CROSS Industries AG

ANNUAL REPORT 2014

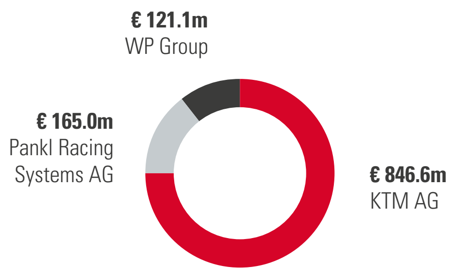
KEY FIGURES

	2014 in €m	2013 in €m	2012 in €m
Earnings figures			
Revenues	1,086.3	910.6	788.6
EBITDA	148.1	116.7	95.3
Operating income (EBIT)	93.0	65.9	48.0
Net profit of the year from continuing operations	54.9	45.7	21.8
Key balance sheet figures			
Balance sheet total	1,031.1	939.2	880.1
Equity	370.9	308.5	278.3
Net debt	315.1	342.7	361.5
Cash flow			
Operating cash flow	81.7	64.1	75.8

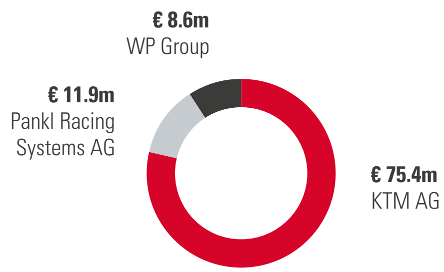
CROSS Industries AG bond

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

Revenue of the shareholdings 2014



EBIT of the shareholdings 2014



CROSS Industries AG

ANNUAL REPORT 2014

THE CROSS INDUSTRIES GROUP IS A GLOBAL AUTOMOTIVE NICHE PLAYER THAT INCLUDE WORLDWIDE RENOWNED BRANDS (KTM, HUSQVARNA, PANKL), WHICH ARE PARTLY TECHNOLOGY AND MARKET LEADERS IN EACH NICHE.

In the business year 2014 the focus was on the strategic development of the majority interests again. Currently, CROSS Industries AG holds 51.2% in KTM AG, 51.8% in Pankl Racing Systems AG, 90% in WP AG as well as shareholdings in Wethje Group (49%) and the Durmont Teppichbodenfabrik GmbH.

CROSS INDUSTRIES AG ACHIEVED RECORD RESULTS IN 2014

In the business year 2014 CROSS Industries AG surpasses the one billion mark for the first time and generated revenues in the amount of € 1,086.3m (after € 910.6m in the previous year) and a record EBIT in the amount of € 93.0m (after € 65.9m in the previous year). The balance sheet total increased from € 939m to € 1,031m, the equity ratio is 36%.

In 2014 the CROSS Industries Group employed more than 4,000 people, therof more than 70% in Austria.

After the company's streamlining of the Group structure as well as restructurings in the past business year the CROSS Industries AG still sets the focus intensively on the automotive niche areas.

POSITIVE DEVELOPMENT IN ALL SHAREHOLDINGS

All fully consolidated majority interests of CROSS Industries AG achieved record results in 2014.

KTM AG

The major participation KTM AG was able to achieve a new record level of revenues and sales in 2014 once again, due to the consequent implementation of its global product and market strategy. As a result KTM ranks among the fastest growing motorcycle brands in the world.

In the past business year KTM achieved revenues in the amount of € 864.6m (+20.7%) and sold 140,574 vehicles, which corresponds to an increase of 23.0%. Worldwide 158,760 KTM motorcycles have been sold, including DUKE 200 and DUKE 390 sold by the Indian KTM partner Bajaj. After the full integration of the "Husqvarna" brand, which took place in 2014 successfully, KTM now consequently persues a two-brand strategy for "KTM" and "Husqvarna". In the business year 2014 already 16,253 Husqvarna models had been delivered.

For the business year 2015 KTM has planned investments in the amount of nearly € 100m, the focus lies on new series development projects as well as infrastructure and development investments in motorsports and logistics as well as further expansion of the product capacity in the main plant Mattighofen.

PANKL RACING SYSTEMS AG

Pankl Racing Systems AG could also surpass prior records in revenues and results in the business year 2014. Pankl achieved a significant increase in revenue by 18% to € 165m and is able to record a positive development of revenue and earnings in all segments. The operating result in the Pankl Group increased disproportionately to revenue and reached with € 11.9m (+93%) a new record level.

2014 was an extraordinary successful business year, whereby Pankl Racing Systems AG could profit strongly from the substantial changes of Formula 1 regulations and achieved as well high growth in revenue in the racing segment. For the business year 2015 the management board expects a very solid result.

During the last three business years, Pankl has realized the most extensive investment program in the company's history and now has one of the biggest and latest machine parks. Thus it is possible to achieve a theoretical capacity of about € 200m annual revenue.

WP AG

The WP AG, a technology leader in the power sports segment, could also increase considerably its revenue to € 121.1m (+8.7%) and EBIT to € 8.6m and achieved new record levels. The integration of the WP Group has been continued further and in all business areas SAP was implemented as a new ERP-system. Thus the business processes could be simplified and the productivity of logistics and administrative workflows could be improved.

Technical innovation, the introduction of new products and the recognition of new trends are significant for competitive position, whereby in the business year 2014 about € 2,044k have been invested in research and development. Key to the successful future development will be innovative products. The investments in R&D and racing will therefore be strengthened further in the coming business year, in order to play a leading role in the motorcycle supplier industry. With the start of the semi-active technology an important milestone is set in 2015.

OUTLOOK

A next step in the development of CROSS Industries AG will be Pierer Industrie AG's planned merger of CROSS Industries AG into BF HOLDING AG (formerly: BRAIN FORCE HOLDING AG) and therefore the company's listing on the stock exchange. The necessary preparatory work, reviews and corporate actions are being examined. The realization of the transaction is expected in the first half of 2015.

The CROSS Industries Group concentrates further on organic growth in all core areas, through further expansion of the market share and global growth, whereby the focus is on the emerging markets (especially Asian markets). Within the divisions the focus is on the mutual utilization of potential synergies and on the further development of cooperative projects.

For 2015 a positive outlook can be given for all business segments of the CROSS Industries Group.

Wels, April 2015

Stefan Pierer
Chairmain

MANAGEMENT BOARD

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

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

Other functions:

- Chairman of the Management Board of KTM AG and Pierer Industrie AG
- Chairman of the Supervisory Board of Pankl Racing Systems AG, WP AG and BF HOLDING AG (until 17 December 2014)

- **Friedrich Roithner**
  Appointed until 30 June 2018

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

Other functions:

- Member of the Management Board of KTM AG
- Deputy Chairman of the Supervisory Board of BF HOLDING AG (until 17 December 2014); Member of the Supervisory Board of Pankl Racing Systems AG, WP AG and All for One Steeb AG, Germany

SUPERVISORY BOARD

- **Josef Blazicek**
  Chairman from 29 April 2014
- **Ernst Chalupsky**
  Deputy Chairman from 29 April 2014
- **Gerald Kiska**
  Member
- **Rudolf Knünz**
  Member until 5 November 2014

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 Industries Group and since October 2010 also member of the Management Board of CROSS Industries AG.

Other functions:

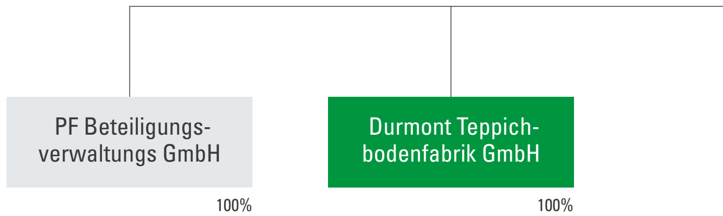
- Member of the Management Board of WP AG
- Member of the Supervisory Board of Pankl Racing Systems AG and KTM AG (until 22 May 2014)
- Member of the Board of the Foundation TGW Future Privatstiftung

