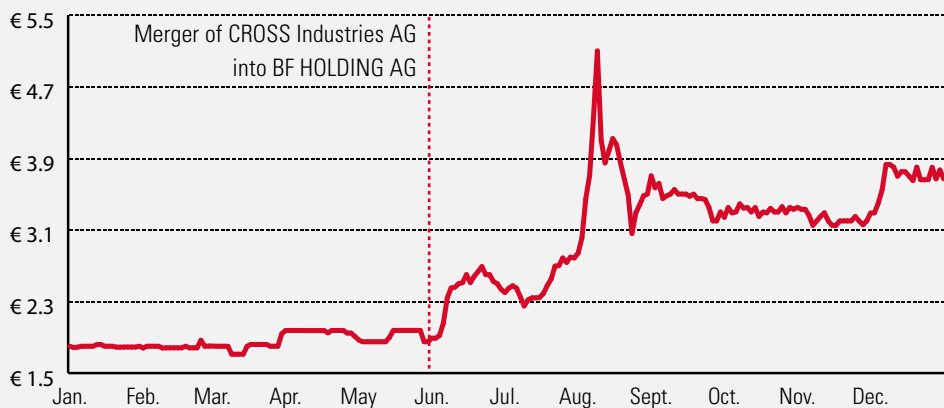
■ 74.89%	..... Pierer Industrie AG
■ 0.03%	..... Treasury shares
■ 25.08%	..... Freefloat

### Development of the CROSS Industries share

The CROSS Industries share showed a very positive development in the business year 2015. The share price closed at € 1.80 on the first trading day of the business year 2015 (at that time BF HOLDING AG) and increased to € 1.89 until the merger on June 2, 2015. Since the merger the CROSS Industries share price increased steadily and closed at € 3.70 on the record date December 31, 2015. As of December 31, 2015 the market capitalization for 225,386,742 shares admitted for trading amounted to 833.93 m€.

The highest closing price in the business year 2015 was € 5.10; the lowest € 1.71. In August 2015 the share price reached an enormous peak for a few days, which was due to a "shortage" in the market. The situation normalized again shortly afterwards.

### Development of the CROSS Industries share 01.01.2015 - 31.12.2015



The share capital amounts to € 225,386,742 and is represented by 225,386,742 bearer shares with each share carrying an equal voting right. Each share represents the same share in the share capital.

Further information on the CROSS  
Industries share  
**CROSS Industries Aktie**

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ISIN: AT0000820659  
Vienna Stock Exchange: CIAG  
Reuters: CIAG:VI  
Bloomberg: CIAG:AV  
Class of shares: no-par-value  
ordinary bearer shares

### Dividend

The Management Board recommends the Annual General Meeting, which will be held on April 27, 2016, the distribution of a dividend amounting to € 0.03 per share. With regard to the earnings per share of € 0.13, this means a distribution ratio of 23.1%. Based on 225,386,742 shares the dividend payment would amount to approximately 6.76 m€.

### Investor Relations activities

The Management of CROSS Industries AG aims to inform market participants and the wider public and communicate with them in a transparent, timely and comprehensive manner. Therefore we regularly give updates on the corporate development and outlook of the CROSS Industries Group. To ensure transparency and an effective and efficient service, we publish all financial reports, press announcements, adhoc announcements, announcements regarding voting rights as well as company presentations on the company's webpage [www.crossindustries.at](http://www.crossindustries.at). All this information is hence provided to all shareholders simultaneously.





# CORPORATE GOVERNANCE 2015

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## 01 Adherence to the Austrian Code of Corporate Governance (ÖCGK)

The Austrian Corporate Governance Code provides Austrian stock corporations with a framework for managing and monitoring their company. The Code aims to establish a system of management and control of companies and groups that is accountable and geared towards creating sustainable, long-term value. It is designed to increase the degree of transparency for all stakeholders of a company.

The Code is based on the provisions of Austrian stock corporation, stock exchange, and capital market law, the EU recommendations regarding the responsibilities of members of Supervisory Boards and the compensation of company directors as well as the OECD Principles of Corporate Governance. Since 2002, the Code has undergone a number of revisions. The present Corporate Governance Report is based on the most recent amendment of the Code, which was adopted in January 2015. The Code can be accessed by the public at [www.corporate-governance.at](http://www.corporate-governance.at).

CROSS Industries AG is fully committed to the Austrian Code of Corporate Governance in its current version. This commitment by CROSS Industries AG is voluntary and aims to boost shareholder confidence and to constantly optimize the high internal legal, behavioral and ethical standards of CROSS Industries AG. The company is further obligated to fulfil the standards of the Code due to the listing of its shares in the Prime Market segment of the Vienna Stock Exchange.

The Corporate Governance Report of the business year 2015 is publicly available on the homepage of the company ([www.crossindustries.at](http://www.crossindustries.at)) in the section Investor Relations > Corporate Governance > Corporate Governance Report.

Due to this commitment CROSS Industries AG not only has to comply with the legal requirements (L-rules). Moreover, voluntary self-imposed obligation means that it must explain non-compliance with the so-called C-rules ("comply or explain") which go beyond the legal requirements. In line with this part of the Austrian Code of Corporate Governance, CROSS Industries AG explains its non-compliance with C-Rules of the Code as follows:

„C-rule 18“: No separate internal audit department has been set up in the light of the company's size. However, the company has established an internal controlling and reporting system enabling the Management Board to identify risks and quickly implement an appropriate response. The Supervisory Board, particularly the Audit Committee, is regularly informed about the internal control mechanisms and risk management, throughout the group. Further information on risk management can be found in the consolidated financial statements as of December 31, 2015.

“C-rule 21“: The company and its main direct subsidiaries comply with the provisions of the Compliance Decree for Issuers (ECV). Because of the large number of subsidiaries the application of the decree can not be extended to all subsidiaries; due to the size of the CROSS Vehicle Group unmanageable administrative expenses would arise. After extensive discussions and involvement of the subsidiaries, the Management Board of the company has therefore decided to refrain from an application to all subsidiaries.

“C-rules 27 and 30“: The variable annual compensation components are not limited to a maximum and are dependent on earnings figures of companies of the CROSS Vehicle Group. All details of the Management Board remuneration, especially of the individual performance criteria of the variable compensation, will not be published. In the company's opinion, this information, additional to the information given in the Corporate Governance report, would not bring further relevant capital market information to the shareholders.

„C-rule 36“: The Supervisory Board strives to continually improve its organization, work procedures and efficiency. An explicit self-evaluation did not take place in the business year under review.

“C-rule 38”: In the business year 2015 the entire Management Board of the company was newly appointed due to the merger of the former CROSS Industries AG (FN 261823 i) – as transferring company – into BF HOLDING AG – as receiving company – which was resolved in the general meeting of April 22, 2015. After the merger the members of Management Board of the transferring company were appointed to the new Management Board of the company. As the company continues with the transferring company’s operations, the implementation of a defined (structured) appointment procedure was waived since the new Management Board already performed the same tasks in the transferring company. The chairman of the Supervisory Board does not separately inform the general meeting about the principles of the remuneration systems; those can be found in the Corporate Governance report.

„C-rules 39, 41 and 43“: As the Supervisory Board of CROSS Industries consisted solely of four members, a Remuneration and Nomination Committee as well as a committee that is authorized to make decisions in urgent cases, has not been set up, as it would not lead to an increase in efficiency of the Supervisory Board’s work. The tasks of the Remuneration and Nomination Committee are fulfilled by the entire Supervisory Board.

“C-rule 49“: The conclusion of contracts with members of the Supervisory Board in which such members are committed to the performance of a service outside of their activities on the Supervisory Board for the company for a remuneration not of minor value shall legally require the consent of the Supervisory Board. The company refrains from a publication due to the corresponding company and business secrets. Apart from that the notes to the consolidated financial statements contain notes to “related party transactions”, which contain the remunerations of Supervisory Board members outside of their activities on the Supervisory Board.

„C-rule 83“: This rule is not complied with, since the company-specific risk management is established on the affiliated-companies-level and thus, the risk management is part of the investment management due to the holding function.

CROSS Industries AG endeavors to abide not only by the minimum requirements but also by all of the Code’s R-rules (Recommendations).

The company is committed to the principle of transparency and the goal of providing a true and fair view for the benefit of all shareholders. All relevant information is published in our annual report, quarterly reports, on the corporate website and within the context of our ongoing press relations work. Reports are prepared in accordance with the internationally recognized accounting principles (IFRS). CROSS Industries AG also informs its shareholders about all issues and developments of relevance to the company through ad-hoc announcements and corporate news. The financial calendar points out important dates. Comprehensive information is published on the website under the section “Investor Relations”, and is thus available to all shareholders at the same time.

The company has issued a total of 225,386,742 ordinary shares. There are no preferential shares or restrictions on these ordinary shares. Accordingly, the principle of “one share – one vote” fully applies. The Austrian Takeover Act ensures that every shareholder will receive the same price for the shares in the case of a takeover bid (public tender offer). The shareholder structure is depicted in the section “Share & Investor Relations” of the annual report.

## 02 Members of the Corporate Bodies and their remuneration:

The boards of CROSS Industries AG consist of the Management Board, the Supervisory Board and the Annual General Meeting. The Management and Supervisory Board cooperate at regular intervals based on open and transparent discussion.

### Working procedures of the Management Board:

The Management Board of CROSS Industries AG or the individual Management Board members, respectively, act on the basis of the laws, the Articles of Association and the Management Board's rules of procedure, laid down by the Supervisory Board, that governs the rules of the cooperation between the Management Board members as well as the allocation of the duties within the Management Board.

Coordination within the Management Board occurs during regular meetings, which are held approximately every two to four weeks, but also in the form of an informal exchange of information. Matters discussed at the Management Board meetings include the current operations and the company strategy. Also discussed are any current or outstanding measures to be implemented by the relevant Management Board members.

The rules of procedure requires the Management Board or the individual Management Board members to provide extensive information and reporting to the Supervisory Board and define an extensive catalogue of measures and legal transactions which require the approval of the Supervisory Board.

### Composition of the Management Board:

The Management Board of CROSS Industries AG consists of four members (rule 16):

#### Stefan Pierer (CEO), born 1956

- First-time appointed: June 2, 2015
- Appointed until: February 29, 2020
- Responsible for the strategic and operating Group management as well as the strategic/operating management of KTM Group

After graduating from the Montan-University in Leoben, Austria (Business and Energy Management), Stefan Pierer began his career as a sales assistant at HOVAL GmbH in Marchtrenk in 1982, where he continued on as a sales manager and authorized signatory for upper Austria. In 1987 he founded the CROSS Group in which he acts as majority shareholder and member of the Management Board. He has been shareholder and member of the Management 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.

Further main functions within the Group:

- Chairman of the Management Board of KTM AG
- Chairman of the Management Board of Pierer Industrie AG
  
- Chairman of the Supervisory Board of Pankl Racing Systems AG
- Chairman of the Supervisory Board of WP AG

Mandates in supervisory boards or similar functions in other foreign and domestic companies, not included in the consolidated financial statements:

- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft
- Chairman of the Supervisory Board of ATHOS Immobilien Aktiengesellschaft

**Friedrich Roithner (CFO)**, born 1963

- First-time appointed: June 2, 2015
- Appointed until: February 29, 2020
- Responsible for finance/(Group)accounting/tax and legal affairs

After graduating from the Johannes Kepler University of Linz (Business Administration), Friedrich Roithner started his career at Ernst & Young GmbH. After three years he switched to Austria Metall AG, where he was working until 2006 (since 2002 as a member of the Management Board). Since 2007 Friedrich Roithner is part of the management team at the CROSS Group. From March 2008 until June 2010 Friedrich Roithner was member of the Management Board of Unternehmens Invest AG; since July 2010 he is a member of the Management Board of CROSS Industries AG; since January 2011 he is a member of the Management Board of KTM AG.

Further main functions within the Group:

- Member of the Management Board of KTM AG
- Member of the Management Board of Pierer Industrie AG
  
- Deputy Chairman of the Supervisory Board of WP AG
- Member of the Supervisory Board of Pankl Racing Systems AG

Mandates in supervisory boards or similar functions in other foreign and domestic companies, not included in the consolidated financial statements:

- Member of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft
- Member of the Supervisory Board of All for One Steeb AG (D)

**Alfred Hörtenhuber**, born 1955

- First-time appointed: June 2, 2015
- Appointed until: January 31, 2018
- Responsible for the strategic/operating Management of the WP Group

After graduating from high school, Alfred Hörtenhuber began his professional career as a sales assistant at K. Rosenbauer in Leonding (Austria) in 1975 and afterwards as export manager for Western Europe. He completed his management training at the MZSG St. Gallen and the IMD Lausanne. In 1985 Alfred Hörtenhuber joined the Miba Group, where he started 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 CEO of Miba Friction Group and member of the Management Board of Miba AG Holding. Since 2008 Alfred Hörtenhuber has been a member of the Management Board of CROSS Group and since October 2010 also of the Management Board of CROSS Industries AG.

Further main functions within the Group:

- Member of the Management Board of WP AG
- Member of the Supervisory Board of Pankl Racing Systems AG

Mandates in supervisory boards or similar functions in other foreign and domestic companies, not included in the consolidated financial statements:

None

**Wolfgang Plasser**, born 1962

- First-time appointed: June 2, 2015
- Appointed until: May 31, 2017
- Responsible for the strategic/operating Management of the Pankl Group

Wolfgang Plasser was born in Upper Austria in 1962 and studied business sciences at the Vienna University of Economics and Business. Important positions in his professional career are his functions at KPMG, at the Investment Bank Austria and as CFO at Vossen AG and finally at the Ocean Consulting GmbH. Wolfgang Plasser has joined the Management Board of Pankl Racing Systems AG in 2004 and has become CEO in 2006.

Further main functions within the Group:

- Member of the Management Board of Pankl Racing Systems AG

Mandates in supervisory boards or similar functions in other foreign and domestic companies, not included in the consolidated financial statements:  
None

**Working procedures of the Supervisory Board:**

In the 2015 fiscal year, the Supervisory Board diligently performed the duties incumbent upon it under Austrian law, the Articles of Association, the Austrian Code of Corporate Governance (ÖCGK), and the Rules of Procedure. All members of the Supervisory Board and its committees, with the exception of Gerald Kiska, are independent according to the terms of the Austrian Code of Corporate Governance and were properly represented in the relevant meetings. The Supervisory Board held a total of six meetings last year, at least once every quarter (C-Rule 36 of the ÖCGK). All members personally attended at least three meetings (C-Rule 58 of the ÖCGK), so no Supervisory Board member failed to attend more than half of the meetings. Furthermore, there were two meetings of the audit committee.

In accordance with the Articles of Association, the Supervisory Board has elected a Chairman and a Deputy Chairman and has appointed an Audit Committee in order to comply with legal requirements.

No contracts requiring approval by the Supervisory Board were concluded between the company and members of the Supervisory Board (C-Rule 49 of the ÖCGK).

Furthermore, the audit committee monitored the accounting processes (including the preparation of the consolidated financial statements) and the work of the auditor (including the audit of the consolidated financial statements) as well as the effectiveness of the system of internal control, the risk management system and the audit system. The independence of the auditor (group financial auditor) was reviewed and monitored in particular as regards the additional services given to the audited company.

For further information on the Supervisory Board's work methods, please refer to the Supervisory Board report.

### Composition of the Supervisory Board

The Supervisory Board of the company consists of four members and is comprised as follows:

#### **Josef Blazicek**, born 1964

- Chairman of the Supervisory Board
- First-time appointed: 2008
- End of the current term of office: Annual General Meeting which decides on the business year 2015

Further mandates in supervisory boards or similar functions in other foreign and domestic companies, listed on a stock exchange:

- KTM AG, Pankl Racing Systems AG, BEKO HOLDING AG (until 22.12.2015), All for One Steeb AG (Germany)

#### **Ernst Chalupsky**, born 1954

- Deputy Chairman of the Supervisory Board
- First-time appointed: 2014
- End of the current term of office: Annual General Meeting which decides on the business year 2015

Further mandates in supervisory boards or similar functions in other foreign and domestic companies, listed on a stock exchange:

- KTM AG

#### **Gerald Kiska**, born 1959

- Member of the Supervisory Board
- First-time appointed: 2014
- End of the current term of office: Annual General Meeting which decides on the business year 2015

Further mandates in supervisory boards or similar functions in other foreign and domestic companies, listed on a stock exchange:

- WP AG

#### **Klaus Rinnerberger**, born 1964

- Member of the Supervisory Board
- First-time appointed: 2015
- End of the current term of office: End of the current term of office: Annual General Meeting which decides on the business year 2015

Further mandates in supervisory boards or similar functions in other foreign and domestic companies, listed on a stock exchange:

None

### Committees of the Supervisory Board and their members

The Audit Committee of the company consists of three members and is comprised as follows:

#### **Klaus Rinnerberger**

- Chairman

#### **Josef Blazicek**

- Deputy Chairman

#### **Ernst Chalupsky**

- Member

In accordance with the Stock Corporation Act the Supervisory Board of CROSS Industries AG established an Audit Committee to perform its supervisory and control functions.

The Audit Committee is responsible for the auditing and preparation for the approval of the annual financial report, the proposed distribution of net income and the management report, as well as the auditing of the consolidated financial statements and the corporate governance report. The committee also deals with the management letter written by the financial auditor as well as with the auditor's report as to the efficiency of the risk management. The audit committee makes a proposal for the selection of the auditor and presents the proposal of the Supervisory Board to the Annual General Meeting for voting. In line with C-Rule 81a of the ÖCGK, the audit committee must also establish a mutual line of communication with the financial auditor in a meeting.

The Audit Committee of CROSS Industries AG held two meetings in the business year 2015, in which a representative of the auditor also participated.

Since the Supervisory Board consists of no more than six members, the tasks of the Remuneration and Nomination committee are fulfilled by the entire Supervisory Board.



### Independence of the Supervisory Board

A member of the Supervisory Board shall be deemed as independent if said member does not have any business or personal relations with the company or its management board that constitute a material conflict of interests and is therefore suited to influence the behavior of the member.

Ernst Chalupsky is shareholder and managing director of Saxinger, Chalupsky & Parnter Rechtsanwälte GmbH. The CROSS Group is advised by Saxinger, Chalupsky & Partner Rechtsanwälte GmbH concerning legal affairs. The consulting services were used on standard terms and conditions.

Consulting and other services of Kiska GmbH, whose managing partner is the Supervisory Board member Gerald Kiska, are used on standard terms.

The independence of the Supervisory Board members is defined by following guidelines:

- **Criterion 1:** The Supervisory Board member was not a member of the Management Board or a top executive of CROSS Industries AG or a subsidiary of the company in the previous five-year period.
- **Criterion 2:** The Supervisory Board member did not maintain any business ties with the company in the previous year, which may be considered significant in scope for a Supervisory Board member. This also applies to related party transactions with companies in which the Supervisory Board member has a considerable economic interest. Approval of individual transactions by the Supervisory Board pursuant to C-Rule 48 of the Austrian Corporate Governance Code does not automatically disqualify the Supervisory Board member as being independent.
- **Criterion 3:** The Supervisory Board member was not an auditor of the company, a shareholder or employee of the auditing company over the previous three years.
- **Criterion 4:** The Supervisory Board member is not a member of the Management Board of another company, in which a member of the Management Board of CROSS Industries AG serves on its Supervisory Board.
- **Criterion 5:** The Supervisory Board member has not been on the Supervisory Board of the company for more than 15 years. This does not apply to Supervisory Board members, who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.
- **Criterion 6:** The Supervisory Board member is not a close family member (direct descendant, spouse, common law spouse, parent, uncle, aunt, sibling, niece and nephew) of a member of the Management Board or of people, who fulfill one of the other criteria described above.

According to C-Rule 54 of the Austrian Code of Corporate Governance (ÖCGK), the Supervisory Board of the company shall include at least one independent member delegated by the shareholders who is not a shareholder with a share of more than 10 % or who represents such a shareholder's interests.

According to C-rule 53 the Supervisory Board member Gerald Kiska is not independent from the company and the Management Board. The other members of the Supervisory Board of CROSS Industries AG admit to the criterions of independence according to Rule C-53 and declare themselves independent.

**Remuneration report:**

In the determination of the total remuneration with regard to the members of the management board, the supervisory board ensures proportionality between the tasks assumed of and performance delivered by the individual member of the management board, between the situation of the Company and the ordinary remuneration and undertakes that long-term incentives with regard to a sustained corporate development are taken into account.

The remuneration of the Management Board members consists of fixed and variable components. The variable income component is dependent on the achievement of certain financial key figures and/or specific project milestones. The relevant targets for the calculation are mutually determined between the company and the management yearly.

The members of the Management Board are eligible for a company car. An accident insurance provides insurance cover in case of death or disability. Personal liability insurance covers the legal liability of the Management Board members that result from personal injuries, material damages or financial losses of third parties. An insurance cover exists for claims for damages due to financial losses of third parties or of the company due to breaches of duties of executive bodies of the company. The company bears the expenditures for those insurances.

For group internal mandates and functions no additional remunerations are granted.

In the case of premature termination without a compelling reason the fixed salary shall be paid out for the contractual period.

The members of the Management Board, except Stefan Pierer, render their services on the basis of employment contracts liable to income tax. The board activity of Stefan Pierer is regulated by a surrender contract with Pierer Konzerngesellschaft mbH. No further agreements with the Management Board exist, regarding occupational pension plans. According to contract the Management Board members are eligible for a voluntary severance payment, however fundamentally they are submitted to the system of "Abfertigung Neu" (new severance payments).

No stock option plans or similar share-based remuneration systems exist. A D&O insurance exist, which covers Management Board and Supervisory Board as well as the management of the Group companies.

The financial figures of the previous business year are related to the short fiscal year of BF HOLDING AG prior to the merger of CROSS Industries AG into BF HOLDING AG. Therefore the figures of the previous year are comparable only to a limited extent.

In the business year 2015 the total remuneration of the Management Board Members, including performance-related components, amounted to 4.52 m€ (previous year: short fiscal year 2014 (October 1 – December 31, 2014): 0.11 m€). The most important calculation parameter of the variable remuneration is – apart from the individually agreed performance-related target achievement – also the development of individual performance indicators of the Group. As of balance sheet date December 31, 2015 no loans or advance payments to current or previous Management Board members exist.

Management Board remuneration in the business year 2015 (group level):

	<b>Fix (in EUR)</b>	<b>Fix in %</b>	<b>Variable (in EUR)</b>	<b>Variable in %</b>	<b>Total</b>
Stefan Pierer	370,154.08	22	1,331,400.00	78	1,701,554.08
Friedrich Roithner	259,228.75	63	149,278.38	37	408,507.13
Alfred Hörtenhuber *)	282,415.37	59	199,923.93	31	482,339.30
Wolfgang Plasser *)	387,864.00	62	237,325.00	38	625,189.00
Michaela Friepeß *)	40,928.33	100	0.00	0	40,928.33
Michael Hofer *)	117,517.79	100	0.00	0	117,517.79
<b>Total</b>	<b>1,458,108.32</b>	<b>43</b>	<b>1,917,927.31</b>	<b>57</b>	<b>3,376,035.63</b>

Furthermore, due to adjustments of the management contracts, premiums from prior periods in the amount of 1,143 k€ were granted.

\*) Alfred Hörtenhuber concluded an employee/Management Board contract with CROSS Industries AG; since October 1, 2015 he is charged to WP AG pursuant to a surrender contract.

Wolfgang Plasser was appointed to the Management Board of CROSS Industries with registration of the merger on June 2, 2015. Since October 1, 2015 Wolfgang Plasser is charged into CROSS Industries AG pursuant to a surrender contract. Furthermore he is surrendered to Pankl Racing Systems AG pursuant to a surrender contract.

The former Management Board members Michaela Friepeß and Michael Hofer received a total remuneration in the amount of EUR 158,446.12 until June 2, 2015.

The amount of the total remuneration of the Supervisory Board members is resolved within the frame of the Annual General Meeting for the respective preceding business year. Within the 18th Annual General Meeting on April 22, 2015 the total remuneration for the Supervisory Board for the short fiscal year 2014 (October 1 until December 31, 2014) was resolved in the amount of EUR 13,075. For the business year 2015 the total remuneration of the Supervisory Board was recognized in the income statement in the amount of EUR 53,000. Members of the Supervisory Board that are elected into the Supervisory Board or leave during a business year receive the remuneration corresponding with the duration of their actual affiliation within the Supervisory Board pro rata temporis.

The Management Board will propose a total remuneration in this amount to the 19th Annual General Meeting on April 27, 2016.

The individual distribution should be divided as follows, subject to the approval of the Annual General Meeting:

<b>Supervisory Board member</b>	<b>Remuneration</b>
Josef Blazicek	EUR 20,000,00
- Chairman of the Supervisory Board	
- Deputy chairman of the Audit Committee	
Ernst Chalupsky	EUR 14,000,00
- Deputy chairman of the Supervisory Board	
- Member of the Audit Committee	
Gerald Kiska	EUR 12,000,00
- Member of the Supervisory Board	
Mag. Klaus Rinnerberger	EUR 7,000,00
- Member of the Supervisory Board	
- Chairman of the Audit Committee	
<b>Total</b>	<b>EUR 53,000,00</b>

Additional to the annual expense allowance the Supervisory Board members get a compensation for their cash expenses for their actually accrued expenses. The Supervisory Board members are furthermore covered by a manager liability insurance of the company up to a certain upper limit, which covers the personal liability of the Supervisory Board members in case of a negligent breach of duties in exercising their activity as body of the company. In the business year 2015 no further (other) compensation has been paid out to members of the Supervisory Board. Other business relationships with Supervisory Board member did not exist.

