CROSS Industries AG

ANNUAL REPORT 2012

KEY FIGURES

	2012 in €m	2011 in €m
Earnings figures		
Revenues	825.7	678.6
EBITDA	94.9	85.5
Operating income (EBIT)	47.0	38.9
Net profit from continuing operations	20.6	21.5
Key balance sheet figures		
Balance sheet total	917.9	818.5
Equity	316.1	306.4
Net debt	361.5	320.4
Cash flow		
Cash flow from operating activities	75.8	57.3

CROSS Industries AG bond

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

CROSS Industries AG

ANNUAL REPORT 2012

CROSS Industries AG is an industrial group, strategically and operatively focusing on the automotive sector. It is divided into the core segments **Complete Vehicle**, with its shareholdings in KTM AG, KTM Technologies GmbH and Kiska GmbH; **Lightweight Construction**, with its shareholding in the Wethje Group as well as **High Performance**, with its shareholdings in Pankl Racing Systems AG and the WP Group.

Apart from the shareholdings in the automotive sector CROSS Industries AG holds shares in, among others, CROSS Immobilien AG as well as CROSS Informatik GmbH.

In business year 2012 the CROSS Group generated revenues of € 825.7m (previous year: € 678.6m) and an EBIT in the amount of € 47.0m (previous year: € 38.9m). The result from continued operations of the business year amounted to € 20.6m (previous year: € 21.5m).

In October 2012 CROSS Industries AG has successfully placed its 4.625% bond in the amount of € 75m with a term from 2012 to 2018. The bond is listed with a denomination of € 500.00 on the Second Regulated Market of the Vienna Stock Exchange. In connection with a bank financing, which was concluded in spring 2012, the future financial requirements of the group were hence structured and covered in the long-term.

A change of control, which led to mandatory offers of KTM AG and Pankl Racing Systems AG to their respective shareholders was agreed upon with the conclusion of a syndicate agreement between the two majority shareholders regarding the exercise of voting rights in CROSS Industries AG.

Despite difficult market conditions in Europe, **KTM AG** managed to increase its revenues to € 612.0m (+16.2% compared to last year) and sales to 98,740 vehicles (+21.6% compared to last year). Under consideration of KTM motorcycles sold by the KTM partner Bajaj in India, 107,142 KTM motorcycles were sold globally in business year 2012.

This increase in sales was only realized through strong market share gains. The relevant market in Europe decreased by over 12% in 2012. KTM was able to increase its market share by about 33% and therefore reached a share of 7.5% on the European total market. Also in the USA, where the market has shown a slightly positive trend, market shares as well as sales and revenues increased by about 25% respectively.

In April 2012 KTM AG successfully placed a 4.375% bond with an emission volume in the amount of € 85m and a term from 2012 to 2017.

Also in April 2012 KTM AG decided to carry out a capital increase through the issue of 336,000 shares, which were taken over in total by CROSS Industries AG against the contribution of a claim in the amount of € 8.4m. Due to the above mentioned change of control a mandatory offer was made to the shareholders of KTM AG in June 2012. After the completion of the mandatory offer, the necessary free float of the KTM share was no longer shown on the Second Market. As a result the shares were withdrawn from the Second Market and have been traded on the Third Market (MTF) of the Vienna Stock Exchange since August 2012.

According to prognoses, the prospects for the European total market, which is relevant to the KTM Group will further deteriorate; the American total market however shows a stable to slightly positive development. In order to further pursue the growth course, KTM emphasizes the launch of new models in order to implement the global product strategy as well as further expansion in Asian markets.

Business year 2012 also developed very positively for the **CROSS Motorsport Systems Group** with its shareholdings in Pankl Racing Systems AG and the WP Group. The market environment was positive throughout the year in all segments. The consolidated total revenue of the group increased by 34% to € 235.4m. This extraordinary growth was carried by the massive expansion of revenues in the core segments as well as the integration of new business areas – especially at the WP Group. The profit situation was further significantly improved and the EBIT with € 14.1m more than doubled compared to the previous year.

In business year 2012 the **Pankl Group** generated the biggest revenue plus (+21%), the biggest revenue (€ 127.7m) as well as the best operating result (€ 10.4m) in the company's history. Intensive racing activities and comprehensive development contracts in all racing series enabled Pankl to significantly expand its business and gain important assignments in the high performance and aerospace segments, which led and will further lead to a significant expansion of business. In order to meet the increasing demand, the company has made considerable investments in connection with the expansion of production capacities, which were mainly related to the plant expansions at the locations in Bruck upon Mur and Kapfenberg.

Pankl Racing Systems AG has made a mandatory offer to its shareholders as well, due to the above mentioned change of control in CROSS Industries AG, where 63,000 shares were delivered. After the completion of the mandatory offer CROSS Motorsport Systems AG owned 59.61% of the share capital of Pankl Racing Systems AG.

For 2013 the Pankl Group is expecting an increase in revenues in view of the good overall economic situation, the already concluded changes in regulations in racing for 2013 and 2014 and the herewith connected development- and testing activities. In business year 2012 important contracts were gained in the high performance- and aerospace segments, which will lead to further expansion of business in business year 2013. With the considerable investments in the past business year Pankl has created a basis for further growth.

In business year 2012 the **WP Group** has further expanded its core business in a stable market environment. Through the acquisition of the exhaust- and frame production from KTM the business activities were expanded. Now the WP Group is able to develop, manufacture and test the whole chassis of a motorcycle. The continuous further development of products is a focal point of the WP Group.

The expansion of new product segments and the therefore broader market posture of the WP Group is a strategically important step towards securing the company's future in the long-term.

The **Wethje Group** – in which the CROSS Group holds 94% in total – has considerably expanded its business as well due to intensive racing activities and especially through new development orders in the automotive volume-production segment. In total, revenues increased by 15% to € 24.4m.

In 2012 the new RTM-technology (RTM = Resin Transfer Moulding) was considerably expanded at Wethje in order to strengthen the OEM series business. In summer 2012 the automotive RTM business of Schweizer Airex AG was taken over and relocated to Pleinting.

To guarantee the necessary capacities for the dispatched volume-production orders in the medium-term, the construction of a plant and the establishment of a technological investment program at the location in Pleinting were started. The introduction of the new SAP ERP system constitutes a further important milestone in the company's history.

Further shareholdings of the CROSS Group include **CROSS Informatik GmbH** with its shareholdings in the IT companies All for One Steeb AG, BRAIN FORCE HOLDING AG as well as Triplan AG.

One of the major projects of **CROSS Immobilien AG** – with its shareholding in Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft – was the construction and the partial entry-into-service of a building for WP Performance Systems GmbH and WP Components GmbH in Munderfing in business year 2012.

The development of the CROSS Group depends on the development of the subsidiaries integrated in the group. We are trying to reach a position, which will make the CROSS Group more independent from the global economic developments in the long-term through the expansion of respective market shares in the individual core segments as well as strategic positioning.

The still present global economic risk will be accounted for by increased controlling- and analysis activities as well as monitoring of economic framework conditions, so changes of those conditions can be swiftly identified and reacted to in the short-term.

In its assessment for business year 2013 the Management anticipates further growth. The order situation for the first half of 2013 is on a good level. The company further puts great emphasis on continuous monitoring and critical assessment of the market situation in order to implement immediate measures for the stabilization of the striven profit situation, if needed. Following the improvement activities the company will further work on rationalization measures.

For 2013 a positive outlook can be given for all business segments of the CROSS Group.

Wels, April 2013

Stefan Pierer
CEO

MANAGEMENT BOARD

- **Stefan Pierer (CEO)**
  Appointed until 31 December 2016

After graduating from the Montan University in Leoben, Austria (Business and Energy Management), Stefan Pierer started his career as sales assistant at HOVAL GmbH in Marchtrenk in 1982 and later on as sales manager and authorized signatory. In 1987, he founded the CROSS Group in which he acts as shareholder and member of the Executive Board. He has been shareholder and member of the Executive Board of the KTM Group since 1992. In February 2010 he became Chairman of the Supervisory Board of CROSS Motorsport Systems AG (before he was member of the Management Board).

Other functions:

- Chairman of the Supervisory Board of Pankl Racing Systems AG
- Chairman of the Supervisory Board of BRAIN FORCE HOLDING AG
- Member of the Supervisory Board of Peguform GmbH

- **Friedrich Roithner (CFO)**
  Appointed until 30 June 2018

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

Other functions:

- Deputy Chairman of the Supervisory Board of BRAIN FORCE HOLDING AG
- Member of the Supervisory Board of Pankl Racing Systems AG (since 27 April 2012)

SUPERVISORY BOARD

- **Rudolf Knünz**
  Chairman, Entrepreneur

- **Josef Blazicek**
  Deputy Chairman, Entrepreneur

- **Ernst Chalupsky**
  Member, Attorney (since 25 April 2012)

- **Gerald Kiska**
  Member, Entrepreneur

- **Manfred De Bock**
  Member (until 14 July 2012)

Alfred Hörtenhuber
Appointed until 31 January 2018

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

Other functions:

- Member of the Supervisory Board of Pankl Racing Systems AG
- Member of the Supervisory Board of KTM AG (since 26 September 2012)

Klaus Rinnerberger
Appointed until 30 September 2013

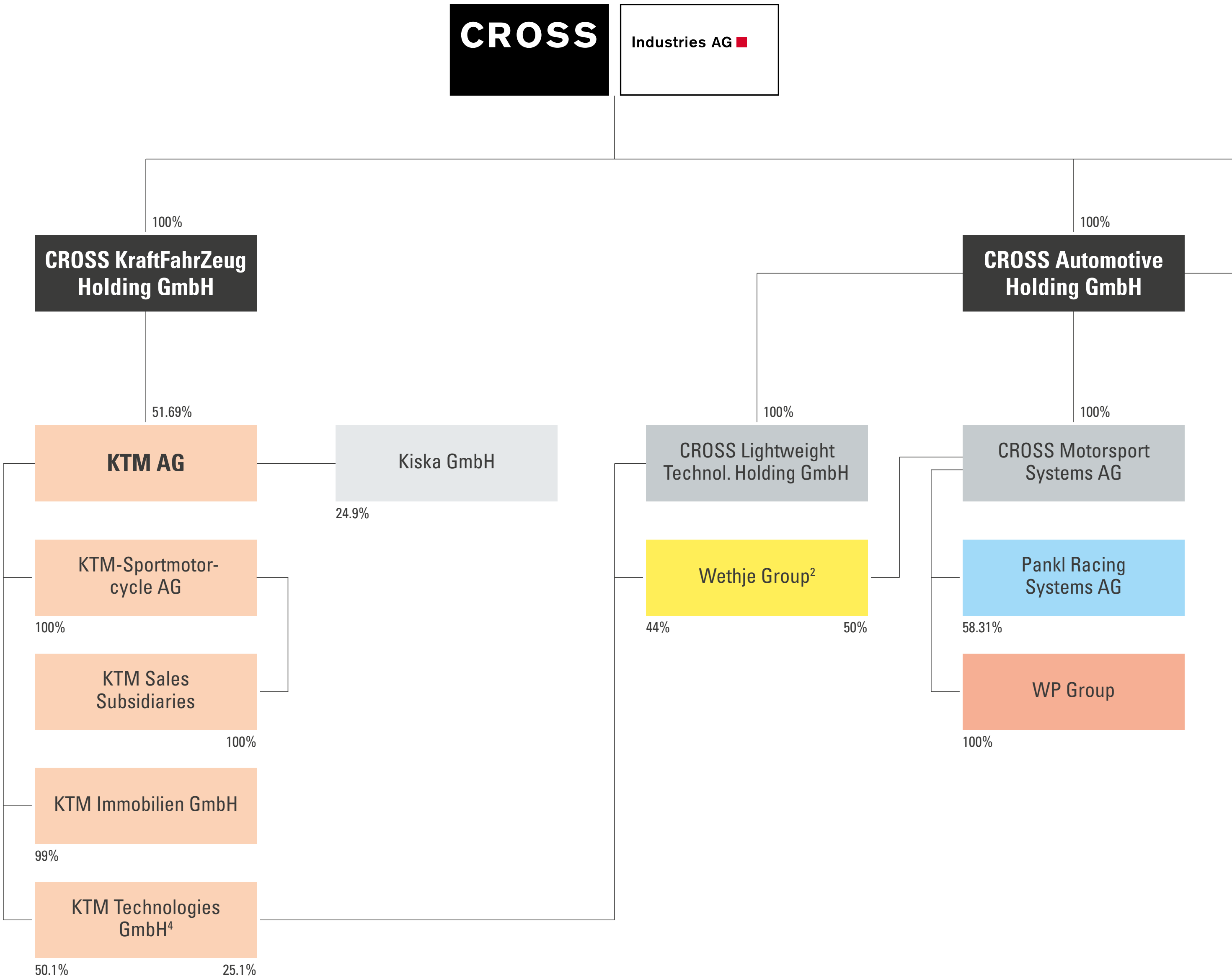
After graduating from the University of Vienna (Law) Klaus Rinnerberger startet his career in 1987 at Arthur Andersen & Co as auditor and consultant. He had several executive positions in the automotive industry, e.g. member of the Management Board of Magna Automobiltechnik AG and Magna Steyr AG. In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

Other functions:

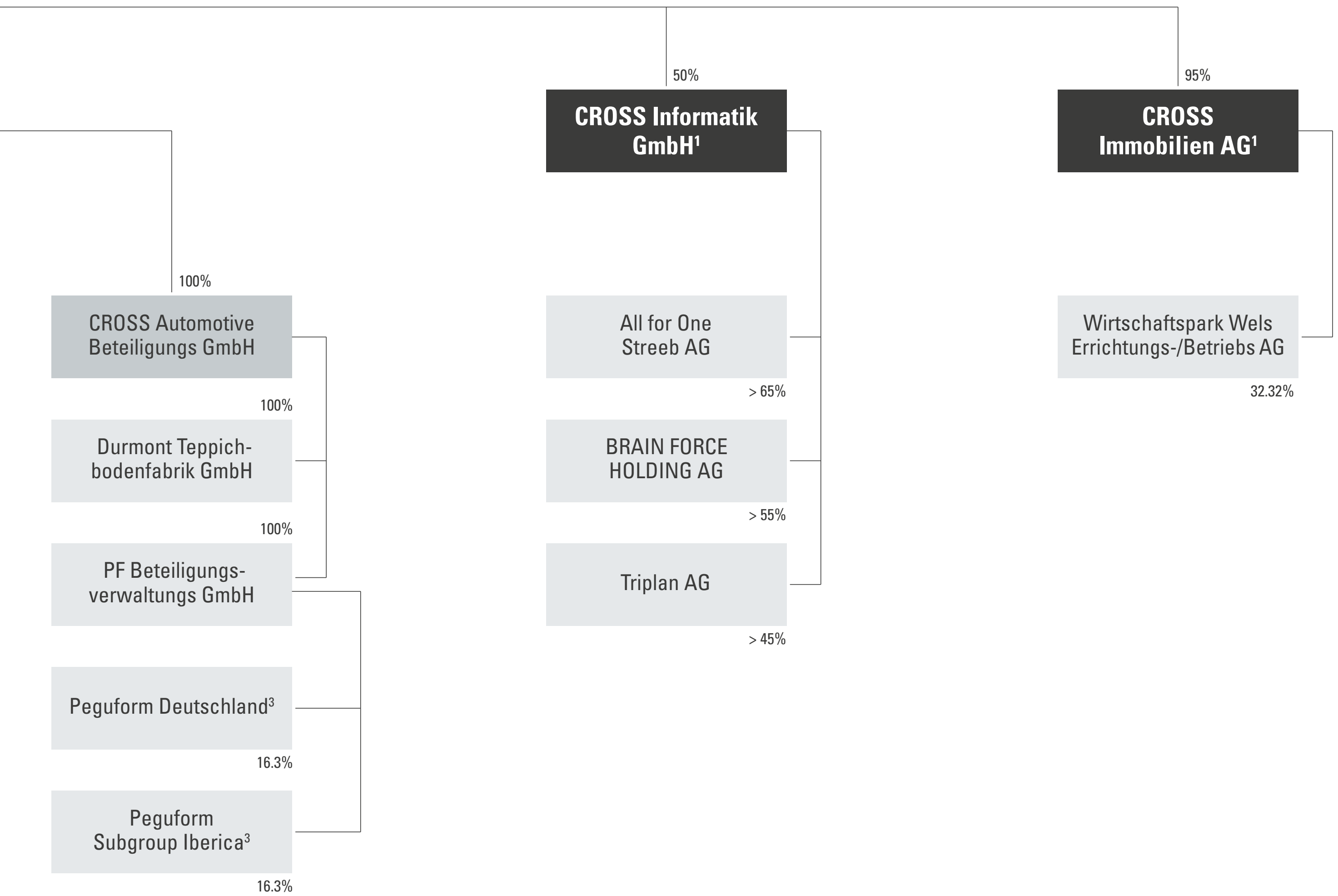
- Member of the Supervisory Board of SMP Deutschland GmbH

GROUP STRUCTURE

Simplified presentation as of 31 December 2012



[1] The remaining shares are held by Unternehmens Invest AG
[2] 6% are held by Pierer Invest Beteiligungs GmbH
[3] 83.7% are held by Samvardhana Motherson Group, India (simplified presentation)
[4] 24.8% are held by Kiska Holding GmbH


50%
CROSS Informatik GmbH1
95%
CROSS Immobilien AG1
100%
CROSS Automotive Beteiligungs GmbH
All for One Streeb AG
> 65%
Wirtschaftspark Wels Errichtungs-/Betriebs AG
32.32%
100%
Durmont Teppich-bodenfabrik GmbH
BRAIN FORCE HOLDING AG
> 55%
100%
PF Beteiligungs-verwaltungs GmbH
Triplan AG
> 45%
Peguform Deutschland3
16.3%
Peguform Subgroup Iberica3
16.3%

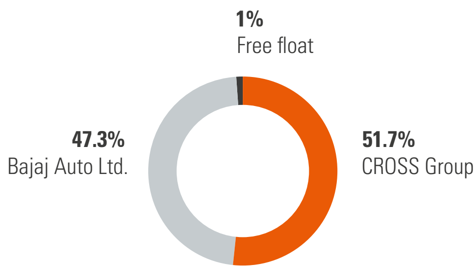
KTM AG

MILESTONES OF THE BUSINESS YEAR

- In business year 2012 KTM was the most successful motorcycle manufacturer in Europe and the USA
- Highest sales (98,740 vehicles, +21.6%) and revenues (€ 612.0m, +16.2%) in the company's history in 2012
- Income after taxes increased by 21.6% to € 25.3m compared to the previous year
- In total 107,142 KTM motorcycles were sold globally (including motorcycles sold by KTM's partner Bajaj in India)
- Presentation of the 200 Duke – from the cooperation with Bajaj in February 2012 in New Delhi. The 200 Duke is the first KTM model sold world-wide.
- Increase of the share of Bajaj Auto Ltd. in KTM AG in business year 2012 to a total of 47.3%
- Issuance of the 4.375% bond (2012–2017) in April 2012 in the amount of € 85m
- Focus on emerging markets, in particular South East Asia and South America as well as implementation of a global product strategy in cooperation with Bajaj

KEY FIGURES in €m	2012	2011
Revenues	612.0	526.8
EBITDA	67.8	64.5
EBIT	36.7	31.0
Net profit of the year	25.3	20.8
Balance sheet total	521.4	485.8
Equity	254.5	220.1
Net debt	99.3	125.0
Free cash flow	15.6	33.1

SHAREHOLDER STRUCTURE as of 31/12/2012



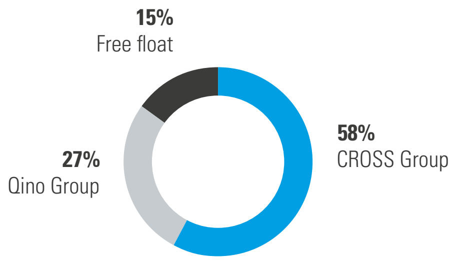
PANKL RACING SYSTEMS AG

MILESTONES OF THE BUSINESS YEAR

- Record growth and record result in business year 2012
- Increase in revenues by 21.1% to € 127.7m, operative improvement of results by 47.8% to € 10.4m
- Increase of the operative group result by 33.2% to € 5.9m
- Expansion of sites in Bruck upon Mur and Kapfenberg, new production technologies and automation systems at all sites
- Entrance into turbo charger business through the acquisition of APC – Advanced Propulsion Concept GmbH in Mannheim – now “Pankl – APC Turbosystems GmbH”
- Integration of the Californian crank shaft manufacturer SP Crankshaft – the whole crank assembly can now be produced in-house for all high-end motorsport applications
- Investment program in the amount of € 16m for business year 2013 planned

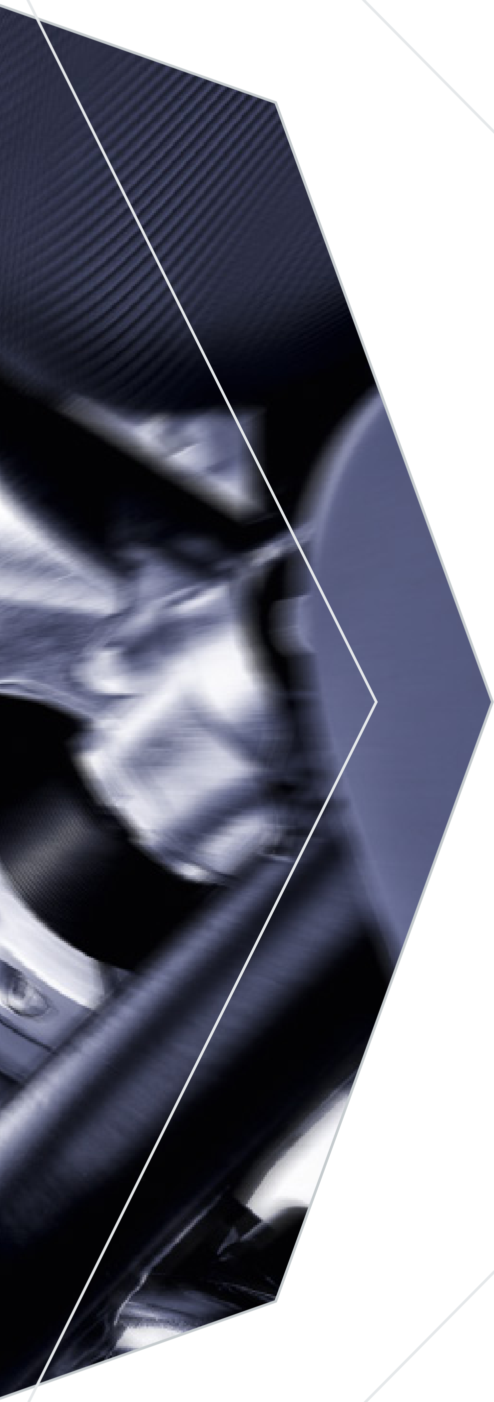
KEY FIGURES in €m	2012	2011
Revenues	127.7	105.4
EBITDA	19.9	15.2
EBIT	10.4	7.0
Net profit of the year	5.9	4.5
Balance sheet total	149.8	119.4
Equity	69.6	64.4
Net debt	46.8	32.0
Free cash flow	(12.2)	3.8

SHAREHOLDER STRUCTURE as of 31/12/2012



WP GROUP

ONE STOP TECHNOLOGY.