Klaus Rinnerberger
Appointed until 30 September 2015

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

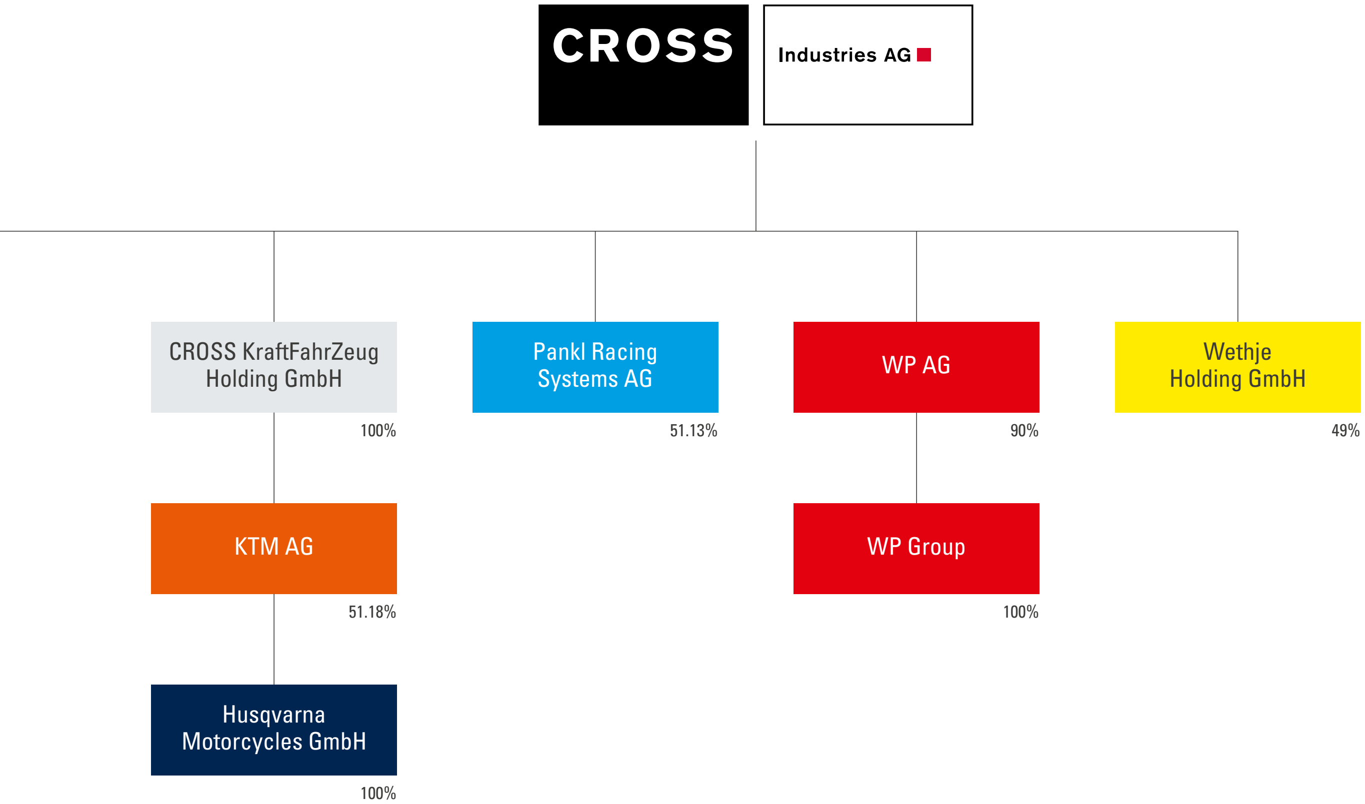
Other functions:

- Chairman of the Advisory Board of Industrie Holding GmbH


PF Beteiligungs-
verwaltungs GmbH
100%
Durmont Teppich-
bodenfabrik GmbH
100%

GROUP STRUCTURE

Simplified presentation as of 31 December 2014



KTM AG

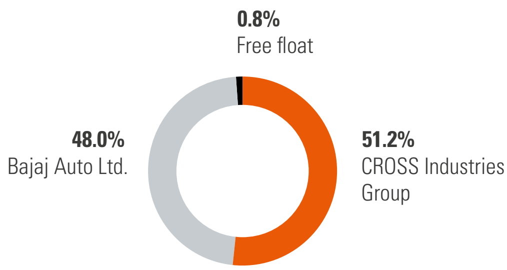
AUTOMOTIVE TECHNOLOGY.

MILESTONES OF THE BUSINESS YEAR

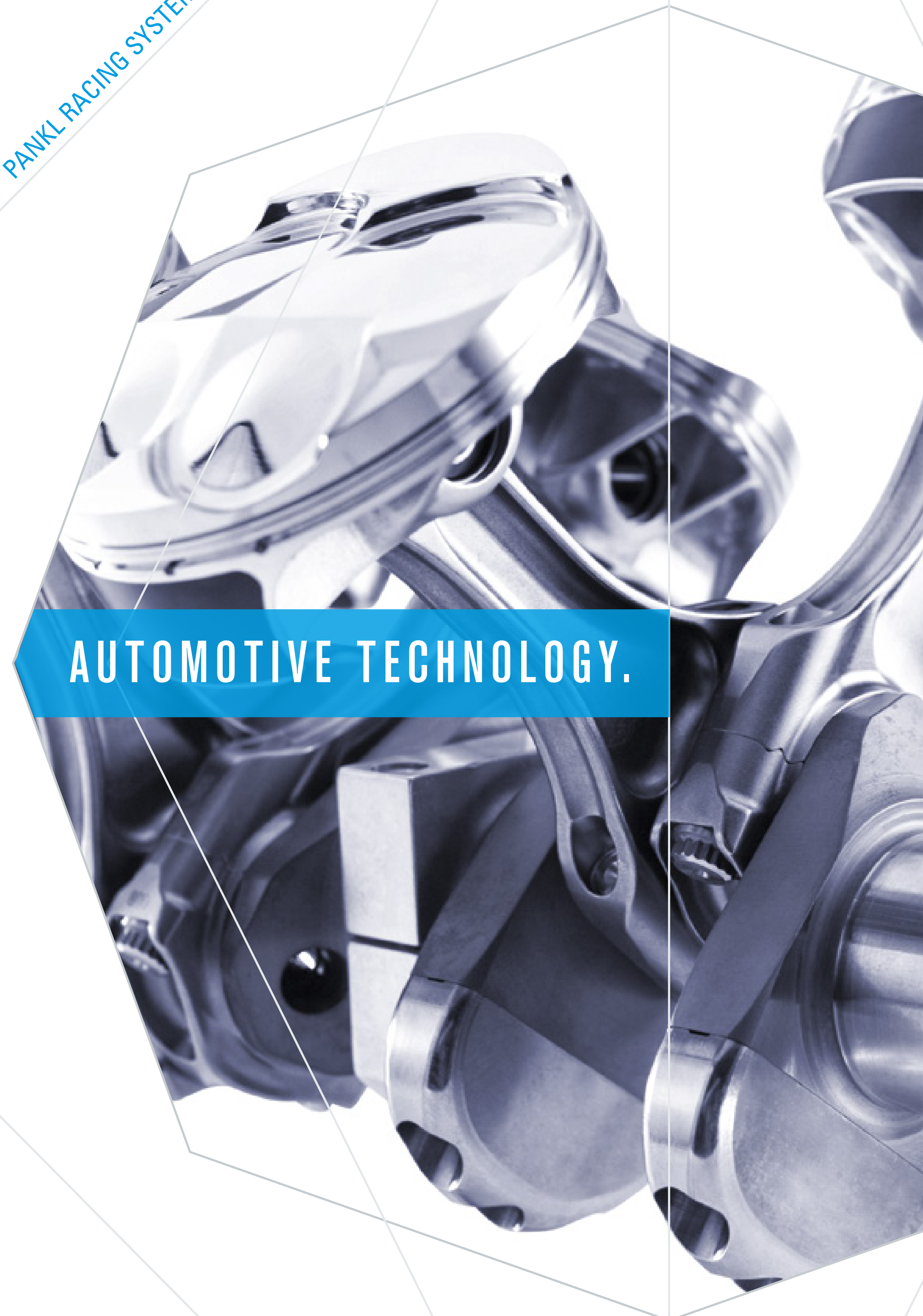
- Record year for the fourth time in a row – highest sales and revenues in the company's history
- Further increase in sales (158,760 motorcycles worldwide), revenues (€ 864.6m) and EBIT (€ 75.4m)
- Successful market launch of the super sport models RC 125, RC 200 and RC 390, developed together with the partner Bajaj
- Increase of market shares in Europe and the USA – 8.7% of the overall European market and 4.8% of the North American market
- Consistent implementation of global product strategy and further expansion on all continents
- Further development of the Austrian location by investments in the amount of € 85m
- Record employment of the Mattighofen location – at balance sheet date 2,143 employees across the group

KEY FIGURES in €m	2014	2013
Revenues	864.6	716.4
EBITDA	112.6	87.7
EBIT	75.4	54.9
Net profit of the year	57.2	36.5
Balance sheet total	694.8	571.4
Equity	327.6	282.8
Net debt	87.5	82.4
Free cash flow	9.9	25.2

SHAREHOLDER STRUCTURE as of 31 Dec 2014



PANKL RACING SYSTEMS AG

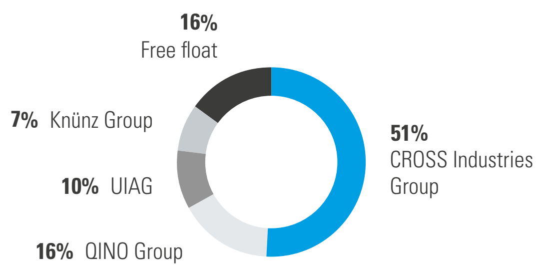


MILESTONES OF THE BUSINESS YEAR

- Record year in corporate history – positive development in all segments led to record results
- Revenues increased to € 165.0m (+18%)
- EBIT increased by 93% to € 11.9m
- Successful market entry in Formula 1, World Endurance Championship and World Rally Championship
- Significant revenue increase in Formula 1 business due to Formula 1 rule changes
- The largest investment program in the company's history has been implemented in the past three business years
- Planned dividend payment of € 0.60 per share, or 30.8% of the annual profit