### **03 Measures to promote women**

It is not anticipated that a woman will be appointed into the Management Board for the time being as it is not planned to enlarge the Management Board and existing contracts will not expire for a number of years. Equal treatment of female and male employees and equal career chances are a matter of fact for CROSS Industries AG. A specific program to promote the career advancement of women has not been set up.

### **04 Audits and external evaluation**

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, was appointed by the 18th Annual General Meeting to serve as the auditors of the consolidated financial statements and annual financial statements of the company for the business year from January 1, 2015 until December 31, 2015. In addition to this function, KPMG and partner offices around the world also sporadically perform tax and financial consulting service on behalf of the Group. Expenditures for the auditor consist of: audit consolidated financial statements (without subgroups) EUR 115,000 (previous year short fiscal year 2014 (October 1 – December 31, 2014): EUR 18,000) and audit of annual financial statements EUR 28,000 (previous year short fiscal year 2014 (October 1 – December 31, 2014): EUR 9,000).

In accordance with C-Rule 62 of the Austrian Code of Corporate Governance, the company commissions an external evaluation of compliance with the C and R-rules of the Code regularly every three years. CROSS Industries AG has commissioned Oberhammer Rechtsanwälte GmbH with the evaluation of the business year 2015. It revealed no indications that the declarations provided by the Management and Supervisory Board members regarding observation of and compliance with the C-Rules and R-Rules of the Austrian Code of Corporate Governance were untrue. The C-Rules and R-Rules of the Austrian Code of Corporate Governance (ÖCGK) were complied with – inasmuch as these were included in the formal obligation of CROSS Industries AG. The complete report including the results of the evaluation is available at [www.crossindustries.at](http://www.crossindustries.at).

The next external evaluation will be conducted in 2019 for the 2018 business year.

## REPORT OF THE SUPERVISORY BOARD



In the business year 2015, the Supervisory Board of CROSS Industries AG held six meetings, thus fulfilling its duties required by law and under the articles of association and thereby it discussed intensively the overall economic situation and the future strategic development of the company and its Group companies as well as significant events. Within the context of its regular reporting and with comprehensive reports submitted in all meetings, the Management Board informed the Supervisory Board about the present state of business and the financial position of the Group as well as the personnel situation. About extraordinary developments additional information was supplied.

In the annual general meetings of BF HOLDING AG, FN 78112 x, and CROSS Industries AG, FN 261823 i, held on April 22, 2015, the resolutions passed to merge the CROSS Industries AG, FN 261823 i, as transferring company, into the BF HOLDING AG, FN 78112 x, as receiving company. The Management Board members of BF HOLDING AG, Michaela Friepeß and Michael Hofer, resigned from their Management Board function with effect from the registration of the merger into the commercial register. In the annual general meeting of April 22, 2015 Klaus Rinnerberger was elected into the Supervisory Board. In the Supervisory Board meeting of May 28, 2015 Stefan Pierer, Friedrich Roithner, Alfred Hörtenhuber and Wolfgang Plasser were appointed to the Management Board.

The Audit Committee dealt in detail with individual specialized issues and subsequently reported their findings to the Supervisory Board. The Presidium of the Supervisory Board was regularly informed about the current business situation by the Management Board. The Audit Committee convened twice. In March 2015 issues in connection with the annual and consolidated financial statements as well as the proposal for the appointment of the auditor were covered. In the meeting of October 2015 the auditor provided a brief overview over the planned process as well as the main audit focus for the business year 2015. The members of the Audit Committee were Klaus Rinnerberger (Chairman), Josef Blazicek (Deputy Chairman) and Ernst Chalupsky. Since the Supervisory Board consists of no more than six members, the tasks of the Remuneration and Nomination Committee are fulfilled by the entire Supervisory Board.

The annual financial statements and the management report for the business year 2015 as well as the consolidated financial statements and the Group management report for the business year 2015 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz. The audit did not give any objections and the annual and consolidated financial statements for the business year 2015 were granted an unqualified audit certificate.

The auditor certified that the accounting and the annual financial statements as of the business year 2015 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 of the company for the business year 2015 in accordance with generally accepted accounting principles, and that the management report is consistent with the annual financial statements. Further, the auditor 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 for the business year 2015 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 Group management report is consistent with the consolidated financial statements.

All documents related to the financial statements and the Independent Auditor's Report were discussed in detail with the auditor at the Audit Committee meeting held on March 16, 2016 and presented to the Supervisory Board together with the management reports and the corporate governance report in its subsequent meeting. The Audit Committee reported to the Supervisory Board that it agreed with the result of the audit and reached the conclusion, that the review of the financial statements and management report as well as the consolidated financial statements, the Group management report and the corporate governance report for the business year 2015 and the documents submitted for auditing are correct and in compliance with the law. The Management Board's decision regarding accounting policy is economic and practical and there is no reason for any objections.

The Supervisory Board agrees with the report of the Audit Committee and thereby with the result of the audit. In the Supervisory Board's final conclusion of the financial statements and the management report as well as the consolidated financial statements, the group management report and the corporate governance report for the business year 2015, gives no reason for any objections. Having been accepted by the Supervisory Board, the annual financial statements can be deemed approved pursuant to Art. 96 (4) of the Austrian Stock Corporation Law (AktG). The Supervisory Board acknowledged the consolidated financial statements and the group management report for the business year 2015. The Supervisory Board concurs with the Management Board on the proposal of the distribution of the net profit.

Moreover, due to recommendation of the Audit Committee, a proposal for the election of the auditor for the business year 2016 was prepared for the 19th Annual General Meeting on April 27, 2016. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, is proposed as auditor for the business year from January 1, 2016 until December 31, 2016.

The Supervisory Board would like to thank the Management Board as well as all employees for their dedication and contribution to the gratifying results in the past business year. We also convey our thanks to the shareholders, customers and partners that put their trust in the company and therefore have been essential to this success.

Wels, in March 2016



Josef Blazicek

Chairman of the Supervisory Board





## CONSOLIDATED MANAGEMENT REPORT

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# CONSOLIDATED MANAGEMENT REPORT

as of December 31, 2015 of CROSS Industries AG (formerly: BF HOLDING AG), Wels

## 1. Significant events in the business year 2015

The business year 2015 of CROSS Industries AG (formerly: BF HOLDING AG) was characterized by significant legal changes. The merger of CROSS Industries AG into BF HOLDING AG, which was announced in autumn 2014, has been completed successfully.

The merger was registered with the company register on June 2, 2015 and since then the company operates as CROSS Industries AG. Due to the merger the business area of the receiving company (BF HOLDING AG) also changed – the business purpose of the new CROSS Industries AG is the function of a holding company in the automotive sector. The CROSS Industries Group is a global automotive niche player that include worldwide renowned brands (KTM, Husqvarna, Pankl, WP), which are technology and market leaders in each niche. The Group's primary target is the strategic industrial leadership and the development of the majority interests. Within the Group divisions the focus is on the mutual utilization of potential synergies and on the further development of cooperative projects. By bundling the core capabilities a competitive advantage is achieved. For further information we refer to the Group notes (Point I. Company).

With effect from the registration of the merger with the commercial register Stefan Pierer, Friedrich Roithner, Alfred Hürtenhuber and Wolfgang Plasser have been appointed as new members of the Executive Board.

In the course of the merger of CROSS Industries AG into BF HOLDING AG the share capital of the company has been increased by EUR 210,000,000 to EUR 225,386,742 through issuance of 210,000,000 new shares. These new shares were allocated to Pierer Industrie AG as sole shareholder of the transferring company.

Furthermore it was announced in June 2015, that the Vienna Stock Exchange has admitted to trading on the Official Market the 210,000,000 new shares issued in the course of the merger. The new shares are tradeable as of June 8, 2015. Pierer Industrie AG, majority shareholder of CROSS Industries AG, has – in the course of a private placement which was not subject to the approval and publication of a prospectus – sold 52,828,074 shares of the company (approximately 23.44% of the share capital) and thus met the criteria for the inclusion in the prime market of the Vienna Stock Exchange. Since June 22, 2015 the shares of CROSS Industries AG are trading in the prime market segment of the Vienna Stock Exchange. As of December 31, 2015 Pierer Industrie AG holds 74.89% shares in CROSS Industries AG.

The applications for the review of the conversion ratio pursuant to § 225c Austrian Stock Exchange Act that were filed by 6 shareholders in July 2015, have all been withdrawn. Furthermore the proceedings concerning the action for rescission against the resolution of the shareholders meeting regarding the merger of BF HOLDING AG with CROSS Industries AG was terminated in September 2015 due to a waiver of the claim by the claimant. In connection with the merger of BF HOLDING AG with CROSS Industries AG no open proceedings exist anymore.

In October 2015 the action for rescission of a minority shareholder was sustained and the approving resolution of the General Meeting of July 25, 2014, concerning the disposal of the operating shareholdings of the BRAIN FORCE Group in Germany and Italy, was annulled. The company has appealed against the decision of the court of first instance. However, the outcome of these proceedings has no impacts on the effectiveness of the disposal of these shareholdings.

Furthermore, it was announced that the share buyback program of CROSS Industries AG was terminated prematurely on July 29, 2015. In the period between March, 13 2014 and July 29, 2015 CROSS Industries AG repurchased a total of 71,038 of its own shares. The Management Board of CROSS Industries AG passed resolutions on August 28, 2015 to sell 71,038 of its treasury shares on the Vienna Stock Exchange. A respective sales program has been established and published. On December 1, 2015 it was decided to extend the sales program until June 11, 2016. As of December 31, 2015 10,008 own shares have been sold via the Vienna Stock Exchange.

After the merger of CROSS Industries AG had been completed in July 2015 the long-term financing has been restructured. The perpetual bond in the amount of originally 60 m€ has been redeemed prematurely in the amount of 59 m€ in the course of a repurchase offer. The

redemption of the bond was financed through a new financing program, which was completed in the total amount of 86.5 m€. The new financing was ensured through long-term capital market products (promissory note and registered bonds) with maturity between 5 and 10 years. The remaining bond with the nominal value of 1.01 m€ was terminated and repaid on February 7, 2016 in adherence of the ordinary termination period.

In April 2015 the successful corporate development of the WP Group hit its peak with the stock exchange listing in April 2015. The shares of WP AG are listed on the Regulated Market of the Vienna Stock Exchange, Mid-market segment, since April 10, 2015.

Furthermore, a partnership between CROSS Industries AG and AGM Automotive LLC, Troy Michigan, USA has been entered. CROSS Industries AG sold the majority shareholding in Durmont Teppichbodenfabrik GmbH to AGM Automotive LLC in April. CROSS Industries AG remains shareholder with 24% in Durmont Teppichbodenfabrik GmbH.

## 2. Economic environment

According to the evaluations of the International Monetary Fund (IMF) of January 2016 the world economy will recover weaker than in assumed in the prognosis of January 2015. For 2016 the IMF estimates a global growth of 3.4%, whereby for industrialized countries a growth of 2.1% is forecasted for 2016 and 2017. For the Euro-zone a development of only 1.7% is prognosticated for 2016 and 2017. The development in the US American region is expected to increase by 2.6%. For 2017 the IMF expects a worldwide growth of 3.6%.

For emerging and developing countries growth in economic performance of 4.3% for 2016 and 4.7% for 2017 is still prognosticated. For India the greatest development is expected, with an increase of 7.5% for 2016 and 2017.

## 3. Development of the segments

### KTM AG

The overall European market<sup>1</sup> was up 10.7% on the preceding year, with 494,108 vehicles registered. The increase was due mainly to the growth in the largest European markets such as Germany (+7.7%), Italy (+14.6%), Spain (+21.8%) and the United Kingdom (+21.0%).

Amid a difficult market environment, KTM brand vehicles succeeded in gaining additional market share in key markets such as Austria (up by 1 percentage point from the previous year) and Finland (up by 3.2 percentage points). KTM has a share of 8.4% of the total European market. Husqvarna's market share grew in Sweden (up by 1 percentage point from the previous year), Austria (up by 1.4 percentage points) and Finland (up by 0.6 percentage points). Husqvarna has a share of 1.1% of the total European market.

Registrations in the overall U.S. market<sup>2</sup> went up 4.1% in 2015 compared to 2014, rising to 419,864 vehicles. KTM succeeded in increasing its share of the overall US market to 5.2%, a rise of 0.4 percentage points from the prior year. Husqvarna increased its market in the US by 0.2 percentage points to 0.8%.

Group revenues increased by 18.3% from 864.6 m€ in the previous year to 1,022.5 m€. Revenues in North America rose 49.7% from the previous year to 301.8 m€; this corresponds to 29.5% of total revenues. In Europe, revenues were up 10.9% on the preceding year, rising to 512.2 m€; Europe thus accounted for 50.1% of total revenues. Revenues in other countries rose by 3.6% compared to the previous year, to 208.5 m€. The percentage of total revenues earned in the other countries was 20.4%.

<sup>1</sup> motorcycles >= 120ccm without motocross, scooters and ATVs, incl. electric motorcycles

<sup>2</sup> motorcycles >= 120 ccm inclusive motocross, without scooters and ATVs, incl. electric motorcycles

Motorcycles (including Sportminicycles and X-Bows) represent 83.8% of total revenues, this percentage remaining essentially constant relative to the previous year (82.5%). Revenues in the offroad segment increased 22.5% from the previous year, to 425.4 m€ (41.6% of revenues). In the street segment, revenues went up 18.6% from the previous year, to 390.6 m€. Revenues from Spares, Clothing and Accessories (PowerWear and PowerParts) and Other rose by 9.6% relative to the previous year to 165.3 m€.

### **Pankl Racing Systems AG**

In the business year 2015, revenues of Pankl increased by 5% to a new record level of 173.6 m€. Revenues from motor racing and the Aerospace segment experienced declines. High performance revenues showed a significant growth. The USA continued to be the largest single geographic market accounting for 29.4% of the total revenues. The largest European markets were Germany (25.8%), Austria (10.8%) and Italy (9.5%).

In the business year 2015, the Racing/High Performance segment revenues increased by 8.4% from 137.2 m€ to 148.7 m€. The main reason for this favorable development was significant growth in the Kapfenberg high performance facility after start of production of the new automated press line in autumn 2014. Also the high performance sites in Bruck upon Mur and Slovakia contributed to the growth. In 2015, the motor racing business experienced an expected decline in revenues, because it enjoyed additional demand in 2014 due to a rule change.

The Aerospace segment continued to suffer from low demand for civil helicopters. This was mainly due to ongoing low oil prices which led to a reduction in the use of helicopters for offshore oil exploration. The start of airplane jet engine driveshaft deliveries dampened the revenues decline. In the business year 2015, Aerospace segment revenues decreased by 8.6% to 25.6 m€ (previous year: 28.0 m€).

### **WP AG**

The business year 2015 of the WP Group was characterized by a strong growth in revenues and essential product launches. The Group revenues increased from 121.1 m€ to 144.6 m€. This increase could be discovered across the majority of the customer segments. The earnings before taxes amounted to 8.7 m€ and increased significantly compared to the previous year (previous year: 5.3 m€). The income situation of the Group was clearly characterized by high costs for product launches and increased expenses or research and development. During the business year under review the serial production for two important products in the division chassis began. On the one hand it came to the series start-up of semiactive chassis – developed and produced by WP. On the other hand “AER 48” - the first suspension fork for motocross motorcycles, developed by WP - was launched.

For further information on the individual segments we refer to the consolidated financial statements of the respective companies or their webpages.

#### 4. Financial performance indicators

	2015	2014	2013
m€			
<b>Earnings figures:</b>			
Revenues	1,223.6	1,086.3	910.6
Operating earnings before depreciation (EBITDA)	178.4	148.1	116.7
EBITDA margin	14.6%	13.6%	12.8%
Operating earnings (EBIT)	112.9	93.0	65.9
EBIT margin	9.2%	8.6%	7.2%
Earnings from continuing operations	65.0	54.9	45.7
Earnings from discontinued operations	0.0	2.1	-14.0
Operating cash flow	106.9	82.1	64.1
<b>Balance sheet figures:</b>			
Balance sheet total	1,177.6	1,031.1	939.2
Equity	386.6	370.9	308.5
Equity ratio	32.8%	36.0%	32.8%
Working Capital employed <sup>1)</sup>	243.3	206.8	180.4
Net debt <sup>2)</sup>	387.4	315.1	342.7

<sup>1)</sup> Working Capital employed: Trade receivables plus inventories minus trade payables

<sup>2)</sup> Net debt: Interest bearing liabilities minus cash and cash equivalents

#### Earnings analysis

To present previous year's figures, the consolidated financial statements of CROSS Industries AG are used. Thus, the comparability is given, despite the merger in June 2015.

In the business year 2015 CROSS Industries Group achieved revenues in the amount of 1,223.6 m€ (previous year: 1,086.3 m€). The EBIT amounted to 112.9 m€, which increased by approximately 21% compared to the previous year's period (previous year: 93.0 m€).

Revenues Group companies	2015	2014	2013
m€			
KTM AG	1,022.5	864.6	716.4
Pankl Racing Systems AG	173.6	165.0	139.8
WP AG	144.6	121.1	111.1
Other and consolidation	-117.1	-64.5	-56.7
<b>CROSS Industries Group</b>	<b>1,223.6</b>	<b>1,086.3</b>	<b>910.6</b>

<b>EBIT Group companies</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
m€			
KTM AG	95.1	75.4	54.9
Pankl Racing Systems AG	10.2	11.9	6.2
WP AG	9.7	8.6	6.4
Other and consolidation	-2.1	-2.8	-1.5
<b>CROSS Industries Group</b>	<b>112.9</b>	<b>93.0</b>	<b>65.9</b>

In the business year 2015 **KTM Group** increased its sales to 183,170 vehicles (+15% to the previous year), including the sales of the DUKE 200 and DUKE 390, RC 200 and RC 390 by KTM's partner Bajaj in India. Revenues increased to 1,022.5 m€ (+18% compared to the previous year). Through this significant rise in sales and revenues KTM could increase its EBIT to 95.1 m€ compared to 75.4 m€ in the previous year (+26% to the previous year).

In the business year 2015 **Pankl Group** achieved revenues in the amount of 173.6 m€ (previous year: 165.0 m€). The EBIT amounted to 10.2 m€ and decreased compared to the previous year (11.9 m€). The EBIT margin was 5.9% (previous year: 7.2%). While revenues in Racing within the segment Racing/High Performance as well as revenues in the segment Aerospace experienced declines, the revenues of the High Performance segment showed a significant growth.

In the business year 2015 **WP Group** increased revenues by approximately 19% from 121.1 m€ in the previous year's period to 144.6 m€. This increase could be discovered across all product lines and across the majority of the customer segments. However, the Group's income situation was characterized by high costs for product launches and increased expenses or research and development. In the period under review the EBIT amounted to 9.7 m€ and increased by 13% compared to the previous year.

### Balance sheet analysis

The balance sheet structure of CROSS Industries Group has developed as follows:

<b>Balance sheet structure</b>	<b>2015</b>		<b>2014</b>		<b>2013</b>	
	m€	in %	m€	in %	m€	in %
Non-current assets	639.2	54%	579.7	56%	535.3	57%
Current assets	538.4	46%	451.4	44%	403.9	43%
<b>Total assets</b>	<b>1,177.6</b>	<b>100%</b>	<b>1,031.1</b>	<b>100%</b>	<b>939.2</b>	<b>100%</b>
Equity	386.6	33%	370.9	36%	308.5	33%
Non-current liabilities	532.9	45%	411.7	40%	398.4	42%
Current liabilities	258.1	22%	248.5	24%	232.3	25%
<b>Equity and liabilities</b>	<b>1,177.6</b>	<b>100%</b>	<b>1,031.1</b>	<b>100%</b>	<b>939.2</b>	<b>100%</b>

The balance sheet total of CROSS Industries Group increased by 146.5 m€ or 14% to 1,177.6 m€ compared to the previous year.

In the business year 2015 the non-current assets increased by 59.5 m€ to 639.2 m€ due to investment activities. Their proportion of total assets fell from 56% to 54%. The current assets increased by 87.0 m€ to 538.4 m€. This rise is attributable to increased inventories and trade receivables in the amount of 36.3 m€ on the one hand; on the other hand to cash and cash equivalents, which increased by 45.7 m€ as of December 31, 2015.

In the business year 2015 equity increased by 15.7 m€ from 370.9 m€ to 386.6 m€. The equity ratio amounted 32.8% as of December 31, 2015 (previous year: 36.0%). This decrease is due to the refinancing of the perpetual bond of CROSS Industries AG in the amount of 60 m€, which was recorded as equity in the balance sheet as before.

Due to the refinancing of the perpetual bond, the financing of investments as well as the growth, the non-current interest-bearing liabilities increased by 105 m€ and mainly led to an increase in the non-current liabilities by 121.2 m€ to 532.9 m€.

The refinancing of the perpetual bond had an impact on the equity and the net debt of the Group and the related key figures. If the perpetual bond would still be recorded as equity in the balance sheet as of December 31, 2015, the equity ratio would be 38%. The net debt would amount to 327.4 m€ and gearing would be 73%.

### **Liquidity analysis**

In the business year 2015 the cash flow from operating activities amounted to 106.9 m€ was above the previous year's figure of 82.1 m€. The cash flow from investing activities amounted to -110.1 m€. Taking into account the cash flow from financing activities in the amount of 50.7 m€, the liquid funds increased in the business year 2015 by 45.7 m€ to 135.1 m€ compared to December 31, 2014.

### **Investments**

In the last business year CROSS Industries Group invested 133.0 m€ (previous year: 108.4 m€) in in tangible and intangible assets. About 110.9 m€ (previous year: 84.4 m€) come from the KTM Group. In addition to the usual high investments in series development projects (43.5 m€) and procurement of tools, KTM made significant investments in capacity and expansion in the business year 2015. The construction of the KTM logistics center in Munderfing was finished and the construction of a new motor sports building started.

The Pankl Group invested 11.6 m€ (previous year: 17.5 m€) in tangible and intangible assets in the business year 2015. The investments break down in fixed asset categories as follows: intangible assets 0.3 m€, land and buildings, machines and equipment as well as advance payments in the amount of 9.5 m€ and other tangible assets in the amount of 1.8 m€.

The WP Group invested 10.5 m€ (previous year: 4.7 m€) in tangible and intangible assets in the business year 2015.

## **5. Non-financial performance indicators**

### **Employees**

The employee development within the Group is very positive. In the business year 2015 additional 501 employees could be hired, thereof 446 in Austria. Due to the deconsolidation of Durmont Teppichbodenfabrik GmbH 130 employees went off. As of December 31, 2015 the number of employees in the Group amounted to 4,553 (previous year: 4,182 employees).

### **Research and Development**

In the business year 2015 the expenses for research and development (prior capitalization of development costs) of the CROSS Industries Group amounted to 69.6 m€. 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 the business year 2015 **KTM** employed 382 persons on average in its research and development department (16.1% of the total headcount). About 68.8 m€ were invested in research and development in the business year 2015, which corresponds to 6.7% of the total revenues (+ 0.4 percentage points compared to the previous year). The business under review saw a multitude of key projects in the offroad and street areas. KTM also entered the highly technology-driven sports touring segment with the KTM 1290 Super Duke GT, presented for the first time at EICMA 2015. While a wide-ranging portfolio of Motocross models was presented during the course of 2015, the focus in the offroad segment lay principally on developing new KTM and Husqvarna Enduro platforms for series production. During 2015, numerous R&D projects were taken forward at various stages from concept development to the start of series production and successfully completed.

Technology leadership is one of the major success factors in the Racing and High Performance divisions. Hence, research and development is of major importance for the companies of the **Pankl Group**. In the business year 2015, total expenses for research and development amounted to 12.6 m€. Pankl tests and applies new materials to fulfill the ever more demanding requirements in motor racing for lower weight and higher durability. To satisfy the industry's demanding R&D requirements, Pankl Group realizes optimal synergies with academic (university for mining and material sciences Leoben, technical university of Graz and Vienna) and other research institutions. Ongoing technological improvements are also a major success factor in aerospace.

Technical innovations and new product launches are substantially responsible for the competitive position of the WP Group. Therefore trends must be quickly recognized. The expenses for research and development amounted to 4.4 m€ (previous year: 2.0 m€) in the business year 2015. The products of the **WP Group** range in a very challenging level of performance, thus, customers expect permanent development.

### 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.

The **KTM Group** uses a process-oriented quality management system for all activities, from product idea to market analyses to design studies, design and development, cooperation with suppliers, the procurement of components for series production, parts production, the assembly of engine and vehicle, right to packing and dispatch.

Strategic leadership, focusing on the development of key competencies, continuously improving the work processes, working in partnership with employees and suppliers and maintaining a process-oriented quality management system allow KTM Group to create added value both for the company and for the shareholders. With a workforce of 2,100 in Austria, as of December 31, 2015, KTM is one of the region's largest employers.

KTM uses every opportunity to respond to the demands regarding sustainability that any modern company endeavors to comply with. For instance, the factory and administrative buildings are constructed in a resource-conserving and energy-efficient manner, the cooling of test chambers and toolshop is controlled using groundwater, and for the manufacturing of fabricated materials and finished products various materials are sorted by type and reusable containers are used.

The production company in Mattighofen largely sources its requirements from the local procurement market; KTM therefore plays an active role in adding and maintaining value at the regional level.

The development, production and distribution of high quality products are major constituents of the **Pankl Group's** mission statement. Pankl secures highest quality standards via comprehensive quality management regarding product quality and process supervision.

Registrations and certifications guarantee customers highest product quality. Annual compliance audits are required to maintain the certified status. Pankl Group has the following certifications complying with the appropriate requirements of the automotive and aerospace industries: ISO 9001, ISO 14001, ISO/TS 16949, ISO 27001, ISO 31000, VDA 6.1 and AS/EN 9100.