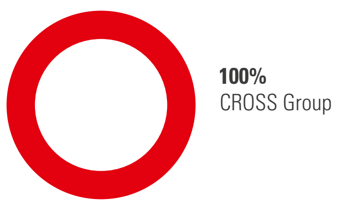


MILESTONES OF THE BUSINESS YEAR

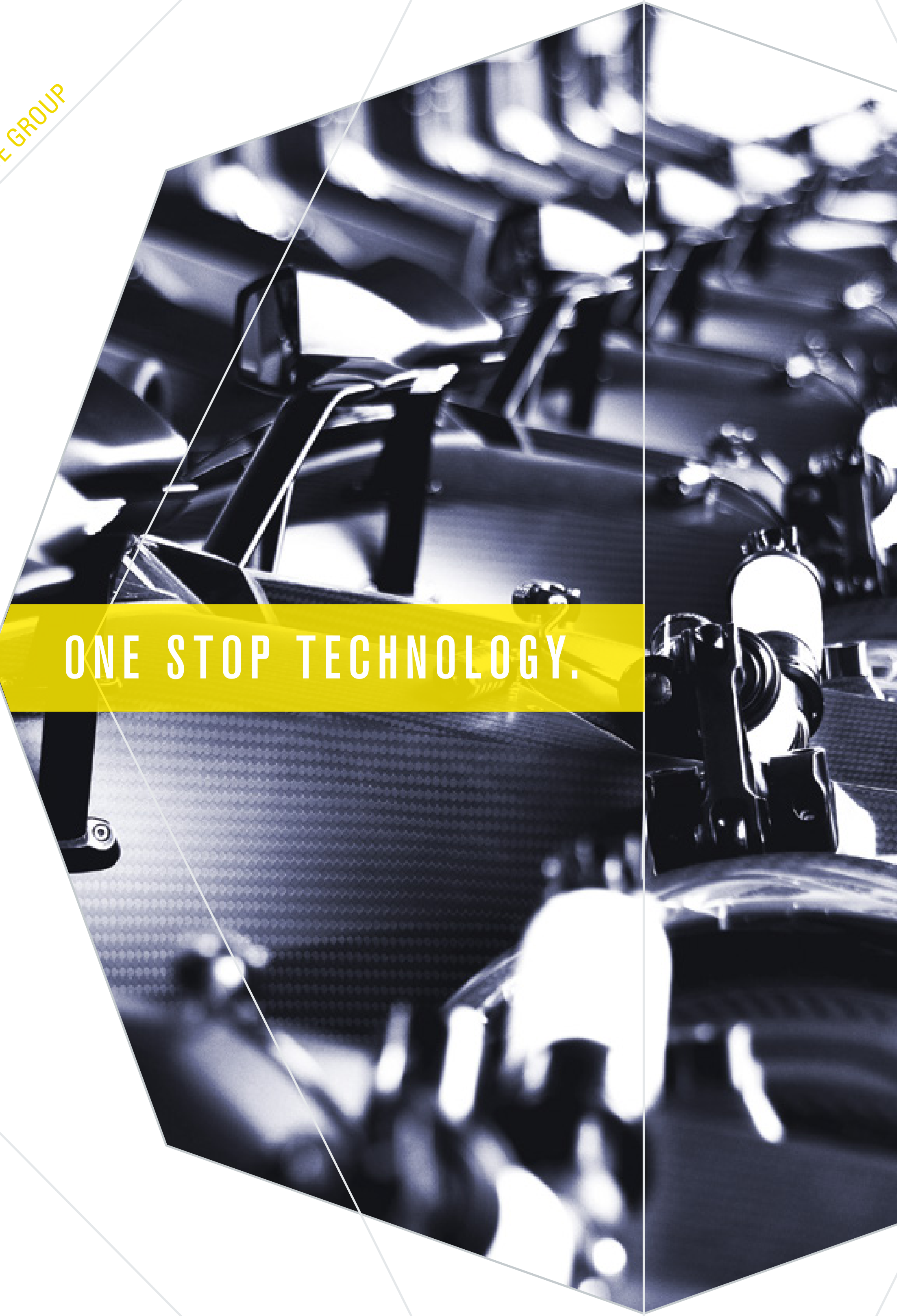
- Increase in revenues by more than 50% to € 108.0m
- Take over of the exhaust- and frame production from KTM – WP is now able to develop, produce and test the whole chassis of a motorcycle
- Expansion of new production capacities at the site in Munderfing
- Development of a new semi-active chassis for motorcycles until series-production readiness
- New process oriented production process launched in the radiator segment

KEY FIGURES in €m	2012	2011
Revenues	108.0	69.9
EBITDA	8.5	6.6
EBIT	6.3	5.2
Net profit of the year	5.3	3.7
Balance sheet total	52.5	40.7
Equity	19.8	16.0
Net debt	11.0	5.9

SHAREHOLDER STRUCTURE as of 31/12/2012



WETHJE GROUP



ONE STOP TECHNOLOGY.

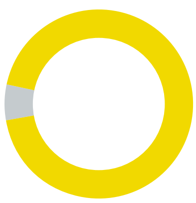
MILESTONES OF THE BUSINESS YEAR

- Increase in revenues by 15% to € 24.4m
- Considerable expansion of the new business area "RTM (Resin Transfer Moulding)-technology"
- Takeover of the automotive RTM-business of the Swiss Airex AG in Summer 2012 and relocation to Pleinting
- Successful launch of the new SAP ERP-system

KEY FIGURES in €m	2012	2011
Revenues	24.4	21.2
EBIT	0.6	0.3
EBIT margin	2.5%	1.4%

SHAREHOLDER STRUCTURE as of 31/12/2012

6%
Pierer Invest
Beteiligungs GmbH



94%
CROSS Group

CROSS INFORMATIK GMBH

CROSS Informatik GmbH

MILESTONES OF THE BUSINESS YEAR

- As of 31 December 2012 CROSS Informatik GmbH held shares in All for One Steeb AG, BRAIN FORCE HOLDING AG and Triplan AG

- In business year 2011/2012 All for One Steeb AG generated revenues of € 153.2m (+70%) and an EBIT of € 6.0m (+26%)
- Revuenue increase of 35% to € 46.0m in the first quarter of 2012/2013; EBIT +43% to € 3.1m

- BRAIN FORCE HOLDING AG achieved a revenue increase of 7% to € 76.0m in business year 2011/2012 and generated a positive operating result again after last year's turnaround
- Incease of the group revenues in the first quarter of 2012/2013 by 9% to € 21.6m; improvement of the EBIT from € –0.2m to € 0.5m

- In business year 2011/2012 Triplan AG generated revenues in the amount of € 39.2m and an EBIT of € 1.0m
- Revenue increase of 9.8% to € 11.1m in the first quarter of 2012/2013; EBIT of € 0.6m

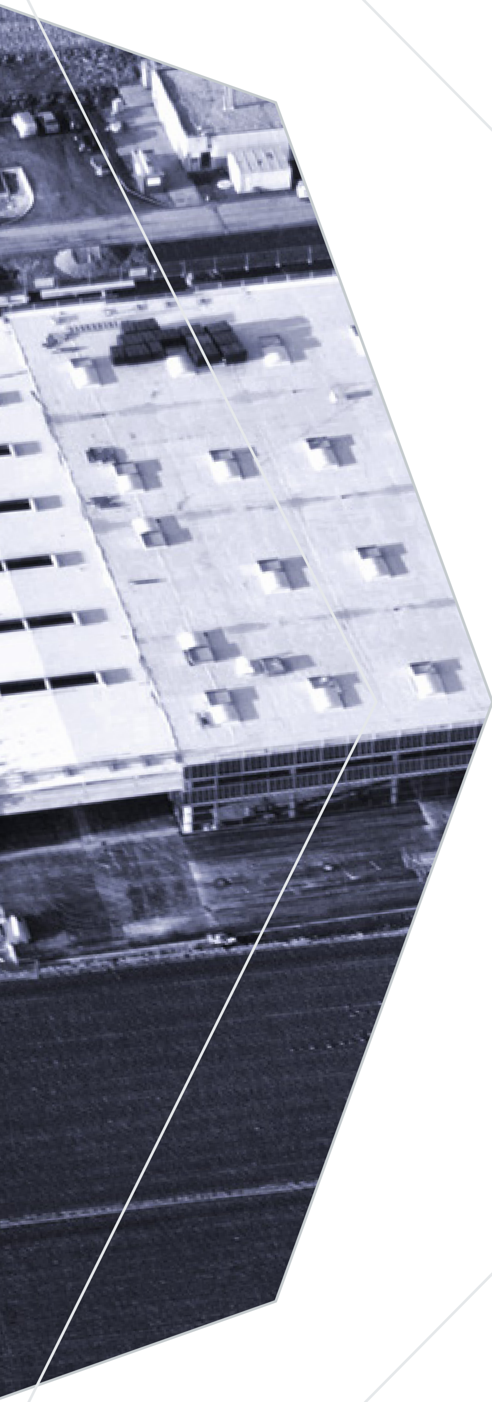
KEY FIGURES in €m	2011/2012	2011[1]
Revenues	229.3	83.9
EBIT	5.7	3.2
EBIT margin	2.5%	3.8%

SHAREHOLDER STRUCTURE as of 31/12/2012

[1] CROSS Informatik GmbH was founded on 04/02/2011 in the course of the spin-off of BEKO HOLDING AG. As of 30/09/2011 consolidated financial statements were prepared for the first time.

CROSS IMMOBILIEN AG

ONE STOP TECHNOLOGY.



MILESTONES OF THE BUSINESS YEAR

- In business year 2012 CROSS Industries AG acquired further 19% in CROSS Immobilien AG and therefore now holds 95%
- Construction and partial entry-into-service of a building for WP Performance Systems GmbH and WP Components GmbH in Munderfing
- Acquisition of 115,700 m² plot area in Munderfing, of 18,400 m² plot area in Wels/Lichtenegg as well as of a property (building erected on land owned by another person) [Superädifikat] in Graz

KEY FIGURES in €m	2012	2011
Revenues	2.4	1.9
Net profit of the year	0.5	0.7
Balance sheet total	40.3	27.0
Equity	11.9	11.4

SHAREHOLDER STRUCTURE as of 31/12/2012

In the business year 2012, the Supervisory Board of CROSS Industries AG held five meetings, thus fulfilling its duties required by law and under the articles of association.

The Management Board of CROSS Industries AG regularly reported to the Supervisory Board on business development and the economic state of the corporation, including its associated companies. The annual financial statements and the management report for the fiscal year 2012 as well as the consolidated financial statements and group management report for fiscal year 2012 were audited by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz. The audit did not give rise to any objections and the individual and consolidated statements for business year 2012 were granted an unqualified audit certificate.

The auditors certified that the accounting and the annual financial statements as of business year 2012 are consistent with the applicable laws, that the annual financial statements give, in all material respects, a true and fair view as possible of the company's net assets, financial position and results of operations for business year 2012 in accordance with generally accepted accounting principles, and that the management report is consistent with the annual financial statements. Further, the auditors certified that the consolidated financial statements give a true and fair view in all material respects of the group's net assets and financial position as of 31 December 2012, as well as of the results of operations and cash flows for the past fiscal year in accordance with the International Financial Reporting Standards (IFRS) – as applicable in the EU-, and that the other details in the group management report do not misrepresent the group's situation and the legal requirements from exemption of preparing a group statement in accordance with Austrian law are met.

The Supervisory Board concurs with the Auditor's report and consequently also with the results of the final audit. After obtaining the final results of its review of the Management Board's management report and group management report, the annual financial statements and consolidated financial statements, and its management review, the Supervisory Board also raised no objections. Having been accepted by the Supervisory Board, the annual financial statements can be deemed approved pursuant to Article 96 (4) Stock Corporation Law (AktG). The Supervisory Board acknowledged the consolidated financial statements and the group management report for the fiscal year 2012. The Supervisory Board concurs with the Management Board on the proposal of the distribution of net profit.

The Supervisory Board recommends that KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, be appointed as independent auditors for the fiscal year 2013.

Wels, April 2013

Rudolf Knünz
Chairman of the Supervisory Board

CROSS Industries AG

GROUP STATUS REPORT 2012

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1. BUSINESS DEVELOPMENT AND COMPANY STATUS

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

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

- the subarea "Complete Vehicle" with its 100% share in CROSS KraftFahrZeug Holding GmbH, which holds shares in the KTM Group (formerly: KTM Power Sports Group),
- the subarea "High Performance" with its 100% share in the CROSS Motorsport Systems Group (with its shareholdings in Pankl Racing Systems AG, WP Performance Systems GmbH (formerly: WP Suspension Austria GmbH) and its subsidiary WP Components GmbH (formerly: WP Radiator GmbH) as well as
- the subarea "Lightweight" with its 100% share in CROSS Lightweight Technologies Holding GmbH, which holds shares in the Wethje Group.

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

The conclusion of a syndicate agreement between Pierer GmbH and Knünz GmbH on 13 June 2012 led to dominant control of Pierer GmbH over Pierer Invest Beteiligungs GmbH and in the further course to a change of control in KTM AG and Pankl Racing Systems AG. As of 31 December 012 the CROSS Group held 51.69% in the share capital and voting rights in KTM AG indirectly through CROSS KraftFahrZeug Holding GmbH.

As of the reporting date on 31 December 2012 the CROSS Group held about 58.31% in Pankl Racing System AG's share capital and voting rights. Furthermore, CROSS Motorsport Systems AG has issued a takeover bid to the shareholders on the reporting date of 31 December 2012.

After the conclusion of the share purchase agreement of 29 October 2012, 6% of shares in Wethje Holding GmbH (formerly: Wethje Carbon Composite GmbH) and Wethje Immobilien GmbH (formerly: Wethje-Entwicklungs GmbH) were respectively sold from CROSS Lightweight Technologies Holding GmbH to Pierer Invest Beteiligungs GmbH.

Upon the conclusion of the agreement of 20 November 2012 on the one hand the put option from Samvardhana Motherson Peguform GmbH (formerly: Forgu GmbH), from the agreement of 22 November 2011 was exercised and 50% of shares in the Wethje Group were purchased from PF Beteiligungsverwaltungs GmbH instead of from CROSS Motorsport Systems AG; on the other hand respectively 3.72% of shares in SMP Deutschland GmbH (formerly: Peguform GmbH) and in SMP Automotive Technology Iberica, S.L. (formerly: Peguform Iberica S.L.) were sold by PF Beteiligungsverwaltungs GmbH.

As of the reporting date PF Beteiligungsverwaltungs GmbH holds respectively 16.3% of shares in SMP Automotive Technology Iberica, S.L. and in SMP Deutschland GmbH.

On the basis of the share purchase agreement of 13 December 2012 PF Beteiligungsverwaltungs GmbH has sold its 50% share in the Wethje Group to CROSS Motorsport Systems AG.

On the basis of the share purchase agreement of 31 December 2012 on the one hand 44% of shares in Wethje Immobilien GmbH and on the other hand 50% of shares in Wethje Immobilien GmbH were sold by CROSS Motorsport Systems AG to Wethje Holding GmbH.

As of the reporting date of 31 December 2012 the CROSS Group held 94% of shares in Wethje Holding GmbH through CROSS Lightweight Technologies Holding GmbH and CROSS Motorsport System AG.

Furthermore, as of the reporting date of 31 December 2012 the company held 50% interest in CROSS Informatik GmbH in which the majority interests in BRAIN FORCE HOLDING AG and in All for One Steeb AG (formerly: All for One Midmarket AG) as well as the minority interests in Triplan AG are bundled. CROSS Informatik GmbH is included in the consolidated financial statements at equity.

In business year 2012 CROSS Industries AG acquired further 19% of shares in CROSS Immobilien AG and holds 95% in the company as of the reporting date.

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

CROSS Industries AG still holds 100% of shares in CROSS Services GmbH, which is currently undergoing a liquidation process.

Further details regarding interest developments are explained in the notes to the annual financial statements as of 31 December 2012.

BUSINESS PERFORMANCE

Despite a declining motorcycle market in Europe by about 12% KTM Group improved its revenues to € 612.0m (+16.2% compared to the previous year) and sales to 98,740 vehicles (+21.6% compared to the previous year). Taking into consideration the 200 Duke models sold by KTM's partner Bajaj in India, 107,142 KTM motorcycles were sold worldwide in 2012.

Despite the further declining motorcycle market, this increase in revenues leads to significant market share growth, especially in Europe. Although the market in Europe fell by more than 12% in 2012, KTM managed to increase sales and market shares by about 33%. KTM thus reached a share of 7.5% of the European total market.

In the USA, where the market has developed slightly positive with 1.2%, market shares, sales and revenues increased by about 25% respectively.

For the CROSS Motorsport Systems Group business year 2012 developed very satisfactory. Throughout the whole year the market environment developed positively in all segments. As a result the consolidated group revenues were increased by 34% to € 235.4m. This extreme growth can be attributed to a significant increase of revenues in the traditional segments as well as to the integration of new business areas, in particular at the WP Group. Further the group managed to significantly improve the profit situation, compared to the previous year; the EBIT more than doubled with € 14.1m.

Through intensive racing activities and extensive development assignments in all racing series the Pankl Group was able to considerable expand business. In the high performance segment as well as in the aerospace segment Pankl was able to win essential assignments, which led and will further lead to a significant expansion of business.

In total the Pankl Group increased revenues by 21% to € 127.7m. In order to meet the increasing demand, the company had to make considerable investments in the expansion of production capacities. This mainly regarded the expansion of the plants at the locations Bruck upon Mur and Kapfenberg.