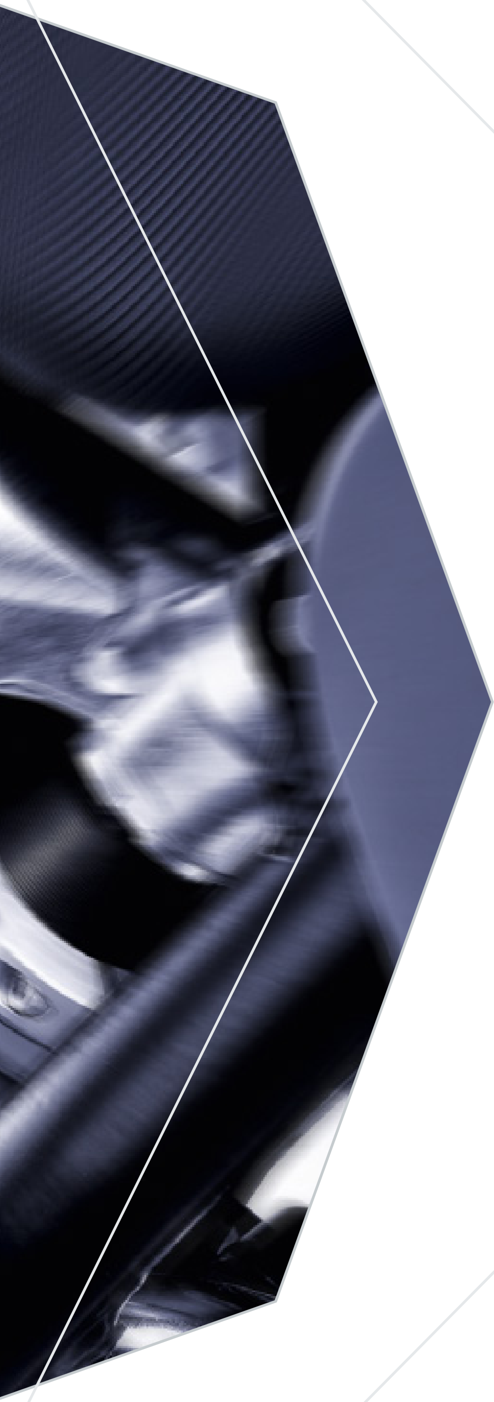
KEY FIGURES in €m	2014	2013
Revenues	165.0	139.8
EBITDA	24.3	17.5
EBIT	11.9	6.2
Net profit of the year	6.9	2.5
Balance sheet total	182.7	170.7
Equity	76.8	68.3
Net debt	70.9	68.2
Free cash flow	(1.3)	(17.9)

SHAREHOLDER STRUCTURE as of 31 Dec 2014



WP AG

AUTOMOTIVE TECHNOLOGY.

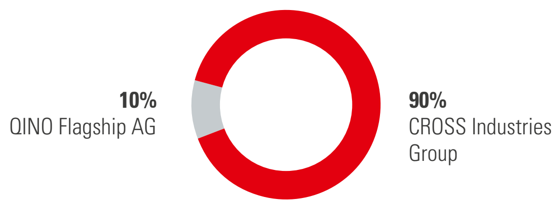


MILESTONES OF THE BUSINESS YEAR

- Restructuring of the WP Group in business year 2014 and therefore systematic reorientation on the business operations of WP Performance Systems Group
- Successful operating business of the WP Group – revenue (€ 121.1m) as well as EBIT of the continuing operations (€ 8.5m) reached record levels
- Investment program of the last years has been continued in 2014 – expansion of the administration building in Munderfing started in the fourth quarter
- Improvement of logistical processes and of process- and product quality
- stable development in the supply markets
- Investments in R&D and racing will be increased in the coming business year

KEY FIGURES in €m	2014	2013
Revenues	121.1	111.4
EBITDA	12.1	8.6
EBIT	8.6	5.9
Net profit of the year from continuing operations	4.3	(1.8)
Balance sheet total	103.7	293.0
Equity	37.9	58.5
Net debt	22.4	111.6

SHAREHOLDER STRUCTURE as of 31 Dec 2014



REPORT OF THE SUPERVISORY BOARD

for Business Year 2014 of CROSS Industries AG, Wels, Austria

In the business year 2014, the Supervisory Board of CROSS Industries AG held four meetings, thus fulfilling its duties required by law and under the articles of association.

The Management Board of CROSS Industries AG regularly reported to the Supervisory Board on business development and the economic state of the corporation, including its associated companies. The annual financial statements and the management report for the business year 2014 as well as the consolidated financial statements and group management report for business year 2014 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz. The audit did not give rise to any objections and the individual and consolidated statements for business year 2014 were granted an unqualified audit certificate.

The auditors certified that the accounting and the annual financial statements as of business year 2014 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 2014 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 2014, as well as of the results of operations and cash flows for the past business year in accordance with the International Financial Reporting Standards (IFRS) – as applicable in the EU –, and that the other details in the group management report do not misrepresent the group's situation and the legal requirements from exemption of preparing a group statement in accordance with Austrian law are met.

The Supervisory Board concurs with the Auditor's report and consequently also with the results of the final audit. After obtaining the final results of its review of the Management Board's management report and group management report, the annual financial statements and consolidated financial statements, and its management review, the Supervisory Board also raised no objections. Having been accepted by the Supervisory Board, the annual financial statements can be deemed approved pursuant to article 96 (4) Stock Corporation Law (AktG). The Supervisory Board acknowledged the consolidated financial statements and the group management report for the business year 2014. The Supervisory Board concurs with the Management Board on the proposal of the distribution of net profit.

The Supervisory Board recommends that KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, be appointed as independent auditors for the business year from 1 January 2015 to 31 December 2015.

Wels, April 2015

Josef Blazicek
Chairman of the Supervisory Board

GROUP STATUS REPORT 2014

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1. BUSINESS DEVELOPMENT AND COMPANY STATUS

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

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

- the subarea "complete vehicle" with its 100% share in CROSS KraftFahrZeug Holding GmbH, Wels, which holds shares in the KTM AG Group,
- the subarea "high performance" with its shareholdings in Pankl Racing Systems AG, Bruck upon Mur, and WP AG, Munderfing, as well as
- the subarea "lightweight" with its minority shareholding in Wethje Group, Hengersberg, Germany.

Furthermore, the company still holds 100% of shares in Durmont Teppichbodenfabrik GmbH, Hartberg.

As of the reporting date on 31 December 2014 the CROSS Industries Group held 51.18% (previous year: 51.09%) in KTM AG indirectly through CROSS KraftFrahrZeug Holding GmbH, 51.13% (previous year: 51.13%) in Pankl Racing Systems AG indirectly through CROSS Motorsport Systems GmbH and 90% in WP AG (previous year: 100% in WP Performance Systems GmbH and its subsidiary WP Components GmbH).

Moreover CROSS Industries AG still holds 100% in PF Beteiligungsverwaltungs GmbH, Wels (previous year: through CROSS Automotive Beteiligungs GmbH, Wels).

Further details regarding interest developments are explained in the notes to the annual financial statements as of 31 December 2014.

BUSINESS PERFORMANCE

In business year 2014 **KTM** improved its revenues to € 864.6m (+20.7% compared to the previous year) and sales to 140,574 vehicles (+23.0% compared to the previous year). Taking into consideration the DUKE 200 and DUKE 390 models sold by KTM's partner Bajaj in India, 158,760 KTM motorcycles were sold worldwide in 2014. The integration of the brand "Husqvarna" was fully completed. In the business year 2014 16,235 Husqvarna-vehicles have already been delivered from the production plant in Mattighofen.

KTM managed to increase its market share in a difficult market environment in the principal markets as Italy (+0.5 percentage points compared with the previous year), Germany (+1.5 percentage points compared with the previous year), Austria (+2.4 percentage points compared with the previous year). KTM thus increased its market share by 0.2 percentage points to 8.7% of the European total market. The registrations in the US total market[1] increased in the business year 2014 compared to the previous year by 3.6% to 403,374 vehicles. In this market environment KTM could increase the market share in the US total market by 0.8 percentage points to 4.8%, compared to the previous year.

In the business year 2014, revenues of **Pankl Group** increased by 18.0% to € 165.0m. In the Racing/High Performance segment Pankl Group benefited from changes in racing regulations as well as from new startup projects in the High Performance area. The Aerospace segment could also achieve a considerable increase in revenues. The USA represent the largest sales market with 23.8% share in the total revenue. The largest sales markets in Europe are Germany (23.3%), Great Britain (11.6%) and Austria (11.3%). The operating result of Pankl Group was enhanced disproportionately to the revenues and reached a record level with € 11.9m (previous year: € 6.2m). The EBIT margin is at 7.2% of revenues (previous year: 4.4%).

The operational business of the **WP Group** performed very well in the business year 2014 and both revenues and earnings could be increased significantly and reached new record levels. Due to the profit situation the financial situation improved as well. The integration of the WP Group has been further fostered in 2014. SAP was introduced as new ERP-system in all business areas. Thus, business processes could be simplified and the productivity of logistics and administrative workflows could be improved. WP Group increased the revenues to € 121.1m, which means growth in revenues by 8.7% compared to the previous year.