The **WP Group** develops and produces tailored components in close cooperation with and for its customers, with the agreed quality, cost and scheduling targets. Continuous development of products and process workflows belongs to WP Group's core competences. Permanent enlargements of know-how and zero-error principle are targets for safeguarding and expanding of the product and customer portfolio.

## 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, KTM has developed a special motorcycle logistics 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.

In the business year 2015 the energy costs of the **Pankl Group** were 1.9% and are on a similar level to the previous year (previous year: 1.8%). Pankl Group did not incur any expenses in connection with the acquisition of CO<sub>2</sub>-certificates and is not included in the National Allocation Plan (NAP). In the business year 2014, Pankl Group extended its environment management system by the ISO 14001 standard. The subsidiaries in Austria and Slovakia were certified at the beginning of the business year 2015. A roll-out to the other Pankl locations is currently in progress.

In order to preserve natural limited resources **WP Group** intends on an efficient utilization of raw materials and relies on recycling of aluminum waste. To ensure a cost-optimized, sustainable, environmentally friendly and resource-saving production, WP constantly invests in new and modern production plants.

## Corporate Social Responsibility

The **KTM Group** supports the spinal cord research foundation „Wings for Life“ set up by Heinz Kinigadner in all marketing matters. „Wings for Life“ is a non-profit organization aiming to promote and speed up research and medical-scientific progress towards finding a cure for paraplegia induced by spinal cord injuries.

**Pankl Group's** operating entities choose which social projects are supported because they know the local needs and requirements. Employee health and safety are top priorities for Pankl. The company offers a number of initiatives to help its employees to stay fit and healthy. Furthermore, combining work and family is a major topic. That is why Pankl tries to actively take part, support and advise employees in the times before and after childbirth and the time after parental leave. Pankl employees in the Austrian facilities receive financial grants for childcare, childbirth and marriage.

The employees of **WP Group** are a key element for the company's success. Their identification with the company and the commitment to the company's targets is the decisive contribution to the company's success. A financial reward for individual performance through modern remuneration models is as important to the WP Group as rewarding of the employees' overall performance through voluntary social benefits. In addition the potential of the employees is drawn out and encouraged through a large amount of individual responsibility.

## 6. Risk report

Regarding the risk report, please refer to the explanations in the notes to the consolidated financial statements (item 33 and 34) of CROSS Industries AG.

## 7. Significant events after the balance sheet date

Regarding significant events after the balance sheet date, please refer to notes to the consolidated financial statements (item 38) of CROSS Industries AG.

## 8. Disclosures pursuant to sec. 243a of the Austrian Commercial Code (UGB)

1. The share capital amounts to EUR 225,386,742. It is divided into 225.386.742 no-par value bearer shares with voting right. Every share constitutes a pro-rata share in the share capital of the company. The shares grant the rights that are usually due to shareholders under the Austrian Stock Corporation Act. These include the right to payout of the dividend resolved upon at the General Meeting as well as the right to vote at the General Meeting. If the shares are admitted for trading on the Vienna Stock Exchange; since June 2015 all shares of CROSS Industries AG are tradable in the prime market of the Vienna Stock Exchange.
2. The Management Board is not aware of any restrictions in respect to voting rights or the transfer of shares.
3. As far as the Company is aware, the following had a direct or indirect stake of at least 10% in the share capital of CROSS Industries AG as at December 31, 2015:  
  
Pierer Industrie AG: 74.89%
4. No shares with special control rights have been issued.
5. No employee participation scheme has been set up within the Group.
6. Above and beyond legally binding requirements, there are no additional provisions valid within the Group with respect to members of the Management and Supervisory Boards.
7. Authorizations to issue or repurchase shares:
  - a) On March 7, 2014 the Management Board of CROSS Industries AG (formerly BF HOLDING AG) decided to make use of the authorization granted by the ordinary general shareholders' meeting dated February 28, 2013. The company started the share buy-back program in March 2014. The buy back program affects no par value shares of CROSS Industries AG (formerly BF HOLDING AG), of which a maximum of 10% of the share capital can be bought back. The share's purchase price is the average rate of the last five stock exchange days with a margin of +/- 20%. The share buy back program had been terminated on July 29, 2015. During the period from March 13, 2014 until July 29, 2015 71,038 shares have been bought back. The Management Board of CROSS Industries AG passed resolutions on August 28, 2015 to sell 71,038 of its treasury shares on the Vienna Stock Exchange. The share sale program lasts from 7 September 2015 until presumably 11 June 2016. As of December 31, 2015 10,008 treasury shares were sold via the Vienna Stock Exchange.
  - b) By resolution of the Annual General Meeting on February 28, 2013, the Management Board pursuant to Section 65 (1) No. 4 and 8 AktG (Austrian Stock Corporation Act) was authorized to acquire treasury shares, with the percentage of shares to be acquired limited to 10% of the share capital, the authorization valid for the period of 30 months as of the resolution date, and the consideration (acquisition price) of each no-par value to be acquired not exceeding or falling short of the average price of the preceding five trading days by more than 20%. The authorization may be executed in full or in several partial amounts and pursuing one or several purposes

by the company, its Group entities or by third parties on its account. The acquisition of treasury stock may be made over the stock exchange or outside of it.

Furthermore, it was decided to authorize the Management Board for a period of five years as of the resolution date, subject to the approval of the Supervisory Board, to sell treasury shares in a way other than via the stock exchange or through a public offering, excluding the subscription rights of existing shareholders, and to determine the conditions of sale, whereby the subscription rights of existing shareholders can only be excluded if these shares are issued as consideration in the acquisition of companies, businesses, business units or shares in one or several companies in Austria or abroad or to service stock options granted to staff, executive employees and members of the Management Board. This authorization may be executed once or several times, in full or in parts, individually or jointly, and is valid for the maximum statutory period. In addition, the Management Board was authorized to cancel treasury shares without further approval from the Annual General Meeting.

- c) By resolution of the Annual General Meeting of March 2, 2011, the Management Board, subject to the approval of the Supervisory Board, was authorized in accordance with Section 169 AktG to increase the share capital until March 1, 2016 by an additional € 7,693,371 through the issue of up to 7,693,371 new bearer or registered common shares (no-par value shares) for a cash or non-cash consideration, possibly in several tranches, and to determine the issue price, the terms of the issue and further details of the execution of the capital increase in consultation with the Supervisory Board [authorized capital 2011]. An increase of the share capital within that period has not been performed.

Furthermore, the Management Board, with the approval of the Supervisory Board, was authorized to exclude the shareholders' subscription rights if – the capital increase is made for a non-cash consideration, i.e. if shares are issued to acquire companies, businesses, business units or shares in one or several companies in Austria or abroad, or – the capital is increased to service stock options granted to staff, executive employees and members to the Management Board, or – to exclude peak amounts from shareholders' subscription rights, or – to service a greenshoe granted to the issuing banks.

- d) By resolution of the Annual General Meeting of March 2, 2011, the Management Board, subject to the approval of the Supervisory Board, was authorized to issue within five years as of the date of this resolution financial instruments as defined in Section 174 AktG, in particular convertible bonds, participating bonds, participation rights with a total nominal value of up to € 15,000,000, which may also grant the subscription and/or conversion right to acquire up to a total of 7,693,371 shares of the company and/or are such in nature that they can be recognized as equity, possibly in several tranches and in various combinations, even indirectly by way of guarantee for the issue of financial instruments by an affiliated company of the company with conversion rights to shares of the company. To service these rights, the Management Board may use the conditional capital or treasury stock. Issue price and terms of issue, as well as any exclusion of shareholders' subscription rights to the issued financial instruments shall be determined by the Management Board with approval of the Supervisory Board.

- e) At the Annual General Meeting on March 2, 2011, the following resolutions were passed: The conditional increase in the company's share capital in accordance with Section 159 (2) No. 1 AktG by up to € 7,693,371 by issuing up to 7,693,371 new bearer shares without par value (no-par value shares) to be allocated to creditors of financial instruments as specified by the resolution of the Annual General Meeting of March 2, 2011, if the creditors of financial instruments use their subscription and/or conversion right to acquire shares of the company. The issue price and the conversion ratio shall be determined in accordance with accepted simplified actuarial methods and the price of the company's shares in an accepted pricing procedure. The newly issued shares of the conditional capital increase carry the right to dividends equivalent to the shares traded on the stock exchange at the time of the issue. The Management Board, subject to the approval of the Supervisory Board, is authorized to determine the further details of the execution of the conditional capital increase. In addition, the resolution was passed to amend the Articles of Association to include the new provision "Section 5a Conditional Capital".

8. Any agreements on the part of the company which would take effect, change or cease to apply in the case of a change in the controlling interest in the Company as a result of a public takeover offer will not be disclosed due to the fact that it would considerably harm the company.
9. There are no compensation agreements between the company and the Management Board and/or Supervisory Board members in case there is a public takeover bid.

## 9. Outlook

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

The CROSS Industries Group continues to focus on organic growth in all core areas, through further expansion of the market share and global growth. A strong focus is on the Emerging Markets, especially Asian markets. Within the Group divisions the focus is on the mutual utilization of synergy potentials and on the further development of cooperative projects.

Based on the current order situation, the Management expects a continuing positive development of the business performance. As in recent years markets will develop differently throughout the different continents. For that reason importance is attached to the continuous review and the critical evaluation of the market, productivity and cost situation. Thus, immediate measures will be implemented, in order to stabilize the intended earnings situation, if necessary.

Overall a positive outlook can be given for all business segments of the CROSS Industries Group for the business year 2016.

**KTM Group** expects that the North American motorcycle market enjoys significant growth in the coming year and KTM is also relatively bullish with regard to Europe; the emerging markets in South America and Asia are marked by numerous uncertainties. Asian markets are regarded to represent the biggest growth opportunities over the medium term. In 2016, the KTM Group is expected to continue growing in both revenue and volume terms while sustaining current levels of profitability. Among other things, a new Enduro generation will be launched for the KTM brand in 2016. The company expects further substantial growth in the Husqvarna brand for 2016. From 2017, this historic brand will bring a full range of street motorcycles onto the market. KTM has set the medium-term goal of increasing annual volumes to 250,000. In 2016, extensive capital expenditure of over 100 m€ will again be made in infrastructure and model development at the Mattighofen and Munderfing sites. In 2016, work will begin on the construction of the KTM Experience in Mattighofen, which will include a museum and demonstration workshop.

The **KTM Group's** liquidity and financing situation is marked by long-term loans and a varied portfolio of different financing instruments with various counterparties. Sufficient liquidity reserves for the planned growth are thus available.

**Pankl Group** will secure its technological leadership and its high market shares in the highly volatile and stagnating racing business by ongoing intense R&D activities. Pankl will utilize this know-how in serial applications also in the coming years. Future revenues growth of Pankl Group will primarily be generated in the High Performance division. In the Aerospace division Pankl will primarily focus on the jet engine business.

Concerning the **WP Group** the order backlog is at the level of the previous year in all in all business areas; thus, constant revenues are expected for 2016. Primary targets for 2016 are the consolidation of the company on the increased revenues level and an improvement of the operating earnings margin. The key for a successful development in the future will be innovative products. The ratio of investments in research and development in relation to revenues should still be held at approximately 5%. Due to the stable financial situation of the WP Performance Systems GmbH, with a high equity ratio and a financing with matching maturities, the company stands on a solid financial foundation.

Because of the stable financial situation in all subsidiaries, with high equity ratios and financing with matching maturities, new market opportunities will arise for the companies of the CROSS Industries Group in 2016.

Wels, March 11, 2016

The Management Board of CROSS Industries AG



Stefan Pierer, CEO



Friedrich Roithner, CFO



Alfred Hertenhuber



Wolfgang Plasser



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## CONSOLIDATED INCOME STATEMENT

for the business year from January 1, 2015 until December 31, 2015

<b>Consolidated income statement</b>	Notes no.	<b>2015</b>	<b>2014</b>
in k€			
Revenues	7	1,223,570	1,086,300
Cost of sales	8	-851,760	-770,090
<b>Gross profit</b>		<b>371,810</b>	<b>316,210</b>
Selling and racing expenses	8	-150,845	-128,331
Research and development expenses	8	-17,071	-11,059
Administration expenses	8	-72,654	-67,772
Other operating expenses	11	-22,212	-17,764
Other operating income	12	3,825	1,722
<b>Earnings from operating activities</b>		<b>112,853</b>	<b>93,006</b>
Interest income	13	1,525	1,182
Interest expenses	13	-17,770	-18,145
Earnings from at equity holdings	20	-2,851	356
Other financial and investment income	13	-3,794	-4,455
<b>Earnings before taxes</b>		<b>89,963</b>	<b>71,944</b>
Income taxes	14	-24,981	-17,068
<b>Earnings after taxes from continuing operations</b>		<b>64,982</b>	<b>54,876</b>
Earnings from discontinued operations	15	0	2,086
<b>Result of the business year</b>		<b>64,982</b>	<b>56,962</b>
thereof owners of the parent company		30,009	26,206
thereof non-controlling interests		34,973	30,756
<b>Undiluted (=diluted) earnings per share (EUR)</b>	<b>16</b>	<b>0.13</b>	<b>0.12</b>

The following notes to the consolidated financial statements form an integral part of the consolidated income statement.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the business year from January 1, 2015 until December 31, 2015

<b>Consolidated statement of comprehensive income</b>	Notes no.	<b>2015</b>	<b>2014</b>
in k€			
<b>Other income</b>			
<b>Items that were reclassified into the income statement or that can be reclassified afterwards</b>			
Currency translation of foreign subsidiaries		661	3,647
Currency translation of associates accounted for using the equity method	20	-5	0
Currency translation of net investments in foreign operations	26	2,124	0
Deferred tax on currency translation of net investments in foreign operations		-90	0
Valuation of cash flow hedges	26	5,931	-1,048
Deferred tax on the valuation of cash flow hedges		-1,483	262
		<b>7,138</b>	<b>2,861</b>
<b>Items that were not reclassified into the income statement</b>			
Revaluation of the net debt from defined benefit plans	31	131	-3,469
Tax effect		-32	867
		99	-2,602
<b>Other income after taxes</b>		<b>7,237</b>	<b>259</b>
<b>Comprehensive income</b>		<b>72,219</b>	<b>57,221</b>
thereof owners of the parent company		33,625	25,841
thereof non-controlling interests		38,594	31,380

# CONSOLIDATED BALANCE SHEET

as at December 31, 2015

## Consolidated balance sheet

Notes no. Dec. 31, 2015 Dec. 31, 2014<sup>1)</sup>

### Assets

in k€

#### Non-current assets

Property, plant and equipment	17	276,093	241,008
Goodwill	18	117,724	117,261
Intangible assets	19	207,805	182,673
Investments accounted for using the equity method	20	3,968	6,868
Deferred tax assets	14	7,160	6,125
Receivables from affiliated companies		105	0
Other non-current assets	21	26,360	25,775
		<b>639,215</b>	<b>579,710</b>

#### Current assets

Inventories	22	242,678	220,064
Trade receivables	23	110,831	97,139
Receivables from affiliated companies		6,084	1,642
Receivables and other assets	23	42,797	43,117
Cash and cash equivalents	24	135,124	89,404
Assets held for sale	25	855	0
		<b>538,369</b>	<b>451,366</b>
		<b>1,177,584</b>	<b>1,031,076</b>

<sup>1)</sup> adjusted, see notes item 6.

**Consolidated balance sheet**Notes no. **Dec. 31, 2015** **Dec. 31, 2014<sup>1)</sup>****Consolidated equity and liabilities**

in k€

**Consolidated equity**

Share capital	26	225,387	1,332
Capital reserves	26	9,798	137,825
Perpetual bond	26	0	58,987
Other reserves including retained earnings	26	-38,516	6,183
<b>Equity of the owners of the parent company</b>		<b>196,669</b>	<b>204,327</b>
Non-controlling interests	26	189,947	166,601
		<b>386,616</b>	<b>370,928</b>

**Non-current liabilities**

Financial liabilities	27	465,224	322,068
Employee benefits	31	20,905	19,379
Liabilities to affiliated companies		0	40,313
Deferred tax liabilities	14	38,313	21,795
Other non-current liabilities	28	8,471	8,153
		<b>532,913</b>	<b>411,708</b>

**Current liabilities**

Financial liabilities	27	57,343	44,264
Trade liabilities		111,399	111,879
Liabilities to affiliated companies		2,158	4,534
Provisions	30	10,226	8,837
Tax liabilities		1,643	5,904
Other current liabilities	28	75,286	73,022
		<b>258,055</b>	<b>248,440</b>
		<b>1,177,584</b>	<b>1,031,076</b>

<sup>1)</sup> adjusted, see notes item 6.

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the business year from January 1, 2015 until December 31, 2015

<b>Consolidated statement of cash flows</b>	Notes no.	<b>2015</b>	<b>2014</b>
in k€			
<b>Consolidated cash flow from operating activities</b>			
Result of the business year		64,982	56,962
+ (-) Interest expenses / Interest income		16,245	16,963
+ Tax expenses		24,981	17,068
+ Depreciation/amortization of property, plant and equipment and intangible assets		65,571	56,499
+ (-) Addition (reversal) from long-term employee benefits		1,256	1,203
(-) + Profit (loss) from the sale of shareholdings in subsidiaries		-1,211	-4,236
(-) + Profit (loss) from equity consolidation		2,851	-356
(-) + Profit (loss) from the sale of fixed assets		244	1,536
(-) + Profit (loss) from the valuation of non consolidated subsidiaries		2,541	7,360
+ (-) Other non-cash expenses (income)	32	-4,247	5,876
		<b>173,213</b>	<b>158,875</b>
- (+) Increase (Decrease) in inventories		-20,827	-27,052
- (+) Increase (Decrease) in trade receivables, advance payments, other current and non-current assets		-17,943	-20,794
+ (-) Increase (Decrease) in trade liabilities, advance payments, other current and non-current liabilities		100	765
+ (-) Increase (Decrease) in tax liabilities, deferred tax liabilities and other liabilities		855	-5,079
- (+) Increase (Decrease) in assets held for sale		0	-4,444
		<b>135,398</b>	<b>102,271</b>
+ Interest received		1,538	548
- Interest paid		-16,256	-16,343
- Income taxes paid		-14,066	-4,076
+ Dividends received		250	0
<b>Consolidated cash flow from operating activities</b>		<b>106,864</b>	<b>82,400</b>

<b>Consolidated statement of cash flows</b>	Notes no.	<b>2015</b>	<b>2014</b>
in k€			
<b>Consolidated cash flow from investing activities</b>			
- Acquisition of intangible assets and property, plant and equipment		-115,726	-92,824
- Acquisition of financial assets		-192	-1,043
+ Income from the disposal of intangible assets and property, plant and equipment		2,054	1,646
+ Income from the disposal/redemption of financial assets		198	8,782
- (+) Income from the disposal of shares in subsidiaries		3,610	11,466
		<b>-110,056</b>	<b>-71,973</b>
<b>Consolidated cash flow from financing activities</b>			
- Dividend payments to third parties		-14,752	-9,055
+ Shareholder contribution		0	9,770
- Repayment perpetual bond		-58,990	0
+ (-) Disposal / Acquisition treasury shares		36	0
+ (-) Disposal / Acquisition on non-controlling interests		-5,406	5,028
+ (-) Change of current financial liabilities		9,107	7,754
+ Inflows from raising non-current interest bearing liabilities		150,408	54,485
+ Outflows from the repayment of non-current interest bearing liabilities		-28,868	-35,111
+ (-) Other financing activities		-882	-151
		<b>50,653</b>	<b>32,720</b>
<b>Consolidated cash flow</b>			
Consolidated cash flow from operating activities		106,864	82,400
Consolidated cash flow from investing activities		-110,056	-71,973
Consolidated cash flow from financing activities		50,653	32,720
<b>Change in liquid funds within the Group</b>		<b>47,461</b>	<b>43,147</b>
+ Effect of foreign currency fluctuations		-1,741	3,537
+ Opening balance of liquid funds within the Group		89,404	42,720
<b>Closing balance of liquid funds within the Group</b>		<b>135,124</b>	<b>89,404</b>
comprising:			
cash on hand, checks, cash in banks		135,124	89,404

The following notes to the consolidated financial statements form an integral part of the consolidated statement of cash flows.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Consolidated statement of changes in equity

in k€

	Share capital	Capital reserves	Perpetual bond	Reserves including retained earnings
<b>As at January 1, 2015 <sup>1)</sup></b>	<b>1,332</b>	<b>137,825</b>	<b>58,987</b>	<b>11,425</b>
<b>Comprehensive income</b>				
Profit for the business year	0	0	0	30,009
Other income	0	0	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,009</b>
<b>Transactions with shareholders</b>				
Dividends to third parties	0	0	0	-5,313
Merger into BF HOLDING AG (see notes item 2.)	224,055	-128,027	0	-70,805
Acquisition/Disposal of shares in subsidiaries	0	0	0	-1,111
Repurchase/ Termination Perpetual bond	0	0	-58,987	-1,013
Acquisition / Disposal treasury shares	0	0	0	19
<b>As at December 31, 2015</b>	<b>225,387</b>	<b>9,798</b>	<b>0</b>	<b>-36,789</b>
<b>As at January 1, 2014 <sup>1)</sup></b>	<b>1,332</b>	<b>141,220</b>	<b>58,987</b>	<b>-26,159</b>
<b>Comprehensive income</b>				
Profit for the business year	0	0	0	26,206
Other income	0	0	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,206</b>
<b>Transactions with shareholders</b>				
Dividends to third parties	0	0	0	-3,094
Capital measures	0	9,770	0	0
Acquisition/Disposal of shares in subsidiaries	0	0	0	1,421
Deconsolidation Wethje Holding Group	0	0	0	-114
Reversal of capital reserve	0	-13,165	0	13,165
<b>As at December 31, 2014 <sup>1)</sup></b>	<b>1,332</b>	<b>137,825</b>	<b>58,987</b>	<b>11,425</b>

<sup>1)</sup> adjusted, see notes item 6.

IAS 39 reserve	IAS 19 reserve for actuarial losses	Foreign currency translation reserve	Reserve for treasury shares	Total	Non-controlling interests	Total consolidated equity
<b>-2,303</b>	<b>-3,544</b>	<b>605</b>	<b>0</b>	<b>204,327</b>	<b>166,601</b>	<b>370,928</b>
0	0	0	0	30,009	34,973	64,982
2,317	143	1,156	0	3,616	3,621	7,237
<b>2,317</b>	<b>143</b>	<b>1,156</b>	<b>0</b>	<b>33,625</b>	<b>38,594</b>	<b>72,219</b>
0	0	0	0	-5,313	-9,439	-14,752
0	0	0	0	25,223	-1,514	23,709
0	0	0	0	-1,111	-4,295	-5,406
0	0	0	0	-60,000	0	-60,000
0	0	0	-101	-82	0	-82
<b>14</b>	<b>-3,401</b>	<b>1,761</b>	<b>-101</b>	<b>196,669</b>	<b>189,947</b>	<b>386,616</b>
<b>-1,784</b>	<b>-2,070</b>	<b>-1,138</b>	<b>0</b>	<b>170,389</b>	<b>138,135</b>	<b>308,524</b>
0	0	0	0	26,206	30,756	56,962
-519	-1,588	1,742	0	-365	624	259
<b>-519</b>	<b>-1,588</b>	<b>1,742</b>	<b>0</b>	<b>25,841</b>	<b>31,380</b>	<b>57,221</b>
0	0	0	0	-3,094	-5,961	-9,055
0	0	0	0	9,770	0	9,770
0	0	0	0	1,421	3,607	5,028
0	114	0	0	0	-560	-560
0	0	0	0	0	0	0
<b>-2,303</b>	<b>-3,544</b>	<b>605</b>	<b>0</b>	<b>204,327</b>	<b>166,601</b>	<b>370,928</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the business year 2015

### I. Company

CROSS Industries AG (formerly: BF HOLDING AG) has its headquarter in 4600 Wels, Edisonstraße 1, and is registered with the commercial register at the regional court Wels as commercial court, under the registration number FN 78112 x.

As of the effective date of the merger, January 1, 2015, CROSS Industries AG as transferring company was merged into BF HOLDING AG as receiving company. The merger took place on June 2, 2015. BF HOLDING AG has been renamed to CROSS Industries AG.

The corporate purpose of CROSS Industries AG is to act as a holding company, with a particular focus on the acquisition and administration of industrial companies as well as companies and shareholdings in industrial companies, the management of companies and shareholdings 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.

The company is part of the Group of Pierer Konzerngesellschaft mbH, Wels (ultimate 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 regional court Wels as commercial court, registration number FN 134766 k.

The following table shows the main fully consolidated subgroups and group of companies, the interest held (taking direct and indirect interests into account), the voting rights held as well as the corporate purpose as of December 31, 2015:

#### **KTM AG:**

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Share and voting right in %: 51.28

KTM Group engages in the development, production and distribution of motorized leisure vehicles (power sports) in particular under the "KTM" and "Husqvarna" brands, and holds stakes in entities engaging in the development, production and distribution of such equipment. As of December 31, 2015 the KTM Group comprises 39 subsidiaries, located in Austria, USA, Japan, South Africa, Mexico and India and in various other countries of Europe and Asia which are included in the consolidated financial statements. Furthermore the KTM Group has shareholdings inter alia in general importers that are based in important distribution markets (New Zealand and Dubai) as well as in various flagship stores in Austria and Germany. Significant sales markets include USA, Germany, Australia, France, United Kingdom, Italy, Spain, Austria, Canada, Malaysia and other European countries.