In a stable market environment the WP Group managed to further expand the core business in business year 2012. In addition business activities were also expanded through the acquisition of the exhaust- and frame production from KTM. Now WP is able to develop, test and produce the complete chassis of a motorcycle. One focal point of WP is also the continuous development of products.

Through intensive activities in the racing segment and in particular through new development assignments in the automotive series production segment, the Wethje Group was able to considerably expand its business.

In 2012 the new business area, RTM-technology (RTM = Resin Transfer Moulding) was also considerably expanded and the newly installed capacities well utilized. In summer 2012 the automotive RTM business of the Swiss Airex AG was taken over and relocated to Pleinting. In order to secure the needed capacities for the dispatched serial orders in the mid-term, the construction of a new plant and the establishment of a technological investment program were started at the location in Pleinting. The introduction of the new SAP ERP-system is another important milestone in the company's history.

2. FINANCIAL SITUATION

RESULT ANALYSIS

The result of CROSS Group amounts to € 50.2m (previous year: € –4.5m) and can be mainly attributed to the contribution in kind of KTM AG shares in CROSS KraftFahrZeug Holding GmbH. Since CROSS Industries AG basically performs functions of a holding company, the status report covers the development of its subsidiaries as well as of the group of business year 2012.

The result from continued operations of the business year amounts to € 20.6m (previous year: € 21.8m). Hereto the KTM Group contributed € 25.3m (previous year: € 20.8m), the CROSS Motorsport Systems Group € 5.8m (previous year: € 0.8m) and the remaining companies and holding companies (including consolidation effect) € –10.5m (previous year: € 0.2m). The result from discontinued operations of the business year amounts to € –1.1m (previous year: € 24.0m) and can be attributed to the sale of the Peguform Group in 2011.

The group revenues of the **KTM Group** increased in comparison to the previous year by 16.2% to € 612.0m with 98,740 vehicles sold, resulting in an EBIT of € 36.7m (previous year: € 31.0m). Thus both revenues and the EBIT were increased significantly in comparison to the previous year.[1]

In the annual comparison the revenues of the **Pankl Group** increased by 21.1% from € 105.4m in 2011 to € 127.7m in 2012, which can be attributed to the positive development in both segments (racing/high performance and aerospace). With a further increase of the operating result (+47.8%) to € 10.4m (previous year: € 7.0m) the Pankl Group generated a record result. Both segments contributed to this extraordinary good result development, which resulted in an improvement of the EBIT margin to 8.1% (previous year: 6.7%).[2]

As a result of the revenues increase in the core business and the two new segments, the **WP Group** generated revenues of € 108.0m, which equals a revenues plus of more than 50%. WP also made considerable investments in connection with the expansion of new production capacities at the site in Munderfing in the past business year.

Revenues in €m	**2012**	**2011**
KTM AG (formerly: KTM Power Sports AG)	612.0	526.8
Pankl Racing Systems AG	127.7	105.4
WP Group (formerly: WP Suspension Group)	108.0	69.9
Wethje Group	24.4	–
Others	45.1	28.9
Consolidation	(91.5)	(52.5)
CROSS Group	**825.7**	**678.6**

EBIT in €m	**2012**	**2011**
KTM AG (formerly: KTM Power Sports AG)	36.7	31.0
Pankl Racing Systems AG	10.4	7.0
WP Group (formerly: WP Suspension Group)	6.3	5.2
Wethje Group	0.6	–
Others	(5.5)	(2.1)
Consolidation (including effects from purchase price allocation)	(1.5)	(2.2)
CROSS Group	**47.0**	**38.9**

[1] Source Revenues and EBIT: Published consolidated financial statements as of 31 December 2012 of KTM AG
[2] Source Revenues and EBIT: Published consolidated financial statements as of 31 December 2012 of Pankl Racing Systems AG

BALANCE SHEET ANALYSIS

In comparison to the same period in the previous year the balance sheet total increased from € 818.5m to € 917.9m, whereby this can be mainly attributed to the first time consolidation of the Wethje Group as well as the intensified investment activities in the respective holding companies.

Cash and cash equivalents rose from € 28.3m to € 43.3m. Trade receivables increased by 2.8% to € 73.8m in 2012. Inventory levels increased as well by 8.5% to € 177.9m. Inventories in the amount of € 110.0m basically concern the KTM Group and € 59.5m can be attributed to the CROSS Motorsport Systems Group.

Other current assets and advance payments increased by € 3.8m to € 24.7m in 2012.

Non-current assets rose from € 532.6m to € 596.3m and make up 65.0% (previous year: 65.1%) of the balance sheet total. The increase of non-current assets can be attributed on the one hand to the first time consolidation of the Wethje Group and on the other hand to intensified investment activities in the area property, plant and equipment and intangible assets in 2012.

In comparison to the previous year financial assets decreased by 13.5% to € 69.8m. This is mainly related to the first time full consolidation of the Wethje Group and the reduction of shares in the Peguform Group in connection with this by 20% to 16.3%.

Tangible assets amounted to € 219.6m as of the balance sheet date and rose by € 59.3m compared to the previous year. This increase is mainly related to the first time consolidation of the Wethje Group as well as increased investment activities in business year 2012. Tangible assets are attributed to the KTM Group with € 92.5m and the CROSS Motorsport Systems Group with € 73.1m.

In 2012 intangible assets increased by 10.4% to € 143.9m. In connection with this item € 61.1m (previous year: € 61.1m) can be attributed to the brand "KTM" and € 64.4m (previous year: € 53.8m) to capitalized development costs at KTM.

Other non-current assets remained almost unchanged in comparison to the previous year with € 0.1m.

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

Financial liabilities (current and non-current) remained almost unchanged and amount to € 226.7m as of the balance sheet date.

Bond liabilities (current and non-current) rose in business year 2012 by € 58.7m to € 172.4m. This increase can be attributed to the KTM AG bond, which was placed in April 2012 with a volume of € 85m and a term of five years as well as to the bond placed by CROSS Industries AG in October 2012 with a volume of € 75m and a term of six years. Furthermore, the bond of CROSS Industries AG (2007 to 2012) was redeemed in business year 2012. In business year 2012 a partial redemption of the CROSS Motorsport Systems AG bond (2008 to 2013) with a volume of € 75m was carried out in business year 2012. The redemption of the bond was financed through the equity financing of the CROSS Group, which was concluded in April 2012.

Equity capital rose by € 10.0m to € 326.1m compared to the previous year. In this connection, shares of non-controlling shareholders increased from € 137.5m to € 152.1m, which can be mainly attributed to the positive attributable annual group result. Equity capital of majority shareholders decreased in the previous year by € 5.0m to € 163.9m and mainly results from share purchases in subsidiaries. As of the reporting date the equity ratio amounted 34.4% (previous year: 37.4%).

LIQUIDITY ANALYSIS

The group cash flow from the operating business amounts to € 75.8m (previous year: € 57.3m) and is composed of the cash flow (€ 67.0m) as well as the changes in balance sheet items in the amount of € 8.8m, due to the positive result development in the respective subsidiaries. In this respect the KTM Group as well as the Pankl Group especially contributed to this positive development.

The cash flow from investments in the amount of € –109.2m (previous year: € 10.6m) mainly resulted from expenses for investments and property, plant and equipment as well as intangible assets (€ –102.9m), which are approximately on previous year's level. In this respect the Pankl Group especially contributed to this figure as a result of the expansion of Austrian locations as well as investments in the engine components area with € 25.9m (previous year: € 7.8m). In the past business year CROSS Immobilien AG invested in further real estate and properties, apart from the newly constructed site in Munderfing/Mattighofen. In this connection the cash flow from investments amounted to € 16.8m. The total investments of the KTM Group amount to € 56.1m.

The group cash flow from financing activities amounts to € 48.4m (previous year: € –105.8m) and results from the increase of bonds.

INVESTMENTS

In the past business year the CROSS Group invested € 102.8m in property, plant and equipment as well as intangible assets, out of which about € 52.4m were taken from the KTM Group and € 27.8m (previous year: € 25.3m) resulted from the capitalization of serial production development costs. In this respect investments were made in the development as well as procurement of tools with the aim of further development of the already existing product range as well as new products in the off-road and street segments.

The CROSS Motorsport Systems Group has made investments in the amount of € 32.0m (previous year: € 9.7m) in property, plants and equipment as well as intangible assets. This considerable increase mainly results from the expansion of sites of the Pankl Group in Bruck upon Mur and Kapfenberg, which was necessary in particular due to the good order situation in the aerospace segment and the upcoming large-scale projects in the high performance segment.

KEY FINANCIAL PERFORMANCE INDICATORS

in €m	2012	2011	2010
Earning figures			
Revenues	825.7	678.6	590.1
EBITDA	94.9	85.5	75.2
EBITDA margin	11.5%	12.6%	12.7%
EBIT	47.0	38.9	26.3
EBIT margin	5.7%	5.7%	4.5%
Result from continuing operations	20.6	21.5	(3.0)
Result from discontinued operations	(1.1)	24.0	(15.0)
Operating cash flow	76.5	57.3	102.3
Balance sheet figures			
Balance sheet total	917.9	818.5	1,433.2
Equity	316.1	306.0	292.6
Equity ratio	34.4%	37.4%	20.4%
Working capital employed[1]	156.9	161.9	250.1
Net debt[2]	361.5	320.4	609.6

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

3. HUMAN RESOURCES

As of December 31, 2012 the number of personnel amounted to 3,703 employees (previous year: 3,131 employees). KTM employed 1,647 people on average (31 December 2012: 1,702). As of the reporting date further 1,601 employees from the CROSS Motorsport Systems Group were integrated into the CROSS Group. Out of this number a significant part can be allocated to the Pankl Group with a number of personnel of 1,082 on annual average (31 December 2012: 1,142) as well as the WP Group with an average of 342 employees (31 December 2012: 105 employees). Due to the consolidation of the Wethje Group further 279 employees are added to the group.

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

4. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Regarding the important events after the balance sheet date please refer to the notes to the consolidated financial statements (item 29) of CROSS Industries AG.

5. RISK REPORT

As a global corporation, the CROSS Industries Group is confronted with a large number of potential risks. The Management and Supervisory Boards are regularly informed about any risks that could have a significant effect on business development. Regarding the risk report and the application of original and derivate financial instruments and risk management goals connected with this issue, please refer to the explanations in the notes, item 26.

CROSS INDUSTRIES AG AS A PARENT COMPANY

The profit situation of CROSS Industries AG is characterized by expenses in connection with financing, share purchases as well as project expenses and mainly depends on the dividend policy of its holding companies. CROSS Industries AG's interest in the KTM Group currently makes up the biggest and most essential interest.

ECONOMIC DEVELOPMENT OF THE MOTORCYCLE INDUSTRY

The production and sale of motorcycles (including spare parts) are dependent on economic trends and depend on general economic conditions, such as industrial production, interest rates, fuel costs as well as consumer spending and preferences on the motorcycle market. From year to year the volume of the OEM production including the demand for spare parts is subject to strong fluctuations in Europe and the rest of the world.

RISK PECULIAR TO THE TRADE – RACING

Demand on the racing market is strongly affected by changes of regulations. Since the racing season 2007 only homologated V8-engines may be used in Formula 1. In summer 2011 a new resolution on a new Formula 1 engine (V6) as of 2014 was passed by the FIA World Motor Sport Council. Furthermore there will be an annual homologation cycle in the course of continuous improvement of efficiency. Especially in the next few years these changes in regulations will lead to high development- and testing activities in the respective racing teams.

In certain other racing classes new regulations and changes in regulations will lead to increased development- and testing activities as well. These changes already take into consideration the general trend of engine downsizing and hybridization in the automobile industry and thus represent a new technological challenge for motorsport participants. In this connection there might be the risk that the challenges may not be met in a sufficient manner, however it might be as well an opportunity for Pankl to further expand market shares and further strengthen their leading market position.

ECONOMIC DEVELOPMENT OF THE AUTOMOBILE- AND AEROSPACE INDUSTRY

In general a growing interest in motorsport as a marketing platform can be observed due to the excellent economic situation of automobile companies, allowing Pankl to profit from intensified racing activities. While automobile manufacturers reduced their motorsport budgets and individual manufacturers even dropped out of different racing series in 2008 due to the global economic crisis, more and more automobile manufacturers started to engage themselves in racing again as of 2009/2010. Currently new development opportunities arise for Pankl through various changes in respective racing classes.

In comparison to the automobile industry, the aerospace industry belongs to a late-cyclic segment. After a recognizable recovery as of mid 2010, the aerospace industry experienced a trend reversal only in the second half of 2011. In particular at the civil helicopter manufacturers a sustainable, positive trend can be observed. This positive development in the aerospace segment is anticipated to continue for Pankl, enhanced through new components.

CHANGES ON THE PROCUREMENT-, RAW MATERIAL- AND SALES MARKETS

The procurement market poses a risk to the CROSS Group. This risk is relevant with regard to quantity, quality and prices. The CROSS Group reacts to these risks with continuous auditing of existing and potential suppliers as well as by concluding long-term offtake agreements. The quality of the provided materials is monitored on a regular basis.

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

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

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

REPORTING ON THE ACCOUNTING-RELATED, INTERNAL CONTROL- AND MANAGEMENT SYSTEM

The responsibility for the establishment and organization of an accounting-related, internal control- and risk management system as well as for guaranteeing the adherence to all legal requirements lies with the Management Board. The group accounting of the CROSS corporation is organized within CROSS Industries AG and is under the direct control of the CFO.

The accounting manual of CROSS Industries AG, which is updated on a regular basis, forms the foundation for the group's accounting and reporting. Therein specified are the uniform group key accounting- and reporting requirements according to IFRS.

Continuous review of goodwill values (impairment) and group assets, which can be allocated to respective corporate divisions, takes place at the corporate headquarters. Continuous review of goodwill values (impairment) for subsidiaries integrated into the subgroups is done directly at the group subsidiaries. Adherence to the applicable standards is ensured and monitored at management meetings on a regular basis.

All transactions of the group are recorded, settled and booked with different software solutions (ERP-systems). In smaller companies in some countries accounting is outsourced to local tax advisers. The companies provide the holding with reporting packages comprising all relevant accounting data for the income statement, the balance sheet and cash flow on a quarterly basis. The information is then entered into the central consolidation system. Provided that the affiliates use the same system as the parent company, the data transfer takes place automatically; only in national companies with other systems the recording is done manually. This information is reviewed and analyzed by CROSS Industries AG and forms the basis for reporting of the CROSS Group according to IFRS.

There is currently no individual internal revision unit. However, the above described internal control- and reporting system is set up to enable the Management Board to identify risks and quickly react to them.

For the internal management reporting we use a common planning- and reporting software or Excel. For the transfer of actual data from the primary system, automated interfaces were created for the most part. The data input for forecast calculations is partly done through a standardized process. Reporting is done for each group company and, if necessary also for various business areas. In addition to reporting on the operative result development for the respectively expired month, also a business year preview is prepared. These reports also provide a summary of the most important events or deviations from the budget figures, the previous year's period as well as the respective previous forecast calculations and, if necessary, an updated assessment of individual risks.

The explained financial information in connection with the quarterly figures forms the basis of reporting by the Management Board to the Supervisory Board. At regular meetings the Supervisory Board is informed about the economic development by means of consolidated presentations comprising reporting, result development with budget- and previous year's comparisons, forecast calculations, consolidated financial reports, employee- and order developments as well as selected financial indicators.

6. RESEARCH AND DEVELOPMENT

In business year 2012 expenses for research and development of the CROSS Group amounted to € 27.5 m (previous year: € 24.2 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 business year 2012 the KTM Group employed 265 people on average (16.1% of the overall workforce). In particular in the racing segment, technology leadership is one of the key success factors. All components and systems have to be continuously developed and improved in order to meet highest customer requirements.

Research and development services represent a main part of the strategic planning of the Pankl Group. Through the acquisition of a German turbocharger development company another competency was acquired in the area of advanced charging- and air management systems for combustion engines. Knowledge gained in the framework of research and development in the racing segment is systematically applied in the segments "high performance" and "aerospace" and therefore strengthens Pankl's market position in these business areas.

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

7. QUALITY AND SUSTAINABILITY

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

KTM creates added value for society and shareholders with strategic leadership, focusing on developing core strengths, continuous improvement of work processes, treating employees and suppliers as partners, and the process-oriented quality management system. With 1,360 people on average working at the facilities in Mattighofen, KTM is one of the largest employers in the region.

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

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

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

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

8. ENVIRONMENT

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

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

KTM meets Euro3, 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 previous business year there were no expenses in connection with the purchase of CO_2-certificates. The Pankl Group is not registered for the national allocation plan (NAP).

9. CORPORATE SOCIAL RESPONSIBILITY

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

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

10. OUTLOOK

The development of the CROSS Group strongly depends on the development of subsidiaries integrated in the corporation. The global economic development, triggered by the banking- and financial crisis led to a significant reduction in market value of major associate companies of the group already in business year 2008/2009, which however could already be made up for.

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

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

For 2013 a positive outlook can be given for all business segments of the CROSS Group.

According to prognoses the overall European market will further slightly recline for the KTM Group due to the overall economic crisis. The American overall market shows a stable to slightly positive development. Through the implementation of new models KTM consistently pursues a global product strategy and further expansion into Asian markets.

A major focus in the CROSS Motorsport Systems Group is laid on the development of new products and components, which is a key factor for the successful development of the company in the future. Apart from that the expansion into new product areas and the herewith connected broader market positioning of the WP Group constitute a strategically important step for the long-term securing of the company.

Because of the good overall economic situation as well as already concluded changes in regulations in the racing segment for 2013 and 2014 and herewith connected development- and testing activities, the Pankl Group expects growing revenues in 2013. In business year 2012 the Pankl Group was able to win important orders in the aerospace segment, which will lead to further business expansion in the current business year. Thanks to high investments in the past business year Pankl formed the basis for further growth.

In business year 2013 the order situation at the WP Group was slightly below previous year's level, as a result of which we anticipate a slight decrease in revenues in the current year. A further recline of the industry is still possible in many European countries due to public budget consolidation measures. For the WP Group risks in connection with business development may occur due to the tense situation on the suppliers' side.

As a result of the stable financial situation in all subsidiaries with high equity ratios and financing with matching maturities, new market opportunities will arise for companies of the CROSS Group in 2013.

As a result of the long-term equity financing concluded in business year 2012 as well as the issue of the KTM bond with a term of five years and the CROSS Industries bond with a term of six years, the future financing requirements of the CROSS Group can be secured.