[1] Motorcycles more than 120 cc including Motocross, excluding scooters and ATVs

2. FINANCIAL SITUATION

RESULT ANALYSIS

In the business year 2014 the result of CROSS Industries AG amounts to € 93.0m (previous year: € 65.9m). Hereto the KTM Group contributed € 75.4m (previous year: € 54.9m), the Pankl Group € 11.9m (previous year: € 6.2m), the WP Group € 8.6m (previous year: € 6.4m) and the remaining companies and holding companies (including consolidation effect) € –2.8m (previous year: € –1.5m).

The result from discontinued operations of the business year amounts to € 2.1m and can be attributed to the result and deconsolidation effect of Wethje Group.

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 2014.

The group revenues of the **KTM Group** increased in comparison to the previous year by 20.7% to € 864.6m (previous year: € 716.4m). The manufacturing costs increased by 18.7% to € 593.9m, the gross margin increases by 1.1 percentage point to 31.3% compared to last year. After the deduction of overheads, expenses for sales and racing, research and development costs as well as other expenses the EBIT could be increased by € 20.5m to € 75.4m (previous year: € 54.9m).

The revenues in the Racing/High Performance segment of the **Pankl Group** increased by 18.4% from € 115.9m in 2013 to € 137.2m in 2014. This was mainly driven by the Formula 1 rule change to move from V8 aspirated engines to V6 turbo-charged engines and the production start-up in the new Bruck upon Mur plant for series connecting rods. In the business year 2014 segment Racing/High Performance EBIT improved by € 5.0m to € 9.4m. Aerospace segment revenues increased by 15.6% to € 28.0m (previous year: € 24.2m). This was mainly due to the ongoing strong European aerospace business and a recovery in the US aerospace subsidiary. Operating earnings (EBIT) amounted to € 2.5m compared to last year's result (€ 2.8m).

WP Group increased its revenues to € 121.1m (previous year: € 111.1m) and reached a new redocrd level. The EBIT of the WP Group amounted to € 8.6m in the business year 2014 (previous year: € 6.4m) which is an increase of 34.0%. The earnings situation can basically be attributed to the good coverage of fixed costs on the current level of revenues, whereas the contribution margin's quality of the individual orders is still under a strong pressure.

Revenues in €m	2014	2013	2012
KTM AG	864.6	716.4	612.0
Pankl Racing Systems AG	165.0	139.8	127.7
WP Group	121.1	111.1	108.0
Others and consolidation	(64.5)	(56.7)	(59.0)
CROSS Industries Group	**1,086.3**	**910.6**	**788.6**

EBIT in €m	2014	2013	2012
KTM AG	75.4	54.9	36.7
Pankl Racing Systems AG	11.9	6.2	10.4
WP Group	8.6	6.4	6.3
Others and consolidation	(2.8)	(1.5)	(5.3)
CROSS Industries Group	**93.0**	**65.9**	**48.0**

BALANCE SHEET ANALYSIS

In comparison to the same period in the previous year the balance sheet total increased from € 939.2m to € 1,031.1m, whereby this can be mainly attributed to the increase in revenues and its impact on the working capital.

Cash and cash equivalents increased significantly from € 42.7m to € 89.4m. Trade receivables increased by 17.4% to € 97.1m in 2014. Inventory levels increased as well by 11.6% to € 220.1m. Inventories in the amount of € 141.6m basically concern the KTM Group, € 51.3m can be attributed to the Pankl Group and € 23.5m to the WP Group.

Other current assets and advance payments increased by € 8.8m to € 43.1m in 2014.

Non-current assets increased by € 44.4m from € 535.2m to € 579.7m and make up 56.2% (previous year: 57.0%) of the balance sheet total. The increase of non-current assets can be attributed on the one hand to the increase of the intangible assets and on the other hand on the increase of the other non-current assets.

Tangible fixed assets amounted to € 241.0m as of the balance sheet date and rose by € 6.7m compared to the previous year. This increase is mainly related to investment activities in business year 2014. Tangible assets are attributed to the KTM Group with € 124.1m and the Pankl Group with € 71.5m and to WP Group with € 40.0m.

In 2014 intangible assets increased by 10.5% to € 182.7m. In connection with this item € 61.1m (previous year: € 61.1m) can be attributed to the brand "KTM" as well as € 92.3m (previous year: € 77.3m) to capitalized development costs at KTM.

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

Trade payables increased by € 7.7m due to higher revenue.

Financial liabilities (current and non-current) increased by € 19.2m to € 404.5m compared to previous year as of the balance sheet date.

Bond liabilities (current and non-current) in the amount of € 169.2m remained nearly unchanged in the business year 2014. Of this amount € 75m can be attributed to a bond of CROSS Industries AG with an interest rate of 4.625% and a term of six years (2012 to 2018), a bond of KTM AG in the amount of € 85m with an interest rate of 4.375% and a term of five years (2012 to 2017) as well as a bond of Pankl Racing Systems AG in the amount of € 10.0m with an interest rate of 3.25% and a term of four years.

Equity capital rose by € 62.4m to € 370.9m compared to the previous year. In this connection, equity capital of majority shareholders increased by € 33.9m to € 209.7m and the shares of non-controlling shareholders increased from € 132.7m to € 161.2m, which can be mainly attributed to the positive attributable annual group result. As of the reporting date the equity ratio amounted 36.0% (previous year: 32.8%)

LIQUIDITY ANALYSIS

The group cash flow from the operating business amounts to € 81.7m (previous year: € 64.1m) and is composed of the cash flow (€ 125.2m) due to the positive result development in the respective subsidiaries, as well as the changes in balance sheet items in the amount of € –43.5m.

The cash flow from investments in the amount of € –66.9m (previous year: € –41.0m) mainly resulted from expenses for investments and property, plant and equipment as well as intangible assets (€ –92.8m), which are nearly at previous year's level. Incoming payments have been made on the disposal of shares of subsidiaries as well as the disposal of shareholdings in the amount of € 25.3m.

The group cash flow from financing activities amounts to € 28.1m (previous year: € –23.6m) and results from shareholder contributions as well as the increase of financial liabilities.

INVESTMENTS

In the past business year the CROSS Industries Group invested €108.4m in property, plant and equipment as well as intangible assets, out of which about € 84.4m (previous year: € 63.3m) were taken from the KTM Group. Besides the usual high investments in series development (€ 35.5m) and procurement of tools KTM made significant capacity and expansion investments in the business year 2014.

In this respect the administration building and the development center in Mattighofen were each raised by another floor. A further large project represents the construction of the KTM logistics center in Munderfing, which will be completed in 2015.

The Pankl Group has made investments in the amount of € 17.5m (previous year: € 19.0m) in property, plants and equipment as well as intangible assets. The investments can be attributed mainly to the extension of a fully automatic forging press, which has been put into operation successfully in fall 2014. The investments split to following asset groups: intangible assets € 0.5m, land, buildings, machinery and equipment as well as advance payments in the amount of € 15.3m and other tangible assets in the amount of € 1.7m.

KEY FINANCIAL PERFORMANCE INDICATORS

in €m	2014	2013	2012
Earning figures			
Revenues	1,086.3	910.6	788.6
EBITDA	148.1	116.7	95.3
EBITDA margin	13.6%	12.8%	12.1%
EBIT	93.0	65.9	48.0
EBIT margin	8.6%	7.2%	6.1%
Result from continuing operations	54.9	45.7	21.8
Result from discontinued operations	2.1	(14.0)	(2.3)
Operating cash flow	81.7	64.1	75.8
Balance sheet figures			
Balance sheet total	1,031.1	939.2	880.1
Equity	370.9	308.5	278.3
Equity ratio	36.0%	32.8%	31.6%
Working capital employed[1]	206.8	180.4	156.9
Net debt[2]	315.1	342.7	361.5

[1] Working capital employed: Trade receivables plus inventory 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 31 December 2014 the number of personnel amounted to 4,054 employees (previous year: 3,928 employees). KTM employed 2,056 people on average (31 December 2014: 2,143 people). The Pankl Group employed 1,238 people on average in 2014 (31 December 2014: 1,287 people). As of the reporting date further 497 employees (average 2014: 489 employees) from the WP Group were integrated into the CROSS Industries Group.

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

4. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Regarding the important events after the balance sheet date please refer to the notes to the consolidated financial statements of CROSS Industries AG, item (31).

5. RISK REPORT

Regarding the risk report please refer to the notes to the consolidated financial statements of CROSS Industries AG, item (27).

6. RESEARCH AND DEVELOPMENT

In business year 2014 expenses for research and development of the CROSS Industries Group amounted to € 31.4m (previous year: € 27.0m). 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 2014 the **KTM Group** employed 325 people on average (15.8% of the overall workforce). In the business year 2014 about € 50.8m have been invested into research and development, which corresponds to 5.9% of the total revenue (+0.4 percentage points compared to the previous year). The business year just ended saw a multitude of key projects in the offroad and street areas. With series production of the KTM RC125, RC200 and RC390 platforms, the segment of the Supersport models was also opened up in the entry-level range on a global level in the period under review.