#### **Pankl Racing Systems AG:**

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Share and voting right in %: 55.85

Pankl Group specializes in the production of lightweight and high-strengths components for the international niche-markets motor racing, luxury/high performance cars and aerospace. Pankl focuses primarily on developing, optimizing and testing products. Pankl aims at premium technologies, lowest tolerances and prompt delivery. Pankl Group has a global network of companies and facilities in Austria, Germany, United Kingdom, Slovakia, Japan and the USA.

#### **WP AG:**

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Share and voting right in %: 89.48

The WP Group operates in the motorcycle supplier segment. The WP Group, with its headquarter in Munderfing, Austria, develops, produces and distributes suspension elements, frameworks, radiators and exhaust systems.



## II. Accounting principles and balancing and valuation methods

### 1. Accounting principles

The consolidated financial statements as of December 31, 2014 and December 31, 2015 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 Business Enterprise Code (Unternehmensgesetzbuch, UGB), were adhered to.

#### Changes in accounting 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 of January 1, 2015 or June 17, 2014:

- IFRIC 21 Disclosures
- Annual improvements (cycle 2011 – 2013)

The first-time adoption of the indicated IFRS did not cause any major changes compared to the previous year. The balancing and valuation methods have not been changed.

#### Future amendments to the financial reporting

The IASB and the IFRIC have passed further standards and implementations, but these do not as yet have to be mandatorily applied in the business year 2015 and/or have not yet been endorsed by the European Commission. These are the following standards and interpretations:

Standard/amendment	IASB date of application	Endorsement by EU?	EU date of application
<b>New Standards and interpretations</b>			
IFRS 15 Revenues from contracts with customers	Jan. 1, 2018	No	
IFRS 9 Financial instruments	Jan. 1, 2018	No	
IFRS 16 Leasing	Jan. 1, 2019	No	
<b>Amended standards and interpretations</b>			
IAS 19: Defined Benefit Plans: Employee Contributions	Jul. 1, 2014	Yes	Feb 1, 2015
Annual improvements IFRS 2010-2012	Jul. 1, 2014	Yes	Feb 1, 2015
Amendment to IAS 1: Disclosure Initiative	Jan. 1, 2016	Yes	Jan. 1, 2016
Amendment to IAS 27: Equity method in separate financial statements	Jan. 1, 2016	Yes	Jan. 1, 2016
Annual improvements to IFRS 2012 – 2014	Jan. 1, 2016	Yes	Jan. 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization	Jan. 1, 2016	Yes	Jan. 1, 2016
Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations	Jan. 1, 2016	Yes	Jan. 1, 2016
Amendments to IAS 16 and IAS 41: Bearer plants	Jan. 1, 2016	Yes	Jan. 1, 2016

Standard/amendment	IASB date of application	Endorsement by EU?	EU date of application
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the consolidation exception	Jan. 1, 2016	No	
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	postponed	No	

IFRS 15 specifies how and when revenues should be recognized. In addition, it is required by the preparer of the financial statements to provide the recipients of the Financial Statements with more informative and relevant information than has hitherto been. Therefore the standard offers a single principle based five-stage model which has to be applied to all contracts with customers. The first-time application will lead to adjustments to internal processes and documentations as well as additional disclosures in the notes. No major impacts to the assets, financial and profit positions of the CROSS Industries Group will be expected.

IFRS 16 governs the recognition, measurement, presentation as well as the disclosure requirements of leasing relationships. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For accounting purposes the lessor continues to distinguish between finance or operating leasing agreements. The effects on the consolidated financial statements of the CROSS Industries Group are being analyzed. By capitalization of leasing agreements an increase in the book value and in the financial liabilities is expected.

In June 2014 the IASB published IFRS 9 Financial Instruments, which amends the provisions governing the recognition and measurement of financial assets, the impairment provisions, and the provisions on hedge accounting. The effects of IFRS 9 on the CROSS Industries Group are still being investigated. The new impairment of provisions, recognition of expected loss and the simplifications of hedge accounting particularly affect the CROSS Industries Group. No major changes are expected as regards classification and measurement of financial instruments.

Further amended standards and interpretations are not relevant to the CROSS Industries Group and/or do not have major impacts. An early application of the new standards that are not yet compulsorily applicable is not planned.

## 2. Merger of CROSS Industries AG into BF HOLDING AG (Merger of companies under common control)

As of the effective date of the merger, January 1, 2015, CROSS Industries AG as transferring company was merged into BF HOLDING AG as receiving company. The merger took place on June 2, 2015. As the control of the merged companies is exercised by the same party, the Pierer Konzerngesellschaft mbH, both before and after the merger, it is considered as a merger of companies under common control pursuant to IFRS 3.2(c). Thus, the provisions of IFRS 3 are not applicable. According to IAS 8.10 an accounting method has to be developed, which leads to an authentic, economically adequate and decision relevant presentation.

As a result a disclosure of hidden reserves in connection with the allocation of the purchase price was not made, but all assets and liabilities as of June 2, 2015 (no retroactivity of the transaction) were taken over, each with the book value. The previous accounting and measurement methods will be continued.

From an economic point of view and analogous to the regulations for reverse acquisitions a take over by the receiving company BF HOLDING AG through the transferring company CROSS Industries AG takes place in the course of the merger process. Therefore, the figures of the previous year's consolidated financial statements of CROSS Industries AG are presented as comparative values. The share capital of CROSS Industries AG, which disappeared due to the merger, is replaced by the share capital of BF HOLDING AG (after the successful merger through a non-cash contribution) (see the statement of changes in consolidated equity).

Presentation of the effects on the equity due to the merger:

	Share capital	Capital reserves	Reserves including retained earnings	Total	Minority interests	Total consolidated equity
in k€						
Addition to equity BF HOLDING AG (prior to capital increase)	15,387	9,798	238	25,423	0	25,423
Reclassification of equity CROSS Industries AG	-1,332	-137,825	-70,843	-210,000	0	-210,000
Capital increase due to merger	210,000	0	0	210,000	0	210,000
Additions to shares in affiliated companies	0	0	-140	-140	-1,514	-1,654
Costs in connection with the capital increase	0	0	-60	-60	0	-60
<b>Effects on equity due to the merger</b>	<b>224,055</b>	<b>-128,027</b>	<b>-70,805</b>	<b>25,223</b>	<b>-1,514</b>	<b>23,709</b>

Presentation of the balance sheet of BF HOLDING AG at the merger date June 2, 2015:

in k€	
Receivables from affiliated companies	24,780
Shares in affiliated companies	406
Securities	1,654
Other assets	305
	<b>27,145</b>
Liabilities towards financial institutions	1,597
Other liabilities	125
	<b>1,722</b>
Equity	<b>25,423</b>

The effects on the income statement of BF HOLDING AG since the merger date are of subordinate significance in these consolidated financial statements.

In the course of the merger of CROSS Industries AG into BF HOLDING AG the share capital of the company has been increased by € 210,000,000 to € 225,386,742 through the issuance of 210,000,000 new shares. These new shares were allocated to Pierer Industrie AG as sole shareholder of the transferring company.

In July 2015, according to § 225c AktG, applications have been filed by shareholders for judicial review of the conversion ratio established in the course of the merger. The proceedings concerning the action for rescission against the resolution of the shareholders meeting regarding the approval of the merger of BF HOLDING AG with CROSS Industries AG was terminated in September 2015 due to a waiver of the claim by

the claimant. Furthermore, with the resolution of the regional court of Wels, it was announced, that in the proceedings of the review of the conversion ratio all claimants had withdrawn the application and these proceedings have therefore been terminated as well. In connection with the merger of BF HOLDING AG into CROSS Industries AG no open proceedings exist anymore.

### **3. Basis of preparation**

The accounting of the companies, which are included in the consolidated financial statements, is based on standardized accounting principles. These principles have been applied by all of the companies included. The companies included in the group financial statements set up their annual financial statements as of balance sheet date December 31.

The consolidated financial statements are prepared in euros, the functional currency of the parent company and are set up in thousand Euros (€k) rounded. Where rounded amounts and percentages are aggregated, rounding differences may occur.

The business year of CROSS Industries AG comprises the period from January 1, 2015 until December 31, 2015.

The consolidated financial statements will be released on March 16, 2016 (previous year: March 16, 2015) by the Management Board for approval by the Supervisory Board, for submission to the annual general meeting and subsequent publication. The Supervisory Board is entitled to initiate changes to the consolidated financial statements within the framework of its supervisory duty.

### **4. Scope of consolidation**

The scope of consolidation is based on the application of IFRS 10 and IFRS 11. Besides the CROSS Industries AG all principal subsidiaries are included in the consolidated financial statements. Subsidiaries are companies controlled by the Group. The Group controls a company if it is exposed to fluctuating returns as a result of commitments in the company or has rights to such returns and has the ability to influence these returns by using its power of disposition over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the moment control begins and until the moment control ends.

A materiality threshold is set in the Group to determine the scope of consolidation. Companies whose businesses are dormant or of low volume and that are insignificant for the presentation of a true and fair view of the net assets, financial position and earnings performance are not consolidated but are reported as other non-current assets and measured amortized cost or written down for impairment. The impact on assets and equity of those companies is less than 1.5% of the Group value.

An associate is a company on which the Group has significant influence. Significant influence is the possibility of participating in the financial and business decision-making process of the company in which the participation is held. In this respect there is neither control nor joint control of the decision-making processes. The results, assets and liabilities of associates are consolidated in these financial statements using the equity method. Under the equity method, investments in associates are included in the consolidated statement of financial position at cost, adjusted for changes in the Group's share of the profit or loss and other income of the associate after the acquisition date.

The consolidated group companies are listed in the notes to the consolidated financial statements as of December 31, 2015 under page 120.

#### 4.1. Changes in the Scope of Consolidation

In business year 2015 the scope of consolidation changed as follows:

	Fully consolidated companies	At equity companies
As at December 31, 2014	63	6
Additions to the scope of consolidation	2	0
Disposals from the scope of consolidation	-2	0
Disposals through mergers	-1	-1
<b>As at December 31, 2015</b>	<b>62</b>	<b>5</b>
thereof foreign companies	42	4

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

##### **Durmont Teppichbodenfabrik GmbH, Hartberg, Austria:**

CROSS Industries AG and AGM Automotive LLC, Troy Michigan, USA, a global player in the supply of interior trim, lightning and electronic components for the automotive industry, have signed a purchase contract on the acquisition of 76% of Durmont Teppichbodenfabrik GmbH on April 10th, 2015. A Put/Call option was concluded on the remaining 24% of CROSS Industries AG and is recognized in the consolidated financial statements of December 31, 2015 as non-current receivables. In April 2015 Durmont Teppichbodenfabrik GmbH was deconsolidated.

Until its disposal, the company generated revenues in the amount of 10,717 k€ (business year 2014: 41,808 k€) and earnings after taxes in the amount of 338 k€ (business year 2014: 1,498 k€).

A presentation as discontinued operations is not established as the company does not represent a major line of business due to its size. Therefore, the proceeds from deconsolidation in the amount of 1,211 k€ will be presented in the other operating income.

##### **Other changes:**

Husqvarna Motorsports, Inc., Murrieta, USA, and Husqvarna Motorcycles SA Pty Ltd, Northriding, South Africa, were established in 2015 and have thus been included in the scope of consolidation for the first time.

KTM Events & Travel Services AG (in liquidation) was deconsolidated in 2015 and is thus no longer included in the consolidated financial statements. Due to the loss of control, a loss on deconsolidation of -146 k€ was recognized in the income statement under other operating expenses.

The number of fully consolidated entities also reduced by one company due to the transfer of the operating business of KTM Motorrad AG to KTM AG and the subsequent merger of KTM Immobilien GmbH into KTM Motorrad AG. KTM Motorrad AG was subsequently transformed into a GmbH and renamed KTM Immobilien GmbH.

In the business year 2015 Wethje Holding GmbH, which is consolidated using the equity method, had been merged into Wethje GmbH Kunststofftechnik and renamed Wethje Carbon Composites GmbH.

## 4.2 Transactions with non-controlling interests

The effects of transactions with non-controlling interests as well as the change of the profit attributable to the shareholders' equity during the business year describes as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Acquired (-) and/or disposed (+) book value of non-controlling interests	4,295	-3,607
Received (+) / paid (-) purchase price to non-controlling interests	-5,406	5,028
Differential amount recognized in equity	-1,111	1,421

In the business year 2015 CROSS Industries AG increased its share in KTM AG from 51.18% to 51.28% and in Pankl Racing Systems AG from 51.13% to 55.18%. CROSS Industries AG decreased its share in WP AG from 90% to 89.48%.

Furthermore Pankl Racing Systems AG increased its share in Pankl APC Turbosystems GmbH from previously 51.00% to 70.00%.

## 5. Consolidation methods

**Capital consolidation:** New acquisitions are consolidated for the first time using the acquisition method in accordance with IFRS 3. This means that at the acquisition date, i.e. the date when the power to exercise control is obtained, the remeasured identifiable assets and liabilities of the acquired business entity are contrasted to the consideration paid and, if applicable, to the amount reported for the non-controlling interests and the fair value of the interests already held at the acquisition date. Any positive balance is capitalized as goodwill; any negative balance is recognized as an income item, "Gain on a bargain purchase", in the consolidated income statement after reassessing the values reported. Any acquisition-related costs are recognized as an expense. Unless otherwise stated, the amount for the non-controlling interests is recognized with the pro rata net asset of the acquired company without goodwill.

**Transactions with owners of non-controlling interests** that do not result in a loss of control are recognized directly, and exclusively, in equity without any restatements of the assets and liabilities of the company or its goodwill.

In the **consolidation of income and expenses**, intercompany revenues 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 in the consolidation procedures that impact 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 using the equity method. 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 Eurozone 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 individual financial statements of the Group companies transactions in foreign currencies were recorded at the exchange rate on the transaction date. As of balance sheet date, 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:

	Closing rate		Average rate	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
US Dollar	1.0887	1.2141	1.1096	1.3288
British Pound	0.7340	0.7789	0.7260	0.8064
Swiss Franc	1.0835	1.2024	1.0676	1.2146
Japanese Yen	131.0700	145.2300	134.2865	140.3772
South African Rand	16.9530	14.0353	14.1528	14.4065
Mexican Peso	18.9145	17.8679	17.5995	17.6621

## 6. Accounting policies

The financial reporting of the entities included in the consolidated financial statements is based on uniform accounting policies. They are identical to those used in the business year 2014, except for the standards applied for the first time.

The consolidated balance sheet is divided into non-current and current assets. The consolidated income statement is subdivided according to the cost of sales method. The consolidated cash flow statement is drawn up according to the indirect method.

As a matter of principle, any and all current assets and liabilities are realized or discharged within a period of twelve months after the balance sheet date or within an operating cycle, as the case may be. All other assets and liabilities are realized or discharged outside this period of time as a matter of principle.

To increase the utility of the consolidated financial statements, some individual items and presentations have been reclassified as of December 31, 2015. Additionally, the notes have been partly reordered and disclosures in the notes have been adapted and/or enhanced. The previous year's figures have been adjusted accordingly.

- As of December 31, 2015 the balance sheet item „Bonds“ (December 31, 2014: 169,246 k€) was integrated into the balance sheet item „Financial liabilities“.
- The advance payments made (December 31, 2014: 3,831 k€) and/or the advance payments received (December 31, 2014: 1,997 k€) were previously shown as separate balance sheet items. In the consolidated financial statements of December 31, 2015 these balance sheet items will be shown and explained in the notes as „Receivables and other assets“ and/or “Other current liabilities”.
- The current interest-bearing liabilities (December 31, 2014: 1,868 k€) and non-current other interest-bearing liabilities (December 31, 2014: 1,945 k€) were previously shown in the balance sheet items „other current liabilities“ and „Other non-current liabilities“. These positions will be shown under “Financial liabilities” in the consolidated financial statements of December 31, 2015.
- In the income statement, the depreciation on capitalized development costs is recognized under “Cost of sales” from the business year 2015, and not under “Research and development expenses” as before. The previous year’s figures have been adjusted accordingly and led to an increase in production costs and/or a reduction in research and development costs in the amount of 20,380 k€.
- The designation of the balance sheet item „Deferred taxes“ under the non-current assets has been changed to “Deferred tax assets”. The balance sheet item “Provision for deferred taxes” under the non-current liabilities has been changed to “Deferred tax liabilities”.
- In the cash flow statement the acquisitions of non-controlling interests in the amount of 5,028 k€ in the previous year have been shown in the “consolidated cash flow from investing activities”. In the business year 2015 the acquisitions of non-controlling interest are shown in the consolidated cash flow from financing activities. The previous year’s figures have been reclassified accordingly.
- In the consolidated statement of changes in equity the non-controlling interests increased by 5,408 k€ against the equity of the owners of the parent (adjustment as of Jan. 1, 2014 as well as Dec. 31, 2014 in the amount of 5,408 k€). From the perspective of the company, this results in an appropriate presentation of the economic substance of the realized earnings from the business year 2007/08 due to a group internal disposal of interests.

### 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 realized when economic benefit is likely to arise from the underlying contract and a reliable determination of the income has been made.

**Interest income** is realized pro rata temporis taking into account the effective yield.

**Dividend income** is recognized when the right to dividend payment arises.



## Consolidated balance sheet

**Property, plant and equipment** are recognized at acquisition or production costs less depreciation. Depreciation is determined by the straight-line method and is based on the following expected useful lives:

	<b>Useful life</b>
in years	
Buildings	10 -50
Machinery/tools	2 -25
Fixtures and fitting tools and equipment	2 - 10

The costs of self-constructed property, plant and equipment comprise direct costs including an allocation of production overheads (indirect materials or indirect labor). Financing costs resulting from the direct attribution of borrowings and/or from the application of an average interest rate to the expenses incurred are not capitalized due to the absence of qualifying assets as defined in IAS 23.

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

If a property is classified as **investment property** within the meaning of IAS 40 CROSS Industries Group defines the following criteria. Properties held as financial investment pursuant to IAS 40.5 include properties that are held by CROSS as owner or lessee under a finance lease for generating rental income and/or for value increase. Not included are properties that are held for production or supply of goods and/or services or that are held for administrative purposes, and properties that are held for sale within the operating activities of the company or for the process of production or development of such sales.

If Property, plant and equipment are financed by leasing contracts in which the material opportunities and risks devolves to the lessee, they are recognized as finance leasing. They are recognized at the lower of the fair value or present value of the minimum lease payments to be expected in the future. Depreciation takes place on a straight-line basis over the economic useful life or, if shorter, over the term of the leasing contracts. Lease payments are divided into interest and redemption components. They are reported under property, plant and equipment or payment obligations under financial liabilities. The interest element of the lease obligation is recognized directly in the consolidated income statement.

**Goodwill** is not subject to regular depreciation, but undergoes an annual impairment test and appropriate depreciation is taken into consideration in net income as required.

When carrying out the impairment test, goodwill is allocated to cash generating units. Impairment losses recognized in cash generating units are calculated as a comparison of the hitherto book value (including allocated goodwill) and the higher amount of fair values less costs to sell and value in use. If the fair value less costs to sell falls below the book value, value adjustments in the amount of the difference must be made on the goodwill. Any remaining difference is allocated to the other assets in the cash-generating unit in proportion to their book values.

The cash flows used for the impairment test are based on the latest planning, approved by the Supervisory Board. The planning usually entails a planning horizon of three to five years. In accordance with the detailed planning timeframe, under the going concern assumption the cash flows of the fifth detailed planning period are used as a basis for calculating the perpetual annuity; whereby no growth reduction on the discount rate is used. Medium-term planning is based on internal assumptions concerning future development of sales, prices, and costs, the future opening up of new markets, and the composition of the product mix. The assumptions are based mainly on the wealth of the experience gained over many years and management assessments.

For the assessment of the impairment test the utility value was used, which represents the present value of the expected future cash flows before tax. The determination of the discount rate (WACC) is mainly based on publicly available capital market data.

The calculation is based on the application of the following discount rates before tax:

	Dec. 31, 2015	Dec. 31, 2014
<i>in k€</i>		
KTM Group	10.1%	10.4%
Pankl Group	9.8%	10.7%
WP Group	10.1%	10.5%

The utility values calculated are checked for plausibility using the multiples method and scenarios are computed regarding the discount rate and budgeted future EBITs. A sensitivity analysis showed that under all other conditions being equal, an increase in the discount rate before tax by 1% would lead to a value adjustment in the amount of 4.6 m€ (previous year: 0 m€). A decrease in EBIT by 10% would lead to a value adjustment in the amount of 5.1 m€ (previous year: 0 m€).

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

	Useful life
<i>in years</i>	
Software	2 - 5
Self-constructed intangible assets	5
Other intangible assets	2 - 15

For intangible assets generated internally, the production period is subdivided into research, development and a model update phases. The costs incurred during the research and model update phases are immediately recognized in the income statement. Expenditures incurred during the development phase are capitalized as intangible assets if the developed product or process meets certain requirements confirming the future benefit of such expenditure, i.e. primarily if technical feasibility and marketability have been achieved. Intangible assets generated internally are measured at cost less amortization and write-downs. Amortization is effected using the straight-line method and is based on a useful life of five years. The amortization of capitalized development costs that are clearly attributable to projects starts upon the commencement of series production.

Intangible assets with an indefinite useful life, as the brand name "KTM", in the amount of 61,103 k€ 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 of the brand "KTM" 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.

Brand measurement is based on fair value less disposal costs and measurement takes place on the basis of the relief-from-royalty method. The royalty rate in the amount of 1.5% of the revenues, which forms the basis for measurement, was derived from comparable publicly available license agreements. The impairment loss requiring a write-down as of December 31, 2015 was calculated by analogy with the impairment test performed for goodwill, on the basis of the current five-year planning framework. As the discount rate, the asset-specific costs of capital in the amount of 12.1% (previous year: 14.0%), comprised of the consolidated input tax for WACC of 9.1% (previous year: 11.0%) and a risk premium for the brand in the amount of 3.0% (previous year: 3.0%). The risk premium was derived on the basis of the WACC-to-WARA concept.

Discount rate, royalty and budgeted revenues are the material value-determining parameters of the valuation of the "KTM" brand. A sensitivity analysis regarding these parameters shows that, analogous to the previous year, no reasonably possible changes of major assumptions could lead to a situation in which the book value exceeds the recoverable amount.

**Deferred tax assets and liabilities** are included to account for future tax effects expected to result from business transactions that have already been recorded either in the consolidated financial statements or in the tax accounts (temporary differences). Deferred taxes relating to tax loss carryforwards are calculated taking into account their timely realizability. Deferred tax assets and deferred tax liabilities are reported on a net basis 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 measured at their market price, and changes in the measurement are recognized in the income statement.

**Held to maturity investments** are measured at amortized cost using the effective interest method.

**Other financial assets** (financial assets available for sale) are measured at their fair value on the balance sheet date. As a matter of principle, the stock exchange prices valid as of the balance sheet date are recognized as the fair value; changes in the measurement are recognized in other comprehensive income, provided such changes are material. Other non-current financial assets include equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured. These are accounted for at cost less impairment.

Impairment losses are recognized for financial asset if there is objective evidence. Such objective evidence includes, for instance, financial difficulties, insolvency, breach of contract or considerable delay in payment by the obligor or issuer. In the case of an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment. The Group regards a decline by 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 3 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 currency receivables are recognized at the closing date rate less necessary impairment due to recognizable risks. Financial receivables are classified as "Loans and Receivables" and reported using the amortized cost method.

Individual value adjustments of financial assets are only executed if they are regarded as uncollectable or partially uncollectable. Indicators for individual value adjustments are financial difficulties, insolvency, breach of contract or considerable delay in payment on the part of the customer. The individual value adjustments consist of numerous separate items none of which is material if considered on its own. Financial assets will only be derecognized directly if contractual rights for payments from financial assets no longer exist (in particular in the case of insolvency). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account.

**Financial liabilities** are measured at amortized cost. Foreign currency liabilities are translated at the closing date rate. Financial liabilities are classified as „Financial Liabilities at Amortized Cost“. Any difference between the amount received and the repayment amount is distributed over the time to maturity by means of the effective interest method and recognized in the financial result. The issuing costs incurred in connection with bonds are recognized as an expense over the time to maturity. Foreign currency liabilities are converted at the closing exchange rate.

In the business year 2015 between the group companies WP AG and KTM AG and an Austrian credit institution, a program was set up in order to finance trade payables (supplier finance program). In the framework of this program the credit institution offers suppliers to discount and pay their receivables from KTM AG prior to maturity by the credit institution. KTM AG redeems the liability at maturity according to the invoice by payment to the credit institution.

The program was examined to civil law aspects as well as to the requirements of IAS 39. While on the level of group companies trade liabilities further exist, from CROSS Industries Group's point of view no exchange of services took place, but debt capital increased which is shown under non-current financial liabilities. As of December 31, 2015 the liabilities from this program amount to 34,338 k€ (previous year: 0 k€).

### **Derivative Financial Instruments and Hedging**

The 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 part 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 currency 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 closing 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,...) 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 hedging 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 category "At Fair-Value through Profit or Loss" (held for trading). 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 is the market data (interest rate, exchange rates...) at balance sheet date. The valuation of foreign 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.

**Inventories** are measured at acquisition or manufacturing costs or, if lower, at net realizable value on the balance sheet date (lower of cost or net realizable value). The net realizable value is the result of the estimated sale proceeds less the estimated cost of distribution. Inventories are valued using the average cost method on the basis of an inventory coverage analysis with provision for obsolescence. Additionally, on a case-by-case basis the economic benefit of the existing inventories is examined and, if necessary, an additional impairment is made because of long time of storage or limited sales opportunities.

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 **employee benefits** 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 January 1, 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 December 31, 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 business year for which they were paid (defined contribution 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.