Wels, 29 March 2013

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

CROSS Industries AG

CONSOLIDATED FINANCIAL STATEMENTS 2012

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as of 31 December 2012

	ASSETS in €k	**31/12/2012**	**31/12/2011**
	SHORT-TERM ASSETS		
(14)	Cash and cash equivalents	43,279	28,297
(15)	Accounts receivable from trade	73,821	71,844
	Accounts receivable from affiliated companies	1,843	779
(16)	Inventory		
	– Raw materials	44,839	35,405
	– Unfinished goods	28,842	29,322
	– Finished products and goods	103,027	97,957
	– Payments on account	1,214	1,265
		177,922	**163,949**
	Advance payments made	3,244	2,616
(15)	Receivables and other short-term asset	21,475	18,322
		321,584	285,807
	LONG-TERM ASSETS		
(17)	Financial fixed assets		
	– Participations in affliated companies	12,168	9,825
	– Participations in associated companies	25,073	31,055
	– Other participations	30,538	37,128
	– Loans	2,003	2,143
	– Investment securities	0	525
		69,782	**80,676**
(18)	Tangible fixed assets		
	– Land	23,501	15,952
	– Buildings	95,199	76,370
	– Technical facilities and machinery	40,623	29,891
	– Fixtures and furnishings	34,492	28,722
	– Payments on account and facilities under construction	25,804	9,365
		219,619	**160,300**
(20)	Goodwill	156,518	153,748
(20)	Intangible fixed assets	143,877	130,370
(12)	Deferred tax assets	6,508	7,496
(15)	Receivables and other long-term assets	44	51
		596,348	532,641
	Total assets	917,932	818,448

	LIABILITIES AND SHAREHOLDER'S EQUITY in €k	31/12/2012	31/12/2011
	SHORT-TERM LIABILITIES		
(22)	Financial liabilities	54,279	53,553
(22)	Bonds	13,574	49,945
	Accounts payable from trade	90,604	73,853
	Accounts payable from affiliated companies	7,038	5,567
(24)	Provisions	7,373	5,344
	Liabilities from income taxes	859	1,473
	Advance payments made	1,700	933
(22)	Other short-term liabilities	52,400	48,347
		227,827	239,015
	LONG-TERM LIABILITIES		
(22)	Financial liabilities	172,466	172,476
(22)	Bonds	158,850	63,768
(25)	Liabilities for personnel	12,732	10,171
(12)	Deferred tax liabiliites	16,346	17,676
	Long-term liabilities from affiliated companies	0	34
(22)	Other long-term liabilities	13,651	8,873
		374,045	272,998
	SHAREHOLDER'S EQUITY		
(21)	Share capital	1,332	1,332
(21)	Capital reserves	141,220	141,220
(21)	Perpetual bond	58,987	58,987
(21)	Other reserves including retained earnings	(37,597)	(32,644)
	Minority interests	152,118	137,540
		316,060	306,435
	Total liabilities and shareholder's equity	917,932	818,448

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

CONSOLIDATED INCOME STATEMENT

for Business Year 2012

	in €k	2012	2011
(05)	Revenues	825,651	678,626
(06)	Cost of goods sold	(593,585)	(478,499)
	Gross margin	**232,066**	**200,127**
(06)	Sales and sport activity expenditure	(95,846)	(81,177)
(06)	R&D expenditure	(27,500)	(24,156)
(06)	Administration costs	(54,034)	(49,055)
(08)	Other operating expenses	(11,230)	(9,606)
(09)	Other operating income	3,518	3,055
	Operating income (EBIT)	**46,974**	**39,188**
	Interest income	2,269	1,541
	Interest expenses	(19,338)	(21,417)
(17)	Result from at-equity valuation	559	(49)
(10)	Other financial and participation result	(6,753)	3,011
	Pre-tax profit	**23,711**	**22,274**
(12)	Tax on income and earnings	(3,086)	(493)
	Net profit from continuing operations	**20,625**	**21,781**
(13)	Net profit from discontinued operations	(1,094)	23,991
	Net profit of the year	**19,531**	**45,772**
	thereof shareholders of parent company	5,261	28,066
	thereof minority interests	14,270	17,706

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for Business Year 2012

in €k	Shareholders of parent company	Minority interests	Total
2012			
Net profit of the year	5,261	14,270	19,531
– Currency conversiong	(394)	(211)	(605)
– Investment valuation not affecting net income	233	0	233
– Deferred taxes on "Available-for-Sale" securities	(58)	0	(58)
– Valuation of cash flow hedges	405	988	1,393
– Deferred taxes on valuation of cash flow hedges	(101)	(247)	(348)
Revenues and expenses recognized in the income statement	85	530	615
– Actuarial losses	(1,184)	(547)	(1,731)
– Deferred taxes on actuarial losses	296	137	433
Revenues and expenses not recognized in the income statement	(888)	(410)	(1,298)
Other income	(803)	120	(683)
Total comprehensive income	4,458	14,390	18,848

in €k	Shareholders of parent company	Minority interests	Total
2011			
Net profit of the year	28,066	17,706	45,772
– Currency conversiong	(315)	965	650
– Investment valuation not affecting net income	(151)	(75)	(225)
– Deferred taxes on "Available-for-Sale" securities	38	19	56
– Valuation of cash flow hedges	5,699	5,695	11,393
– Deferred taxes on valuation of cash flow hedges	(1,425)	(1,424)	(2,848)
Revenues and expenses recognized in the income statement	3,846	5,180	9,026
– Actuarial losses	(130)	(139)	(269)
– Deferred taxes on actuarial losses	33	35	68
Revenues and expenses not recognized in the income statement	(97)	(104)	(201)
Other income	3,749	5,076	8,825
Total comprehensive income	31,815	22,782	54,597

CONSOLIDATED CASH FLOW STATEMENT

for Business Year 2012

	in €k	2012	2011
	CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit for the year	19,531	45,772
+ (–)	Amortization/write-ups on assets and intangible assets	47,890	79,605
+ (–)	Increase (decrease) of long-term personnel liabilities	1,263	663
– (+)	Profit (loss) from the sale of interest in subsidiaries	0	(30,699)
– (+)	Profit (loss) from equity-consolidation	(559)	49
– (+)	Profit (loss) from the sale of fixed assets	(328)	(360)
+ (–)	Other non cash expenses (income)	(798)	(976)
	Consolidated cash flow from results	**66,999**	**94,054**
– (+)	Increase (decrease) in inventories and prepayments on account	(10,525)	(22,081)
– (+)	Increase (decrease) in trade receivables, advance payments, other short-term and long-term assets	(2,691)	(84,072)
+ (–)	Increase (decrease) in trade payables, advance payments and other short-term and long-term liabilities	23,111	68,451
+ (–)	Increase (decrease) in liabilities from tax provisions, deferred tax liabilities and other provisions	(482)	(4,454)
– (+)	Increase (decrease) in assets and liabilities held for sale	0	4,787
– (+)	Increase (decrease) in currency rate differences	(605)	650
		8,808	**(36,719)**
		75,807	**57,335**

	in €k	2012	2011
	CONSOLIDATED CASH FLOW FROM INVESTMENT ACTIVITIES		
–	Investments in fixed assets (outflow of funds for investments)	(102,859)	(97,134)
–	Investments in financial assets	(1,895)	(1,300)
– (+)	Purchase (sale) of interest in subsidiaries	(6,129)	103,128
+	Disposals of fixed assets (cash flow from the sale: residual book values + profits (– losses) from the disposal of fixed assets)	1,440	3,199
+ (–)	Currency rate differences from fixed assets	207	2,698
		(109,236)	10,591
	CONSOLIDATED CASH FLOW FROM FINANCING ACTIVITIES		
–	Dividend payments to third parties	(3,971)	(4,233)
+	Capital increase	62	1,335
+ (–)	Increase (decrease) in short-term and long-term bank debts	(6,392)	(94,146)
+ (–)	Increase (decrease) in bonds	58,711	(8,735)
		48,410	(105,779)
	CONSOLIDATED CASH FLOW		
	Consolidated cash flow from operating activities	75,807	57,335
	Consolidated cash flow from investment activities	(109,236)	10,591
	Consolidated cash flow from financial activities	48,410	(105,779)
	Change in the liquidity of the group	**14,981**	**(37,853)**
+	Starting cash and cash equivalents of the group	28,297	66,150
	Closing cash and cash equivalents of the group	**43,279**	**28,297**
	consisting of: cash in hand, cheques, cash at bank	43,279	28,297
	Interest paid	20,776	34,464
	Income tax paid	1,804	765
	Dividends achieved	**541**	**20**

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

SCHEDULE OF DEVELOPMENT OF SHAREHOLDERS' FUNDS

for Business Year 2012

in €k	Share capital	Capital reserve	Perpetual bond	Reserves incl. retained earnings	IAS 39 reserve
2012					
As of 01/01/2012	1,332	141,220	58,987	(29,146)	(2,740)
Total profit/loss directly included in equity	0	0	0	5,261	479
Dividens to third parties	0	0	0	(3,094)	0
First-time consolidation APC – Advanced Propulsion Concept GmbH	0	0	0	0	0
First-time consolidation Wethje Group	0	0	0	0	0
Change in shares in affiliated companies	0	0	0	(6,400)	0
Other entries not affecting net income	0	0	0	82	0
As of 31/12/2012	1,332	141,220	58,987	(33,297)	(2,261)
2011					
As of 31/12/2010	1,332	141,220	58,987	(52,735)	(6,901)
IAS 19 reserve for actuarial losses	0	0	0	746	0
As of 01/01/2011	1,332	141,220	58,987	(51,989)	(6,901)
Total profit/loss directly included in equity	0	0	0	29,786	4,161
Dividens to third parties	0	0	0	(3,094)	0
Purchase treasury stock of Pankl Racing Systems AG	0	0	0	106	0
Capital increase of KTM AG (formerly: KTM Power Sports AG)	0	0	0	0	0
Change in shares in affiliated companies	0	0	0	(4,011)	0
Deconsolidation Peguform Group	0	0	0	0	0
Deconsolidation CROSS Informatik GmbH	0	0	0	0	0
Other entries not affecting net income	0	0	0	56	0
As of 31/12/2011	1,332	141,220	58,987	(29,146)	(2,740)

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

Adjustment according to IAS 19 (rev. 2011)	Adjustments conversion reserve	Total	Minority interests	Total group equity
(657)	(101)	168,895	137,540	306,435
(888)	(394)	4,458	14,390	18,848
0	0	(3,094)	(877)	(3,971)
0	0	0	1,886	1,886
0	0	0	4,686	4,686
0	0	(6,400)	(5,509)	(11,909)
0	0	82	2	84
(1,545)	**(495)**	**163,942**	**152,118**	**316,060**
0	1,934	143,837	148,762	292,599
(560)	0	186	152	338
(560)	1,934	144,023	148,914	292,937
(97)	(2,035)	31,815	22,782	54,597
0	0	(3,094)	(108)	(3,202)
0	0	106	(2,598)	(2,492)
0	0	0	1,335	1,335
0	0	(4,011)	4,139	128
0	0	0	(34,967)	(34,967)
0	0	0	(2,172)	(2,172)
0	0	56	215	271
(657)	**(101)**	**168,895**	**137,540**	**306,435**

I. THE COMPANY

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

The following table shows the main fully consolidated group companies or subgroups, the interest held (taking direct and indirect interests into account), the voting rights held as well as the corporate purpose as of 31 December 2012.

Subsidiaries	Share	Voting rights	Corporate purpose
KTM AG (formerly: KTM Power Sports AG)	51.69%	51.69%	Development, production and distribution of motorized leisure equipment (Power Sports)
CROSS Motorsport Systems AG	100.00%	100.00%	Shareholdings in companies in the automotive sector
Pankl Racing Systems AG	58.31%	58.31%	Development, production and distribution of motor-, drivetrain and chassis parts for the racing industry, high performance vehicles and the aerospace industry
WP Group	100.00%	100.00%	Development, production and distribution of suspension units: manufacturing and distribution of radiators and parts for combustion engines
Wethje Group	94.00%	94.00%	Manufacturing of carbon composite parts for racing and the automotive premium sector

II. PRINCIPLES OF ACCOUNTING AND BALANCING AND VALUATION METHODS

(01) PRINCIPLES OF ACCOUNTING

The annual consolidated financial statement as of 31 December 2012 was 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. According to article 245a, Austrian Business Enterprise Code (Unternehmensgesetzbuch, UGB), which was added in the framework of the Consolidated Financial Statement Law (Konzernabschlussgesetz), these consolidated financial statements based on IFRS fulfill all Austrian reporting requirements.

Changes in Reporting Rules

The following changes were passed by the IASB for already existing IFRS, and several new IFRS and IFRIC were enacted, which were already adopted by the EU Commission and are thus mandatory applicable as of 1 January 2012:

– IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
– Revisions in various IFRS resulting from the improvement process in 2011

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

Future Changes in Reporting Rules

The IASB and IFRIC have passed further standards and interpretations, which however are not yet binding in business year 2012 and have not yet been adopted by the EU Commission. These standards and interpretations are as follows.

Standard/Amendment	Coming into force IASB	EU endorsement	Coming into force EU
IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	01/07/2012	yes	01/07/2012
IAS 12 Income Taxes: Deferred Tax: Recovery of Underlying Assets	01/01/2012	yes	01/01/2013
IAS 19 Employee Benefits – Amendments	01/01/2013	yes	01/01/2013
IAS 27 Separate Financial Statements	01/01/2013	yes	01/01/2014
IAS 28 (Amended 2011) Investments in Associates and Joint Ventures	01/01/2013	yes	01/01/2014
IAS 32 Financial Instruments: Presentation – Balancing of Financial Assets and Liabilities	01/01/2014	yes	01/01/2014
IFRS 1 First-Time Adoption of International Financial Reporting Standards – Hyperinflation and Elimination of the Fixed Conversion Moment for First-Time Adopters	01/07/2011	yes	01/01/2013
IFRS 1 Government Loans	01/01/2013	yes	01/01/2013
IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	01/01/2013	yes	01/01/2013
IFRS 9 Financial Instruments	01/01/2015	postponed	–
IFRS 10 Consolidation	01/01/2013	yes	01/01/2014
IFRS 11 Joint Arrangements	01/01/2013	yes	01/01/2014
IFRS 12 Information to the Notes to the Financial Statements	01/01/2013	yes	01/01/2014
IFRS 13 Fair Value Measurement	01/01/2013	yes	01/01/2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	yes	01/01/2013
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	01/01/2014	no	–
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	01/01/2013	no	–
Annual Improvements to IFRS 2009–2011 (May 2012)	01/01/2013	no	–

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

Apart from this, IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income is applied prematurely as well.

In May 2011 IASB issued three new standards covering the handling of subsidiaries, joint arrangements and the disclosure of interests in other entities.

IFRS 10 builds on existing principles by identifying a comprehensive concept of control as the determining factor in whether an entity should be included in the consolidated financial statements. According to the new concept, an investor has control when the investor has the power to decide on relevant processes, has rights to variable returns from its involvement and has the ability to affect those returns through its power.

IFRS 11 regulates the accounting of joint operations and joint ventures and replaces IAS 31. Joint arrangements are to be included in the consolidated financial statements using the at equity method in accordance with IAS 28. The option of proportionate consolidation will no longer apply.

IFRS 12 defines disclosure requirements regarding interests in subsidiaries, joint arrangements, interests in associates, structured entities and unconsolidated entities.

In May 2011 IASB issued IFRS 13 Fair Value Evaluation. This new standard defines fair value and standardizes disclosures of fair value evaluations of both financial and non-financial items.

In November 2009 the IASB issued IFRS 9 Financial Instruments changing the classification and the measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the different rules in IAS 39. The European Financial Reporting Advisory Group postponed its endorsement advice to adopt IFRS 9 in the EU to take more time to consider the output from the IASB project on the improvement of accounting of financial instruments.

Their effect on the consolidated financial statements of CROSS Group is not yet completely evaluated. No other major effects on the consolidated financial statements of CROSS Industries AG are expected.

Basis of Preparation

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

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

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

The valuation is based on the continuation of the company. Interest payments and operational expenses of CROSS Industries AG can be covered from the expected dividend yield.

In April 2012 CROSS Industries AG and its 100% subsidiary CROSS Motorsport Systems AG restructured their equity financing and established long-term loans to cover the future finance requirements of their companies and made a credit line in the amount of up to € 140m available. € 40m (short-term refinancing) will be repaid until 30 June 2014. € 100m (long-term refinancing) will be repaid until 31 December 2017 at the latest.

The new credit lines will also be used for the premature repayment of the bonds of CROSS Industries AG and CROSS Motorsport Systems AG. In May 2012 both CROSS Industries AG and CROSS Motorsport Systems AG submitted a voluntary offer to prematurely repay the bonds. In the course of the bond repurchase CROSS Industries AG repurchased bonds with a nominal value of € 26m and CROSS Motorsport Systems AG repurchased bonds with a nominal value of € 48m.

In October 2012 CROSS Industries AG issued a bond with a nominal value of € 75m, a coupon of 4.625% and a term until October 2018. Two-thirds of the issuing proceeds were used for the partial premature repayment of the long-term refinancing of the CROSS Group concluded in April 2012. One third of the issuing proceeds will be used within the CROSS Group for the financing of the planned organic business growth, including investments and any future acquisitions, as well as for general business purposes.

The operative companies of the CROSS Group are independently financed for the mid- and long-term.

(02) SCOPE OF CONSOLIDATION

The subsidiaries are included in the annual consolidated financial statements for the time during which the parent company exercises control over their assets and business.

In order to assess, if CROSS Industries AG controls a company and thus fully consolidates it, the principle of factual control shall be applicable.

The annual consolidated financial statements per 31 December 2012 consist of the annual financial statements of CROSS Industries AG and its subsidiaries.

CROSS Industries AG's business year 2012 covers the period from 1 January to 31 December 2012.

The companies included in the consolidated financial statements are stated in the list of the equity interests per 31 December 2012 (see page 92).

Changes in the Scope of Consolidation
In business year 2012 the scope of consolidation changed as follows:

	Fully consolidated	Consolidated at-equity
As of 31/12/2011	40	5
Additions to the scope of consolidation	7	0
Disposal through liquidation	(1)	0
Disposals from the scope of consolidation	0	(2)
As of 31/12/2011	**46**	**3**
thereof foreign companies	22	1

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

Additions to the Consolidation Scope
Wethje Group, Hengersberg, Germany
On 23 November 2011 the CROSS Group sold 50% of the shares of Wethje Holding GmbH (formerly: Wethje Carbon Composite GmbH), Hengersberg, Germany, as well as 50% of the shares of Wethje Immobilien GmbH (formerly: Wethje-Entwicklungs GmbH), Vilshofer-Pleinting, Germany, to Forgu GmbH, Gelnhausen, Germany – a subsidiary of the Indian Samvardhana Motherson Group.

The joint venture agreement of 22 November 2011 determined that the management of Wethje Group will be provided until 31 December 2014 by the CROSS Group. Thus, the CROSS Group has considerable influence on the business policy of the Wethje Group. As the Motherson Group had to approve important business cases, the CROSS Group did not exercise a dominating control over the Wethje Group.

In their management meeting of 25 June 2012 Motherson informed the shareholders that Motherson/Forgu intend to back out from the investment in Wethje and transfer their 50% share to the CROSS Group. Since the CROSS Group now solely determines the finance and business policy and has dominating control over the Wethje Group, the Wethje Group was first consolidated into the CROSS Group as of 25 June 2012.

The Wethje Group was allocated to the segment "Other".

The acquisition had the following impact on the balance sheet:

in €k	Book value	Adjustments to the fair value	Value as per opening statement of financial position
Cash and cash equivalents	380	0	380
Trade receivables	2,237	0	2,237
Inventories	3,411	0	3,411
Tangible assets	13,062	1,781	14,843
Other assets	768	2,348	3,116
Assets	**19,858**	**4,129**	**23,987**
Bank loans	6,151	0	6,151
Trade liabilities	3,280	0	3,280
Other debts	4,077	0	4,077
Passive deferred taxes	0	1,107	1,107
Liabilities	**13,508**	**1,107**	**14,615**
Equity (net assets)	**6,350**	**3,022**	**9,372**
Net assets of the company			9,372
Assets of non-controlling shareholders			4,686
Fair value of shares			6,500
Goodwill			**1,814**
Reward transferred			0
thereof paid in 2012			0
Acquired cash			380
Net cash flow			**380**

The Wethje Group contributed to the group turnover with € 24,405k as well as to the group result with € –53k.

APC – Advanced Propulsion Concept GmbH, Mannheim, Germany

On 28 September 2012 a purchase- and assignment agreement on the acquisition of 51% in APC – Advanced Propulsion Concept GmbH was concluded. As of 1 October 2012 Pankl Racing Systems AG can execute their voting rights.The acquisition had the following impact on the balance sheet at the acquisition date:

in €k	Value as per opening statement of financial position
Cash and cash equivalents	3,214
Other short-term assets	1,014
Tangible assets	729
Other long-term assets	719
Assets	**5,676**
Short-term liablities	677
Long-term liabilities	956
Passive deferred taxes	192
Liabilities	**1,825**
Equity (net assets)	**3,851**

(Continued) in €k	**Value as per opening statement of financial position**
Net assets of the company	3,851
Assets of non-controlling shareholders	1,887
Reward transferred	3,750
Goodwill	**1,786**
Reward transferred	3,750
thereof paid in 2012	3,750
Acquired cash	3,214
Net cash flow	**(536)**

The capitalized goodwill can be mainly attributed to potential synergies, primarily in connection with Pankl Engine Systems GmbH & Co KG and Pankl Drivetrain Systems GmbH & Co KG. In the time period from the acquisition to the balance sheet date, APC – Advanced Propulsion Concept GmbH contributed € 1,771k to the group turnover and € 244k to group earnings.

KTM-Sportmotorcycle India Private Limited, Pune, India

In June 2012 the newly founded KTM-Sportmotorcycle India Private Limited was first consolidated. Their corporate purpose mainly involves the quality control of motorcycles produced in India.

Carrillo Acquisitions, Inc., Irvine, USA

In connection with the integration of Carrillo Industries, Inc. into CP-CARRILLO, LLC in 2009, Carrillo Acquisitions, Inc. was founded on 23 December 2011 as a 100% subsidiary of Pankl Holdings, Inc.