Research and development activities are of major importance for **Pankl Group's** strategic planning. Co-operations with academic research institutes such as the Technical Universities of Graz and Vienna and the Leoben University for Mining, Metallurgy and Materials and the Turbo Academy of the Mannheim University form an important basis for innovation projects. Internally, we manage R&D activities centrally from the Bruck upon Mur and Kapfenberg facilities. The R&D infrastructure at these facilities is available for all Pankl Group companies allowing also small operating units to have access to state-of-the-art R&D equipment and know how. Primarily in motor racing, technological leadership is a key success factor. All components and systems have to be further advanced and improved to satisfy the most demanding customers' requirements.

The **WP Group's** good position in the competition can be attributed significantly to technical innovation and the introduction of new products. Therefore trends must duly be identified. The research and development expenses amounted to € 2,044k in the business year 2014 (previous year: € 2,157k). WP products are moving in a very challenging performance level, therefore customers ask for permanent development and continuing development.

7. QUALITY AND SUSTAINABILITY

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

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

KTM creates added value for society and shareholders with strategic leadership, focusing on developing core strengths, continuous improvement of work processes, treating employees and suppliers as partners, and the process-oriented quality management system. With 2,056 people on average working at the facilities in Mattighofen and Munderfing, KTM is one of the largest employers in the region.

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

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

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

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

8. ENVIRONMENT

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

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

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

In the business year 2014 **Pankl Group's** energy cost decreased from 2.0% to 1.8% of the annual revenues. 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). In 2014 Pankl Group's environmental management system was extended by the ISO 14001 standard. The certification of the Austrian subsidiaries takes place at the beginning of the business year 2015. The roll-out of the other locations of Pankl Group is scheduled.

In order to conserve limited natural resources **WP Group** intends the complete utilization of raw materials – if possible – and recycles aluminum waste. In order to guarantee cost-optimized, sustainable, and environmental and resource friendly production, WP constantly invests in new and modern production facilities.

9. CORPORATE SOCIAL RESPONSIBILITY

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.

Pankl's operating entities choose which social projects are supported because they know the local needs and requirements. Pankl supports, for instance charities such as the Styrian child cancer relief or the initiative "Styrians help Styrians". Pankl Group support its employees who are parents by child care grants and facilitates flexible working hours for mums and dads so that profession and family life can co-exist.

10. OUTLOOK

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

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

For business year 2015 the management anticipates further growth. 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 2015 a positive outlook can be given for all business segments of the CROSS Industries Group.

It is expected that the overall European market, which is relevant for the **KTM Group**, will still maintain at a low level but grow with moderate growth impulses. The performance of the North American market is seen more optimistically because better economic growth is expected there. In particular, KTM expects a further increase in market shares as a result of new street models and the strong positioning of the "Husqvarna" brand in the United States. The global product strategy continues to be implemented as a result of planned expansions and is leading to strong rates of revenue and sales growth. Investments will continue to focus in particular on new series development projects along with infrastructure and development investments in motorsport and logistics.

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

Because of the predictable further growth in the racing and aerospace business the Pankl Group faces the future with confidence. Interest in automotive companies in motor racing activities increased in the last years. Porsche, for instance, re-joined the 2014 WEC in the highest class with its own works team after years of absence. Honda will return to Formula 1 as an engine manufacturer. Smaller private teams, however, currently face economic problems. The civil aerospace industry experiences a sustained positive trend. The military segment suffers from cuts in military budgets and faces a difficult economic environment.

The order backlog in all business segments of the WP Group for the business year 2015 is slightly above the level of the previous year, why constant revenue is expected in this year.

The key for a successful development in the future will be innovative products. The investments in R&D and racing will be further strengthened in the coming business year in order to have a leading role in the motorcycle supplier industry. By initiating the semi-active technology an important milestone will be set.

As a result of the stable financial situation in all subsidiaries with high equity ratios and financing with matching maturities, new market opportunities will arise for companies of the CROSS Industries Group in 2015.

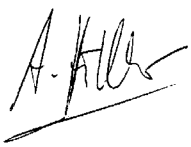
Pierer Industrie AG plans a merger of CROSS Industries AG into BF HOLDING AG (formerly: BRAIN FORCE HOLDING AG). The necessary preparatory work, reviews and corporate actions are being examined. The realization of the transaction is expected in the first half of 2015.

Wels, 16 March 2015

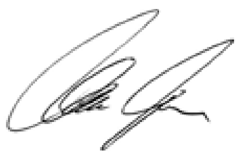
The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner



Alfred Hörtenhuber



Klaus Rinnerberger

CONSOLIDATED FINANCIAL STATEMENTS 2014

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CONSOLIDATED INCOME STATEMENT

for Business Year 2014 of CROSS Industries AG, Wels, Austria

in €k	Note	2014	2013
Revenues	(05)	1,086,300	910,591
Cost of goods sold	(06)	(749,710)	(640,137)
Gross margin		**336,590**	**270,454**
Distribution and motorsport expenses	(06)	(128,331)	(109,958)
Research and develoment expenses	(06)	(31,439)	(27,014)
Administation cost	(06)	(67,772)	(56,929)
Other operating expenses	(08)	(17,764)	(13,623)
Other operating income	(09)	1,722	2,974
Operating income (EBIT)		**93,006**	**65,904**
Interest income	(10)	1,182	997
Interest expenses	(10)	(18,145)	(19,229)
Result from at-equity shareholdings	(17)	356	12,447
Other financial and participation result	(10)	(4,455)	(2,247)
Pre-tax profit		**71,944**	**57,872**
Tax on income and earnings	(11)	(17,068)	(12,201)
Net profit from continuing operations		**54,876**	**45,671**
Result from discontinued operations	(12)	2,086	(13,988)
Net profit for the year		**56,962**	**31,683**
thereof shareholders of parent company		26,206	13,609
thereof minority interests		30,756	18,074

The undiluted (= diluted) earnings per share are calculated as follows:

Profit share owner of the parent company	in €k	26,206	13,609
Average number of shares in circulation	in units	1,332,000	1,332,000
Undiluted (= diluted) earnings per share	in €	19.67	10.22

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 2014 of CROSS Industries AG, Wels, Austria

in €k	Shareholders of parent company	Minority interests	Total
2014			
Net profit for the year	26,206	30,756	56,962
Currency conversion	1,742	1,905	3,647
Valuation of cash flow hedges	(692)	(356)	(1,048)
Deferred taxes on valuation of cash flow hedges	173	89	262
Revenues and expenses recognized in the income statement	1,223	1,638	2,861
Actuarial losses	(2,117)	(1,352)	(3,469)
Deferred taxes on actuarial losses	529	338	867
Revenues and expenses not recognized in the income statement	(1,588)	(1,014)	(2,602)
Other income	(365)	624	259
Total comprehensive income	25,841	31,380	57,221
2013			
Net profit for the year	13,609	18,074	31,683
Currency conversion	(643)	(518)	(1,161)
Valuation of cash flow hedges	636	480	1,116
Deferred taxes on valuation of cash flow hedges	(159)	(120)	(279)
Revenues and expenses recognized in the income statement	(166)	(158)	(324)
Actuarial losses	(700)	(397)	(1,097)
Deferred taxes on actuarial losses	175	99	274
Revenues and expenses not recognized in the income statement	(525)	(298)	(823)
Other income	(691)	(456)	(1,147)
Total comprehensive income	12,918	17,618	30,536

CONSOLIDATED BALANCE SHEET

as at 31 December 2014 of CROSS Industries AG, Wels, Austria

ASSETS in €k	Note	**31 Dec 2014**	**31 Dec 2013 restated[1]**
NON-CURRENT ASSETS			
Property, plant and equipment	(13)	241,008	234,329
Goodwill	(15)	117,261	118,457
Intangible assets	(16)	182,673	165,322
Investments accounted for using the equity method	(17)	6,868	2,422
Deferred taxes	(11)	6,125	6,936
Other non-current assets	(18)	25,775	7,812
		579,710	**535,278**
CURRENT ASSETS			
Cash and cash equivalents	(19)	89,404	42,720
Trade receivables	(20)	97,139	82,768
Receivables from affiliated companies		1,642	6,456
Inventory	(21)	220,064	197,285
Payments on account		3,831	3,794
Receivables and other assets	(20)	39,286	30,556
Discontinued operations and assets held for sale	(02.2)	0	40,345
		451,366	**403,924**
Total assets		**1,031,076**	**939,202**

[1] See note (02.4)