Due to collective contractual 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).

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.

**Other provisions** are formed when a liability to third parties exist, its take-up appears probable and the anticipated size of the provision required can be reliably estimated.

**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 non-current debt capital.

**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 Board 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 be considered when arising and assumptions will be adjusted accordingly.

- 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 117,724 k€ (previous year: 117,261 k€) and the brand "KTM" with the amount of 61,103 k€ (previous year: 61,103 k€) were recognized. The annual evaluation with an impairment test and a sensitivity analysis are described in the Accounting principles and Balancing and Valuation Methods.
- Deferred tax assets for nonforfeitable tax loss carry forwards are reported to generate sufficient taxable income to realize tax losses carry forwards in future. For uncertainties in the assumptions valuation adjustments are set up. As of December 31, 2015 deferred tax assets on losses carried forward in the amount of 3,008 k€ (previous year: 13,441 k€) were capitalized. Based on the current tax planning the management expects the realization of the tax loss carry forwards as of December 31, 2015 within the next three years. For further details on deferred taxes refer to the notes, item 14.
- 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 34.3 "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 age of women/men and employee fluctuation as well as financial assumptions such as the discount rate and future wage and salary trends. As of the balance sheet date, obligations in the respect of claims to severance payments were recognized at 20,905 k€ (previous year: 19,379 k€). For further explanations see item 31 "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 connection was established, per product group, between the guarantee and warranty expense incurred and the revenues. Due to longstanding experience the Management Board expects this relationship to remain stable. The average percentage of guarantee and warranty expenses 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 of December 31, 2015 provisions relating to guarantees and warranties were recognized at 8,834 k€ (previous year: 7,343 k€). To the development of provisions please refer to item 30 "Provisions".

The following **judgements** were made in respect of the application of accounting policies in the CROSS Industries Group.

■ Finance lease

Estimations about the criteria for the classification as finance lease have to be made. Further details are provided under note 17. Property, plant and equipment as well as under note 35. Leases.

■ Derecognition of receivables in connection with ABS agreements:

Evaluations were made with respect to the conditions for derecognition under IAS 39. Further details are provided under note 34. Financial instruments.

■ Investment Property

Evaluating the finance lease relationship recognized under Buildings, as described in note 35. Leases, required assumptions to be made regarding whether the property in question was an investment property as per IAS 40.

The logistics center is predominantly used by the subsidiary KTM itself. A small portion is rented to third parties outside the Group. These subleases to non-group lessees concern companies which have long-term relationships with the KTM Group for the supply of goods or services, and represent an outsourced part of the KTM value chain. As the subleasing does not serve the purpose of earning rental income, but is instead carried out in the interests of the operating business, the section that is rented to non-group third parties is disclosed under property, plant and equipment and is not regarded as investment property.

### III. Notes to the consolidated income statement and the consolidated balance sheet

#### 7. Revenues

##### Revenues by product groups

	2015	2014
in k€		
KTM	1,022,487	864,635
Pankl	173,638	165,027
WP	144,583	121,091
Other	19,641	48,948
Consolidation	-136,779	-113,401
	1,223,570	1,086,300

##### Revenues by region

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

in k€	Europe		North America		Others	
	2015	2014	2015	2014	2015	2014
External revenues	650,968	633,731	353,635	241,417	218,967	211,152

#### 8. Presentation of expenses

##### Cost of sales

	2015	2014
in k€		
Cost of materials and cost of purchased services	668,779	603,571
Personnel expenses	113,556	104,506
Depreciation and amortization relating to property, plant and equipment and to intangible assets	51,639	43,000
Other operating expenses	17,786	19,013
	851,760	770,090

##### Selling and racing expenses

	2015	2014
in k€		
Cost of materials and cost of purchased services	17,637	19,301
Personnel expenses	56,300	47,790
Depreciation and amortization relating to property, plant and equipment and to intangible assets	4,753	4,049
Other operating expenses	82,050	67,244
Sponsorship income and other operating income	-9,895	-10,053
	150,845	128,331



**Research and development expenses**

	2015	2014
<i>in k€</i>		
Cost of materials and cost of purchased services	4,793	1,259
Personnel expenses	13,468	9,071
Depreciation and amortization relating to property, plant and equipment and to intangible assets	1,566	1,608
Other operating expenses	4,289	5,764
Sponsorship income and other operating income	-7,045	-6,643
	17,071	11,059

Expenses disclosed under research and development expenses comprise research costs and non-capitalizable development costs.

Personnel expenses before the effects of capitalizing development costs were 33,138 k€ (previous year: 27,228 k€).

As of 2015, amortization charged to capitalized development costs is disclosed under cost of sales. The previous year figures have been restated accordingly, leading to an increase of 20,380 k€ in cost of sales and a corresponding reduction in research and development expenses.

The total research and development expenses (before capitalized development costs) amounted to 69,553 k€ (previous year: 55,908 k€) and therefore approximately 5.7% (previous year: 5.1%) of revenues.

**Administration Expenses**

	2015	2014
<i>in k€</i>		
Cost of materials and cost of purchased services	3,220	534
Personnel expenses	33,183	29,227
Depreciation and amortization relating to property, plant and equipment and to intangible assets	7,213	6,270
Other operating expenses	31,143	32,894
Other operating income	-2,105	-1,153
	72,654	67,772

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

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

## 9. Expenses for the auditor

The expenses attributable to the business year under review for the auditor of the financial statements, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, can be broken down as follows:

	<b>2015</b>	<b>2014</b>
<i>in k€</i>		
Audit of all individual financial statements	321	370
Audit of consolidated financial statements	301	286
Special audits	19	17
Other services	34	160
	<b>675</b>	<b>833</b>

## 10. Management Board remuneration and employee information

The Management Board remuneration 2015 of CROSS Industries AG (including remunerations for Management Board members of BF HOLDING AG until the date of merger) includes salaries, benefits in kind, bonuses as well as payments into the company's employee benefits fund and amounted to 3,421 k€ (previous year: 2,637 k€). Due to adjustments of Management Board contracts bonuses from prior periods have been granted in the amount of 1,143 k€.

Apart from that, there were no agreements on a company pension for the Management Board and no payments of the pension fund were made to the Management Board in the business year 2015.

A total remuneration for the Supervisory Board of CROSS Industries AG for the business year 2015 in the amount of 53 k€ (previous year: 36 k€) will be proposed.

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

### Employees

	<b>2015</b>
As at January 1, 2015	4,182
Changes during the business year 2015	501
Changes in the scope of consolidation	-130
<b>As at December 31, 2015</b>	<b>4,553</b>
thereof manual workers	2,422
thereof clerical staff	2,131

Employee numbers as stated include contract workers and external staff.

As of December 31, 2015 the number of employees amounted to 3,488 in Austria and 1,065 abroad.

The total employee expenses in the business year 2015 amounted to 239,987 k€ (previous year: 211,949 k€), without effects from capitalization of development costs).

### 11. Other operating expenses

Other operating expenses can be broken down as follows:

	2015	2014
<i>in k€</i>		
Guarantee expenses	21,518	17,535
Other expenses	694	229
	22,212	17,764

The other operating expenses include depreciations in the amount of 400 k€ (previous year: 164 k€).

### 12. Other operating income

Other operating income can be broken down as follows:

	2015	2014
<i>in k€</i>		
Subsidies	1,361	636
Income from the disposal of assets	260	202
Result on deconsolidation Durmont	1,211	0
Other income	993	884
	3,825	1,722

### 13. Financial- and investment result

Financial- and investment result can be broken down as follows:

	2015	2014
<i>in k€</i>		
Interest income	1,525	1,182
Interest expenses	-17,770	-18,145
Result from at equity holdings	-2,851	356
Other financial- and investment result	-3,794	-4,455
	-22,890	-21,062

For the result from investments recognized at-equity please refer to note 20.

The other financing and investment result mainly includes expenses from the valuation of financial instruments in the amount of 1,218 k€ (previous year: 2,365 k€), expenses in connection with financial assets in the amount of 3,330 k€ (previous year: 7,574 k€) as well as foreign currency gains in the amount of 690 k€ (previous year: 754 k€).

**14. Income tax**

The Group's tax expenses and tax income are attributable to current taxes and deferred taxes as follows:

	<b>2015</b>	<b>2014</b>
<i>in k€</i>		
Current taxes	-10,783	-9,370
Deferred taxes	-14,198	-7,698
	-24,981	-17,068

Income taxes comprise taxes on income payable in each country as well as deferred taxes. The Austrian companies of the CROSS Industries Group are taxed at a corporate income tax rate of 25%. The calculation of foreign taxes is based on the laws and regulations that are in force or have been adopted in the individual countries. The tax rates applicable to foreign entities vary from 8.5% to 38.0%.

An offsetting and reconciliation of the expected tax expenses for the business year (application of the total group tax rate of 25.0 % to the earnings before tax) to the actual tax expenses can be shown as follows:

	<b>2015</b>	<b>2014</b>
<i>in k€</i>		
Earnings before taxes	89,963	71,944
Expected tax expenses/-income	-22,491	-17,985
Non-temporary differences	-688	-3,332
Rate/value adjustments/Utilization of loss carry forwards	-2,583	2,799
Taxes from prior periods	277	198
Effects of foreign tax rates	-810	-758
Result from at equity holdings	-729	57
Investment allowances	1,467	1,146
Other	576	807
	-24,981	-17,068

The capitalized tax loss carry forwards of the CROSS Industries Group can be summarized as follows:

	<b>Loss carry forward</b>	<b>thereof value adjusted</b>	<b>Remaining loss carry forward</b>	<b>Deferred tax asset</b>
<i>in k€</i>	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
CROSS Industries AG, Wels	76,668	-76,668	0	0
CROSS KraftFahrZeug GmbH, Wels	3,011	-3,011	0	0
KTM AG, Mattighofen	0	0	0	0
Pankl Group, Bruck an der Mur	14,733	-5,695	9,038	3,008
WP Group, Munderfing	1,386	-1,386	0	0
	95,798	-86,760	9,038	3,008

	<b>Loss carry forward</b>	<b>thereof value adjusted</b>	<b>Remaining loss carry forward</b>	<b>Deferred tax assets</b>
in k€	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
CROSS Industries AG, Wels	17,516	-17,516	0	0
CROSS KraftFahrZeug GmbH, Wels	2,175	-2,175	0	0
KTM AG, Mattighofen	42,593	0	42,593	10,648
Pankl Group, Bruck an der Mur	14,123	-4,662	9,461	2,793
WP Group, Munderfing	1,644	-1,644	0	0
Durmont Teppichbodenfabrik GmbH, Hartberg	2,161	-2,161	0	0
	80,212	-28,158	52,054	13,441

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 111,162 k€ (previous year: 29,536 k€). Value adjustments of loss carry forwards and temporary differences have been carried out in the amount at which a mid-term realization of deferred tax assets is considered uncertain from today's point of view.

Total deferred tax assets and liabilities were calculated from the following statement of financial position items:

	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
in k€		
<b>Deferred tax assets</b>		
Current assets		
Receivables and other assets	0	732
Inventories	6,854	4,895
Non-current assets		
Property, plant and equipment and intangible assets	637	659
Financial assets	532	479
Loss carry forwards	3,008	13,441
Employee benefits	3,235	4,418
Provisions	2,242	1,651
Liabilities	1,796	1,370
	<b>18,304</b>	<b>27,645</b>
Offset	-11,144	-21,520
	<b>7,160</b>	<b>6,125</b>
<b>Deferred tax liabilities</b>		
Current assets	-1,558	-266
Non-current assets		
Intangible assets	-44,575	-39,855
Property, plant and equipment	-2,958	-3,039
Other	-366	-155
	-49,457	-43,315
Offset	11,144	21,520
	<b>-38,313</b>	<b>-21,795</b>

Deferred tax assets include amounts for remaining sevenths of write-downs of participation to going concern value pursuant to sec. 12 para. 3 no.2 of the Austrian Corporate Tax Act (KStG) in the item financial assets, in the amount of 2,128 k€ (previous year: 1,916 k€).

The temporary differences in the item „Intangible assets“ result mainly from development costs (which are not capitalizable for tax purposes) and the quasi-permanent differences resulting from the recognition as an asset of the „KTM“ brand.

As at December 31, 2015 (as in the previous year) it was to be assumed either that under current tax regulations the differences between the value for tax purposes of equity interests in consolidated subsidiaries and the proportion of equity recognized in the consolidated IFRS financial statements (outside-basis differences), which arise largely from retained profits/uncovered losses, will remain untaxed in the foreseeable future, or that their reversal can be controlled by the Group.

It was also to be assumed either that the differences between the value for tax purposes of equity interests in holdings accounted for using the equity method and the book value of those holdings (outside-basis differences) will remain untaxed in the foreseeable future, or that their reversal can be controlled by the Group.

In accordance with IAS 12.39, no deferred tax was recognized in connection with the temporary differences of 197,253 k€ (previous year: 251,892 k€) arising in connection with holdings in subsidiaries and financial investments accounted for using the equity method.

Deferred taxes in business year 2015 developed as follows:

	2015	2014
in k€		
Deferred tax (net) as at January 1	-15,670	-15,173
Changes in the scope of consolidation	0	913
Deferred taxes affecting income	-14,198	-7,698
Deferred taxes recognized in other income	-1,606	1,129
Foreign currency	321	318
Reclassifications	0	4,750
Other changes	0	91
<b>Deferred tax (net) as at December 31</b>	<b>-31,153</b>	<b>-15,670</b>

In the business year 2015, a provision for tax audit risks of 4,750 k€ was reclassified as a tax liability. This provision was utilized in full during 2014 and 2015.

## 15. Income from discontinued operations

In the previous year the income from discontinued operations presented the operating result and the result on deconsolidation of Wethje Group, Hengersberg, Germany.

## 16. Earnings per share

After the successful merger of BF HOLDING AG with CROSS Industries AG the number of shares amounts to 225,386,742. As of December 31, 2015 61,030 treasury shares were held. For better comparability, the calculation of the earnings per share assumes a number of shares for the prior year period in the amount of 225,386,742.

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Earnings - Owner of the parent company (in k€)	30,009	26,206
Total number of shares (unit)	225,386,742	225,386,742
less treasury shares (unit)	-61,030	0
	225,325,712	225,386,742
Undiluted (=diluted) earnings per share (EUR)	0.13	0.12

## 17. Property, plant and equipment

	Land	Buildings	Technical equipment and machinery	Fixtures and fittings tools and equipment	Advance payments made and assets under construction	Total
in k€						
<b>Cost of acquisition and production</b>						
As at January 1, 2015	17,300	147,259	145,324	191,784	24,359	526,026
Currency translation	11	935	1,724	1,311	34	4,015
Disposals due to disclosure as asset held for sale	-187	-347	-892	0	0	-1,426
Additions/disposals due to changes in the scope of consolidation	0	0	-3,674	-344	-714	-4,732
Additions	1,302	19,702	18,068	12,276	27,634	78,982
Transfers	0	12,967	122,130	-106,733	-28,366	-2
Disposals	-130	-3,444	-10,263	-17,552	-182	-31,571
<b>As at December 31, 2015</b>	<b>18,296</b>	<b>177,072</b>	<b>272,417</b>	<b>80,742</b>	<b>22,765</b>	<b>571,292</b>
<b>Accumulated depreciation</b>						
As at January 1, 2015	61	42,093	96,576	146,244	44	285,018
Currency translation	2	340	1,353	970	0	2,665
Disposals due to disclosure as asset held for sale	0	-28	-543	0	0	-571
Additions/disposals due to changes in the scope of consolidation	0	0	-1,132	-209	-44	-1,385
Additions	1	5,772	22,564	9,015	0	37,352
Transfers	0	0	83,202	-83,202	0	0
Disposals	0	-417	-10,197	-17,266	0	-27,880
<b>As at December 31, 2015</b>	<b>64</b>	<b>47,760</b>	<b>191,823</b>	<b>55,552</b>	<b>0</b>	<b>295,199</b>
<b>Book value:</b>						
As at December 31, 2015	18,232	129,312	80,594	25,190	22,765	276,093
As at December 31, 2014	17,239	105,166	48,748	45,540	24,315	241,008

In the business year 2015 reclassifications between machinery and fixtures and fitting tools and equipment have been made. The disclosure of machines, which are held for production purposes, is now based on uniform Group-wide principles under machinery.

Additions to buildings include investments of 14,588 k€ as additions from finance lease relationships, which were not cash-effective in the business year 2015. For further details we refer to item 35. Leases.

Additions to property, plant and equipment also include investments of 8,755 k€ (previous year: 5,370 k€) which had not yet had any cash effect as of the reporting date.

In the business year 2015 the facilities under construction include capitalized borrowing costs in the amount of 29 k€ (previous year: 0 k€). For determining the capitalizable borrowing costs a financing cost rate on arm's length terms in the amount of 1.5% is the basis.

	Land	Buildings	Technical equipment and machinery	Fixtures and fittings tools and equipment	Advance payments made and assets under construction	Total
in k€						
<b>Cost of acquisition and production</b>						
As at January 1, 2014	23,685	149,897	131,436	176,223	14,959	496,200
Currency translation	13	922	1,973	1,466	33	4,407
Addition due to the redemption of the disclosure as discontinued operation	0	0	3,337	310	366	4,013
Additions/disposals due to changes in the scope of consolidation	-1,884	-13,795	-7,332	-1,238	-54	-24,303
Additions	581	8,418	8,930	13,877	33,269	65,075
Transfers	0	2,752	11,355	7,049	-23,534	-2,378
Disposals	-5,095	-935	-4,375	-5,903	-680	-16,988
<b>As at December 31, 2014</b>	<b>17,300</b>	<b>147,259</b>	<b>145,324</b>	<b>191,784</b>	<b>24,359</b>	<b>526,026</b>
<b>Accumulated depreciation</b>						
As at January 1, 2014	514	37,684	87,952	135,721	0	261,871
Currency translation	2	322	1,563	1,164	0	3,051
Addition due to the redemption of the disclosure as discontinued operation	0	0	710	130	44	884
Additions/disposals due to changes in the scope of consolidation	-456	-1,009	-1,610	-493	0	-3,568
Additions	1	5,317	11,979	15,345	0	32,642
Transfers	0	0	0	-2	0	-2
Ascriptions	0	0	0	0	0	0
Disposals	0	-221	-4,018	-5,621	0	-9,860
<b>As at December 31, 2014</b>	<b>61</b>	<b>42,093</b>	<b>96,576</b>	<b>146,244</b>	<b>44</b>	<b>285,018</b>
<b>Book value:</b>						
As at December 31, 2014	17,239	105,166	48,748	45,540	24,315	241,008
As at December 31, 2013	23,171	112,213	43,484	40,502	14,959	234,329

In the business year 2014 the Wethje Group is included in the assets schedule until the deconsolidation as of October 1, 2014 with additions to acquisition costs in the amount of 825 k€ as well as with depreciation in the amount of 976 k€.

In the facilities under construction a building which is not finished is included as at December 31, 2014 with a book value of 12,405 k€ (previous year: 0 k€), which can be classified as finance lease. Less advance payments in the amount of 4,835 k€ investments in the amount of 7,570 k€ are included in the additions to finance lease, which were not cash effective in the business year 2014.



## 18. Goodwill

The capitalized goodwill in the amount of 117,724 k€ (previous year: 117,261 k€) breaks down as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
KTM Group	94,096	94,215
Pankl Group	22,668	22,086
WP Group	960	960
	117,724	117,261

The change in goodwill is largely due to the currency translation.

According to IAS 36 Impairment, the goodwill disclosed is no longer amortized, but is tested annually for impairment. For the method of calculation, see the accounting policies section.

## 19. Intangible assets

In business year 2015 development cost in the amount of 43,469 k€ (previous year: 35,881 k€) were capitalized. As per December 31, 2015 the item "intangible assets" includes development cost with a book value in the amount of 113,296 k€ (previous year: 92,343 k€). A depreciation period of five years, in accordance with an expected useful life, was determined.

Unchanged from prior year, the brand "KTM" - recognized in the first-time consolidation with 60,000 k€ within this group - is included with the amount of € 61,103k in the intangible assets. 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 Accounting principles and Balancing and Valuation Methods for the method of calculation.

With transfer agreement, dated September 17, 2013 KTM AG acquired the license rights for the use of the brand "Husqvarna" from Pierer Industrie AG in the amount of 10,000 k€. The license right is amortized over the remaining useful life for 12 years.

	Concessions, industrial property rights and similar rights and benefits as well as licenses derived therefrom	Customer base, brand value self-constructed intangible assets	Goodwill	Advance payments made and assets under construction	Total
in k€					
<b>Cost of acquisition and production:</b>					
As at 1.1.2015	40,617	223,418	140,089	5,343	409,467
Currency translation	205	50	539	0	794
Additions/disposals due to changes in the scope of consolidation	-408	-840	-83	0	-1,331
Additions	4,142	43,469	0	6,363	53,974
Transfers	116	0	0	-114	2
Disposals	-4,538	-31,367	0	0	-35,905
<b>As at December 31, 2015</b>	<b>40,134</b>	<b>234,730</b>	<b>140,545</b>	<b>11,592</b>	<b>427,001</b>

	Concessions, industrial property rights and similar rights and benefits as well as licenses derived therefrom	Customer base, brand value self-constructed intangible assets	Goodwill	Advance payments made and assets under construction	Total
in k€					
<b>Accumulated depreciation</b>					
As at January 1, 2015	22,174	64,531	22,828	0	109,533
Currency translation	63	43	-7	0	99
Additions/disposals due to changes in the scope of consolidation	-159	-578	0	0	-737
Additions	4,340	23,879	0	0	28,219
Disposals	-4,242	-31,400	0	0	-35,642
<b>As at December 31, 2015</b>	<b>22,176</b>	<b>56,475</b>	<b>22,821</b>	<b>0</b>	<b>101,472</b>
<b>Book value:</b>					
As at December 31, 2015	17,958	178,255	117,724	11,592	325,529
As at December 31, 2014	18,443	158,887	117,261	5,343	299,934

In the asset additions to the intangible assets investments in the amount of 1,153 k€ are included, which are not cash-effective as of the reporting date (previous year: 1,855 k€).

Development costs of an asset, not yet ready for use, in the amount of 715 k€ have been impaired due to the termination of the project. Furthermore a ready for use project has been impaired by 912 k€ due to changed assumptions in the sales planning and the resulting lack of value retention.

	Concessions, industrial property rights and similar rights and benefits as well as licenses derived therefrom	Customer base, brand value self-constructed intangible assets	Goodwill	Advance payments made and assets under construction	Total
in k€					
<b>Cost of acquisition and production:</b>					
As at January 1, 2014	36,606	210,637	141,284	10	388,537
Currency translation	396	53	619	0	1,068
Addition due to the redemption of the disclosure as discontinued operation	359	840	0	0	1,199
Additions/disposals due to changes in the scope of consolidation	-638	-4,400	-1,814	0	-6,852
Additions	3,867	35,934	0	3,567	43,368
Transfers	578	10	0	1,790	2,378
Disposals	-551	-19,656	0	-24	-20,231
<b>As at December 31, 2014</b>	<b>40,617</b>	<b>223,418</b>	<b>140,089</b>	<b>5,343</b>	<b>409,467</b>

	<b>Concessions, industrial property rights and similar rights and benefits as well as licenses derived therefrom</b>	<b>Customer base, brand value self-constructed intangible assets</b>	<b>Goodwill</b>	<b>Advance payments made and assets under construction</b>	<b>Total</b>
in k€					
<b>Accumulated depreciation</b>					
As at January 1, 2014	18,825	63,107	22,827	0	104,759
Currency translation	194	42	1	0	237
Addition due to the redemption of the disclosure as discontinued operation	72	390	0	0	462
Additions/disposals due to changes in the scope of consolidation	-307	-918	0	0	-1,225
Additions	4,013	19,843	0	0	23,856
Transfers	2	0	0	0	2
Disposals	-625	-17,933	0	0	-18,558
<b>As at December 31, 2014</b>	<b>22,174</b>	<b>64,531</b>	<b>22,828</b>	<b>0</b>	<b>109,533</b>
<b>Book value:</b>					
As at December 31, 2014	18,443	158,887	117,261	5,343	299,934
As at December 31, 2013	17,781	147,530	118,457	10	283,778

Until the deconsolidation as of October 1, 2014 Wethje-Group was included with additions of acquisition costs in the amount of 445 k€ and depreciation in the amount of 432 k€ in the assets schedule in the business year 2014.

## 20. Investments accounted for using the equity method

Investments in associates included under the equity method are regarded individually as immaterial.

The associated companies include minority shareholdings in KTM New Zealand Ltd., Auckland, New Zealand, KTM Middle East Al Shafar LLC, Dubai, United Arab Emirates, Kiska GmbH, Anif, as well as Wethje-Group, Pleinting, Germany.

KTM New Zealand Ltd. and KTM Middle East Al Shafar LLC act as general importers for products of the brands KTM and Husqvarna in the respective markets.

Kiska GmbH is a design company which provides services in the field of development and design.

Wethje-Group develops and produces Carbon Composite components for the automotive and aerospace sector.

The balance sheet date of Kiska GmbH is March, 31 and of KTM New Zealand Ltd. it is June 30. The reporting dates were set when the companies were founded or at any rate before the equity interests were acquired. A change in the account date is not sought on account of materiality considerations. For the purpose of accounting under the equity-method unaudited interim financial statements at December 31 were used. For the Wethje-Group an audited reporting package as of December 31 was used.