Pankl Aerospace Innovations, LLC, Cerritos, USA

Pankl Aerospace Innovations, LLC was founded on 13 June 2012 as a 100% subsidiary of Pankl Aerospace Systems, Inc. Their corporate purpose is to develop concepts for the helicopter market.

Carrillo Industries, Inc., Irvine, USA

Carillo Industries, Inc. was liquidated as of August 31, 2012 after the integration into CP-CARRILLO, LLC was completed.

(03) CONSOLIDATION METHODS

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

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

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

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

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

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

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

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

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

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

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

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

in €k	Closing rate		Average rate	
	31/12/2012	31/12/2011	2012	2011
US dollar	1.3194	1.2939	1.2856	1.3917
British pound	0.8161	0.8353	0.8111	0.8678
Swiss franc	1.2072	1.2156	1.2053	1.2340
Japanese yen	113.6100	100.2000	102.6236	111.0214
South African rand	11.1727	10.483	10.5546	10.0930
Mexican peso	17.1845	18.0512	16.9087	17.2791

(04) ACCOUNTING AND VALUATION METHODS

The accounting of the companies included in the consolidated financial statements is based on standardized accounting and valuation methods. They are identical to those used in the business year 2011 except for the new obligatory standards.

Several positions in the income statement and balance sheet are summarized to improve the clearness and informative value. These positions are separately illustrated in the notes to the consolidated financial statements. Any short-term assets and liabilities are basically realized within twelve months after the balance sheet date. All other assets and liabilities are basically realized beyond this period.

Consolidated Income Statement

The consolidated income statement was drawn up using the cost-of-sales method.

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

Other operating income is recognized if a financial benefit is likely from the contract forming the basis of it and there is a reliable use for the income.

Interest income is realized in due consideration of the effective interest rate.

Dividends are reported when the legal right is constituted.

Consolidated Balance Sheet

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

Accounts receivable and other assets are reported at the nominal value, while receivables in foreign currencies are reported converted at the current rate, less any adjustments necessary due to recognizable risks. Indicators for value adjustments are financial difficulties, insolvency, breach of contract and default of payment by customers. The value adjustments are composed of numerous individual positions, none of which is essential taken individually. Additionally value adjustments according to risk groups are conducted to consider general credit risks. Financial receivables are allocated to the “Loans and Receivables” category and reported using the amortized cost method.

Inventories are valued at acquisition or manufacturing costs or, if lower, the realizable selling price (lower of cost or net realizable value) on the balance sheet dates. For this purpose, the average value method is used. Adjustments for variability (adjustments because of limited usability) are applied.

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

Securities serving as short-term investments (trading securities) are valued at their market price, and valuation changes are recorded in the income statement affecting income. Held-to-maturity securities (debt instruments) are recorded in the balance sheet at their acquisition cost less depreciation. The securities held in the category "At Fair Value through Profit or Loss" is recorded at market value affecting income. The remaining securities (financial assets available for sale) are recognized at market value at the balance sheet date. Valuation changes are recorded not affecting income, except for depreciation.

Shares in associated companies, unless they are fully consolidated, and investments in the category "Available for Sale" (at cost) are recognized in the **financial assets** at acquisition cost, as their fair value cannot reliably be determined. Loans are recognized in the category "Loans and Receivables" at amortized cost. Other financial assets are recognized in the category "Available for Sale" at fair value not affecting income.

Value adjustments are conducted if the future cash flows are below the current book value. Loans are discounted to the present value if their interest rate is lower than the prevailing market rate.

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

	Effective life
Buildings	6 to 50 years
Machines/Tools	2 to 15 years
Fixtures and Furnishings	2 to 15 years

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

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

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

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

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

The depreciation requirement for the consolidated financial statements as per 31 December 2012 is calculated based on current planning according to the discounted cash flow method. Therefore the achievable amount (net profit on sales) of the cash generating units – i. e. the higher amount of the fair value less cost of sale and value in use – has to be estimated.

The calculation is based on the following parameters:

	WACC	Mid-term planning	Growth parameters for follow-ing years	Interest rate
31/12/2012				
KTM Group	8.44%	2013–2017	2.00%	25%
Pankl Group	8.03%	2013–2016	2.00%	27%
WP Group	8.44%	2013–2015	1.00%	25%
31/12/2011				
KTM Group	7.73%	2012–2016	2.00%	25%
Pankl Group	8.10%	2012–2015	2.00%	26%
WP Group	7.73%	2012–2014	2.00%	25%

An evaluation of the goodwill did not result in an impairment loss (previous year: € 0k).

Assumptions are based on the valuation of future trends by the management and on internal and external resources. The management of the group companies set up middle and long-term planning, based on an economic recovery in the medium-term. Assessments regarding goodwill are especially sensitive in the following areas:

An increase of the discount rate by 1% would not have resulted in an impairment loss, just like in the previous year.

A decrease of the future planned cash flow by 10% would not have resulted in an impairment loss, just like in the previous year.

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

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

In the case of self-constructed intangible assets, the manufacturing period is divided into a research, a development and a model upgrading phase. Costs incurred during the research and model upgrading phases are immediately recognized in the income statement. Costs incurred during the development phase are capitalized as intangible assets if certain conditions are met that confirm the future usefulness of the expenses incurred, in particular the technical feasibility of the developed product or process and its marketability. The valuation of the self-constructed intangible assets is ascertained by calculating the manufacturing costs less scheduled and non-scheduled amortization.

Intangible assets with an indefinite useful life, as for example the brand names, 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. For this impairment test the same parameters as for the impairment test of goodwill are used.

Allocations for active and passive deferred taxes are created for business transactions expected to have tax implications, and are either already reflected in the group financial statements or in tax balance sheet (timing differences). Deferred taxes for losses carried forward are set up according to their feasibility. Deferred tax items on both the asset and liability side are reported balanced out if they are subject to the same tax jurisdiction. 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.

Liabilities are reported at the amounts repayable, while foreign currency liabilities are converted at the reporting date rate. Financial debts are allocated to the “Financial Liabilities at Amortized Cost” category. The difference between the received amount and the repayment is allocated according to the effective interest method until maturity and recognized in the financial result. Issuing costs for the bond are recognized over the entire term.

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

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

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

Until now 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 were recognized in the income statement. According to IAS 19 (rev. 2011) the difference less deferred taxes is recognized directly in the comprehensive income in business year 2012.

The voluntary premature application of IAS 19 (rev. 2011) changes the accounting method, which is considered retrospectively according to the transitional provision IAS 19.173. The amounts of the comparison period and of the opening statement as of 1 January 2011 were adjusted as follows:

The accumulated actuarial losses less deferred taxes as of 1 January 2011 in the amount of € 1,017k and actuarial losses less deferred taxes accrued in business year 2011 in the amount of € 201k were reclassified from the group profit respectively from the liabilities from deferred taxes into the IAS 19 reserve for actuarial profits and losses in the group equity. This results in an increase of equity capital as of 31 December 2011 of € 406k.

The retrospective application results in an increase of the comprehensive income for business year 2011 in the amount of € 86k.

The development of the IAS 19 reserve for actuarial profits and losses in the group equity:

in €k	**2011**
Accumulated actuarial losses as of 01/01	(1,355)
less 25% deferred taxes	338
IAS 19 reserve as of 01/01	**(1,017)**
Actuarial losses in business year	(269)
less 25% deferred taxes	68
IAS 19 reserve as of 31/12	**(1,218)**

Changes in group equity development, the group balance sheet and the group comprehensive income statement are as follows:

in €k	Liabilities from deferred taxes	Shareholders of parent company	Non-controlling shareholders	Equity
As of 31/12/2010	36,508	143,837	148,762	292,599
Adjustment IAS 19 (rev. 2011)	(338)	186	152	338
As of 01/01/2011, adjusted	**36,170**	**144,023**	**148,914**	**292,937**
Changes according to consolidated financial statements 2011	(18,426)	24,839	(11,409)	13,430
Adjustment IAS 19 (rev. 2011)	(68)	33	35	68
As of 31/12/2011, adjusted	**17,676**	**168,895**	**137,540**	**306,435**

in €k	2011	Adjustment IAS 19 (rev. 2011)	2011 adjusted
Income statement	45,503	269	45,772
Other income	9,026	(201)	8,825
Total income	**54,529**	**68**	**54,597**

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

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

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

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

Contingent liabilities are possible or present liabilities that are based on past events, where the discharge of resources is estimated to be possible but unlikely. According to IFRS, these liabilities have to be reported in the notes to the consolidated financial statements and not in the balance sheet.

Derivative Financial Instruments

Under IAS 39, derivatives must generally be valued at their market value. Depending on the degree of certainty that the transaction will take place, different rules apply regarding how the hedge connection between the underlying transaction and the derivative (**hedge accounting**) is shown in the balance sheet – separately for reported assets and liabilities – as well as for binding contracts (**firm commitments**) and expected transactions (**forecasted transactions**).

A fair value hedge exists when the assets, liabilities, and binding contracts in the balance sheet are hedged with a derivative. IAS 39 contains a series of premises concerning the underlying transaction to be secured on the one hand and the hedging connection on the other hand. In the case of a fair value hedge, fluctuations in the fair market value of the derivative are recorded in full in the operating result. Fluctuations in the fair market value of the underlying transaction are also recognized so that the hedged risk affects net income. This method of reporting automatically results in compensation in the group income statement. If the hedge is not effective, the ineffective component simultaneously affects the operating result.

A cash flow hedge exists when variable payment flows from assets, liabilities and expected business transactions that are subject to a fair value risk are hedged. If the requirements for a cash flow hedge are met, the effective component of the fair value fluctuations of the hedging instrument must be recognized in the group's equity without affecting the operating result. It is only reported in the income statement when the transaction takes place. Eventual changes due to inefficiencies of these derivate financial instruments are reported in full and recognized in the income statement.

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

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 subsequent actual amounts may then differ from such estimates. This applies in particular to the impairment of goodwill and intangible assets with an indefinite useful life and to the assets and liabilities reported at the time of initial consolidation, including purchase price allocations.

The most important balance sheet items, where the valuation related to the planned useful life is based on estimates, are tools (tangible assets) and capitalized development costs (intangible assets). Estimates are also based on deferred tax assets for losses carried forward regarding the period of utilization for the losses carried forward.

In addition, there are uncertainties regarding the valuation of receivables, inventories and the recognition and valuation of obligations for social capital and other provisions

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

(05) NET SALES

Net Sales by Regions

in €k	2012	2011
KTM products	612,008	526,801
High performance components	235,400	175,864
Others	68,551	27,731
Consolidation	(90,308)	(51,770)
	825,651	**678,626**

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

(06) BREAKDOWN OF EXPENSES

Cost of Sales

in €k	2012	2011
Cost of materials and services for purchased services	446,803	367,942
Personnel expenses	94,308	74,367
Depreciation and amortization of tangible assets and intangible assets including low-value assets	20,848	19,726
Other operating expenses	31,626	16,464
	593,585	**478,499**

Distribution- and Motorsport Expenses

in €k	2012	2011
Cost of materials and expenses for purchased services	33,417	30,575
Personnel expenses	24,384	19,172
Depreciation and amortization of tangible assets and intangible assets including low-value assets	3,297	2,839
Other operating expenses	41,633	33,054
Sponsorship income and other operating earnings	(6,885)	(4,463)
	95,846	**81,177**

Expenses for Research and Development

in €k	2012	2011
Cost of materials and expenses for purchased services	4,342	1,678
Personnel expenses	8,128	5,068
Depreciation and amortization of tangible assets and intangible assets including low-value assets	19,346	19,925
Other operating expenses	783	2,920
Subsidies and other operating earnings	(5,099)	(5,435)
	27,500	**24,156**

Administration Expenses

in €k	2012	2011
Cost of materials and expenses for purchased services	620	1,261
Personnel expenses	23,781	19,841
Depreciation and amortization of tangible assets and intangible assets including low-value assets	4,311	4,019
Other operating expenses	25,322	23,934
	54,034	**49,055**

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

The expenses for the audit of the business year 2012 carried out by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungs-gesellschaft can be broken down as follows:

in €k	2012	2011
Audit of separate financial statements	332	299
Audit of consolidated financial statements	265	294
Special audits	121	33
Other services	67	154
	785	**780**

(07) MANAGEMENT BOARD REMUNERATION AND STAFF INFORMATION

The total salaries paid by the CROSS Industries Group for the Management Board's activities and their administrative duties amounted to € 6,589k (previous year: € 5,418k). Severance payments in the amount of € 0k (previous year: € 284k) were made.

A remuneration totaling € 49k (previous year: € 26k) will be proposed for the Supervisory Board for the business year 2012 (to be paid in business year 2013).

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

	2012
As of 01/01	3,131
Additions to the scope of consolidation	302
Changes in the business year	270
As of 31/12	**3,703**
thereof workers	2,099
thereof employees	1,604

Employee expenses in business year 2012 amounted to € 166,142k (previous year: € 130,771k).

(08) OTHER OPERATING EXPENSES

Other operating expenses can be broken down as follows:

in €k	2012	2011
Guarantee expenses	10,505	9,442
Other expenses	725	164
	11,230	**9,606**

(09) OTHER OPERATING INCOME

Other operating income can be broken down as follows:

in €k	2012	2011
Grants	1,007	1,419
Income from the sale of fixed assets	421	360
Insurance income	198	101
Remaining other income	1,892	1,175
	3,518	**3,055**

(10) FINANCIAL- AND INVESTMENT RESULT

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

in €k	2012	2011
Interest income	2,269	1,541
Interest expenses	(19,338)	(21,417)
Result from at-equity holdings	559	(49)
Other financial- and investment result	(6,753)	3,011
	(23,263)	**(16,914)**

The financing and investment result includes expenses from financial instruments in the amount of € 1,134k (previous year: € 2,623k), expenses from the reversal of transaction cost (€ 2,451k) and expenses from shareholdings (€ 2,166k). In the previous year this item included income from the disposal of BEKO HOLDING AG from the demerger to fund CROSS Informatik GmbH in the amount of € 4,477k.

(12) TAXES ON INCOME

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

in €k	2012	2011
Current tax	(4,169)	(3,230)
Deferred tax	1,083	2,737
	(3,086)	**(493)**

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

Offsetting and reconciliation from the expected tax expenses for the business year (application of the total group tax rate of 25.0% to the pre-tax profit of € 23,711k (previous year: € 22,274k) to the actual tax expenses/income can be shown as follows:

in €k	2012	2011
Expected tax expense/income	(5,928)	(5,569)
Non-temporary differences	(4,774)	(376)
Rate for tax loss carried forward/value adjustments/utilization of losses carried forward	5,917	2,398
Taxes from prior periods	(39)	(79)
Effects of foreign tax rates	28	(457)
Investment-related benefits	842	726
Others	868	2,864
	(3,086)	**(493)**

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

in €k	Losses carried forward	thereof value adjusted	Remaining losses carried forward	Deferred tax assets
31/12/2012				
CROSS Industries AG, Wels	25,054	(25,054)	0	0
CROSS Motorsport Systems AG, Wels	21,038	(21,038)	0	0
CROSS Immobilien AG, Wels	990	(990)	0	0
CROSS KraftFahrZeug GmbH (formerly: CI Holding GmbH), Wels	4,857	(4,857)	0	0
PF Beteiligungsverwaltungs GmbH, Wels	28,118	(28,118)	0	0
KTM AG (formerly: KTM Power Sports AG), Mattighofen	107,439	(21,487)	85,952	21,488
Pankl Group	14,525	(5,803)	8,722	2,549
Wethje Group	1,644	(113)	1,531	415
Others	4,624	(4,624)	0	0
	208,289	**(112,084)**	**96,205**	**24,452**
31/12/2011				
CROSS Industries AG, Wels	37,022	(37,022)	0	0
CROSS Motorsport Systems AG, Wels	13,616	(13,616)	0	0
CROSS Immobilien AG, Wels	1,228	(1,228)	0	0
CROSS KraftFahrZeug GmbH (formerly: CI Holding GmbH), Wels	3,387	(3,387)	0	0
PF Beteiligungsverwaltungs GmbH, Wels	21,549	(21,549)	0	0
KTM AG (formerly: KTM Power Sports AG), Mattighofen	114,035	(45,615)	68,420	17,105
Pankl Group	20,229	(7,704)	12,525	3,537
Wethje Group	0	0	0	0
Others	303	(303)	0	0
	211,369	**(130,424)**	**80,945**	**20,642**

Deductible temporary differences and not yet used tax losses (including not yet used partial depreciations) for which active deferred taxes were not capitalized amounted to € 130,607k (previous year: € 151,255k). When assessing the value adjustments of the losses carried forward and temporary differences, a mid-term realization of deferred tax asset was considered uncertain from today's point of view.

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

in €k	31/12/2012	31/12/2011
Deferred tax assets		
Short-term assets	1,635	1,468
Long-term assets		
– Assets	1,146	1,190
– Losses carried forward	24,452	20,642
Short- and long-term liabilities	3,439	3,151
Others	205	415
	30,877	**26,866**
Offset	(24,369)	(19,370)
	6,508	**7,496**
Deferred tax liabilities		
Short-term assets	(3,442)	(3,003)
Long-term assets		
– Intangible assets	(34,148)	(30,719)
– Tangible assets	(2,899)	(3,163)
Subsidies	(127)	(113)
Others	(99)	(48)
	(40,715)	**(37,046)**
Offset	24,369	19,370
	(16,346)	**(17,676)**

The deferred taxes in business year 2012 developed as follows:

in €k	2012	2011
Deferred taxes (net) as of 01/01	(10,180)	(20,658)
Changes in the scope of consolidation	(767)	10,257
Other changes including currency exchange difference	0	208
Deferred taxes affecting income	1,083	2,737
Deferred taxes not affecting income	26	(2,724)
Deferred taxes (net) as of 31/12	**(9,838)**	**(10,180)**

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

(13) INCOME FROM DISCONTINUED OPERATIONS

The income from discontinued operations included remunerations from the sale of the Peguform Group in November 2011.

(14) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in banks, checks and fixed-term deposits in the amount of € 43,279k (previous year: € 28,297k).

For certain items under the financial assets and financial liabilities, the KTM Group has an enforceable right of mutual offsetting. In the consolidated financial statements, these items are only shown as net amounts.

(15) TRADE ACCOUNTS RECEIVABLE, SHORT- AND LONG-TERM ASSETS, ASSETS HELD FOR SALE

The adjustments to receivables developed as follows:

in €k	Trade receivables	Other financial receivables (short- and long-term)	Financial assets – loans
As of 01/01/2011	6,038	1,218	0
Changes in the scope of consolidation	(3,136)	0	0
Currency conversion	34	0	0
Additions	1,028	99	0
Use	(839)	(1,200)	0
Disposals	(436)	(18)	0
As of 01/12/2011 = 01/01/2012	**2,689**	**99**	**0**
Changes in the scope of consolidation	14	0	0
Currency conversion	4	0	0
Additions	1,638	0	0
Use	(798)	(99)	0
Disposals	(360)	0	0
As of 31/12/2012	**3,187**	**0**	**0**

The expenses for completely writing off trade accounts receivables amounted to € 275k (previous year: € 561k).

Income from payments of written off trade accounts receivables amounted to € 47k (previous year: € 0k).

Short-term receivables and other assets are made up as follows:

in €k	31/12/2012	31/12/2011
Receivables from derivative financial instruments and option contracts	1,804	725
thereof derivative cash flow hedge	1,148	366
thereof derivative fair value hedge	656	359
Other short-term financial assets	9,556	7,187
thereof accrued subsidies	3,235	3,647
thereof accrued interest	49	257
thereof others	6,272	3,283
Receivables from associated companies	2,775	4,160
Other short-term financial assets	14,135	12,072

(Continued) in €k	31/12/2012	31/12/2011
Other short-term financial assets	14,135	12,072
Receivables towards tax authorities	3,946	3,715
Others	3,394	2,535
Other short-term non-financial assets	7,340	6,250
Other short-term assets	21,475	18,322

(16) INVENTORIES

in €k	31/12/2012	31/12/2011
Raw and auxiliary materials and supplies	44,839	35,405
Unfinished goods	28,842	29,322
Finished goods and products	103,027	97,957
Payments on account	1,214	1,265
	177,922	163,949

in €k	31/12/2012	31/12/2011
Inventory gross	199,736	183,932
less depreciation	(21,814)	(19,983)
Inventory (net)	177,922	163,949

The book value of inventories written off below cost to net realizable value amounts to € 80,217k (previous year: € 65,645k).