GROUP EQUITY AND LIABILITES in €k	Note	**31 Dec 2014**	**31 Dec 2013 restated[1]**
GROUP EQUITY			
Share capital	(22)	1,332	1,332
Capital reserves	(22)	137,825	141,220
Perpetual bond	(22)	58,987	58,987
Other reserves including retained earnings	(22)	11,591	(25,742)
Equity of owners of parent company		**209,735**	**175,797**
Minority interests	(22)	161,193	132,727
		370,928	**308,524**
NON-CURRENT LIABILITIES			
Financial liabilities	(23)	150,877	177,665
Bonds	(23)	169,246	168,996
Employee benefits	(26)	19,379	14,792
Deferred tax liabilities	(11)	21,795	22,109
Liabilities to affiliated companies		40,313	4,087
Other non-current liabilities	(23)	10,098	10,694
		411,708	**398,343**
CURRENT LIABILITIES			
Financial liabilities	(23)	42,396	34,768
Trade payables		111,879	104,219
Liabilities from affiliated companies		4,534	1,657
Provisions	(25)	8,837	6,686
Tax liabilities		5,904	1,052
Advance payment		1,997	2,653
Other current liabilities	(23)	72,893	63,593
Discontinued operations and liabilities from assets held for sale	(02.2)	0	17,707
		248,440	**232,335**
Total group equity and liabilites		**1,031,076**	**939,202**

[1] See note (02.4)

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

CONSOLIDATED CASH FLOW STATEMENT

for Business Year 2014 of CROSS Industries AG, Wels, Austria

	in €k	2014	2013
	CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit for the year	56,962	31,683
+ (–)	Amoritzation (write-ups) on assets and intangible assets	56,499	52,528
+ (–)	Addition (reversal) from long-term employee benefits	1,801	1,237
– (+)	Profit (loss) from the sale of shareholdings in subsidiaries	(4,236)	0
– (+)	Profit (loss) from equity consolidation	(356)	(12,447)
– (+)	Profit (loss) from the sale of fixed assets	1,536	(1,129)
– (+)	Profit (loss) from valuation of non-consolidated subsidiaries	6,305	0
+ (–)	Other non-cash expenses (income)	6,677	5,982
	Consolidated cash flow from results	**125,188**	**77,854**
– (+)	Inrease (decrease) from inventories including advance payments on account	(27,052)	(22,919)
– (+)	Increase (decrease) from trade receivables, advance payments and other current and non-current assets	(20,794)	(19,081)
+ (–)	Increase (decrease) from trade payables, advance payments and other current and non-current liabilities	924	23,036
+ (–)	Increase (decrease) from tax provisinos, deferred taxes and other provisions	7,913	6,341
– (+)	Increase (decrease) from assets held for sale	(4,444)	(11)
– (+)	Increase (decrease) from currency rate differencies	0	(1,152)
		(43,454)	**(13,786)**
		81,734	64,068

	in €k	2014	2013
	CASH FLOW FROM INVESTMENT ACTIVITIES		
–	Investments in fixed assets (outflow of funds from investments)	(92,824)	(91,204)
–	Investments in financial assets	(1,043)	(40)
– (+)	Purchase (sale) from shareholdings in subsidiaries	16,494	8,119
+	Disposals from fixed assets (cash flow from sale: residual carrying amount + profits (– losses) from the sale of fixed assets	1,646	4,106
+	Income from sale of shareholdings	8,782	0
+	Income from associated companies	0	36,981
+ (–)	Currency rate differencies from fixed assets	0	995
		(66,945)	**(41,043)**
	CONSOLIDATED CASH FLOW FROM FINANCING ACTIVITES		
–	Dividend payments to third parties	(9,055)	(8,398)
+	Shareholder contribution	9,770	0
+ (–)	Increase (decrease) from current and non-current financial liabilities	27,388	(11,758)
+ (–)	Increase (decrease) in bonds	0	(3,428)
		28,103	**(23,584)**
	CONSOLIDATED CASH FLOW		
	Consolidated cash flow from operating activites	81,734	64,068
	Consolidated cash flow from investment activities	(66,945)	(41,043)
	Consolidated cash flow from financing activities	28,103	(23,584)
	Change in the liquidity of the group	**42,892**	**(559)**
+	Change due to foreign currency effects	3,791	0
+	Opening balance of cash and cash equivalents of the group	42,720	43,279
	Closing balance of cash and cash equivalents of the group	**89,403**	**42,720**
	Consisting of cash in hand, cheques,cash at bank	89,404	42,720
	Interest paid	15,102	17,102
	Income tax paid	4,076	4,247
	Dividends achieved	**0**	**550**

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 2014 of CROSS Industries AG, Wels, Austria

in €k	Share capital	Capital reserve	Perpetual bond	Reserves incl. retained earnings	IAS 39 reserve
2014					
As at 1 January 2014 (restated)[1]	1,332	141,220	58,987	(20,751)	(1,784)
Total profit (loss) directly included in equity	0	0	0	26,206	(519)
Dividends to third parties	0	0	0	(3,094)	0
Shareholder contribution	0	9,770	0	0	0
Purchase (sale) of shareholdings in subsidiaries	0	0	0	1,421	0
Deconsolidation Wethje Holding Group	0	0	0	(114)	0
Reversal of capital reserve	0	(13,165)	0	13,165	0
As at 31 December 2014	1,332	137,825	58,987	16,833	(2,303)
2013					
As at 1 January 2013 (restated)[1]	1,332	141,220	58,987	(33,297)	(2,261)
Total profit (loss) directly included in equity	0	0	0	13,609	477
Dividends to third parties	0	0	0	(3,094)	0
Purchase (sale) of shareholdings in subsidiaries	0	0	0	2,058	0
Other entries not affecting net income	0	0	0	(27)	0
As at 31 December 2013 (restated)[1]	1,332	141,220	58,987	(20,751)	(1,784)

[1] See note (02.4)

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

IAS 19 reserve for actuarial losses	Adjustments conversion reserve	Total	Minority interests	Total group equity
(2,070)	(1,138)	175,797	132,727	308,524
(1,588)	1,742	25,841	31,380	57,221
0	0	(3,094)	(5,961)	(9,055)
0	0	9,770	0	9,770
0	0	1,421	3,607	5,028
114	0	0	(560)	(560)
0	0	0	0	0
(3,544)	**604**	**209,734**	**161,193**	**370,927**
(1,545)	(495)	163,942	114,316	278,258
(525)	(643)	12,918	17,618	30,536
0	0	(3,094)	(5,304)	(8,398)
0	0	2,058	6,061	8,119
0	0	(27)	36	9
(2,070)	(1,138)	175,797	132,727	308,524

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 Industries Group, the performance of services for these companies (group services) as well as, in general, services in the field of management consultancy. CROSS Industries AG is registered with the commercial register Wels, commercial register certificate FN 261823 i.

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

The following overview 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 2014.

KTM AG

Share/voting rights: 51.18%

KTM Group engages in the development, production and distribution of motorized leisure vehicles for recreational purposes (power sports) in particular under the "KTM" and "Husqvarna" brands, and holds stakes in entities engaging in the development, production and distribution of such equipment. As of 31 December 2014 the KTM Group comprises 39 subsidiaries, located in Austria, USA, Japan, South Africa, Mexico and India and in various other countries of Europe and Asia which are included within the consolidated financial statements. Furthermore the KTM Group has equity holdings inter alia in general importers that are based in important distribution markets (New Zealand and Dubai) as well as in various flagship stores in Austria and Germany.

Significant sales markets include the USA, Germany, Australia, France, Malaysia, Italy, the United Kingdom, Austria, Spain and Canada and other European countries.

Pankl Racing Systems AG

Share/voting rights: 51.13%

Pankl Group specializes in the production of lightweight and high-strengths components for the international niche-markets motor racing, luxury/high performance cars and aerospace. Pankl focuses primarily on developing, optimizing and testing products to be able to react to its special market challenges. Pankl aims at premium technologies, lowest tolerances and prompt delivery.

Pankl has a global network of companies and facilities in Austria, Germany, the United Kingdom, Slovakia, Japan and the United States.

WP AG

Share/voting rights: 90.00%

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

II. PRINCIPLES OF ACCOUNTING AND BALANCING AND VALUATION METHODS

(01) PRINCIPLES OF ACCOUNTING

The annual consolidated financial statements as at 31 December 2013 and 31 December 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), to the extent used in the EU. The additional requirements according to article 245a of the Austrian Commercial Code (Unternehmensgesetzbuch; UGB), were adhered to.