In the business year 2015 the book values developed as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Book value of holdings as at January 1	6,868	2,422
Changes in the scope of consolidation	0	4,220
Share of the net profit for the year	-1,565	356
Value adjustment Wethje Group	-1,286	0
Payout	-78	-130
Foreign currency translation reported in other comprehensive income	-5	0
Acquisition of holdings	94	0
Disposal of holdings	-60	0
	<b>3,968</b>	<b>6,868</b>

## 21. Other non-current assets

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Non-consolidated subsidiaries and financial assets not accounted for under the equity method	17,906	19,886
Loans	2,045	1,993
Other non-current financial assets	6,409	3,896
	<b>26,360</b>	<b>25,775</b>

During 2014, KTM Immobilien GmbH entered into a property lease as lessee. The lessor is Oberbank Mattigtal Immobilienleasing GmbH. This is a project company whose sole purpose is the construction of the KTM logistics center in Munderfing. It is 90% owned by die Oberbank Leasing Gesellschaft mbH, with the remaining 10% being held by KTM Immobilien GmbH (book value of holding 49 k€). The lease is treated as a finance lease in the consolidated financial statements. See note 35. Leases.

PF Beteiligungsverwaltungs GmbH does not perform any operating activities (see note 29.).

The holdings in the non-consolidated companies represent a financial asset in an equity instrument. It is measured in accordance with IAS 39 and recognized at amortized cost due to its non-marketability.

	As at Jan. 1, 2015	Additions	Currency translation	Value adjustment	Disposals	As at Dec. 31, 2015
in k€						
Non-consolidated subsidiaries and financial assets not accounted for under the equity method	19,886	587	-1	-2,541	-25	17,906
Loans	1,993	0	225	0	-173	2,045
	<b>21,879</b>	<b>587</b>	<b>224</b>	<b>-2,541</b>	<b>-198</b>	<b>19,951</b>

	As at Jan. 1, 2014	Additions	Currency translation	Value adjustment	Disposals	As at Dec. 31, 2014
in k€						
Non-consolidated subsidiaries and financial assets not accounted for under the equity method	5,913	20,302	0	-6,305	-24	19,886
Loans	1,860	75	247	0	-189	1,993
	<b>7,773</b>	<b>20,377</b>	<b>247</b>	<b>-6,305</b>	<b>-213</b>	<b>21,879</b>

The other non-current assets comprise the following:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Purchase price claim Wethje	3,634	3,608
Purchase price claim Durmont	1,440	0
Non-current portion of the purchase price Durmont	960	0
Other	375	288
	<b>6,409</b>	<b>3,896</b>

With the sale of the majority interest in the Wethje Group 2014 a Put-/Call option for 23% of the shares of Wethje-Group was concluded. With the sale of the shares in Durmont Teppichbodenfabrik GmbH a Put-/Call option for the remaining 24% held by CROSS Industries AG was concluded as well. Due to this arrangement both options are classified as non-current receivable in the consolidated financial statements as of December 31, 2015.

## 22. Inventories

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Raw materials and supplies	60,370	55,651
Work in progress	36,861	35,382
Finished goods and merchandise	145,447	129,031
	<b>242,678</b>	<b>220,064</b>

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Inventories gross	272,160	246,517
- value adjustment	-29,482	-26,453
<b>Inventories net</b>	<b>242,678</b>	<b>220,064</b>

The book value of inventories, written down to the lower net selling value, amounts to 114,159 k€ (previous year 107,535 k€).

### 23. Trade receivables and other current assets

The adjustments to receivables developed as follows:

	Trade receivables	Other financial receivables	Financial assets - Loans
in k€			
<b>As at Jan. 1, 2014</b>	<b>2,140</b>	<b>0</b>	<b>0</b>
Changes in the scope of consolidation	-21	0	0
Currency translation	5	0	0
Additions	722	0	0
Utilization	-531	0	0
Reversals	-167	0	0
<b>As at Dec. 31, 2014 = Jan. 1, 2015</b>	<b>2,148</b>	<b>0</b>	<b>0</b>
Changes in the scope of consolidation	10	0	0
Currency translation	44	0	0
Additions	719	0	0
Utilization	-273	0	0
Reversals	-122	0	0
<b>As at Dec. 31, 2015</b>	<b>2,526</b>	<b>0</b>	<b>0</b>

The expenses for completely writing off trade receivables amounted to 340 k€ (previous year: 257 k€).

The current receivables and other assets comprise as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Receivables arising from derivative financial instruments	3,573	466
Securities	1,636	0
Receivables due from associated companies		
from trade accounts	5,930	5,366
other	0	2,243
Subsidies	4,575	7,281
Asset backed securities financing (ABS)	2,842	3,281
Other	6,423	7,750
Other current financial assets	24,979	26,387
Receivables due from tax offices	7,535	5,019
Advance payments for inventories and other advance payments	7,963	8,801
Other	2,320	2,910
Other current non-financial assets	17,818	16,730
<b>Other current assets</b>	<b>42,797</b>	<b>43,117</b>

## 24. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, checks and fixed-term deposits in the amount of 135,124 k€ (previous year: 89,404 k€).

## 25. Assets held for sale

In this item a property with a building in the amount of 506 k€ as well a test bench in the amount of 349 k€ are included. The disposal of these assets was decided in the fourth quarter 2015. The selling efforts began and a sale is expected during the first quarter 2016.

The assets are valued at book value as this is lower than the fair value less selling costs on basis of the existing offers of potential buyers. The assets are no longer depreciated or amortized.

## 26. Consolidated equity

The development of the consolidated equity in the business year 2015 and 2014 is presented on page 54.

### Share capital and capital reserves:

The share capital as of December 31, 2015 amounts to € 225,386,742 and is divided into 225,386,742 no-par value bearer shares, each of which contributes to the share capital to the same extent.

As part of the merger of CROSS Industries AG into BF HOLDING AG the share capital of the company increased by € 210,000,000 to € 225,386,742 by issuing 210,000,000 new shares.

In the previous year the share capital amounted to € 1,332,000 and affected CROSS Industries AG, which was merged into BF HOLDING AG in 2015. See also note 2. in the notes to the consolidated financial statements.

The shares of the company are listed on the Vienna Stock Exchange.

As of balance sheet date the authorized capital amounts to € 7,693,371.00 (previous year: 7,693 k€). The Management Board, subject to the approval of the Supervisory Board, was authorized in accordance with Section 169 AktG to increase the share capital until March 1, 2016 by an additional € 7,693,371 through the issue of up to 7,693,371 new bearer or registered common shares (no-par value shares) for a cash or non-cash consideration, possibly in several tranches, and to determine details of the execution of the capital increase in consultation with the Supervisory Board. An increase of the share capital within that period has not been performed.

The shares grant the rights that are usually due to shareholders under the Austrian Stock Corporation Act. These include the right to payout of the dividend resolved upon at the General Meeting as well as the right to vote at the General Meeting. All shares have been fully paid in. The equity of the consolidated financial statements corresponds to the equity of the individual financial statement of CROSS Industries AG.

**Perpetual Bond:**

In December 2005 a perpetual bond of CROSS Industries AG in the amount of 60.000 k€ 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 the capital of CROSS Industries AG was available without limitation and there was further no call option on the part of the bond creditors. Under IAS 32.20 there was also no actual redemption commitment. The resulting increase in the capital resources amounted to 58,987 k€.

In July 2015 CROSS Industries AG invited the holders of the bonds to submit offers to the repurchase of the bonds at the repurchase price. Offers could be submitted in the period between July 3, 2015 and July 13, 2015. The repurchase price was 102% of the nominal value of the bonds plus interest. CROSS Industries AG received offers in the nominal value of 58,990 k€; the company repurchased and withdrawn the total amount.

In December 2015 CROSS Industries AG ordinarily terminated the remaining amount of the perpetual bond (nominal value 1,010 k€) as of February 7, 2016. As of balance sheet date the remaining amount of the perpetual bond was reclassified from equity into current financial liabilities.

**Nature and purpose of reserves**

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.

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

in k€	
As at January 1, 2014	-3,231
Effective share of fair value adjustments of cash flow hedges	-2,816
Transfer of consolidated equity to the consolidated income statement - recognition in the financial result	1,049
Transfer of consolidated equity to the consolidated income statement - recognition in the operating earnings	981
<b>As at December 31, 2014</b>	<b>-4,017</b>
Effective share of fair value adjustments of cash flow hedges	1,302
Transfer of consolidated equity to the consolidated income statement - recognition in the financial result	1,242
Transfer of consolidated equity to the consolidated income statement - recognition in the operating earnings	1,904
<b>As at December 31, 2015</b>	<b>431</b>

The **IAS 19 reserve** includes actuarial losses from pension and severance pay provisions. As at 31 December 2015 the IAS 19 reserve – including shareholdings of non-controlling interests – amounts to -5,730 k€ (previous year: -5,828 k€).



**Reserves from currency translation differences** comprise all price differences resulting from the conversion of annual financial statements of consolidated subsidiaries, which have been prepared in foreign currencies. The net investments in foreign subsidiaries comprise the following loans, besides the value of the interest:

	Dec. 31, 2015	Dec. 31, 2014	Currency
<b>Credit amount in k€</b>			
Pankl Racing Systems UK Ltd.	1,615	1,615	GBP
CP-CARRILLO, LLC	1,069	1,069	USD
Pankl Holdings, Inc.	16,550	17,550	USD
KTM North America, Inc.	3,863	0	USD

As the redemption in the foreseeable future is neither planned nor likely to occur, effects from foreign currency translation are recognized in other earnings.

The **reserve for treasury shares** of the company comprises acquisition costs of the shares of the company held by the Group. As of December 31, 2015 the Group held 61,030 shares in CROSS Industries AG (December 31, 2014: no shares).

The other earnings after taxes developed in the consolidated equity as follows:

<b>2015</b>	<b>IAS 39 Reserve</b>	<b>IAS 19 Reserve for actuarial losses</b>	<b>Balancing item currency translation</b>	<b>Total</b>	<b>Non- controlling interests</b>	<b>Total consolidated equity</b>
<i>in k€</i>						
Differences from currency translation	0	0	1,156	<b>1,156</b>	1,534	<b>2,690</b>
Cash flow hedge	2,317	0	0	<b>2,317</b>	2,131	<b>4,448</b>
Revaluation of net liabilities from defined benefit plans	0	143	0	<b>143</b>	-44	<b>99</b>
	<b>2,317</b>	<b>143</b>	<b>1,156</b>	<b>3,616</b>	<b>3,621</b>	<b>7,237</b>

<b>2014</b>	<b>IAS 39 Reserve</b>	<b>IAS 19 Reserve for actuarial losses</b>	<b>Balancing item currency translation</b>	<b>Total</b>	<b>Non- controlling interests</b>	<b>Total consolidated equity</b>
<i>in k€</i>						
Differences from currency translation	0	0	1,742	<b>1,742</b>	1,905	<b>3,647</b>
Cash flow hedge	-519	0	0	<b>-519</b>	-267	<b>-786</b>
Revaluation of net liabilities from defined benefit plans	0	-1,588	0	<b>-1,588</b>	-1,014	<b>-2,602</b>
	<b>-519</b>	<b>-1,588</b>	<b>1,742</b>	<b>-365</b>	<b>624</b>	<b>259</b>

## Non-controlling interests

The minority interests include interests of third parties in the equity of the consolidated subsidiaries.

<b>2015</b>	<b>KTM AG</b>	<b>Pankl Racing Systems AG</b>	<b>WP AG</b>	<b>Other</b>	<b>Total</b>
Percentage of non-controlling interests as of balance sheet date	48.72%	44.15%	10.52%		
in k€					
Revenues	1,022,487	173,638	144,583		
Profit	63,934	6,674	7,184		
Other income	4,832	2,147	258		
Comprehensive income	68,766	8,821	7,442		
<b>Profit attributable to non-controlling interests</b>	<b>31,128</b>	<b>3,101</b>	<b>744</b>	<b>0</b>	<b>34,973</b>
<b>Other income attributable to non-controlling interests</b>	<b>2,362</b>	<b>1,233</b>	<b>26</b>	<b>0</b>	<b>3,621</b>
Non-current assets	370,496	91,970	49,690		
Current assets	399,680	91,941	43,283		
Non-current liabilities	-269,695	-73,051	-29,089		
Current liabilities	-199,353	-27,760	-26,609		
Net assets	301,128	83,100	37,275		
<b>Book value of non-controlling interests</b>	<b>146,719</b>	<b>39,330</b>	<b>3,898</b>	<b>0</b>	<b>189,947</b>
Cash flows from operating activities	118,104	16,541	11,713		
Cash flows from investing activities	-94,302	-11,333	-8,123		
Cash flows from financing activities	27,367	-9,747	-8,075		
Change in liquid funds	51,169	-4,539	-4,485		
<b>Dividends to non-controlling interests</b>	<b>8,012</b>	<b>1,127</b>	<b>300</b>	<b>0</b>	<b>9,439</b>

<b>2014</b>	<b>KTM AG</b>	<b>Pankl Racing Systems AG</b>	<b>WP AG</b>	<b>Other</b>	<b>Total</b>
Percentage of non-controlling interests as of balance sheet date	48.82%	48.87%	10.00%		
in k€					
Revenues	864,636	165,027	121,091		
Profit	57,183	5,376	9,091		
Other income	-1,585	2,566	193		
Comprehensive income	55,598	7,942	9,284		
<b>Profit attributable to non-controlling interests</b>	<b>27,873</b>	<b>2,998</b>	<b>0</b>	<b>-115</b>	<b>30,756</b>
<b>Other income attributable to non-controlling interests</b>	<b>-771</b>	<b>1,376</b>	<b>0</b>	<b>19</b>	<b>624</b>

2014	KTM AG	Pankl Racing Systems AG	WP AG	Other	Total
Percentage of non-controlling interests as of balance sheet date	48.82%	48.87%	10.00%		
in k€					
Non-current assets	305,323	93,996	47,101		
Current assets	310,705	91,993	49,878		
Non-current liabilities	-189,128	-72,259	-33,792		
Current liabilities	-178,021	-35,446	-30,353		
Net assets	248,879	78,284	32,834		
<b>Book value of non-controlling interests</b>	<b>121,921</b>	<b>40,908</b>	<b>3,772</b>	<b>0</b>	<b>166,601</b>
Cash flows from operating activities	79,649	14,662	28,478		
Cash flows from investing activities	-69,735	-15,929	-18,528		
Cash flows from financing activities	23,755	3,789	-6,210		
Change in liquid funds	33,669	2,522	3,740		
<b>Dividends to non-controlling interests</b>	<b>5,300</b>	<b>661</b>	<b>0</b>	<b>0</b>	<b>5,961</b>

### Capital management

The aim of the Group is to maintain a strong capital structure in order to maintain investor, creditor and market confidence and to ensure the company's sustainable development. The Management regularly controls the return on capital as well as the amounts of the dividends, which will be distributed to the holders of ordinary shares.

The strategy of CROSS Industries Group aims at ensuring equity resources to its group companies that meet the local requirements. Some loan contracts include financial covenants regarding equity ratio and dynamic debt level (net debt divided by EBITDA); the nonadherence would lead to a premature repayment of the financial liabilities. In the business year under review all of the financial covenants have been fulfilled.

As a control tool the Management uses equity, balance sheet total and EBITDA pursuant to IFRS.

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Equity according to IFRS	386,616	370,928
Balance sheet total according to IFRS	1,177,584	1,031,076
<b>Equity ratio</b>	<b>32.8%</b>	<b>36.0%</b>

Besides the equity ratio the key figures „Gearing“ (the ratio of net debt to equity) as well as the dynamic debt level (the ratio of net debt to EBITDA) are used for monitoring the capital. Net debt is defined as interest bearing bonds and loans, liabilities from finance leases and other interest bearing liabilities less cash and cash equivalents. The aim is the long-term liquidity, the efficient use of debt financing and the financial risk limitation to optimize the risk return.

Net debt is represented as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Non-current financial liabilities	465,224	322,068
Current financial liabilities	57,343	44,264
Interest bearing liabilities towards shareholders	0	38,201
	522,567	404,533
Cash and cash equivalents	-135,124	-89,404
<b>Net debt</b>	<b>387,443</b>	<b>315,129</b>

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Equity according to IFRS	386,616	370,928
Net debt	387,443	315,129
<b>Gearing</b>	<b>100.2%</b>	<b>85.0%</b>

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Net debt	387,443	315,129
EBITDA	178,424	148,097
<b>Dynamic debt level</b>	<b>2.2</b>	<b>2.1</b>

The decline in the equity ratio as well as the increase in the net debt is due to the perpetual bond, which was recognized in the equity in the previous year in the amount of 60,000 k€ that has been refinanced with interest bearing debt capital. If the perpetual bond would still be recognized in equity on December 31, 2015, the equity ratio would be 38%; net debt would be 327.4 m€ and gearing would be 73%.

## 27. Financial liabilities

	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
in k€	Nominal value	Book value	Maturity < 1 year	Maturity > 1 year
Bonds				
KTM AG	85,000	84,845	0	84,845
CROSS Industries AG	76,010	75,700	1,010	74,690
Pankl Racing Systems AG	10,000	9,962	0	9,962
	171,010	170,507	1,010	169,497
Promissory note loan	56,500	56,268	0	56,268
Registered bond	30,000	30,000	0	30,000
Liabilities towards credit institutions	237,672	237,672	51,338	186,334
Leasing liabilities	22,504	22,504	1,207	21,297
Other interest bearing liabilities	5,616	5,616	3,788	1,828
<b>Total financial liabilities</b>	<b>523,302</b>	<b>522,567</b>	<b>57,343</b>	<b>465,224</b>

in k€	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
	Nominal value	Book value	Maturity < 1 year	Maturity > 1 year
<b>Bonds</b>				
KTM AG	85,000	84,729	0	84,729
CROSS Industries AG	75,000	74,578	0	74,578
Pankl Racing Systems AG	10,000	9,939	0	9,939
	170,000	169,246	0	169,246
Liabilities towards credit institutions	184,476	184,476	41,709	142,767
Leasing liabilities	8,797	8,797	687	8,110
Other interest bearing liabilities	3,813	3,813	1,868	1,945
<b>Total financial liabilities</b>	<b>367,086</b>	<b>366,332</b>	<b>44,264</b>	<b>322,068</b>

**Bonds**

	Nominal value	Issue	Maturity	Interest rate
KTM AG	85,000	April 2012	5 years	4.375%
CROSS Industries AG	75,000	October 2012	6 years	4.625%
Pankl Racing Systems AG	10,000	August 2013	4 years	3.250%
CROSS Industries AG Perpetual bond	1,010	December 2005	10,16 years	6.875%

In July 2015 CROSS Industries AG has restructured the long-term financing. The company issued promissory notes with a volume of 56,500 k€ and maturities of 5 and 7 years and registered bonds with a volume of 30,000 k€ and a maturity of 10 years. The raising of debt capital mainly served to prematurely repurchase the perpetual bond of CROSS Industries AG in a nominal value of 60,000 k€, which had been classified as equity capital until the repayment of the bond.

Deferred interest expenses are included in the current financial liabilities.

**28. Other current and non-current liabilities**

Other **non-current liabilities** can be mainly broken down as follows:

in k€	Dec. 31, 2015	Dec. 31, 2014
Deposits	6,248	5,998
Other financial liabilities	0	441
Other non-current financial liabilities	6,248	6,439
Investment subsidies	1,637	1,165
Other non-financial liabilities	586	549
Other non-current non-financial liabilities	2,223	1,714
<b>Other non-current liabilities</b>	<b>8,471</b>	<b>8,153</b>

Other **current liabilities** can be mainly broken down as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Revenue bonuses	13,398	11,761
Discounts	8,818	5,198
Liabilities towards associated companies from trade accounts	3,770	3,974
Liabilities from derivative financial instruments	3,568	9,277
Personnel-related liabilities	3,519	4,327
Other financial liabilities	5,593	7,634
Other current financial liabilities	38,666	42,171
Personnel-related liabilities	24,153	19,663
Advance payments	4,408	1,997
Liabilities towards tax offices	4,367	3,153
Other non-financial liabilities	3,692	6,038
Other current non-financial liabilities	36,620	30,851
<b>Other current liabilities</b>	<b>75,286</b>	<b>73,022</b>

## 29. Contingencies, lien rights and responsibilities

The total amount of registered liens is 104,154 k€ (previous year: 113,047 k€) and comprises as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Property, plant and equipment	89,051	96,814
Receivables	15,103	16,233
	<b>104,154</b>	<b>113,047</b>

As of the balance sheet date liabilities towards banks were secured by mortgages by collateralization of shares in affiliated companies with a market value of 42,515 k€ (previous year: 181,827 k€). These affect KTM AG with 348,483 shares (previous year: 1,364,864 shares).

In the course of the sale of the disposal of 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 two warranty cases are claimed (arbitration proceedings and additional tax claim from a tax audit at SMP Deutschland GmbH). Contingent liabilities in the amount of 14,616 k€ exist on balance sheet date.

As of balance sheet date declaration of surety and guarantees exist in the amount of 14,625 k€ (previous year 6,147 k€).

## 30. 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 formed provision in an unforeseeable way. As of December 31, 2015 a total amount of 8,834 k€ (previous year: 7,343 k€) for provisions for guarantees and gestures of goodwill was recognized.

During the business year current provisions have developed as follows:

<b>Current Provisions</b>	<b>As at Jan. 1, 2015</b>	<b>Currency translation</b>	<b>Additions</b>	<b>Reversals</b>	<b>Utilization</b>	<b>Changes in the scope of consoli- dation</b>	<b>As at Dec. 31, 2015</b>
in k€							
Provisions for guarantees and warranties	7,343	4	8,425	-82	-6,741	-115	8,834
Provisions for restructurings	4	0	0	0	-4	0	0
Provisions for litigations	400	0	645	-220	-50	0	775
Other provisions	1,090	0	618	-56	-641	-394	617
	<b>8,837</b>	<b>4</b>	<b>9,688</b>	<b>-358</b>	<b>-7,436</b>	<b>-509</b>	<b>10,226</b>

### 31. Employee benefits

Employee benefits include provisions for:

	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
in k€		
Severance payments	17,827	16,911
Anniversary bonuses	3,078	2,468
	<b>20,905</b>	<b>19,379</b>

During the business year net liabilities on defined benefit plans for severance pay and retirement pay developed as follows:

	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
in k€		
<b>Projected benefit obligation:</b>		
As at January 1	16,911	13,411
Service cost	1,015	758
Interest expenses	327	422
Payments made	-197	-277
Actuarial gain/loss	-131	3,469
Changes in the scope of consolidation	0	-921
Other	-98	49
<b>As at December 31</b>	<b>17,827</b>	<b>16,911</b>
<b>Plan assets:</b>		
As at January 1	0	263
Payments received	0	0
Payments made	0	-27
Actuarial gain/loss	0	0
Changes in the scope of consolidation	0	-236
<b>As at December 31</b>	<b>0</b>	<b>0</b>
<b>Net debt (Projected benefit obligation less plan assets)</b>	<b>17,827</b>	<b>16,911</b>

As of December 31, 2015 the weighted remaining terms (duration) of the obligations relating to severance payments is 14 years (previous year: 15 years).

The actuarial loss is made up as follows:

	2015	2014
<i>in k€</i>		
Change in expected values	1,158	174
Change in demographic assumptions	2	69
Change in financial assumptions	-1,291	3,226
<b>Actuarial loss</b>	<b>-131</b>	<b>3,469</b>

The valuation of obligations is subject to the following assumptions:

	Dec. 31, 2015	Dec. 31, 2014
Interest rate	2.00 %	2.00 %
Wages and salary trends	2.50 %	3.00 %
Pension age (years) women/men	62-65 years with transition rule	62-65 years with transition rule

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 of December 31, 2015 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:

Parameter	Change	
	-0.50%	+0.50%
Interest rate	7.3%	-6.7%
Wages and salary trends	-6.7%	7.2%

As of December 31, 2014 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:

Parameter	Change	
	-0.50%	+0.50%
Interest rate	7.7%	-7.0%
Wages and salary trends	-6.9%	7.6%



Obligations related to claims from **anniversary bonuses** developed as follows:

	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
<i>in k€</i>		
As at January 1	2,468	1,644
Service cost	253	166
Interest expenses	49	57
Payments made	0	-7
Actuarial loss	291	597
Other	17	11
<b>As at December 31</b>	<b>3,078</b>	<b>2,468</b>

For employees in Austria whose employment contracts commenced before January 1, 2003 1.53% of their salaries are paid monthly into a company employee benefit fund. In business year 2015 payments in the amount of 1,779 k€ (previous year: 1,446 k€) were made.

### 32. Notes to the cash flow statement

The changes in the statement of financial position items presented in the cash flow statement cannot be directly inferred from the statement of financial position since effects that did not influence payments and other business transactions that did not influence payments are neutralized.

Other noncash income/expenses include mainly unrealized foreign currency gains/losses as well as measurement effects from receivables and inventories.

### Other notes

### 33. Risk report

As a globally active group the CROSS Industries-Group is confronted with a large number of risks. The Management Board and Supervisory Board are regularly 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 currency rates, the general economic setting in the individual markets, prices of goods purchased from others, or employee development.

### **CROSS Industries AG as holding company**

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

### **Industry-specific and operational risk**

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-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 the 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 constant rule changes result in increased development and testing activities for the individual racing teams. 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. Through the postponement of test days or season starts the seasonality of revenues can be influenced in individual racing classes.

In the area of civil aviation the growth in the helicopter sector stagnates due to the downslide in the oil price; opportunities could arise in the engine sector for fixed-wing airplanes. 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, one US 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 US 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 is 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 revenues of the KTM/WP 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.