(17) FINANCIAL ASSETS AND INTERESTS IN ASSOCIATED COMPANIES

in €k	31/12/2012	31/12/2011
Shareholdings in affiliated companies	12,168	9,825
Shareholdings in associated companies	25,073	31,055
Shareholdings	30,538	37,128
Loans	2,003	2,143
Investment securities	0	525
	69,782	80,676

The table of equity holdings as of 31 December 2012 (see page 92) comprises all companies included in the consolidated financial statements.

The book values of financial assets have developed as follows:

in €k	As of 01/01/2012	Currency conversion	Additions	Disposals	As of 31/12/2012
Shareholdings in affiliated companies	9,825	(1)	2,768	(424)	12,168
Shareholdings in associated companies	31,055	0	559	(6,541)	25,073
Shareholdings	37,128	0	64	(6,654)	30,538
Loans	2,143	(43)	0	(97)	2,003
Investment securities	525	0	0	(525)	0
	80,676	**(44)**	**3,391**	**(14,241)**	**69,782**

The interests in associated companies comprise 16 KTM distribution subsidiaries, which were deconsolidated as of 31 May 2010 due to a lack of material interest and are now subject to an at-equity valuation. The profit share recorded in 2012 amounts to € 949k (previous year: € 657k) and is stated under distribution expenses. The investment valuation as of 31 December 2012 amounts to € 5,976k (previous year: € 5,027k).

The turnover or result of these companies in 2012 amounted to € 23,291k and € 949k respectively. As of 31 December 2012 the assets amounted to € 12,104k and liabilities to € 6,890k.

The following investments were also reported at-equity:

in €k	Profit share 2012	Investment valuation 31/12/2012	Goodwill 31/12/2012
Shares in associated companies			
CROSS Informatik GmbH, Wels	474	20,226	0
Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels	54	4,847	454
KTM New Zealand Ltd., Auckland, New Zealand	31	0	0
	559	**25,073**	**454**

The following chart shows the summarized financial information regarding interests in associated companies (100% respectively):

in €k	Balance sheet date	Sales	Result	Assets	Liabilities
CROSS Informatik GmbH, Wels	30/09/2012	229,235	1,802	169,238	104,414
Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels	31/08/2012	3,110	170	28,445	18,731
KTM New Zealand Ltd., Auckland, New Zealand	30/06/2012	4,810	118	676	781

(18) TANGIBLE ASSETS

in €k	Real estate	Buildings	Technical equipment and machinery	Factory- and business equipment	Advanced payments and facilities under construction	Total
2012						
Acquisition- and manufacturing cost						
As of 01/01/2012	16,008	104,329	102,763	142,874	9,365	375,339
Currency conversion	(2)	(95)	(140)	(186)	(2)	(425)
Additions/disposals due to changes of consolidation scope	1,942	8,881	4,125	506	197	15,651
Additions	7,772	5,109	12,310	11,893	34,332	71,416
Transfers	(2,162)	9,487	4,802	5,524	(17,889)	(238)
Disposals	0	(51)	(2,889)	(2,132)	(199)	(5,271)
As of 31/12/2012	**23,558**	**127,660**	**120,971**	**158,479**	**25,804**	**456,472**
Accumulated depreciation						
As of 01/01/2012	56	27,959	72,872	114,152	0	215,039
Currency conversion	(1)	(24)	(125)	(158)	0	(308)
Additions/disposals due to changes of consolidation scope	0	0	51	27	0	78
Additions	2	4,566	10,006	12,253	4	26,831
Transfers	0	0	0	0	0	0
Allocations	0	0	0	(256)	0	(256)
Disposals	0	(40)	(2,456)	(2,031)	(4)	(4,531)
As of 31/12/2012	**57**	**32,461**	**80,348**	**123,987**	**0**	**236,853**
Book value as of 31/12/2012	23,501	95,199	40,623	34,492	25,804	219,619
Book value as of 31/12/2011	15,952	76,370	29,891	28,722	9,365	160,300
2011						
Acquisition- and manufacturing cost						
As of 01/01/2011	44,180	213,979	324,100	153,631	29,592	765,482
Currency conversion	56	164	(5,410)	(217)	(994)	(6,401)
Additions/disposals due to changes of consolidation scope	(28,792)	(113,039)	(258,097)	(21,588)	(16,152)	(437,668)
Additions	539	1,977	32,178	9,151	24,703	68,548
Transfers	371	1,973	18,172	5,225	(27,486)	(1,745)
Disposals	(346)	(725)	(8,180)	(3,328)	(298)	(12,877)
As of 31/12/2011	**16,008**	**104,329**	**102,763**	**142,874**	**9,365**	**375,339**

(Continued) in €k	Real estate	Buildings	Technical equipment and machinery	Factory- and business equipment	Advanced payments and facilities under construction	Total
Acquisition- and manufacturing cost as of 31/12/2011	16,008	104,329	102,763	142,874	9,365	375,339
Accumulated depreciation						
As of 01/01/2011	13,085	43,128	129,499	108,726	0	294,438
Currency conversion	2	(40)	(4,038)	526	0	(3,550)
Additions/disposals due to changes of consolidation scope	(13,008)	(22,333)	(77,638)	(8,649)	0	(121,628)
Additions	35	7,671	32,927	16,215	0	56,848
Transfers	(11)	12	7	(8)	0	0
Disposals	(47)	(479)	(7,885)	(2,658)	0	(11,069)
As of 31/12/2011	**56**	**27,959**	**72,872**	**114,152**	**0**	**215,039**
Book value as of 31/12/2011	15,952	76,370	29,891	28,722	9,365	160,300
Book value as of 31/12/2010	31,095	170,851	194,601	44,905	29,592	471,044

As of 31 December 2012 government grants in the amount of € 1,709k (previous year: € 913k) were classified as a liability. Due to missing qualifying assets in the tangible assets no interests on debt capital are capitalized – as in the previous year.

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

in €k	31/12/2012	31/12/2011
Leasing machinery		
Acquisition cost	6,650	5,471
Accumulated depreciation	(2,904)	(1,954)
Book value	**3,746**	**3,517**

(19) REAL ESTATE HELD AS FINANCIAL INVESTMENT

Intangible assets comprise properties including buildings with a book value of € 15,147k (previous year: € 12,793k), which are not used for own purposes. The fair value of these properties, which has to be explained according to IAS 40, basically corresponds to the reported book values.

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

(20) INTANGIBLE ASSETS AND GOODWILL

In business year 2012 development costs in the amount of € 27,794k (previous year: € 25,332k) were capitalized. As of 31 December 2012 the item "intangible assets" comprised development costs with a book value of € 64,383k (previous year: € 53,858k). The depreciation period was set according to the expected useful life of five years. Moreover, as previous year, the intangible assets comprise the brand KTM with € 61,103k, set after the first-time consolidation of the group, with an indefinite useful life and thus subject to an annual impairment test.

in €k	Concessions, industrial property rights, similar rights and benefits as well as licenses derived from them	Customer base, brand value, self-provided intangible assets	Goodwill	Advanced payments	Total
2012					
Acquisition- and manufacturing costs					
As of 01/01/2012	20,799	250,600	176,575	0	447,974
Currency conversion	(81)	6	(10)	0	(85)
Additions/disposals due to changes of the consolidation scope	263	2,952	3,600	0	6,815
Additions	2,525	28,918	0	0	31,443
Transfers	238	0	0	0	238
Disposals	(402)	(101,776)	(813)	0	(102,991)
As of 31/12/2012	**23,342**	**180,700**	**179,352**	**0**	**383,394**
Accumulated depriciation					
As of 01/01/2012	15,487	125,542	22,827	0	163,856
Currency conversion	(48)	3	7	0	(38)
Additions/disposals due to changes of the consolidation scope	42	0	0	0	42
Additions	2,010	19,305	0	0	21,315
Transfers				0	0
Disposals	(400)	(101,776)	0	0	(102,176)
As of 31/12/2012	**17,091**	**43,074**	**22,834**	**0**	**82,999**
Book value as of 31/12/2012	6,251	137,626	156,518	0	300,395
Book value as of 31/12/2011	5,312	125,058	153,748	0	284,118
2011					
Acquisition- and manufacturing costs					
As of 01/01/2011	23,545	228,709	207,563	0	459,817
Currency conversion	(121(	249	119	0	247
Additions/disposals due to changes of the consolidation scope	(6,990)	(3,746)	(3,754)	0	(14,490)
Additions	3,244	25,332	10	0	28,586
Transfers	1,380	365	0	0	1,745
Disposals	(259)	(309)	(27,363)	0	(27,931)
As of 31/12/2011	**20,799**	**250,600**	**176,575**	**0**	**447,974**

(Continued) in €k	Concessions, industrial property rights, similar rights and benefits as well as licenses derived from them	Customer base, brand value, self-provided intangible assets	Goodwill	Advanced payments	Total
Acquisition- and manufacturing costs as of 31/12/2011	20,799	250,600	176,575	0	447,974
Accumulated depriciation					
As of 01/01/2011	15,788	108,266	47,358	0	171,412
Currency conversion	(70)	249	(12)	0	167
Additions/disposals due to changes of the consolidation scope	(2,491)	(2,905)	0	0	(5,396)
Additions	2,881	19,876	0	0	22,757
Transfers	(365)	365	0	0	0
Disposals	(256)	(309)	(24,519)	0	(25,084)
As of 31/12/2011	**15,487**	**125,542**	**22,827**	**0**	**163,855**
Book value as of 31/12/2011	5,312	125,058	153,748	0	284,118
Book value as of 31/12/2010	7,757	120,443	160,205	0	288,405

The capitalized goodwill in the amount of € 156,518k (previous year: € 153,748k) is made up as follows:

in €k	31/12/2012	31/12/2011
KTM AG	132,071	132,900
Pankl Group	21,673	19,888
Wethje Group	1,814	0
WP Group	913	913
CROSS Immobilien AG	47	47
	156,518	**153,748**

In the business year no unscheduled impairment losses or reversal of the impairment arose from the application of the IAS 36 for intangible assets and the goodwill.

(21) GROUP EQUITY

The development of the group equity in business year 2011 and 2012 is listed on page 42.

The share capital as of 31 December 2012 amounts to € 1,332k (previous year: € 1,332k) and is divided into 1,332,000 equity shares with a nominal value of € 1.00 each.

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

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

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

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

The changes in value of derivate financial instruments from cash flow hedges are reported in the cash flow hedge reserve according to IAS 39, which is included in the consolidated balance sheet in the reserves including consolidated balance sheet profits. As of 31 December 2012 the cash flow hedge reserve including the shares of non-controlling shareholders amounted to € –4,058k (previous year: € –5,104k).

Changes in value not affecting results of stocks and shareholdings of the category available-for-sale are reported in the available-for-sale reserve, which is included in the reserves under IAS 39. As of 31 December 2012 the available-for-sale reserve including shares of non-controlling shareholders amounted to € 0k (previous year: € –201k).

The IAS 19 reserve includes actuarial losses from pension and severance pay provisions. As of 31 December 2012 the IAS 19 reserve – including shareholdings of non-controlling parties – amounts to € –2,516k (previous year: € –1,218k).

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

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

Capital Management

The aim of capital management is to maintain a strong capital basis so that an appropriate yield for the company's shareholders reflecting the company's risk situation can be further generated, the future development of the company ensured and also so that benefits for other stakeholders can be generated. Management views capital exclusively as book equity according to IFRS. As of the balance sheet date the equity ratio amounted to 34.4% (previous year: 37.4%).

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

(22) ACCOUNTS PAYABLE

Bonds

In April 2012 CROSS Industries AG – together with its 100% subsidiary CROSS Motorsport Systems AG – restructured its financing and entered into long-term loan arrangements to cover the future finance requirements of the companies. Additionally the bonds of CROSS Industries AG (maturity in December 2012) and CROSS Motorsport Systems AG (maturity in July 2013) should be repaid prematurely. In this context CROSS Industries AG and CROSS Motorsport Systems AG issued a repurchase offer in May 2012. In the course of this repurchase offer bonds with a nominal value of € 26m of CROSS Industries AG and bonds with a nominal value of € 48m were repurchased. In addition bonds of CROSS Motorsport Systems AG with a nominal value of € 2.5 m were repurchased in 2012. In December 2012 the remaining bonds of CROSS Industries AG in the amount of € 24m were repurchased according to plan.

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

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

As of 31 December 2012 the following bonds payable in the group exist:

in €k	Currency	Issuing date	Nominal value	Term
KTM AG	€	April 2012	85,000	5 years
CROSS Industries AG	€	October 2012	75,000	6 years
CROSS Motorsport Systems AG	€	July 2008	13,588	5 years
			173,588	
thereof short-term			13,588	
thereof long-term			160,000	

Interest-bearing Liabilities

in €k	31/12/2012	31/12/2011
Bonds payable	172,424	113,713
Bank loans	224,193	223,849
Finance lease obligations	2,552	2,180
Other interest-bearing liablities	5,659	8,959
	404,828	**348,701**
thereof remaining term up to 1 year	70,423	108,280
thereof remaining term more than 1 year	334,405	240,421

For certain items in the financial assets and in the financial liabilities a legally enforceable right to set off exists. These items are reported in the notes to the consolidated financial statements with the net amount. Therefore, from liabilities towards banks the amount of € 42,946k (previous year: € 33,206k) was balanced.

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

in €k	Leasing payments		Fair market value	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Up to 1 year	797	741	708	708
2 to 5 year	1,915	1,583	1,792	1,472
More than 5 years	52	0	52	0
	2,764	**2,324**	**2,552**	**2,180**

Payments due to minimum lease payments recorded as expense (interest expense) in business year 2012 amounted to € 0k (previous year: € 9k). Expenses from finance lease agreements do not include any material, contingent rental payments.

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

Other short-term debts can be mainly broken down in personnel liabilities in the amount of € 15,625k (previous year: € 11,799k), liabilities towards the financial authority in the amount of € 3,602k (previous year: € 3,142k) as well as liabilities from the derivative financial instruments in the amount of € 6,039k (previous year: € 6,679k) and liabilities towards shareholders in the amount of € 5,008k (previous year: € 0k).

As of 31 December 2012 other long-term debts include liabilities towards shareholders in the amount of € 5,214k (previous year: € 0k) as well as investment grants of € 1,709k (previous year: € 913k).

(23) CONTINGENCIES, LIEN RIGHTS AND LIABILITIES

Registered liens amount to € 154,011k (previous year: € 78,035k) and can be broken down as follows:

in €k	31/12/2012	31/12/2011
Tangible assets	127,595	62,921
Receiveables	26,416	15,114
	154,011	**78,035**

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 € 253,914k (previous year: € 86,153k). These affect KTM AG (formerly: KTM Power Sports AG) with 2,675,076 shares and Pankl Racing Systems AG with 1,814,117. Moreover, shares of CROSS Informatik GmbH and the WP Group as well as all shares of CROSS Immobilien AG are pledged.

In the course of the sale of a 80%-share in the Peguform Group, PF Beteiligungsverwaltungs GmbH (formerly: Peguform Bereiligungs GmbH) transferred guarantees in the amount of maximum 15% of the purchase price to the buyer.

In April 2012 CROSS Industries AG and CROSS Motorsport Systems AG restructured their equity financing (see item 22), whereby financial convenants were agreed upon. The financial covenants were calculated on the basis of the current mid-term plan considering safety margins. If a key financial indicator deviates adversely on two successive quarter reporting dates, the bank consortium is technically entitled to demand repayment under the financing agreement described above. As of 31 December 2012 there were no negative deviations from the financial covenants.

(24) PROVISIONS

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

Estimates of future expenses are inevitably subject to numerous uncertainties, which can lead to an adjustment of the formed provision. It cannot be excluded that the actual expenses for these measures exceed the therefore formed provision in an unforeseeable way.
As of 31 December 2012 a total amount of € 5,018k (previous year: € 4,909k) for provisions for guarantees and gestures of goodwill was balanced.

During the business year provisions have developed as follows:

in €k	As of 01/01/2012	Currency conversion	Additions	Changes in the scope of consoli-dation	Disposals	Use	Reclassi-fication	As of 31/12/2012
Short-term provisons for:								
Guaranties	4,066	0	4,076	86	(61)	(3,965)	557	4,759
Onerous contracts	135	0	2	0	0	(135)	0	2
Restructuring measurements	126	2	106	0	0	(103)	0	131
Litigation cost	417	0	110	14	(50)	(429)	0	62
Others	600	0	2,076	305	(43)	(519)	0	2,419
	5,344	**2**	**6,370**	**405**	**(154)**	**(5,151)**	**557**	**7,373**
Long-term provisons for:								
Guaranties	843	0	0	0	0	(27)	(557)	259
Others	103	2	0	0	0	(105)	0	0
	946	**2**	**0**	**0**	**0**	**(132)**	**(557)**	**259**

(25) SOCIAL CAPITAL OBLIGATIONS

Social capital obligations include provisions for:

in €k	31/12/2012	31/12/2011
Severance pay	10,887	9,205
Anniversary bonus	1,333	964
Retirement pay	512	2
	12,732	**10,171**

During the business year social capital obligations developed as follows:

in €k	31/12/2012	31/12/2011
Projected benefit obligation		
As of 01/01	10,395	13,840
Service cost	848	688
Interest expenses	538	441
Payments made	(858)	(335)
Actuarial loss	1,957	297
Changes in the scope of consolidation	157	(4,536)
As of 31/12	13,037	10,395

(Continued) in €k	**31/12/2012**	**31/12/2011**
Projected benefit obligation as of 31/12	13,037	10,395
Plan assets		
As of 01/01	224	295
Payments received	0	7
Payments made	(36)	0
Changes in the scope of consolidation	117	(78)
As of 31/12	305	224
Net debt (projected benefit obligation less plan assets)	12,732	10,171

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

in €k	**31/12/2012**	**31/12/2011**
Projected benefit obligation covered by plan assets (gross)	817	224
Market value of plan assets	305	224
Projected benefit obligation covered by plan assets (net)	512	0
Projected benefit obligation not covered by plan assets	12,220	10,171
Total projected benefit obligations	12,732	10,171

Income and expenses for obligations after the termination of the employment recorded in the income statement are made up as follows:

in €k	**31/12/2012**	**31/12/2011**
Service expenses	848	688
Interest expenses	538	441
	1,386	1,129

The valuation of obligations is subject to the following assumptions:

	31/12/2012	**31/12/2011**
Interest rate	4.00%	5.00%
Wages and salary trend	3.00%	3.00%
Pension age for women/men (with transition rule)	65 years	65 years

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

Taking the very long average terms and high average life expectancy into consideration, the interest rate was determined on the basis of market interest rates.

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.

Expenses for contribution-defined pension schemes mainly affect the employee provision fund in Austria and amount to € 1,367k (previous year: € 967k).