Changes in reporting rules
The following changes were passed by the IASB for already existing IFRS, and several new IFRS and IFRIC were enacted, which were already adopted by the EU Commission and are thus mandatory applicable as of 1 January 2014:

- IAS 27 Separate Financial Statements
- IAS 28 (amended 2011) Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities
- IFRS 10 Consolidation
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Investment companies (Amendment to IFRS 10, IFRS 12 and IAS 27)
- Transitory guidelines (Amendment to IFRS 10, IFRS 11 and IFRS 12)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendment to IAS 39)
- Information about the Recoverable Amount Disclosures for Non-Financial-Assets (Amendment to IAS 36)

Future changes in accounting rules
The IASB and the IFRIC published additional standards and interpretations which are not mandatory in the business year 2014 and were not yet endorsed by the EU commission. The standards and interpretations are as follows:

Standard/amendment	Coming into force IASB	EU endorsement	Application EU
IFRIC 21 Levies	01/01/2014	yes	17/06/2014
IAS 19 Defined Benefit Plans: Employee Contributions	01/07/2014	yes	01/02/2015
Annual Improvements to IFRS 2010–2012	01/07/2014	yes	01/02/2015
Annual Improvements to IFRS 2011–2013	01/07/2014	yes	01/01/2015
IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	01/01/2016	no	–
IAS 1: Disclosure Initiative	01/01/2016	no	–
IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01/01/2016	no	–
IAS 27 Equity Method in Separate Financial Statements	01/01/2016	no	–
IAS 16 and IAS 41: Bearer Plants	01/01/2016	no	–
Annual Improvements to IFRS 2012–2014	01/01/2016	no	–
IFRS 14 Regulatory Deferral Accounts (30/01/2014)	01/01/2016	no	–

Standard/amendment	Coming into force IASB	EU endorsement	Application EU
IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016	no	–
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	no	–
IFRS 15 Revenue from Contracts with Customers	01/01/2017	no	–
IFRS 9 Financial Instruments	01/01/2018	no	–

IFRS 15 specifies how and when an IFRS reporter will recognize revenue. In addition, it is required by the preparer of the financial statements to provide the recipients of the financial statements with more informative and relevant information than has hitherto been. Therefore the standard offers a single principle based five-stage model which has to be applied to all contracts with customers. The effects on CROSS Industries Group are being analyzed and could not yet be conclusively assessed.

IFRS 9 Financial Instruments include amendments to classification and valuation of financial instruments, impairment of financial assets as well as requirements to hedge accounting.

Basis of preparation

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

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

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

The business year of CROSS Industries AG comprises the period from 1 January 2014 until 31 December 2014.

(02) SCOPE OF CONSOLIDATION

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

A materiality threshold is set in the group to determine the scope of consolidation. Companies whose business is dormant or of low volume and that are insignificant for the presentation of a true and fair view of the net assets, financial position and earnings performance are not consolidated but are reported as other non-current assets and measured amortized cost or written down for impairment.

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

The closing date for all entities included in the consolidated financial statements is 31 December 2014 (see page 91).

(02.1) **Changes in the scope of consolidation**

In business year 2014 the scope of consolidation changed as follows:

	Fully consolidated	Consolidated at equity
As at 31 December 2013	70	3
Additions to the scope of consolidation	2	3
Disposals from the scope of consolidation	(6)	0
Disposals due to mergers	(3)	0
As at 31 December 2014	63	6
thereof foreign companies	41	5

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

(02.2) **Changes in the scope of consolidation**

Discontinued operations – Wethje Group

On 1 October 2014 CROSS Industries concluded the disposal of 51% of Wethje Group to Mitsubishi Rayon Co., Ltd., Japan, the third largest manufacturer of composite fiber in the carbon composite sector. 49% remain with CROSS Industries AG, whereby an agreement for further 23% of the shares in form of a put/call option was concluded (exercisable as from 1 October 2017).

The income statement for the previous year was adjusted to recognize the discontinued operations and the continuing operations separately.

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

Income statement in €k	01–09/2014	2013
Revenues	23,967	25,148
Expenses	(25,617)	(32,079)
EBIT	(1,650)	(6,931)
Financial result	(471)	(461)
Result before taxes	(2,121)	(7,392)
Income taxes	(29)	(621)
Result after taxes	(2,150)	(8,013)
Result of deconsolidation	4,236	0
Result after tax from discontinued operations	2,086	(8,013)

Cash flow in €k	**01–09/2014**	**2013**
Cash flow from operations	(2,705)	(4,125)
Cash flow from investments	(621)	(7,467)
Cash flow from financing activities	2,889	10,650
	(437)	**(942)**

Assets and liabilities held for sale are as follows:

Balance sheet in €k	**01/10/2014**	**31/12/2013**
Liquid assets	363	800
Trade receivables	4,630	3,882
Inventories	6,795	5,404
Property, plant and equipment and intangible assets	24,374	25,186
Other assets	743	876
Total assets	**36,905**	**36,148**
Financial liabilities	17,499	17,115
Trade payables	4,511	3,843
Other liabilities	5,304	5,954
Total liabilities	**27,314**	**26,912**
Equity	**9,591**	**9,236**

Redemption of the classification as discontinued operation – Durmont Teppichbodenfabrik GmbH, Hartberg, Austria

For Dumont Teppichbodenfabrik GmbH, with its headquarter in Hartberg, a strategic partner is sought since June 2013. Since that time the company was recognized as "discontinued operation" in the consolidated financial statement of CROSS Industries AG. As sales negotiations ended without an agreement in 2014 the redemption of the classification as discontinued operation was decided. At the time of the preparation negotiations about the disposal of the shares in the company are conducted again with an interested party. However the result is still open. Therefore a reclassification according to IFRS 5 does not take place on 31 December 2014.

Thus, assets and liabilities of the operation are being reclassified into the corresponding items of the balance sheet and the income statement. The income statement of the previous year has also been adapted according to IFRS 5.36.

In the business year 2014 the Durmont Teppichbodenfabrik GmbH generated a turnover in the amount of € 41,408k (previous year: € 36,499k) and an EBIT in the amount of € 1,808k (previous year: € 151k). The balance sheet total amounts to € 11,007k (previous year: € 11,855k).

Other changes in the scope of consoldiation

The distribution company KTM Sportmotorcycle Singapore PTE Ltd., which was newly founded in the business year 2013, has fully started its sales activity in 2014. Thus, the first-time consolidation took place on 1 July 2014, with retrospective effect as of 1 January 2014.

The activities and the assets of Pankl Aerospace Innovations, LLC – a 100% subsidiary of Pankl Aerospace Systems, Inc. – were taken over by Pankl Aerospace Systems, Inc. The company was dissolved thereafter. This is not shown in cash flows because it is not material.

Following the disposal of the remaining shares in SMP Deutschland GmbH and in SMP Automotive Technology Iberica, S.L. the PF Beteiligungsverwaltungs GmbH has been deconsolidated in the business year 2014 due to immateriality. The result of deconsolidation was recognized in the net income from financing and investing in the amount of € –1,055k.

(02.3) **Transactions with non-controlling interests**

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

in €k	31/12/2014	31/12/2013
Acquired or derecognized carrying amount of non-controlling interests	(3,607)	(6,061)
Received/paid purchase price to non-controlling interests	5,028	8,119
Differential amount recognized in equity	1,421	2,058

(02.4) **Correction to goodwill and non-controlling interests**

Due to the fact that IFRS 12 has been applied for the first time a detailed analysis of non-controlling interests was initiated. In this respect it was assessed that in the business year 2004/2005 within the merger of KTM AG (formerly: KTM Power Sports AG) the goodwill as well as the non-controlling interests had been excessively disclosed as of 31 May 2005.

As of 31 May 2005 the recognized assets and liabilities of the KTM Group had been taken over at fair values. For determining the goodwill, the purchase price had been compared with the net fair value. As the recognized net assets of the KTM Group already included goodwill in the amount of € 78,394k (approach analog to the full goodwill-method) the non-controlling interests in the KTM Group (48.22%) as well as the goodwill and the non-controlling interests had been disclosed excessively by € 37,802k.

The correction is shown for all comparative periods according to IAS 8.42.

The effect on the presented comparative periods is as follows:

in €k	01/01/2013	Restatement	01/01/2013 restated	31/12/2013	Restatement	31/12/2013 restated
Goodwill	156,518	(37,802)	118,716	156,259	(37,802)	118,457
Non-controlling interests	152,118	(37,802)	114,316	170,529	(37,802)	132,727

The correction did not effect diluted and undiluted earnings per share.

(03) CONSOLIDATION METHODS

Capital consolidation: The initial consolidation takes place under IFRS 3 using the acquisition method. 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.

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

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.

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

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

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

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

in €	Closing rate		Average rate	
	31/12/2014	31/12/2013	2014	2013
US Dollar	1.2141	1.3791	1.3288	1.3281
British Pound	0.7789	0.8337	0.8064	0.8493
Swiss Franc	1.2024	1.2276	1.2146	1.2309
Japanese Yen	145.2300	144.7200	140.3772	129.6595
South African Rand	14.0353	14.5660	14.4065	12.8308
Mexican Peso	17.8679	18.0731	17.6621	16.9644

(04) ACCOUNTING AND VALUATION METHODS

The financial reporting of the companies included in the consolidated financial statements is based on standardized accounting and valuation methods. They are identical to those used in the business year 2013 except for the new obligatory standards.

To improve the value of information of the consolidated financial statements, several items and accounts were renamed respectively classified differently as of 31 December 2014 as well as some information partially reclassified and the presentations in the notes adjusted and complemented.

Reporting of the item "Prepayments made on inventories" was changed in 2014. This item is reported, instead as of before under inventories, under other current financial assets. The change in presentation does not result in any change in measurement. The prior-year amounts were not adjusted as they were not material.

The initial consolidations of 16 marketing companies at 31 December 2013 led to book value additions under property, plant and equipment and intangible assets totaling € 4,748k. Since information on the separation of net book value additions was not shown in historical acquisition costs and accumulated amortizations in the 2013 financial statements, additions were shown as a net amount in "Additions at cost". The consolidated financial statements at 31 December 2014 the preceding year's presentation was corrected and the addition effects were shown separately in additions at cost and accumulated amortizations in the transition of property, plant and equipment and intangible assets. The correction had no effect on the carrying amounts.