**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.

In the view of the current development on the national and international markets, the procurement risk faced by the KTM Group mainly involves the timely introduction of suitable measures to ensure the supply of parts if suppliers become insolvent or supply bottlenecks materialize. KTM is therefore exposed to this risk only indirectly. To minimize risk and ensure the availability of materials, KTM places great emphasis on using predetermined criteria to carefully select new suppliers and on sustainably collaborating with existing suppliers and/or further developing such cooperations in stable supplier relationships with a long-term approach. As the quality of KTM's products is strongly

determined by the quality and characteristics of the subcomponents to be sourced, particular attention is paid to the creditworthiness, operating facilities and production processes of suppliers. The continuous availability of parts is ensured by appropriate monitoring.

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 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 and operating result.

At the WP Group the risk in connection with the procurement markets is currently considered to be higher. 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 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 research 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 USA, 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.

**Compliance:** In accordance with the requirements of sec. 234(b) of the Austrian Commercial Code, a corporate governance report was drawn up. In this regard, please refer to the publication in the annual report of CROSS Industries AG and/or the website of CROSS Industries AG.

**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 34.

### 34. Financial instruments and financial risk management

#### 34.1. Basis

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

Derivative financial instruments are generally used to hedge existing changes in interest rate and foreign exchange risks. The use of derivative financial instruments is subject to appropriate authorization and control procedures in the Group. A linkage to an underlying transaction is mandatory; trading activities are not permitted.

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 opportunities that are involved in ownership.

#### 34.2. 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 for which at least one material parameter is not based on monitorable market data (level 3).

Reclassifications between levels are recognized at balance sheet date. There were no reclassifications between levels in business year 2015.

The following table shows book values 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 on the fair value or measurement level of financial assets not measured at fair value, where the book value is a reasonable approximation of fair value or where the asset is an equity instrument measured at acquisition cost.

	Book value Dec. 31, 2015	Fair value Dec. 31, 2015	Fair value			Total
			Level 1	Level 2	Level 3	
in k€						
<b>Loans and receivables</b>						
Cash and cash equivalents	135,124					
Trade receivables	110,831					
Receivables to affiliated companies	6,189					
Other financial assets (current and non-current)	26,179					
Financial assets - loans	2,045					
<b>Total</b>	<b>280,368</b>					
<b>Available for sale</b>						
Other non-current financial assets	17,906					
<b>Total</b>	<b>17,906</b>					
<b>Held for trading</b>						
Other current assets - securities	1,636	1,636	1,636	0	0	1,636
<b>Total</b>	<b>1,636</b>					
<b>Fair value - hedging instruments</b>						
Other current assets - derivatives with positive market value	3,573	3,573	0	3,573	0	3,573
<b>Total</b>	<b>3,573</b>					
<b>Total</b>	<b>303,483</b>					

	Book value Dec. 31, 2014	Fair value Dec. 31, 2014	Fair value			Total
			Level 1	Level 2	Level 3	
in k€						
<b>Loans and receivables</b>						
Cash and cash equivalents	89,404					
Trade receivables	97,139					
Receivables to affiliated companies	1,642					
Other financial assets (current and non-current)	29,817					
Financial assets - loans	1,993					
<b>Total</b>	<b>219,995</b>					
<b>Available for sale</b>						
Other non-current financial assets	19,886					
<b>Total</b>	<b>19,886</b>					
<b>Held for trading</b>						
Other current assets - securities	0					
<b>Total</b>	<b>0</b>					

	Book value Dec. 31, 2014	Fair value Dec. 31, 2014	Fair value			Total
			Level 1	Level 2	Level 3	
in k€						
<b>Fair value - hedging instruments</b>						
Other current assets - derivatives with positive market value	466	466	0	466	0	466
<b>Total</b>	<b>466</b>					
<b>Total</b>	<b>240,347</b>					

Receivables sold in connection with KTM's existing ABS program are derecognized according to the regulations under IAS 39. In the context of the ABS program, receivables insured on a revolving monthly basis are sold up to a maximum volume of 75,000 k€ (previous year: 50,000 k€). As at the reporting date, trade receivables of 55,067 k€ (previous year: 48,926 k€) had been sold to third parties. The agreement was entered in 2012 and amended in 2014 and 2015 and runs until 2022. Up to a contractually defined amount, KTM continues to bear a risk from credit-related defaults. As at December 31, 2015, the maximum ensuing risk of loss was 385 k€ (previous year: 342 k€). The expected loss is recorded as a liability and expenses at the time of sale. As at December 31, 2015, the book value of the ongoing commitment was 385 k€ (previous year: 342 k€) and was disclosed under other current liabilities. The book value represents the fair value of the ongoing commitment. In the period under review, income of 43 k€ (previous year: 96 k€) and accumulated expenses since the start of the transaction of 385 k€ (previous year: 342 k€) were recognized. The volume is not subject to any material fluctuations.

In addition there exists a factoring agreement within the CROSS Industries Group on a maximum volume of 2,500 k€ (previous year: 5,000 k€). The receivables, sold in connection with those contracts, amounted to 479 k€ (previous year: 1,166 k€) on the balance sheet date and are derecognized completely according to the regulations of IAS 39 due to the transfer of control.

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

	Book value Dec. 31, 2015	Fair value Dec. 31, 2015	Fair value			Total
			Level 1	Level 2	Level 3	
in k€						
<b>At amortized cost</b>						
Interest bearing liabilities	329,556	342,171	0	0	342,171	342,171
Bonds	170,507	178,500	167,903		10,597	178,500
Liabilities finance lease	22,504					
Trade liabilities	111,399					
Liabilities to affiliated companies	2,158					
Other financial liabilities (current and non-current)	41,346					
<b>Total</b>	<b>677,470</b>					
<b>Held for trading</b>						
Other financial liabilities - derivatives with negative market value	645	645	0	645	0	645
<b>Total</b>	<b>645</b>					

	Book value Dec. 31, 2015	Fair value Dec. 31, 2015	Fair value			Total
			Level 1	Level 2	Level 3	
in k€						
<b>Fair value - hedging instruments</b>						
Other financial liabilities - derivatives with negative market value (cash flow hedge)	2,923	2,923		2,923		2,923
<b>Total</b>	<b>2,923</b>					
<b>Total</b>	<b>681,038</b>					

	Book value Dec. 31, 2014	Fair value Dec. 31, 2014	Fair value			Total
			Level 1	Level 2	Level 3	
in k€						
<b>At amortized cost</b>						
Interest bearing liabilities	188,289	192,463	0	0	192,463	192,463
Bonds	169,246	179,215	168,388	0	10,827	179,215
Liabilities finance lease	8,797					
Trade liabilities	111,879					
Liabilities to affiliated companies	44,847					
Other financial liabilities (current and non-current)	39,333					
<b>Total</b>	<b>562,391</b>					
<b>Held for trading</b>						
Other financial liabilities - derivatives with negative market value	1,085	1,085	0	1,085	0	1,085
<b>Total</b>	<b>1,085</b>					
<b>Fair value - hedging instruments</b>						
Other financial liabilities - derivatives with negative market value (cash flow hedge)	8,192	8,192	0	8,192	0	8,192
<b>Total</b>	<b>8,192</b>					
<b>Total</b>	<b>571,668</b>					

## Fair value determination

The following table shows the valuation technique used to determine the fair value and the significant unobservable input factors used.

### Financial instruments measured at fair value

Type	Measurement technique	Significant, unobservable input factors	Connection between significant unobservable input factors and measurement at fair value
Forward exchange contract and interest rate swaps	Market comparison method: The fair values are based on price quotations of banks. Similar contracts are traded on an active market and the price quotations reflect the actual transaction costs for similar instruments.	Not applicable	Not applicable
Securities	Securities are measured at the current quoted price on the reporting date	Not applicable	Not applicable

### Financial instruments not measured at fair value

Type	Measurement technique	Significant, unobservable input factors
Bonds	To measure listed bonds the closing price on the balance sheet date is used and/or discounted cash flows	Not applicable
Financial liabilities	Discounted cash flows	Risk premium for own credit risk

## Set-off of financial assets and liabilities

The Group enters into set-off agreements with banks in connection with derivatives. Generally, the amounts owed by a 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 of termination is determined and only a single net amount is payable for settling all transactions. These items are not set off in the statement of financial position, as such, since the net set-off of multiple transactions under the same framework agreements does not generally occur.

KTM has paid a one-off security deposit of 4,707 k€ in relation to the Munderfing logistics center (disclosed as a finance lease) and has made ongoing monthly deposit payments totaling 53 k€ to the lessor.

According to the terms of the lease contract, these deposits will be returned to the lessee on termination of the lease. In accordance with IAS 32.42, the deposit is therefore set off against the liability under the finance lease.

The tables below show financial assets and liabilities that have been offset along with amount that are subject to a set-off agreement but which have not been set off as they do not fulfill the criteria for set-off prescribed under IFRS.



	Financial assets (gross)	Offset accounting amounts (gross)	Recognized financial assets (net)	Effects from master settlement agreement	Net amount
<b>Financial assets 2015</b>					
in k€					
Other receivables	4,760	-4,760	0		0
Other financial assets- Derivatives with positive market value					
Currency futures	3,573	0	3,573	-1,143	2,430
<b>Total</b>	<b>8,333</b>	<b>-4,760</b>	<b>3,573</b>	<b>-1,143</b>	<b>2,430</b>
<b>Financial liabilities 2015</b>					
in k€					
Liabilities from finance lease	27,264	-4,760	22,504	0	22,504
Other financial liabilities- Derivatives with negative market value					
Currency futures	1,317	0	1,317	-1,143	174
Interest rate swaps	2,251	0	2,251	0	2,251
<b>Total</b>	<b>30,832</b>	<b>-4,760</b>	<b>26,072</b>	<b>-1,143</b>	<b>24,929</b>
<b>Financial assets 2014</b>					
in k€					
Other receivables	4,707	-4,707	0		0
Other financial assets- Derivatives with positive market value					
Currency futures	466	0	466	-466	0
<b>Total</b>	<b>5,173</b>	<b>-4,707</b>	<b>466</b>	<b>-466</b>	<b>0</b>
<b>Financial liabilities 2014</b>					
in k€					
Liabilities from finance lease	13,504	-4,707	8,797	0	8,797
Other financial liabilities- Derivatives with negative market value					
Currency futures	5,385	0	5,385	-466	4,919
Interest rate swaps	3,892	0	3,892	0	3,892
<b>Total</b>	<b>22,781</b>	<b>-4,707</b>	<b>18,074</b>	<b>-466</b>	<b>17,608</b>

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:

<b>2015</b>	<b>from interest</b>	<b>from subsequent fair value measurement</b>	<b>from value adjustment</b>	<b>from gain/loss on disposal</b>	<b>Net result (Total)</b>
in k€					
Loans and receivables	1,525	0	-613	-300	612
Available for sale	64	0	-2,925	0	-2,861
Fair value - hedging instruments and Held for trading	-621	598	0	0	-23
At amortized cost	-15,331	0	0	0	-15,331
<b>Total</b>	<b>-14,363</b>	<b>598</b>	<b>-3,538</b>	<b>-300</b>	<b>-17,603</b>

<b>2014</b>	<b>from interest</b>	<b>from subsequent fair value measurement</b>	<b>from value adjustment</b>	<b>from gain/loss on disposal</b>	<b>Net result (Total)</b>
in K€					
Loans and receivables	1,182	0	-555	-257	370
Available for sale	35	0	-7,360	481	-6,844
Fair value - hedging instruments and Held for trading	-391	-535	0	0	-926
At amortized cost	-15,919	0	0	0	-15,919
<b>Total</b>	<b>-15,093</b>	<b>-535</b>	<b>-7,915</b>	<b>224</b>	<b>-23,319</b>

The change in the value adjustment to loans and receivables is shown under the other operating expenses. The earnings-neutral part from the subsequent measurement at fair value of the financial assets available for sale is recognized in the fair value reserve AfS- securities. The remaining components of the net result are included in financial income and/or financial expenses.

### 34.3. Financial Risk Management

#### Principles of financial risk management

Regarding its assets, liabilities 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 and the decentralized treasury units are in charge of implementation. The KTM Group, the Pankl Group as well as the WP Group 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 current 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 enterprise, 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 2015 25% of the revenues (previous year: 24%) were 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 2016 the US dollar-business was hedged at a rate between EUR/USD 1.0765 and 1.1240.

There are also currency risks for the group when financial assets and liabilities are in a currency that is not the local one of the respecting company. The Group companies issue the majority of invoices 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. For these reasons, most resulting currency positions will be closed out naturally.

Apart from investments in Austria, the CROSS Industries Group also does 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 relevant balances as of the balance sheet date as well as the purchases and sales planned to be made in foreign currency in the business year 2016 were used as a basis. It was assumed for the analysis that the risk faced on the balance sheet date essentially 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 positions in subsidiaries whose functional currency derivatives from the Euro were added to the currency risk for the functional currency of the relevant subsidiary. Risks involved in foreign currency positions 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.

A sensitivity analysis is conducted for currency risk. In this respect effects of changes in the exchange rate of +/- 10% are shown on profit and loss, other income and equity.

The CROSS Industries Group bases the analysis on the following assumptions:

- For the sensitivity of profit and loss, the Group's bank deposits, receivables and liabilities are recognized, as well as future inpayments and outpayments in foreign currency that are not entered in the balance sheet in the functional currency of the Group company. Likewise, the open derivatives of the cash flow hedge whose underlying transaction has already been realized on the balance sheet date (recognized as income) are used.
- For the sensitivity of other income, open derivatives of the cash flow hedge whose underlying transaction has not yet been realized on the balance sheet date (not recognized as income) are recognized. The nominal value of open derivatives corresponds to the exposure.

Increase (+) / Decrease (-) in k€	Appreciation by 10%		Depreciation by 10%	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Change of the earnings (after tax)	2,499	6,413	-3,218	-7,914
Change of the currency related cash flow hedge reserve	-7,307	-5,172	8,930	6,322
Change of equity	-4,808	1,241	5,712	-1,592

### 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 is refinanced at variable rates and is thus exposed to interest rate fluctuations on 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 by 50 basic points would have the following effect:

Increase (+) / Decrease (-) in k€	Increase by 50 BP		Decrease by 50 BP	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Change of the earnings (after tax)	16	84	-17	-82
Change of the currency related cash flow hedge reserve	412	694	-420	-716
Change of equity	428	778	-437	-798

### 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.

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 credit insurance on the one hand, and bank securities on the other hand (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 asset side, the amounts shown represent the maximum default risk. Additional master settlement agreements – except those settlement agreement described in item 34.2. of the consolidated notes - do not exist.

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

in k€	Book value Dec. 31, 2015	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	
Trade receivables	110,831	<b>86,742</b>	13,658	2,605	1,752	3,266	2,808
Receivables towards affiliated companies	6,189	<b>5,476</b>	170	163	49	331	0
Other financial liabilities (current and non-current)	26,179	<b>25,604</b>	205	30	47	293	0
Financial assets - loans	2,045	<b>2,045</b>	0	0	0	0	0
<b>Total</b>	<b>145,244</b>	<b>119,867</b>	<b>14,033</b>	<b>2,798</b>	<b>1,848</b>	<b>3,890</b>	<b>2,808</b>

in k€	Book value Dec. 31, 2014	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	
Trade receivables	97,139	<b>75,469</b>	14,978	2,523	826	297	3,046
Receivables towards affiliated companies	1,642	<b>865</b>	164	137	98	378	0
Other financial liabilities (current and non-current)	29,817	<b>29,817</b>	0	0	0	0	0
Financial assets - loans	1,993	<b>1,993</b>	0	0	0	0	0
<b>Total</b>	<b>130,591</b>	<b>108,144</b>	<b>15,142</b>	<b>2,660</b>	<b>924</b>	<b>675</b>	<b>3,046</b>

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

## Liquidity Risks

A major aim of financial risk management in the CROSS Industries Group is to ensure liquidity and financial flexibility at all times. Factors contributing liquidity risks include, in particular, proceeds from revenues being below the planning assumptions due to weaker demand. 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. Top priority is given to ensuring liquidity over the short and medium term. Another major control parameter is the maximization of free cash flow by cost-cutting measures, proactive working capital management and reduced investment expenditures. From today's perspective, sufficient commitments have been given concerning the creditworthiness of our strategic financing partners and thus the hedging of current liquidity reserves. The long-term liquidity requirements are met by issuing company shares and bonds, taking out bank loans as well as by capital increases.

The contractually agreed (undiscounted) cash flows (payment of interest and principal) as well as the remaining terms to maturity of the financial liabilities consist of the following elements:

in k€	Book value	Cash flows 2016			Cash flows 2017 until 2020			Cash flows from 2021		
	Dec. 31, 2015	Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption
<b>At amortized cost</b>										
Interest bearing liabilities	329,556	4,275	1,409	55,126	12,329	4,017	218,473	6,013	286	56,189
Bonds	170,507	7,582	0	1,010	7,623	0	170,000	0	0	0
Liabilities finance lease	22,504	4	404	1,207	0	1,415	3,998	0	2,230	17,299
Trade liabilities	111,399	0	0	111,399	0	0	0	0	0	0
Financial liabilities towards affiliated companies	2,158	0	0	2,158	0	0	0	0	0	0
Other financial liabilities (current and non-current)	41,346	0	0	35,098	0	0	921	0	0	5,327
<b>Total</b>	<b>677,470</b>	<b>11,861</b>	<b>1,813</b>	<b>205,998</b>	<b>19,952</b>	<b>5,432</b>	<b>393,392</b>	<b>6,013</b>	<b>2,516</b>	<b>78,815</b>
<b>Held for trading</b>										
Other financial liabilities - Derivatives with negative market value	645	141	0	0	0	0	500	0	0	0
<b>Total</b>	<b>645</b>	<b>141</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fair value - hedging instruments</b>										
Other financial liabilities - Derivatives with negative market value (Cash flow hedge)	2,923	786	0	1,780	863	0	0	0	0	0
<b>Total</b>	<b>2,923</b>	<b>786</b>	<b>0</b>	<b>1,780</b>	<b>863</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>681,038</b>	<b>12,788</b>	<b>1,813</b>	<b>207,778</b>	<b>20,815</b>	<b>5,432</b>	<b>393,892</b>	<b>6,013</b>	<b>2,516</b>	<b>78,815</b>

in k€	Book value	Cash flows 2016			Cash flows 2017 until 2020			Cash flows from 2021		
	Dec. 31, 2014	Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption
<b>At amortized cost</b>										
Interest bearing liabilities	188,289	1,717	1,427	43,577	4,356	2,742	115,818	681	226	28,894
Bonds	169,246	7,513	0	0	15,374	0	170,000	0	0	0
Liabilities finance lease	8,797	14	162	687	4	550	1,550	0	1,039	6,560
Trade liabilities	111,879	0	0	111,879	0	0	0	0	0	0
Financial liabilities towards affiliated companies	44,847	0	1,008	4,540	0	955	40,307	0	0	0
Other financial liabilities (current and non-current)	39,333	23	0	33,089	5	0	246	0	0	5,998
<b>Total</b>	<b>562,391</b>	<b>9,267</b>	<b>2,597</b>	<b>193,772</b>	<b>19,739</b>	<b>4,247</b>	<b>327,921</b>	<b>681</b>	<b>1,265</b>	<b>41,452</b>
<b>Held for trading</b>										
Other financial liabilities - Derivatives with negative market value	1,085	0	0	1,085	0	0	0	0	0	0
<b>Total</b>	<b>1,085</b>	<b>0</b>	<b>0</b>	<b>1,085</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fair value - hedging instruments</b>										
Other financial liabilities - Derivatives with negative market value (Cash flow hedge)	8,192	1,264	0	8,178	1,131	0	14	152	0	0
<b>Total</b>	<b>8,192</b>	<b>1,264</b>	<b>0</b>	<b>8,178</b>	<b>1,131</b>	<b>0</b>	<b>14</b>	<b>152</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>571,668</b>	<b>10,531</b>	<b>2,597</b>	<b>203,035</b>	<b>20,870</b>	<b>4,247</b>	<b>327,935</b>	<b>833</b>	<b>1,265</b>	<b>41,452</b>

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. Operating loans are assumed to have an average remaining 12-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 with the shortest maturity.

### 34.4. Derivatives and hedging

The Group's derivative instruments (currency futures, interest swaps) are essentially implemented to hedge foreign currency and interest change risk.

In the framework of cash-flow-hedge-accounting variable future payment flows from long-term liabilities with a maturity until 2020 as well as future operating foreign currency payment flows, whose in- and out payments are planned in the next 12 months are hedged.

The following derivative financial instruments used as **hedging instruments** were applied as of December 31, 2015:

<b>Foreign exchange forward</b>	<b>Nominal value Dec. 31, 2015</b>	<b>Market values Dec. 31, 2015</b>	<b>Exposures Dec. 31, 2015</b>	<b>Maturity until 1 year</b>	<b>Maturity 1- 5 years</b>
Currency	in 1000 local currency	in k€	in k€		
USD	67,000	-817	81,199	67,000	0
JPY	2,310,000	422	26,853	2,310,000	0
CAD	37,470	1,505	34,263	37,470	0
GBP	32,860	700	48,520	32,860	0
CHF	18,590	236	20,843	18,590	0
SEK	117,000	-117	19,842	117,000	0
MXN	56,500	181	8,884	56,500	0
DKK	6,030	2	2,661	6,030	0
PLN	12,750	63	7,591	12,750	0
NOK	16,480	87	6,931	16,480	0
CZK	132,000	-7	7,848	132,000	0
ZAR	0	0	0	0	0
Interest rate swaps	80,572	-1,606	0	44,846	35,726

<b>Foreign exchange forward</b>	<b>Nominal value Dec. 31, 2014</b>	<b>Market values Dec. 31, 2014</b>	<b>Exposures Dec. 31, 2014</b>	<b>Maturity until 1 year</b>	<b>Maturity 1- 5 years</b>
Currency	in 1000 local currency	in k€	in k€		
USD	37,600	-2,915	85,057	37,600	0
JPY	2,350,000	-457	27,028	2,350,000	0
CAD	22,300	-265	25,663	22,300	0
GBP	31,830	-1,450	47,273	31,830	0
CHF	20,470	-180	20,137	20,470	0
SEK	66,000	230	18,368	66,000	0
MXN	0	0	0	0	0
DKK	6,850	1	1,751	6,850	0
PLN	13,360	42	7,144	13,360	0
NOK	11,950	84	5,404	11,950	0
CZK	108,850	26	7,178	108,850	0
ZAR	121,000	-35	14,809	121,000	0
Interest rate swaps	81,418	-2,807	0	839	80,579



In the case of the following derivative financial instruments no hedging relationship could be established.

	<b>Nominal value Dec. 31, 2015</b>	<b>Market values Dec. 31, 2015</b>	<b>Maturity until 1 year</b>	<b>Maturity 1- 5 years</b>
	in 1000 local currency	in k€		
Interest rate swaps	31,000	-645	11,000	20,000
	<b>Nominal value Dec. 31, 2014</b>	<b>Market values Dec. 31, 2014</b>	<b>Maturity until 1 year</b>	<b>Maturity 1- 5 years</b>
	in 1000 local currency	in k€		
Interest rate swaps	31,000	-1,085	0	31,000

### Forward currency transactions

Forward exchange transactions 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 rate swaps

At December 31, 2015, payer interest rate swaps of 111,572 k€ (previous year: 112,418 k€) were held to reduce the volatility of variable interest payments on loans. Of these, interest rate swaps with a nominal value of 31,000 k€ (previous year: 31,000 k€) and with a negative market value of 645 k€ (previous year: 1,085 k€) were classified as "held for trading".

## 35. Leases

### 35.1 Finance lease relationships

Under buildings and machinery a finance lease is recognized, in which the CROSS Industries Group is the lessee. The building in question is the KTM logistics center at the Munderfing site, which was completed in 2015. After a contract period of 15 years, there will be a pre-emptive tender right to acquire the building at residual value.

The book value of assets held under finance leases is as follows:

<b>2015</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Advance payments made construction in progress</b>
in k€			
Acquisition value	27,050	3,757	0
Accumulated depreciat	-360	-2,851	0
<b>Book value</b>	<b>26,690</b>	<b>906</b>	<b>0</b>
<b>2014</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Advance payments made construction in progress</b>
in k€			
Acquisition value	0	3,757	12,405
Accumulated depreciat	0	-2,307	0
<b>Book value</b>	<b>0</b>	<b>1,450</b>	<b>12,405</b>

The present value of the minimum lease payments is as follows:

in k€	Leasing payments		Present value	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Until 1 year	1,489	864	1,463	824
2 to 5 years	4,910	2,104	4,660	1,984
Over 5 years	24,919	12,305	19,815	10,157
	<b>31,318</b>	<b>15,273</b>	<b>25,938</b>	<b>12,965</b>
less interest payments	-4,054	-1,769		
less deposits	-4,760	-4,707		
<b>Book value of lease obligations</b>	<b>22,504</b>	<b>8,797</b>		

Payment obligations under finance leases are disclosed in the consolidated balance sheet under financial liabilities (see note 27).

Interest on finance leases of 168 k€ was recorded in 2015 (previous year: 56 k€).

The use of the logistics center is predominantly used by itself. A small portion is let to third parties outside the Group. Payments of 1,796 k€ are expected in the next few years.

The option exists to extend each of the contracts for a further five years at the end of the current term.

## 35.2. Operating leases

### CROSS Industries Group as lessee

Apart from financing- and operating leasing relationships, rent- and leasing relationships in the CROSS Industries Group exist. They have to be classified according to their economic content as operating leasing relationship. The leasing agreements include leasing installments, which are mostly based on variable interest.

Payments from lease payments (rental and lease expenses) from operating leasing relations recorded as expenses amounted to 13,906 k€ (previous year: 15,425 k€) in the business year 2015.