In the last five years the cash value of performance-oriented obligations developed as follows:

in €k	30/09/2009	31/12/2009	31/12/2010	31/12/2011	31/12/2012
Value of the obligations	15,726	12,394	13,545	10,171	12,732

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:

in €k	Change –0.5 percent-age points	Change +0.5 percent-age points
Intereste rate	6.9%	(6.2%)
Wages and salary trend	(5.9%)	6.4%

IV. OTHER EXPLANATIONS

(26) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Basis

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

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

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

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

Book Values, Fair Values and Net Result of the Financial Instruments

The book values, fair values and valuation techniques for financial assets (financial instruments on the asset side) can be broken down into the following classifications and categories according to IAS 39 and IAS 17:

in €k	Book value	Fair value	Amount stated acc. to IAS 39				Amount stated acc. to IAS 17
			Continued acquisition cost	Acquisition cost	Fair value affecting net income	Fair value not affecting net income	
31/12/2012							
Loans and receivables	133,272	133,272					
Cash and cash equivalents	43,279	43,279	✔	–	–	–	–
Trade receivales	73,821	73,821	✔	–	–	–	–
Receiveables towards affiliated companies	1,843	1,843	✔	–	–	–	–
Other financial receivables (short- and long-term)	12,326	12,326	✔	–	–	–	–
Financial assets – loans	2,003	2,003	✔	–	–	–	–
Financial assets held-to-maturity	0	0					
Financial assets – investment securities (held-to-maturity)	0	0	✔	–	–	–	–
Financial assets at fair value through profit or loss	0	0					
Other short-term assets – stocks (trading)	0	0	–	–	✔	–	–
Financial assets available-for-sale	42,706	42,706					
Financial assets – holdings in affiliated companies	12,168	12,168	–	✔	–	–	–
Financial assets – holdings	30,538	30,538	–	✔	–	–	–
Other short-term assets – stocks	0	0	–	–	–	✔	–
Others	1,804	1,804					
Other short-term assets – derivatives with positive market value (fair value hedge)	656	656	–	–	✔	–	–
Other short-term assets – derivatives with positive market value (cash flow hedge)	1,148	1,148	–	–	–	✔	–
	177,782	177,782					

in €k	Book value	Fair value	Amount stated acc. to IAS 39				Amount stated acc. to IAS 17
			Continued acquisition cost	Acquisition cost	Fair value affecting net income	Fair value not affecting net income	
31/12/2011							
Loans and receivables	114,461	114,461					
Cash and cash equivalents	28,297	28,297	✔	–	–	–	–
Trade receivales	71,844	71,844	✔	–	–	–	–
Receiveables towards affiliated companies	779	779	✔	–	–	–	–
Other financial receivables (short- and long-term)	11,398	11,398	✔	–	–	–	–
Financial assets – loans	2,143	2,143	✔	–	–	–	–
Financial assets held-to-maturity	525	525					
Financial assets – investment securities (held-to-maturity)	525	525	✔	–	–	–	–
Financial assets at fair value through profit or loss	0	0					
Other short-term assets – stocks (trading)	0	0	–	–	✔	–	–
Financial assets available-for-sale	46,953	46,953					
Financial assets – holdings in affiliated companies	9,825	9,825	–	✔	–	–	–
Financial assets – holdings	37,128	37,128	–	✔	–	–	–
Other short-term assets – stocks (trading)	0	0	–	–	–	✔	–
Others	725	725					
Other short-term assets – derivatives with positive market value (fair value hedge)	359	359	–	–	✔	–	–
Other short-term assets – derivatives with positive market value (cash flow hedge)	366	366	–	–	–	✔	–
	162,664	162,664					

Trade accounts payable and other financial liabilities generally have short maturity periods. The recognized values are therefore approximately the same as the fair values. The fair values for the bank debts, financial liabilities and bonds are, where material, determined as the present value of the payments involved in the debts on the basis of the market parameters effective at the time.

Financial assets of the valuation category available-for-sale comprise equity instruments not listed on the stock exchange, whose fair value was not certainly determinable. The equity instruments are reported in the above charts in the category available-for-sale (at cost) and are balanced at acquisition cost.

The book values, fair values and assigned values of financial debts (financial instruments on the liabilities' side) can be broken down as follows according to classes or valuation categories under IAS 39 or IAS 17:

in €k	Book value	Fair value	Amount stated acc. to IAS 39				Amount stated acc. to IAS 17
			Continued acquisition cost	Acquisition cost	Fair value affecting net income	Fair value not affecting net income	
31/12/2012							
Financial liabilities at amortized cost	535,723	548,913					
Liabilities towards banks	224,193	225,440	✔	–	–	–	–
Trade liabilities	90,604	90,604	✔	–	–	–	–
Financial liablities towards affiliated companies	7,038	7,038	✔	–	–	–	–
Bonds	172,424	184,367	✔	–	–	–	–
Other financial liabilities (short- and long-term)	41,464	41,464	✔	–	–	–	–
Financial liabilities at fair value through profit or loss	1,609	1,609					
Other financial liabilities – derivatives with negative market value (trading)	1,609	1,609	–	–	✔	–	–
Others	6,982	6,982					
Liabilities finance lease	2,552	2,552	–	–	–	–	✔
Other financial liabilities – derivatives with negative market value (fair value hedge)	158	158	–	–	✔	–	–
Other financial liabilities – derivatives with negative market value (cash flow hedge)	4,272	4,272	–	–	–	✔	–
	544,314	557,504					

in €k	Book value	Fair value	Amount stated acc. to IAS 39				Amount stated acc. to IAS 17
			Continued acquisition cost	Acquisition cost	Fair value affecting net income	Fair value not affecting net income	
31/12/2011							
Financial liabilities at amortized cost	**453,419**	**458,517**					
Liabilities towards banks	223,849	223,917	✔	–	–	–	–
Trade liabilities	73,853	73,853	✔	–	–	–	–
Financial liablities towards affiliated companies	5,601	5,601	✔	–	–	–	–
Bonds	113,713	118,743	✔	–	–	–	–
Other financial liabilities (short- and long-term)	36,403	36,403	✔	–	–	–	–
Financial liabilities at fair value through profit or loss	**0**	**0**					
Other financial liabilities – derivatives with negative market value (trading)	0	0	–	–	✔	–	–
Others	**8,859**	**8,859**					
Liabilities finance lease	2,180	2,180	–	–	–	–	✔
Other financial liabilities – derivatives with negative market value (fair value hedge)	2,024	2,024	–	–	✔	–	–
Other financial liabilities – derivatives with negative market value (cash flow hedge)	4,655	4,655	–	–	–	✔	–
	462,278	**467,376**					

Trade liabilities and other financial liabilities usually have short remaining lifetimes. The balanced values approximately represent the fair values. Fair values of bank liabilities, financial liabilities and bonds, as far as they are material, are determined at fair market value of payments connected to the debts on the basis of respectively valid market parameters.

Classification of Financial Instruments by Valuation Method

The current market 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 current market value is determined by valuation methods, whose parameters are based on monitorable market data (level 2). Otherwise the determination of the current market value is based on valuation methods whose parameters are not based on monitorable market data (level 3):

in €k	Level 1	Level 2	Level 3	Total
31/12/2012				
Financial assets				
Stocks	0	0	0	**0**
Derivative financial instruments	0	1,804	0	**1,804**
Financial liabilities				
Derivative financial instruments	0	6,039	0	**6,039**
31/12/2011				
Financial assets				
Stocks	0	525	0	**525**
Derivative financial instruments	0	725	0	**725**
Financial liabilities				
Derivative financial instruments	0	6,679	0	**6,679**

The net result from the financial instruments in the classifications and measurement categories according to IAS 39 includes net profit/loss, total interest income/expenditure and impairment losses, and can be broken down as follows:

in €k	From interest	From subsequent valuation at fair value	From value adjustment	From disposal result	Net result (total)
2012					
Loans and receivables	2,269	0	(1,278)	(228)	763
Available-for-sale	0	64	(709)	0	(645)
At fair value through profit or loss (fair value option)	0	0	0	(216)	(216)
At fair value through profit or loss (trading)	0	(1,192)	0	0	(1,192)
Financial liabilities at amortized cost	(18,350)	0	0	0	(18,350)
	(16,081)	**(1,128)**	**(1,987)**	**(444)**	**(19,640)**
2011					
Loans and receivables	1,195	0	(673)	561	1,083
Available-for-sale	0	202	(117)	66	151
At fair value through profit or loss (fair value option)	0	0	0	4,645	4,645
At fair value through profit or loss (trading)	4	(2,689)	0	0	(2,685)
Financial liabilities at amortized cost	(20,121)	0	0	0	(20,121)
	(18,922)	**(2,487)**	**(790)**	**5,272**	**(16,927)**

Changes of the value adjustment regarding loans and receivables is reported under other operating expenses. The part from the subsequent valuation not affecting income at fair value of financial assets available-for-sale is reported in the fair value provision Available-for-Sale stocks. Other components of the net income are included in financial income/financial expenses.

Financial Risk Management

Principles of Financial Risk Management

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

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

Currency Risks

As a global corporation, the CROSS 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 2012 22% of the turnover (previous year: 23%) was generated by the KTM Group in US dollars. Currency risk management, especially hedging strategies, can compensate for exchange rate deviations to a great extent, at least over a model year. For business year 2013 the US dollar-business was hedged at a rate between 1.22 and 1.32 €/USD.

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

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

Although the CROSS Group can also benefit from exchange rate fluctuations, they can as well have significant negative effects on the company's business activity, the financial position as well as the business outlook.

Sensitivity analyses were carried out for the currency risks involved in financial instruments that show the impact of hypothetical changes in exchange rates on earnings (after tax) and equity. The balances affected at the balance sheet date were taken as basis. It was assumed for the analysis that the risk on the balance sheet date basically represents the risk during the business year. The group tax rate used was 25%. In addition, the analysis was also based on the assumption that all other variables, especially interest rates, remain constant. Included in the analysis were currency risks for financial instruments that are denominated in a currency deviating from the functional one and of a monetary nature. Currency risks from euro items in subsidiaries whose functional currency deviates from the euro were added to the currency risk for the functional currency of the relevant subsidiary. Risks involved in foreign currency items not in euros were aggregated at group level. Exchange rates differences resulting from converting financial statements into the group currency are not taken into account.

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

in €k	Revaluation by 10%		Devaluation by 10%	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Change of the result after taxes	(4,904)	(2,846)	5,988	3,393
Change of currency related cash flow hedge provision	5,407	4,656	(6,597)	(5,722)
Change of equity	**503**	**1,810**	**(609)**	**(2,329)**

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 risk is observed by a constant monitoring of the money and capital markets as well as by the implementation of fixed interest rate payer swaps. If the interest rate payer swaps are closed the company receives variable interest and pays fixed interest on the nominal values agreed.

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

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

in €k	Increase by 50 BP		Decrease by 50 BP	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Change of the result after taxes	(255)	(480)	255	480
Change of currency related cash flow hedge provision	731	1,203	(749)	(1,260)
Change of equity	**476**	**723**	**(494)**	**(780)**

Other Market Price Risks

In addition to currency and interest rate risks, the CROSS Group is also exposed to other price risks (in particular energy price risks and resource price risks from procurement and production) that, as a whole, are however of lesser importance to the group.

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.

In the CROSS Group, default risks are hedged to a great extent by bad debt insurance on the one hand and bank securities on the other (guarantees, letters of credit). Internal guidelines define the default risks and give procedures for controlling them.

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

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

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.

Some operational subsidiaries of the group show a significant level of dependency on individual, major customers. As a means of minimizing the impact on earnings resulting from a potential loss of customers, the company is continuously striving to expand its customer base and thus reduce its dependence on any individual customers.

On the asset side, the amounts shown represent the maximum default risk.

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

in €k	Book value	Thereof: As of the reporting date neither impaired nor overdue	Thereof: As of the reporting date not impaired and due in the following periods of time				Thereof impaired
			Up to 30 days	30 to 60 days	60 to 90 days	More than 90 days	
31/12/2012							
Trade receivables	73,821	43,267	16,186	2,256	1,859	5,683	4,570
Receivables towards affiliated companies	1,843	1,843	0	0	0	0	0
Other financial receivables (short- and long-term)	12,326	12,326	0	0	0	0	0
Financial assets – loans	2,003	2,003	0	0	0	0	0
	89,993	**59,439**	**16,186**	**2,256**	**1,859**	**5,683**	**4,570**
31/12/2011							
Trade receivables	71,844	49,270	5,776	3,114	5,127	4,878	3,679
Receivables towards affiliated companies	779	779	0	0	0	0	0
Other financial receivables (short- and long-term)	11,398	11,000	266	0	0	28	104
Financial assets – loans	2,143	2,143	0	0	0	0	0
	86,164	**63,192**	**6,042**	**3,114**	**5,127**	**4,906**	**3,783**

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

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

Liquidity Risks

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

In April 2012 the equity financing of CROSS Industries AG and CROSS Motorsport Systems AG was restructured (see item 22). In the framework of this financing the company concluded financial covenants. The financial covenants were determined based on the current medium-term planning taking into account a safety margin. An adverse deviation from one of the financial covenants on two consecutive quarterly key dates, would in principle entitle the banks to call for debt repayment. As of the balance sheet date of 31 December 2012 the financial covenants were met.

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

In view of the global financial crisis, which has also had an immediate effect on the commercial banks used by the group, securing short- and medium-term liquidity is top priority.

The maturity periods of the financial debts can be broken down as follows:

in €k	Book value	Remaining lifetime		
		Up to 1 year	1 to 5 years	More than 5 years
31/12/2012				
Financial liabilities at amortized cost	535,723	196,732	232,643	106,348
Liabilities towards banks	224,193	53,571	138,696	31,926
Trade liabilities	90,604	90,604	0	0
Liabilities towards affiliated companies	7,038	7,038	0	0
Bonds	172,424	13,574	84,496	74,354
Other financial liabilities (short- and long-term)	41,464	31,945	9,451	68
Financial liabilities at fair value through profit or loss	1,609	1,331	278	0
Other financial liabilities – derivates with negative market value (trading)	1,609	1,331	278	0
Others	6,982	2,469	4,461	52
Liabilities finance lease	2,552	708	1,792	52
Other financial liabilities – derivates with negative market value (fair value hedge)	158	158	0	0
Other financial liabilities – derivates with negative market value (cash flow hedge)	4,272	1,603	2,669	0
	544,314	200,532	237,382	106,400
31/12/2011				
Financial liabilities at amortized cost	453,419	213,459	219,393	20,567
Liabilities towards banks	223,849	52,845	150,532	20,472
Trade liabilities	73,853	73,853	0	0
Liabilities towards affiliated companies	5,601	5,567	34	0
Bonds	113,713	49,945	63,768	0
Other financial liabilities (short- and long-term)	36,403	31,249	5,059	95
Financial liabilities at fair value through profit or loss	0	0	0	0
Other financial liabilities – derivates with negative market value (trading)	0	0	0	0
Others	8,859	7,238	1,621	0
Liabilities finance lease	2,180	708	1,472	0
Other financial liabilities – derivates with negative market value (fair value hedge)	2,024	2,024	0	0
Other financial liabilities – derivates with negative market value (cash flow hedge)	4,655	4,506	149	0
	462,278	220,697	221,014	20,567

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

in €k	Book value	Cash flows 2013			Cash flows 2014 to 2017			Cash flows from 2018		
		Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption
31/12/2012										
Financial liabilities at amortized cost	535,723	10,359	3,630	196,732	30,403	7,598	232,643	3,193	1,594	106,348
Liabilities towards banks	224,193	2,649	3,630	53,571	3,972	7,598	138,696	302	1,594	31,926
Trade liabilities	90,604	0	0	90,604	0	0	0	0	0	0
Liabilities towards affiliated companies	7,038	0	0	7,038	0	0	0	0	0	0
Bonds	172,424	7,672	0	13,574	26,374	0	84,496	2,891	0	74,354
Other financial liabilities (short- and long-term)	41,464	38	0	31,945	57	0	9,451	0	0	68
Financial liabilities at fair value through profit or loss	1,609	0	0	1,331	0	0	278	0	0	0
Other financial liabilities – derivates with negative market value (trading)	1,609			1,331	0	0	278	0	0	0
Others	6,982	36	57	2,469	39	73	4,461	0	0	52
Liabilities finance lease	2,552	36	57	708	39	73	1,792	0	0	52
Other financial liabilities – derivates with negative market value (fair value hedge)	158	0	0	158	0	0	0	0	0	0
Other financial liabilities – derivates with negative market value (cash flow hedge)	4,272	0	0	1,603	0	0	2,669	0	0	0
	544,314	10,395	3,687	200,532	30,442	7,671	237,382	3,193	1,594	106,400

in €k	Book value	Cash flows 2012			Cash flows 2013 to 2016			Cash flows from 2017		
		Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption	Interest fixed	Interest variable	Redemption
31/12/2011										
Financial liabilities at amortized cost	453,419	6,874	9,370	213,459	3,273	14,944	219,393	0	1,473	20,567
Liabilities towards banks	223,849	735	9,337	52,845	1,159	14,925	150,532	0	1,473	20,472
Trade liabilities	73,853	0	0	73,853	0	0	0	0	0	0
Liabilities towards affiliated companies	5,601	0	2	5,567	0	0	34	0	0	0
Bonds	113,713	6,060		49,945	2,039	0	63,768	0	0	0
Other financial liabilities (short- and long-term)	36,403	79	31	31,249	75	19	5,059	0	0	95
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0
Other financial liabilities – derivates with negative market value (trading)	0	0	0	0	0	0	0	0	0	0
Others	8,859	0	75	7,238	0	93	1,621	0	0	0
Liabilities finance lease	2,180	0	75	708	0	93	1,472	0	0	0
Other financial liabilities – derivates with negative market value (fair value hedge)	2,024	0	0	2,024	0	0	0	0	0	0
Other financial liabilities – derivates with negative market value (cash flow hedge)	4,655	0	0	4,506	0	0	149	0	0	0
	462,278	6,874	9,445	220,697	3,273	15,037	221,014	0	1,473	20,567

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

Derivate und Hedging

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

The foreign currency risk results from future possible transactions (purchases and sales in foreign currency or from already existing foreign currency borrowings and lendings. The interest risk mainly results from recognized foreign currency liabilities, which are subject to uncertainty as a result of exchange rate and interest rate fluctuations. In order to hedge foreign currency receivables and liabilities against the risk of currency rate fluctuations, the companies of the CROSS Group have concluded currency derivates and applied them in the course of cash flow- or fair value hedge relations as a hedging instrument. Main inefficiencies were recorded affecting net income.

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

The following derivate financial instruments used as hedging instruments were applied as of 31 December 2012:

in €k	31/12/2012				31/12/2011			
	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years
Forward exchange dealing								
USD	67,710	791	67,710	0	60,000	(2,613)	60,000	0
JPY	0	0	0	0	220,000	174	220,000	0
CAD	15,700	334	15,700	0	17,930	(353)	17,930	0
GBP	23,400	382	23,400	0	21,020	(734)	21,020	0
SEK	68,450	(12)	68,450	0	79,000	(144)	79,000	0
NZD	0	0	0	0	2,350	(92)	2,350	0
DKK	9,300	0	9,300	0	8,200	0	8,200	0
PN	4,270	(18)	4,270	0	0	0	0	0
NOK	14,650	(22)	14,650	0	0	0	0	0
CZK	40,000	24	40,000	0	63,000	149	63,000	0
HUF	58,500	7	58,500	0	91,000	41	91,000	0
ZAR	16,300	113	16,300	0	81,100	330	81,100	0
Interest swaps								
	80,000	(5,175)	0	80,000	91,000	(2,714)	0	91,000

No hedge accounting was established for the following derivative instruments:

in €k	31/12/2012				31/12/2011			
	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years	Nominal value in 1,000 local currency	Market value	Term up to 1 year	Term 1 to 5 years
Interest swaps								
	31,000	(658)	0	31,000	0	0	0	0

Forward exchange dealings

Forward exchange dealings concluded by companies of the CROSS Group are mainly concluded in order to hedge future revenues and material expenses in foreign currency fluctuation risks.

Interest rate swaps

As of the effective date interest rate swaps in the amount of € 111,000k (previous year: € 91,000k) were concluded in order to reduce volatility of variable interest payments from loans. Basically all underlying transactions and hedges are contracted in a way that all essential contractual components completely match (critical terms match). The security effect is reviewed on a regular basis by means of efficiency tests. Due to the discontinuation of a hedged item, a hedge was dissolved in 2012. The interest rate swaps that were formerly used for hedging with a nominal value of € 31,000k were classified as held-for-trading and have a negative market value of € 658k as of 31 December 2012.

The determination of the fair value of derivative financing instruments used, takes place exclusively on the basis of an assessment by the bank.

Options

The KTM Group met call- and put options with equal nominal values, terms and exchange rates for USD, which qualify as hedging instruments according to IAS 39, whose market value change is recorded in the group income statement in case of a fair value hedge and in the group's equity until realization of the hedged underlying transaction. This option expired in business year 2011. There were no open options as of 31 December 2011 and 31 December 2012.

(27) OPERATING LEASE AGREEMENTS

The CROSS Group as Lessee

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

In business year 2012 payments from lease payments (lease or rent expenses) from operating leasing relations recorded as expenses amounted to € 9,612k (previous year: € 9,003k). The shown expenses from operating leasing relations do not include contingent lease payments.

The use of lease assets not reported under tangible assets (mostly rent for operating- and administration, buildings and storage areas, CNC machinery, vehicles and computer equipment) entails obligations to third parties totaling € 40,588k (previous year: € 50,573k) that are payable as follows:

in €k	31/12/2012	31/12/2011
Up to 1 year	8,809	11,242
2 to 5 years	30,650	38,611
More than 5 years	1,129	720
	40,588	**50,573**

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

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

CROSS as Lessor

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

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

in €k	31/12/2012	31/12/2011
Up to 1 year	1,408	831
2 to 5 years	5,043	5,168
More than 5 years	212	851
	6,663	**6,850**

In business year 2012 leasing agreements from operating leasing relations amounted to € 887k (previous year: € 734k).