The use of lease assets not reported under property, plant and equipment (mostly rent for properties, operating- and administration buildings and storage areas, leasing of CNC machinery, vehicles and computer equipment) entails obligations to third parties totaling 62,755 k€ (previous year: 57,927 k€) that are payable as follows:

	Dec. 31, 2015	Dec. 31, 2014
in k€		
Until 1 year	11,751	10,510
2 to 5 years	38,715	36,906
Over 5 years	12,289	10,511
	<b>62,755</b>	<b>57,927</b>

The definition of operating lease expenses is standardized group-wide. This item now also includes long-term rents for land and buildings on third party land. Prior year figures have been restated accordingly.

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

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

### **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:

	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
in k€		
Until 1 year	824	859
2 to 5 years	412	1,379
Over 5 years	0	0
	<b>1,236</b>	<b>2,238</b>

In business year 2015 leasing agreements from operating leasing relations amounted to 969 k€ (previous year: 862 k€).

### **36. Future payment obligations**

In the business year 2015 the Group concluded contracts on the purchase of intangible assets and property, plant and equipment in 2016 in the amount of 8,859 k€ (previous year: 3,289 k€). In 2015 the major part of this obligation could be allocated to the new construction of the production of exhausts at the WP Group in Munderfing in the amount of 6,445 k€.

### **37. Segment reporting**

The business segments of the CROSS Industries Group comply with its holding companies (KTM AG Group, Pankl Racing Systems AG Group, WP AG Group). The diversification of the business fields and the presentation of the segment results are conducted to the Management Approach according to IFRS 8 and follow the internal reports of the management information system to the Management Board as the Chief operating decision maker. The segment reporting is made with the segments KTM, Pankl, WP and others, according to the internal reporting.

The segment "others" include CROSS Industries AG, CROSS KraftFahrZeug Holding GmbH and Durmont Teppichbodenfabrik GmbH (until its deconsolidation).

A description of the individual segment can be found under item I.

EBIT as the key ratio for segment reporting describes operating earnings for the period before financial income and income taxes.

Intersegmental information (presentation of revenues by regions and product groups) for the business year 2015 and 2014 we refer to item 7 "Revenues" and regarding products and services of each segment to item I.

None of the segments report reliance on external customers within the meaning of IFRS 8.34.

Goods and services between the segments are recorded at arm's length conditions.

The segment reporting is provided on page 123.

### **38. Events after the balance sheet date**

Pierer Industrie AG is majority shareholder of CROSS Industries AG. In turn, CROSS Industries AG is majority shareholder of Pankl Racing Systems AG. On January 13, 2016 Pierer Industrie AG announced to make a voluntary public takeover offer (exchange offer) to the shareholders of Pankl Racing Systems AG. In return for one Pankl share Pierer Industrie AG offers 8 shares of CROSS Industries AG. Pierer Industrie AG submitted the offer document to the Takeover Commission on February 17, 2016. By decision of March 2, 2016 the Takeover Commission ordered not to publish the order documents, which was planned for March 4, 2016. Due to the complexity of the circumstances the legal questions in connection with the public exchange offer, the examination procedure could not have been completed by the Takeover Commission within the legal deadline, according to section 11 paragraph 1 Takeover Act (ÜbG).

In December 2015 CROSS Industries AG terminated its subordinated bond (perpetual bond) in the amount of the nominal value of 1,010 k€ with February 7, 2016. The repayment of the partial debentures took place on February 8, 2016.

Further events after December 31, 2015 that are of material interest for the assessment of assets and liabilities, are either taken into account in the present report or unknown.

### **39. Related party disclosures**

Shares of CROSS Industries AG in the amount of 74.89% are held by Pierer Industrie AG, Wels. Pierer Industrie AG is held by 100% of Pierer Konzerngesellschaft mbH, Wels. Sole shareholder of Pierer Konzerngesellschaft mbH, Wels is Stefan Pierer.

In business year 2015 the shareholders have not received any dividend from the previous business year 2014.

Stefan Pierer holds the following essential positions in the Pierer Konzerngesellschaft mbH Group:

- Management Board of Pierer Industrie AG, Wels
- Chairman of the Management Board of CROSS Industries AG, Wels
- Chairman of the Management Board KTM AG, Mattighofen
- Chairman of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg
- Chairman of the Supervisory Board of WP AG, Munderfing
- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels
- Supervisory Board of ATHOS Immobilien Aktiengesellschaft, Linz

By an assignment agreement dated September 17, 2013, KTM AG acquired the license right for the use of the "Husqvarna" brand from Pierer Industrie AG for 10,000 k€. The license right is being amortized over its remaining useful life of 12 years and periodically tested for impairment. A valuation was performed in order to verify the measurement of the license right and the acquisition was approved by the Supervisory Board of KTM AG. The transaction was thus carried out at arm's length.

On May 13, 2015 CROSS Industries AG (formerly: BF HOLDING AG) made use of its Put option to sell all of its held CROSS Industries bonds (on May 13, 2015: 2,400 units). The company sold them in the amount of the nominal value (24.0 m€) together with the accrued interest to Pierer Industrie AG. In July 2015 Pierer Industrie AG held bonds of CROSS Industries AG in a nominal value of 56.8 m€, which were sold to CROSS Industries AG in connection with the repurchase offer of CROSS Industries AG. As of December 31, 2015 Pierer Industrie AG does not hold bonds of CROSS Industries AG.

As of December 31, 2014 financing determined at arm's length existed with Pierer Industrie AG in the amount of 38.2 m€. After the merger with BF HOLDING AG this has been settled with receivables in the amount of 24.4 m€. The remaining liabilities were redeemed. As of December 31, 2015 no interest bearing liabilities towards Pierer Industrie AG exist. As of balance sheet date further liabilities towards Pierer Industrie AG exist in the amount of 18 k€ (previous year: 60 k€) resulting from current settlements.

In December 2015 CROSS Industries AG sold 262,500 shares of Pankl Racing Systems AG to Pierer Industrie AG in the amount of 7,350 k€, whereby receivables in the amount of 3,150 k€ are still open on December 31, 2015. Further open receivables towards Pierer Industrie AG exist in the amount of 11 k€ (previous year: 0 k€) resulting from current settlements.

Furthermore income from Pierer Industrie AG in the amount of 438 k€ (previous year: 298 k€) as well as expenditures in the amount of 469 k€ (previous year: 411 k€) from current services and interest expenditures had been generated.

A cooperation with the Indian Bajaj Group has been in place since 2007. The Bajaj Group is India's second largest manufacturer of motorcycles and three wheelers, selling approximately 3.81 million units in the last financial year (balance sheet date: March 31, 2015). The cooperation focuses on the joint development of entry level street motorcycles, which are produced in India and distributed under the "KTM" brand by both companies in their respective core markets.

Mr. Rajiv Bajaj, Deputy Chairman of the Supervisory Board, is the managing director of Bajaj Auto Ltd., Pune, India. Mr. Srinivasan Ravikumar, member of the Supervisory Board, is a director of Bajaj Auto International Holdings B.V., Amsterdam, Netherlands, and President of Business Development and Assurance of Bajaj Auto Ltd., Pune, India. Bajaj Auto International Holdings B.V., Amsterdam, Netherlands, a subsidiary of Bajaj Auto Ltd., Pune, India, held 47.99% of KTM AG at December 31, 2015. Towards Bajaj Auto Ltd., Pune, India, a receivable (including receivables from advances paid) in the amount of 227 k€ as well as a liability in the amount of 2,735 k€ (previous year: receivable in the amount of 4,422 k€ as well as a liability in the amount of 476 k€) exist on December 31, 2015.

Bajaj Auto International Holdings B.V. granted KTM Immobilien GmbH (formerly: KTM Motorrad AG) a short-term arm's length, interest-bearing loan of 5,000 k€ due on March 31, 2015, which had been redeemed accordingly. Due to the cooperation with the Bajaj-Group income in the amount of 0 k€ (previous year: 3,800 k€) and expenditures in the amount of 71,604 k€ (previous year: 74,604 k€) incurred.

Arm's length deliveries of motorcycles and spare parts are made to KTM New Zealand Ltd. and die KTM MIDDLE EAST AL SHAFAR LLC, two general importers in the KTM Group accounted for under the equity method. Arm's length deliveries of motorcycles and spare parts are made to KTM dealers in which the KTM Group holds minority investments and which are accounted for as other non-current financial assets.

Wohnbau-west Bauträger Gesellschaft m.b.H., a direct subsidiary of Pierer Konzerngesellschaft mbH, as general contractor, provides services connected with planning and constructing the KTM logistics center in Munderfing for Oberbank Mattigtal Immobilienleasing GmbH, with which KTM Immobilien GmbH has concluded an arm's-length leasing contract. In 2014 KTM Immobilien GmbH made prepayments of 4,835 k€ to Oberbank Mattigtal Immobilienleasing GmbH.

The construction services provided by Wohnbau-west Bauträger Gesellschat m.b.H. in 2015 came to 14,730 k€ (previous year: 7,570 k€). Oberbank Leasing Gesellschaft mbH holds 90% and KTM AG 10% of Oberbank Mattigtal Immobilienleasing GmbH.

Pierer Industrie AG holds 100% in Moto Italia GmbH, Meran, Italy and 25.07% in All for One Steeb AG, Filderstadt, Germany. In 2014 the KTM Group purchased from Moto Italia spare parts for the "Husqvarna" brand in the amount of 4.6 m€. For the future sales of these spare parts, a division of margins was agreed that was fulfilled in 2014 ahead of schedule with a payment to Moto Italia GmbH in the amount of 1.3 m€. In the business year 2015 no major transactions took place. All for One Steeb AG provided IT consultancy services to the CROSS Industries Group for 5,435 k€ (previous year: 2,989 k€). As at balance sheet date liabilities towards All for One Steeb AG in the amount of 1,361 k€ (previous year: 27 k€) existed.

Mr. Gerald Kiska is member of the Supervisory Board of CROSS Industries AG, Wels and Chief Executive of Kiska GmbH, Anif in which KTM AG, Mattighofen, holds a 26.0% share. Furthermore Mr. Gerald Kiska is managing director of KTM Technologies GmbH, Anif. For services of Kiska GmbH expenditures in the amount of 12,278 k€ (previous year: 7,132 k€) as well as income in the amount of 684 k€ (previous year: 480 k€) arose in business year 2015. As of December 31, 2015 there were outstanding liabilities towards Kiska GmbH, Anif in the amount of 3,722 k€ (previous year: 3,796 k€).

Other material transactions with related parties and the amount of the outstanding balances with related parties were as follows:

<b>2015</b>	<b>Receivables</b>	<b>Liabilities</b>	<b>Earnings</b>	<b>Expenses</b>
in K€				
Shareholder (direct and indirect)	10	1,657	649	5,424
Financial assets accounted for using the equity method	3,652	86	11,618	672
Other related parties	4,952	737	13,116	5,368
	<b>8,614</b>	<b>2,480</b>	<b>25,383</b>	<b>11,464</b>
<b>2014</b>				
in K€				
Shareholder (direct and indirect)	713	3,910	185	3,970
Financial assets accounted for using the equity method	5,398	1	10,882	0
Other related parties	6,210	4,344	8,670	2,845
	<b>12,321</b>	<b>8,255</b>	<b>19,737</b>	<b>6,815</b>

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

#### **40. Schedule of equity holdings as of December 31, 2015**

The schedule of equity holdings comprises all companies, which have been included in the consolidated financial statements apart from the parent company (see page 120).

#### 41. Corporate bodies of CROSS Industries AG

The following individuals were members of the **Supervisory Board** in 2015:

- Josef Blazicek, Chairman (since June 2, 2015; Deputy Chairman until June 2, 2015)
- Ernst Chalupsky, Deputy Chairman (since June 2, 2015; Chairman until June 2, 2015)
- Gerald Kiska
- Klaus Rinnerberger (since June 2, 2015)

The following persons were members of the **Management Board** with collective power of representation in 2015:

- Stefan Pierer (Chairman since June 2, 2015)
- Friedrich Roithner (since June 2, 2015)
- Alfred Hörtenhuber (since June 2, 2015)
- Wolfgang Plasser (since June 2, 2015)
- Michael Hofer (Chairman until June 2, 2015)
- Michaela Friepeß (until June 2, 2015)

Wels, March 11, 2016

The Management Board



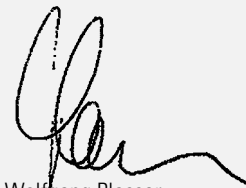
Stefan Pierer



Friedrich Roithner



Alfred Hörtenhuber



Wolfgang Plasser

Annex 1 to the consolidated notes: Schedule of holdings as of December 31, 2015

Annex 2 to the consolidated notes: Segment reporting as of December 31, 2015

## SCHEDULE OF HOLDINGS OF CROSS INDUSTRIES AG

(formerly: BF HOLDING AG) as at December 31, 2015

Company	Initial consolidation date	Interest in %	Consolidation type
<b>Fully consolidated companies:</b>			
Pankl Racing Systems AG, Kapfenberg	Jan. 1, 2008	55.85	FC
Pankl Engine Systems GmbH & Co KG, Bruck upon Mur	Jan. 1, 2008	55.85	FC
Pankl Drivetrain Systems GmbH & Co KG, Kapfenberg	Jan. 1, 2008	55.85	FC
Pankl Racing Systems UK Ltd., Bicester, Great Britain	Jan. 1, 2008	55.85	FCA
Pankl Holdings, Inc., Carson City, Nevada, USA	Jan. 1, 2008	55.85	FCA
Capital Technology Beteiligungs GmbH, Bruck upon Mur	Jan. 1, 2008	55.85	FC
CP-CARRILLO, LLC, Irvine, USA	Jan. 1, 2008	39.10	FCA
Performance Equipment Company, LLC, Irvine, USA	Jan. 1, 2008	39.10	FCA
Pankl Emission Control Systems GmbH, Kapfenberg	Jan. 1, 2008	55.85	FC
Pankl Aerospace Systems Inc., Cerritos, USA	Jan. 1, 2008	55.85	FCA
Pankl Beteiligungs GmbH, Kapfenberg	Jan. 1, 2008	55.85	FC
Pankl Schmiedetechnik GmbH & Co KG, Kapfenberg	Jan. 1, 2008	55.85	FC
Pankl Aerospace Systems Europe GmbH, Kapfenberg	Jan. 1, 2008	55.85	FC
Pankl Automotive Slovakia s.r.o., Topolcany, Slovakia	Jan. 1, 2008	55.85	FCA
Pankl Engine Systems Inc., Irvine, USA	Jul. 27, 2011	55.85	FCA
Carrillo Acquisitions Inc., Irvine, USA	Dec. 23, 2011	55.85	FCA
Pankl - APC Turbosystems GmbH, Mannheim, Germany	Sep. 28, 2012	39.10	FCA
WP AG, Munderfing	Jun. 30, 2005	89.48	FC
WP Performance Systems GmbH, Munderfing	Nov. 30, 2007	89.48	FC
WP Components GmbH, Munderfing <sup>1)</sup>	Dec. 31, 2009	89.48	FC
WP Immobilien GmbH, Munderfing <sup>2)</sup>	Apr. 30, 2005	90.01	FC
CROSS KraftFahrZeug Holding GmbH, Wels	Sep. 30, 2010	100.00	FC
KTM AG, Mattighofen <sup>3)</sup>	May 31, 2005	51.28	FC
KTM Immobilien GmbH (formerly: KTM Motorrad AG), Mattighofen <sup>4)</sup>	May 31, 2005	51.47	FC
KTM North America, Inc., Amherst, Ohio, USA	May 31, 2005	51.28	FCA
KTM-Motorsports Inc., Amherst, Ohio, USA	May 31, 2005	51.28	FCA
KTM-Sportmotorcycle Japan K.K., Tokyo, Japan	May 31, 2005	51.28	FCA
KTM-Racing AG, Frauenfeld, Switzerland	May 31, 2005	51.28	FCA
KTM-Sportcar GmbH, Mattighofen	May 31, 2005	51.28	FC
KTM Motorcycles S.A. Pty. Ltd., Northriding, South Africa	Mar. 1, 2009	51.28	FCA
KTM Sportmotorcycle Mexico C.V. de S.A., Lerma, Mexico	Jun. 1, 2009	51.28	FCA
KTM South East Europe S.A., Elefsina, Greece	Nov. 1, 2010	51.28	FCA
KTM Technologies GmbH, Anif	Oct. 1, 2008	37.95	FC
KTM Sportmotorcycle GmbH, Mattighofen	Mar. 31, 2011	51.28	FC



Company	Initial consolidation date	Interest in %	Consolidation type
KTM-Sportmotorcycle India Private Limited, Pune, India	Jun. 1, 2012	51.28	FCA
Husqvarna Motorcycles GmbH, Mattighofen	Jan. 1, 2013	51.28	FC
KTM-Sportmotorcycle GmbH, Ursensollen, Germany	Dec. 31, 2013	51.28	FCA
KTM Switzerland Ltd, Frauenfeld, Switzerland	Dec. 31, 2013	51.28	FCA
KTM-Sportmotorcycle UK Ltd., Brackley, Great Britain	Dec. 31, 2013	51.28	FCA
KTM-Sportmotorcycle Espana S.L., Terrassa, Spain	Dec. 31, 2013	51.28	FCA
KTM-Sportmotorcycle France SAS, Saint Priest, France	Dec. 31, 2013	51.28	FCA
KTM-Sportmotorcycle Italia s.r.l., Gorle, Italy	Dec. 31, 2013	51.28	FCA
KTM-Sportmotorcycle Nederland B.V., Malden, Netherlands	Dec. 31, 2013	51.28	FCA
KTM-Sportmotorcycle Scandinavia AB, Örebro, Sweden	Dec. 31, 2013	51.28	FCA
KTM-Sportmotorcycle Belgium S.A., Wavre, Belgium	Dec. 31, 2013	51.28	FCA
KTM Canada Inc., St-Bruno, Canada	Dec. 31, 2013	51.28	FCA
KTM Hungária Kft., Törökbálint, Hungary	Dec. 31, 2013	51.28	FCA
KTM Central East Europe s.r.o., Bratislava, Slovakia	Dec. 31, 2013	51.28	FCA
KTM Österreich GmbH, Mattighofen	Dec. 31, 2013	51.28	FC
KTM Nordic Oy, Vantaa, Finland	Dec. 31, 2013	51.28	FCA
KTM Sportmotorcycle d.o.o., Marburg, Slovenia	Dec. 31, 2013	51.28	FCA
KTM Czech Republic s.r.o., Pilsen, Czech Republic	Dec. 31, 2013	51.28	FCA
KTM Sportmotorcycle SEA PTE. Ltd. (formerly: KTM Sportmotorcycle Singapore PTE Ltd.), Singapur, Singapur	Jan. 1, 2014	51.28	FCA
Husqvarna Motorcycles Italia S.r.l., Albano Sant'Alessandro, Italy	Dec. 31, 2013	51.28	FCA
Husqvarna Motorcycles Deutschland GmbH, Ursensollen, Germany	Dec. 31, 2013	51.28	FCA
Husqvarna Motorcycles Espana S.L., Terrassa, Spain	Dec. 31, 2013	51.28	FCA
Husqvarna Motorcycles UK Ltd., Brackley, Great Britain	Dec. 31, 2013	51.28	FCA
Husqvarna Motorcycles France SAS, Saint Priest, France	Dec. 31, 2013	51.28	FCA
HQV Motorcycles Scandinavia AB, Örebro, Sweden	Dec. 31, 2013	51.28	FCA
Husqvarna Motorcycles North America, Inc., Murrieta, CA, USA	Dec. 1, 2013	51.28	FCA
Husqvarna Motorsports, Inc., Murrieta, CA, USA	Apr. 1, 2015	51.28	FCA
Husqvarna Motorcycles S.A. Pty. Ltd., Northriding, South Africa	Apr. 1, 2015	51.28	FCA

#### Associated companies:

Wethje Carbon Composites GmbH (formerly: Wethje Holding GmbH), Hengersberg, Germany	-	49.00	IEA
Wethje Immobilien GmbH, Vilshofen-Pleinting, Germany <sup>5)</sup>	-	52.06	IEA
KTM New Zealand Ltd., Auckland, New Zealand	-	13.33	IEA
Kiska GmbH, Anif	-	13.33	IE
KTM MIDDLE EAST AL SHAFAR LLC, Dubai, United Arab Emirates	-	12.82	IEA

Company	Initial consoli- dation date	Interest in %	Consolidation type
<b>Other non-current financial assets:</b>			
Durmont Teppichbodenfabrik GmbH, Hartberg	-	24.00	NC
PF Beteiligungsverwaltungs GmbH, Wels	-	100.00	NC
Network Performance Channel GmbH, Neu-Isenburg, Germany	-	100.00	NCA
ACstyria Autocluster GmbH, Grambach	-	12.33	NC
KTM Australia Pty Ltd., Perth, Australia	-	51.28	NCA
KTM Finance GmbH, Frauenfeld, Switzerland	-	51.28	NCA
KTM Wien GmbH, Mattighofen	-	38.97	NC
KTM do Brasil Ltda., Sao Paulo, Brasil	-	51.28	NCA
KTM Braumandl GmbH, Wels	-	13.33	NC
Project Moto Rütter & Holte GmbH, Oberhausen, Germany	-	13.33	NCA
MX - KTM Kini GmbH, Wiesing	-	13.33	NC
KTM Regensburg GmbH, Regensburg, Germany	-	13.33	NCA
Oberbank Mattigtal Immobilienleasing GmbH, Linz	-	5.13	NC
Mattighofen Museums-Immobilien GmbH, Mattighofen	-	25.13	NC
KTM Events & Travel Service AG, Frauenfeld, Switzerland <sup>6)</sup>	-	51.28	NCA
KISKA Inc., Murrieta, USA	-	26.15	NCA
Pankl Japan Inc., Tokyo, Japan	-	55.85	NCA
WP Suspension B.V., Malden, Netherlands	-	89.48	NCA
WP Cooling Systems (Dalian) Co., Ltd., Dalian, China	-	89.48	NCA
WP Germany GmbH, Ursensollen, Germany	-	89.48	NCA
WP Suspension North America, Inc., Murrieta, CA, USA	-	89.48	NCA
BFS Brain Force Software AG, Maur, Switzerland <sup>6)</sup>	-	100.00	NCA

<sup>1)</sup> 0.02% are held by CROSS Industries AG

<sup>2)</sup> 5% are held by Cross Industries AG

<sup>3)</sup> 51.18% are held by CROSS KraftFahrZeug Holding GmbH; 0.1% are held by CROSS Industries AG

<sup>4)</sup> 0.39% are held by CROSS KraftFahrZeug Holding GmbH

<sup>5)</sup> 6% are held by Cross Industries AG

<sup>6)</sup> in liquidation

**Legende:**

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

<b>2015</b>	<b>KTM</b>	<b>PANKL</b>	<b>WP</b>	<b>Other</b>	<b>Consoli- dation</b>	<b>Group continuing operations</b>	<b>Discon- tinued operations</b>
in k€							
Revenues (including revenues within the segments)	1,022,487	173,638	144,583	19,641	-136,779	1,223,570	0
Revenues external	1,021,385	165,494	24,377	12,314	0	1,223,570	0
Earnings from operating activities	95,105	10,205	9,692	-2,080	-69	112,853	0
Investments	110,893	11,639	10,464	184	-224	132,956	0
Depreciation	46,419	13,437	3,876	1,839	0	65,571	0
Share of the earnings of companies, that are accounted for under the equity method	133	0	0	-2,984	0	-2,851	0
<b>2014</b>	<b>KTM</b>	<b>PANKL</b>	<b>WP</b>	<b>Other</b>	<b>Consoli- dation</b>	<b>Group continuing operations</b>	<b>Discon- tinued operations</b>
in k€							
Revenues (including revenues within the segments)	864,635	165,027	121,091	48,948	-113,401	1,086,300	23,967
Revenues external	864,462	158,225	20,831	42,782	0	1,086,300	23,277
Earnings from operating activities	75,377	11,894	8,553	-2,793	-25	93,006	-1,650
Investments	84,363	17,504	4,679	627	0	107,173	1,270
Depreciation	36,686	12,423	3,567	2,415	0	55,091	1,408
Share of the earnings of companies, that are accounted for under the equity method	628	0	0	-272	0	356	0

## AUDITOR'S REPORT

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **CROSS Industries AG (formerly: BF HOLDING AG), Wels**, that comprise the balance sheet as of 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year then ended, and the notes.

### Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing – ISA. In accordance with International Standards on Auditing, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

Our audit did not give rise to any objections. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

### **Report on the Management Report for the Group**

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

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

Linz, 11 March 2016

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Ernst Pichler  
Wirtschaftsprüfer  
(Austrian Chartered Accountant)

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the management report for the Group are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

## STATEMENT OF ALL LEGAL REPRESENTATIVES

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, March 2016

The Management Board CROSS Industries AG



Stefan Pierer



Friedrich Roithner



Alfred Hörtenhuber



Wolfgang Plasser

## SERVICE

### Financial calendar

March 16, 2016	Publication Year-end Results 2015
April 6, 2016	Publication Annual Financial Report 2015
April 17, 2016	Record Date General Meeting
April 27, 2016	19th Annual General Meeting of CROSS Industries AG
April 29, 2016	Ex-Dividend Day
May 2, 2016	Record Date
May 3, 2016	Dividend Payment Day
May 13, 2016	Report on the 1st Quarter 2016
August 26, 2016	Report on the 1st Half-Year 2016
November 11, 2016	Report on the 3rd Quarter 2016

### Imprint

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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.

This annual report is published in German and English. In the event of disputes, the German version shall take precedence.

**CROSS**

Industries AG ■



**CROSS Industries AG**

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