(28) SEGMENT REPORTING

The business segments of the CROSS Group comprise power sports products of KTM AG (formerly: KMT Power Sports AG) (road and offroad motorcycles, Sportminicycles, ATV, the KTM sportscar X-Bow as well as spare parts and equipment) and the high performance component segment of the CROSS Motorsport Systems Group. The segment others include CROSS Industries AG, Durmont Teppich-bodenfabrik GmbH as well as all other holding companies.

in €k	KTM products	High performance components	Others	Consoli-dation	Group – continued operations	Discontinued operations (automotive)
2012						
Revenue	612,008	235,400	68,551	(90,308)	825,651	0
thereof inner-group	117	83,127	7,064	(90,308)	0	0
EBIT	36,716	14,148	(4,053)	163	46,974	(1,094)
Interest expenses	(8,187)	(5,807)	(6,516)	1,172	(19,338)	0
Interest income	867	494	2,080	(1,172)	2,269	0
Assets	521,351	241,954	760,979	(606,352)	917,932	0
Liabilities	266,828	192,756	242,302	(100,014)	601,872	0
Investments	52,400	31,981	22,121	(3,643)	102,859	0
Depreciation	31,111	13,367	3,412	0	47,890	0
thereof unscheduled	0	0	0	0	0	0

in €k	KTM products	High performance components	Others	Consoli-dation	Group – continued operations	Discontinued operations (automotive)
2011						
Revenue	526,801	175,864	27,731	(51,770)	678,626	1,226,319
thereof inner-group	201	43,239	8,330	(51,770)	0	0
EBIT	31,009	6,535	1,369	6	38,919	5,370
Interest expenses	(10,000)	(7,201)	(6,160)	1,944	(21,417)	(14,254)
Interest income	768	1,601	1,116	(1,944)	1,541	715
Assets	485,777	203,739	456,755	(327,823)	818,448	0
Liabilities	266,000	159,599	125,077	(38,257)	512,419	0
Investments	37,702	9,728	5,985	0	53,415	43,719
Depreciation	33,369	12,042	1,173	0	46,584	33,021
thereof unscheduled	0	0	0	0	0	0

Regions

The distribution according to regions for external sales is made according to the location of the respective customer, in case of segment assets according to the place, where assets are located.

in €k	Europe		North America		Others	
	2012	2011	2012	2011	2012	2011
External sales	519,660	445,087	173,570	136,524	132,421	97,015

(29) EVENTS AFTER THE BALANCE SHEET DATE

Events after 31 December 2012 that are of material interest for the assessment of assets and liabilities are either taken into account in the present report or not known.

(30) BUSINESS RELATIONS TO AFFILIATED COMPANIES AND PERSONS

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

Shares of CROSS Industries AG are held by Pierer Invest Beteiligungs GmbH, Wels (50.05%), Pierer Industrie AG, Wels (25.03%), as well as Unternehmens Invest AG, Wels (24.92%). Shares of Pierer Invest Beteiligungs GmbH, Wels, are held by Pierer GmbH, Wels, and Knünz GmbH, Dornbirn (50.00% respectively), whereby 100% of voting rights are held by Pierer GmbH. Pierer Industrie AG is indirectly the 100% owner of Pierer GmbH, Wels. Sole shareholder and CEO of Pierer GmbH, Wels, is Mr. Stefan Pierer; shareholder and CEO of Knünz GmbH, Dornbirn is Mr. Rudolf Knünz.

In business year 2012 the shareholders have not received any dividend from the previous business year.

Mr. **Stefan Pierer** holds the following positions in the CROSS Group:
- Chairman of the Management Board of CROSS Industries AG, Wels
- Chairman of the Management Board of KTM AG, Mattighofen
- Chairman of the Management Board of KTM-Sportmotorcycle AG, Mattighofen
- Chief Executive Officer of PF Beteiligungsverwaltungs GmbH, Wels
- Chief Executive Officer of CROSS Informatik GmbH, Wels
- Chief Executive Officer of CROSS Services GmbH, Ursensollen, Germany (liquidated as of 31 December 2012)
- Chairman of the Supervisory Board of CROSS Immobilien AG, Wels
- Chairman of the Supervisory Board of CROSS Motorsport Systems AG, Wels
- Chairman of the Supervisory Board of Pankl Racing Systems AG, Bruck upon Mur
- Chairman of the Supervisory Board of BRAIN FORCE HOLDING AG, Vienna
- Member of the Supervisory Board of SMP Deutschland GmbH (formerly: Peguform GmbH), Bötzingen, Germany
- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels

Mr. **Rudolf Knünz** holds the following positions in the CROSS Group:
- Chairman of the Supervisory Board of CROSS Industries AG, Wels
- Deputy Chairman of the Supervisory Board of KTM AG, Mattighofen
- Deputy Chairman of the Supervisory Board of KTM-Sportmotorcycle AG, Mattighofen
- Deputy Chairman of the Supervisory Board of CROSS Immobilien AG, Wels (until 12 September 2012)
- Deputy Chairman of the Supervisory Board of CROSS Motorsport Systems AG, Wels (until 12 September 2012)
- Deputy Chairman of the Supervisory Board of Pankl Racing Systems AG, Bruck upon der Mur (until 31 January 2013)

Mr. **Gerald Kiska** is member of the Supervisory Board of CROSS Industries AG, Wels, and Chief Executive Officer of Kiska GmbH, Anif, in which KTM AG holds a 24.9% share. Kiska GmbH, Anif, provided consulting services for the group in the amount of € 4,209k (previous year: € 3,316k). As of 31 December 2012 there were open liabilities towards Kiska GmbH, Anif, in the amount of € 1,052k (previous year: € 1,065k).

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

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

in €k	Receivables	Liabilities	Income	Expense
2012				
Shareholder	845	2,915	970	102
Associated companies	2,076	0	12,626	9,596
Other affiliated companies	726	16,583	2,297	30,078
Other affiliated persons	0	0	0	64
	3,647	**19,498**	**15,893**	**39,840**

in €k	Receivables	Liabilities	Income	Expense
2011				
Shareholder	47	2,543	1,577	6,922
Associated companies	1,833	104	855	826
Other affiliated companies	3,332	6,386	6,323	26,102
Other affiliated persons	0	0	0	78
	5,212	9,033	8,755	33,928

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

(31) EQUITY HOLDINGS AS OF 31 DECEMBER 2012

The list of equity holdings comprises all companies, which have been included in the consolidated financial statements apart from the parent company (see page 92).

(32) BODIES OF CROSS INDUSTRIES AG

In business year 2012 the following members were appointed to the Supervisory Board:
- Rudolf Knünz (Chairman)
- Josef Blazicek (Deputy Chairman)
- Gerald Kiska
- Ernst Chalupsky (from 25 April 2012)
- Manfred De Bock (until 14 July 2012)

In business year 2012 the following, collectively authorized members were appointed to the Management Board:
- Stefan Pierer (CEO)
- Friedrich Roithner
- Alfred Hörtenhuber
- Klaus Rinnerberger

Wels, 29 March 2013

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

Enclosure to the Notes to the Consolidated Financial Statements

Company	Initial consolidation date	Participation	Type of consolidation
CROSS Immobilien AG, Wels	30/04/2005	95.00%	FC
Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels	–	30.70%	IE
CROSS KraftFahrZeug Holding GmbH (formerly: CI Holding GmbH), Wels	30/09/2010	100.00%	FC
CROSS Automotive Holding GmbH, Wels	30/06/2010	100.00%	FC
CROSS Automotive Beteiligungs GmbH, Wels	30/06/2010	100.00%	FC
Durmont Teppichbodenfabrik GmbH, Hartberg	31/07/2011	100.00%	FC
PF Beteiligungsverwaltungs GmbH, Wels	31/12/2009	100.00%	FC
SMP Deutschland GmbH (formerly: Peguform GmbH), Bötzingen, Germany	–	16.30%	NCA
SMP Automotive Technology Iberica, S.L. (formerly: Peguform Iberica S.L.), Polinyà, Spain	–	16.30%	NCA
CROSS Lightweight Technologies Holding GmbH, Wels	31/07/2011	100.00%	FC
Wethje Holding GmbH (formerly: Wethje Carbon Composite GmbH), Hengersberg, Germany	25/06/2012	94.00%	FCA
Die Wethje GmbH Kunststofftechnik, Hengersberg, Germany	25/06/2012	94.00%	FCA
Wethje Immobilien GmbH (formerly: Wethje-Entwicklungs GmbH), Vilshofen-Pleinting, Germany	25/06/2012	88.36%	FCA
CROSS Informatik GmbH, Wels	–	50.00%	IE

KTM Group			
KTM AG (formerly: KTM Power Sports AG), Mattighofen	31/05/2005	51.69%	FC
KTM-Sportcar Sales GmbH, Mattighofen	31/05/2005	51.69%	FC
KTM-Sportmotorcycle AG, Mattighofen	31/05/2005	51.69%	FC
KTM Dealer & Financial Services GmbH, Mattighofen	31/03/2011	51.69%	FC
KTM Immobilien GmbH, Wels	31/12/2010	52.12%	FC
KTM North America, Inc., Amherst, Ohio, USA	31/05/2005	51.69%	FCA
KTM-Motorsports, Inc., Amherst, Ohio, USA	31/05/2005	51.69%	FCA
KTM-Sportmotorcycle Japan K.K., Tokyo, Japan	31/05/2005	51.69%	FCA
KTM-Racing AG, Frauenfeld, Switzerland	31/05/2005	51.69%	FCA
KTM Events & Travel Service AG, Frauenfeld, Switzerland	01/09/2006	51.69%	FCA
KTM Motorcycles S.A. Pty. Ltd., Paulshof, South Africa	01/03/2009	51.69%	FCA
KTM Sportmotorcycle Mexico C.V. de S.A., Nuevo Leon, Mexico	01/06/2009	51.69%	FCA

Legend:

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

Company	Initial consolidation date	Participation	Type of consolidation
KTM South East Europe S.A. (formerly: KTM Hellas S.A.), Elefsina, Greece	01/11/2010	51.69%	FCA
KTM Technologies GmbH, Anif	01/10/2008	51.00%	FC
KTM-Sportmotorcycle India Private Limited, Pune, India	01/06/2012	51.69%	FCA
HUSABERG Vertriebs GmbH, Mattighofen	–	51.69%	NC
KTM-Sportmotorcycle GmbH, Ursensollen, Germany	–	51.69%	NCA
KTM Switzerland Ltd, Frauenfeld, Switzerland	–	51.69%	NCA
KTM-Sportmotorcycle UK Ltd., Brackley, Great Britain	–	51.69%	NCA
KTM-Sportmotorcycle Espana S.L., Terrassa, Spain	–	51.69%	NCA
KTM-Sportmotorcycle France SAS, Lyon, France	–	51.69%	NCA
KTM-Sportmotorcycle Italia s.r.l., Gorle, Italy	–	51.69%	NCA
KTM-Sportmotorcycle Nederland B.V., Malden, Netherlands	–	51.69%	NCA
KTM-Sportmotorcycle Scandinavia AB, Örebro, Sweden	–	51.69%	NCA
KTM-Sportmotorcycle Belgium S.A., Wavre, Belgium	–	51.69%	NCA
KTM Canada Inc., St-Bruno, Canada	–	51.69%	NCA
KTM Hungária Kft., Törökbálint, Hungary	–	51.69%	NCA
KTM Nordic Oy, Vantaa, Finland	–	51.69%	NCA
KTM Sportmotorcycle d.o.o., Marburg, Slovenia	–	51.69%	NCA
KTM Central East Europe s.r.o., Bratislava, Slovakia	–	51.69%	NCA
KTM-Österreich Vertriebs GmbH, Mattighofen	–	51.69%	NC
KTM do Brasil, Sao Paulo, Brazil	–	51.69%	NCA
KTM Czech Republic s.r.o., Pilsen, Czech Republic	–	51.69%	NCA
KTM-Sportcar Australia Pty Ltd., Perth, Australia	–	51.69%	NCA
KTM Finance GmbH, Frauenfeld, Switzerland	–	51.69%	NCA
KTM Wien GmbH, Mattighofen	–	51.69%	NC

Other shareholdings			
KTM Regensburg GmbH, Regensburg, Germany	–	13.44%	NCA
KTM New Zealand Ltd., Auckland, New Zealand	–	13.44%	IEA
KTM Braumandl GmbH, Wels	–	13.44%	NC
KTM MIDDLE EAST AL SHAFAR LCC, Dubai, United Arab Emirates	–	12.92%	NCA
Project MOTO Rütter & Holte GmbH, Oberhausen, Germany	–	13.44%	NCA
Kiska GmbH, Anif	–	12.87%	NC
MX – KTM Kini GmbH, Wiesing	–	13.44%	NC

Legend:

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

Company	Initial consolidation date	Participation	Type of consolidation
CROSS Motorsport Systems Group			
CROSS Motorsport Systems AG, Wels	30/06/2005	100.00%	FC
Pankl Group			
Pankl Racing Systems AG, Bruck upon Mur	01/01/2008	58.31%	FC
Pankl Engine Systems GmbH & Co KG, Bruck upon Mur	01/01/2008	58.31%	FC
Pankl Drivetrain Systems GmbH & Co KG, Kapfenberg	01/01/2008	58.31%	FC
Pankl Racing Systems UK Ltd., Bicester, Great Britain	01/01/2008	58.31%	FCA
Pankl Holdings, Inc., Carson City, Nevada, USA	01/01/2008	58.31%	FCA
Capital Technology Beteiligungs GmbH, Bruck upon Mur	01/01/2008	58.31%	FC
CP-CARRILLO, LLC, Irvine, USA	01/01/2008	40.82%	FCA
Performance Equipment Company, LLC, Irvine, USA	01/01/2008	40.82%	FCA
Pankl Emission Control Systems GmbH, Kapfenberg	01/01/2008	58.31%	FC
Pankl Aerospace Systems, Inc., Cerritos, USA	01/01/2008	58.31%	FCA
Pankl Engine Systems, Inc., Irvine, USA	27/07/2011	58.31%	FCA
Pankl Beteiligungs GmbH, Kapfenberg	01/01/2008	58.31%	FC
Pankl Schmiedetechnik GmbH & Co KG, Kapfenberg	01/01/2008	58.31%	FC
Pankl Aerospace Systems Europe GmbH, Kapfenberg	01/01/2008	58.31%	FC
Pankl Automotive Slovakia s.r.o., Topolcany, Slovakia	01/01/2008	58.31%	FCA
Pankl Aerospace Innovations, LLC, Cerritos, USA	13/06/2012	58.31%	FCA
Carrillo Acquisitions, Inc., Irvine, USA	23/12/2011	58.31%	FCA
Pankl Japan, Inc., Tokyo, Japan	–	58.31%	NCA
Pankl – APC Turbosystems GmbH (formerly: APC – Advanced Propulsion Concept GmbH), Mannheim, Germany	28/09/2012	29.74%	FCA

Legend:

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

Company	Initial consolidation date	Participation	Type of consolidation
WP Group			
WP Performance Systems GmbH (formerly: WP Supension Austria GmbH), Munderfing	30/11/2007	100.00%	FC
WP Suspension B.V., Malden, Netherlands (in liquidation)	–	100.00%	NCA
WP Components GmbH (formerly: WP Radiator GmbH), Munderfing	31/12/2009	100.00%	FC
WP Cooling Systems (Dalian) Co., Ltd., Dalian, China	–	100.00%	NCA
WP Radiator Italia S.r.l., Vinovo, Italy	–	100.00%	NCA
WP Germany GmbH, Ursensollen, Germany	–	100.00%	NCA

Legend:

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of CROSS Industries AG, Wels, for the reporting period from 1 January 2012 to 31 December 2012. These consolidated financial statements comprise the balance sheet as at 31 December 2012, and the income statement, the consolidated statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended, and the notes.

Management's Responsibility for the Consolidated Financial Statements and Accounting System

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and present fairly, in all material respects, the financial position of the group as at 31 December 2012 and its financial performance for the period from 1 January 2012 to 31 December 2012 in accordance with generally accepted accounting principles in the International Financial Reporting Standards (IFRSs) as adopted by the EU.

REPORT ON OTHER LEGAL REQUIREMENTS (GROUP MANAGEMENT REPORT)

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

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

Linz, 29 March 2013

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Ernst Pichler	ppa Daniela Köberl
Wirtschaftsprüfer	Wirtschaftsprüfer
(Austrian Chartered Accountant)	(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Article 281 section 2 UGB 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, April 2013

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

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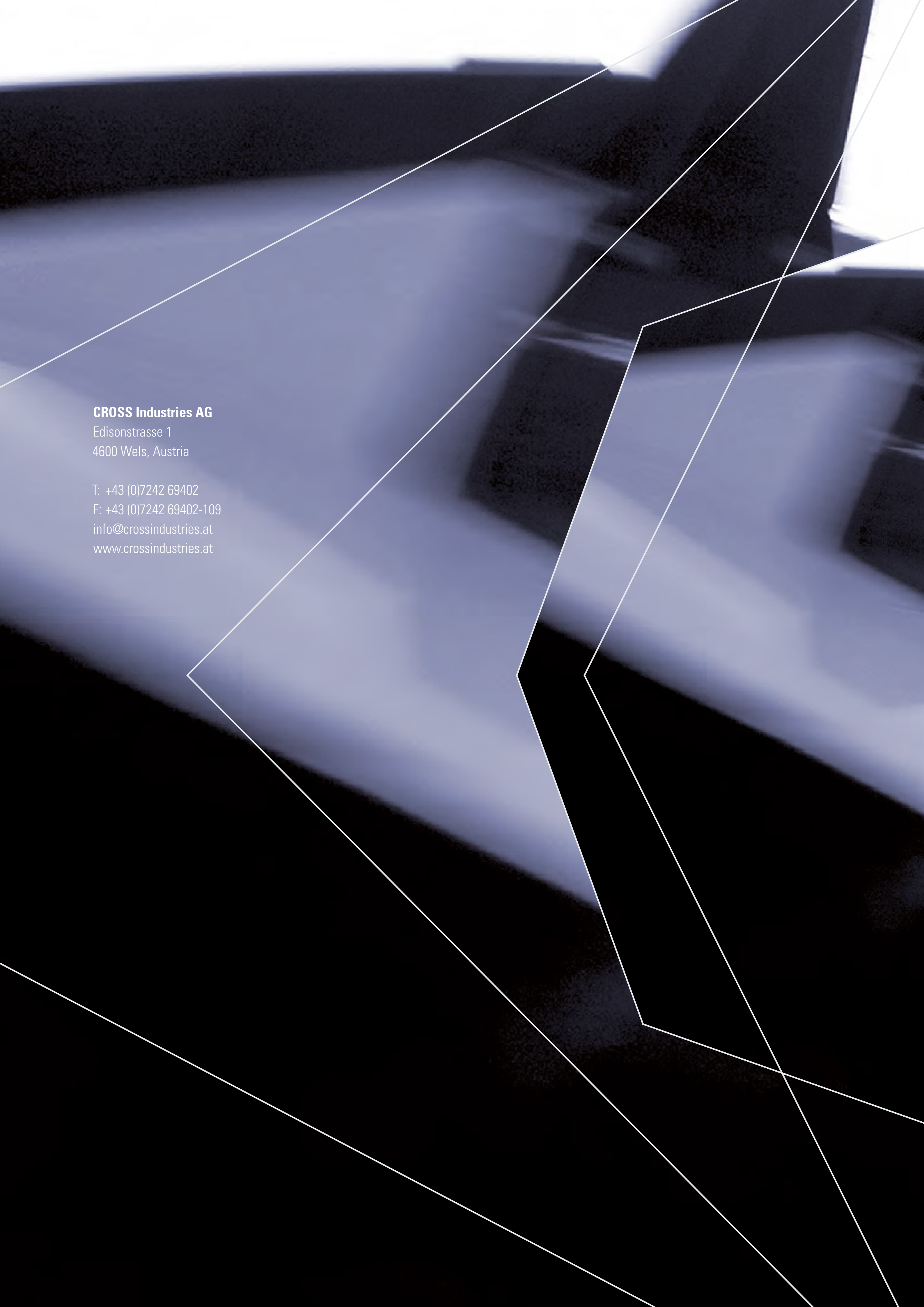
While every care was taken in compiling this Annual Report and checking that the data it contains is correct, slight differences in totals from adding up rounded amounts and percentages, typographical errors and misprints cannot be excluded.

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



CROSS Industries AG
Edisonstrasse 1
4600 Wels, Austria

T: +43 (0)7242 69402
F: +43 (0)7242 69402-109
info@crossindustries.at
www.crossindustries.at