With the age distribution of trade receivables and other financial receivables at 31 December 2013 shown in note (28.3), a misstatement was subsequently established that was corrected in the notes to these financial statements.

To improve clarity and meaningfulness, individual items of the consolidated income statement and of the consolidated statement of financial position have been combined. These items are shown and explained separately in the notes to the consolidated financial statements. As a matter of principle, any and all current assets and liabilities are realized or discharged within a period of twelve months after the balance sheet date or within an operating cycle, as the case may be. All other assets and liabilities are realized or discharged outside this period of time as a matter of principle.

Consolidated income statement

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

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

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

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

Consolidated balance sheet

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

	Useful life
Buildings	10 to 50 years
Machines/tools	2 to 25 years
Fixtures and furnishings	2 to 10 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.

When carrying out the impairment test, goodwill should be allocated to cash generated units. Impairment losses recognized in cash generating units are calculated as comparison of the hitherto carrying amount (including allocated goodwill) and the higher amount of fair values less costs to sell and utility value.

The cash flows used for the impairment test are based on the latest planning, approved by the Executive Board. The planning usually entails a planning horizon of five years. In accordance with the detailed planning timeframe, under the going concern assumption the cash flows of the fifth detailed planning period are used as a basis for calculating the perpetual annuity. The planning is based on internal assumptions concerning future development of sales, prices and costs, the future opening up of new markets, and the composition of the product mix. The assumptions are based mainly on the wealth of experience gained over many years and management assessments.

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

The calculation is based on the following parameters:

	31/12/2014	31/12/2013
KTM Group	10.4%	11.3%
Pankl Group	10.7%	11.0%
WP Group	10.5%	10.9%

The results of the impairment tests are sensitive with regard to the operating earnings (EBIT) as well as the discount rates. A sensitivity analysis showed that an devaluation would be necessary the first time if these limits are exceeded, all other conditions being equal.

	31/12/2014	31/12/2013
Increase of the discount rate before tax	2.1%	2.1%
Decrease of the operating result (EBIT)	(19.0%)	(20.0%)

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:

	Useful life
Software	3 to 5 years
Self-constructed intangible assets	5 years
Other intangible assets	1 to 15 years

In the case of self-constructed intangible assets, the manufacturing period is divided into a research, a development and a model upgrading phase. Costs incurred during the research and model upgrading phases are immediately recognized in the income statement. Costs incurred during the development phase are capitalized as intangible assets if certain conditions are met that confirm the future usefulness of the expenses incurred, in particular the technical feasibility of the developed product or process and its marketability. The valuation of the self-constructed intangible assets is ascertained by calculating the manufacturing costs less scheduled and non-scheduled amortization and impairment. Scheduled depreciation is calculated using the straight-line method based on a five-year period of useful life. Scheduled depreciation of capitalized development cost that is clearly attributed to projects starts with serial production.

Intangible assets with an indefinite useful life, as the brand name "KTM", in the amount of € 60.000k capitalized during the original purchase price allocation, are not amortized regularly, but are subjected to an annual impairment test and any depreciation recognized in the income statement. The Management Board considers the useful life as indefinite since the rights in the relevant sales markets do not underlie timely, legal or contractual restrictions and no economic devaluation exists due to the sustainable reputation of the brand.

The valuation of the brand is based on the relief-from-royalty method. The royalty rate of 1.5% of the revenues – which is the basis for the measurement – derives from comparable publicly available license agreements. The assessment of the impairment requirement as per 31 December 2014 is carried out in consistence with the impairment test for goodwill based on the current five-year plan. The discount interest rates are based on the asset-specific capital cost in the amount of 14% (previous year: 15.5%), comprised of the group WACC in the amount of 11% (previous year: 12.5%) and a risk premium for the brand in the amount of 3% (previous year: 3%). The risk premium is based on the WACC-to-WARA concept.

Discount interest rate, royalty and budgeted revenues are the material value determining parameters of the valuation of the brand "KTM". The sensitivity analysis for these parameters shows that sufficient coverage of the carrying amount is based on a group WACC of 26.5% (previous year: 21.0%) and a royalty of 0.7% (previous year: 0.9%), the same conditions provided. All other conditions being equal, the carrying amount is also sufficiently covered for a decline of future planned revenues of up to 56.0% (previous year: 39.0%).

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

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

Primary financial instruments

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

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

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

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

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

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

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

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

Derivative financial instruments and hedging

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimates and uncertainties in cases of discretionary decisions and assumptions

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

Assumptions are made to evaluate the impairment of goodwill and intangible assets of indefinite useful life. At balance sheet date goodwill in the amount of € 117,261k (previous year: € 118,457k) and the brand "KTM" with the amount of € 61,103k (previous year: € 61,103k) were recognized. The annual evaluation with an impairment test and a sensitivity analysis are described in accounting and valuation methods.

Deferred tax assets for nonforfeitable tax losses carried forward are reported to generate sufficient taxable income to realize tax losses carried forward in future. For uncertainties in the assumptions valuation adjustments are set up. As of 31 December 2014 deferred tax assets on losses carried forward in the amount of € 13,441k (previous year: € 19,969k) were capitalized. Based on the current tax planning the management expects the realization of the tax losses carried forward as of 31 December 2014 within the next seven years. For further details on deferred taxes refer to the notes, item (11).

In cash flow hedge accounting assessments are made regarding the occurrence of future cash flows. The planning of future cash flows is based on the sales and order volume planning and is reviewed for achievement of objectives on a monthly basis and verified for plausibility using past experience. Foreign currency hedges are generally entered into a rolling basis for a period of up to twelve months in accordance with the internal currency hedging strategy. The hedge ratio of the individual currencies is determined based on the planning uncertainty of the respective market, the volatility of the currency and the hedging cost. The currencies are aggregated by type based on their importance (volume, revenue relevance) and different methods are applied accordingly. The hedge ratio per currency must not exceed 80% of the foreign currency exposure. For details to currency and interest sensitivities refer to the notes, item (28.3) "Financial risk management".

Furthermore, estimation uncertainty exists with the recognition and measurement of obligations relating to social capital. Assumptions are made regarding the following factors: expected values, demographic assumptions such as the retirement page of women/men and employee fluctuation as well as financial assumptions such as the discount rate and future wage and salary trends. As of the balance sheet date, obligations in the respect of claims to severance payments were recognized at € 19,379k (previous year: € 14,792k). For further explanations see item (26) "Social capital obligations".

Regarding provisions, estimates have been made in order to assess probabilities and determine the expected amount for measuring the obligations. These assumptions essentially concern provisions relating to guarantees and warranties, based on past experience, a direct connections was established, per product group, between the guarantee and warranty expense incurred and the revenues. The Management Board due to longstanding experience expects this relationship to remain stable. The average percentage of guarantee and warranty expense in the revenues is checked several times a year and adjusted if necessary. The amount recognized as a provision is therefore derived as an average percentage, determined over a three-year observation period, of the warranty expenses and the revenues. As of 31 December 2014 provisions relating to guarantees and warranties were recognized at € 7,382k (previous year: € 5,601k).

The development of provisions see item (25) "Provisions".

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

(05) NET SALES

Net sales by product groups

in €k	2014	2013
KTM products	864,635	716,390
Pankl high performance products	165,027	139,804
WP products	121,091	111,087
Others	48,948	49,459
Consolidation	(113,401)	(106,149)
	1,086,300	**910,591**

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

Net sales by regions

in €k	Europe		North America		Others	
	2014	2013	2014	2013	2014	2013
External sales	633,731	538,755	241,417	196,774	211,152	175,062

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

(06) BREAKDOWN OF EXPENSES

Cost of sales

in €k	2014	2013
Cost of materials and services for purchased services	603,571	502,076
Personnel expenses	104,506	96,078
Depreciation and amortization of tangible assets and intangible assets including low-value assets	22,620	21,833
Other operating expenses	19,013	20,150
	749,710	**640,137**

Distribution- and motorsport expenses

in €k	2014	2013
Cost of materials and expenses for purchased services	19,301	36,884
Personnel expenses	47,790	30,389
Depreciation and amortization of tangible assets and intangible assets including low-value assets	4,049	3,232
Other operating expenses	67,244	47,013
Sponsorship income and other operating earnings	(10,053)	(7,560)
	128,331	**109,958**

Expenses for research and development

in €k	2014	2013
Cost of materials and expenses for purchased services	1,259	2,295
Personnel expenses	9,071	7,037
Depreciation and amortization of tangible assets and intangible assets including low-value assets	21,988	20,319
Other operating expenses	5,764	2,658
Subsidies and other operating earnings	(6,643)	(5,295)
	31,439	**27,014**

Administration expenses

in €k	2014	2013
Cost of materials and expenses for purchased services	534	316
Personnel expenses	29,227	26,035
Depreciation and amortization of tangible assets and intangible assets including low-value assets	6,270	5,317
Other operating expenses	32,894	30,103
Subsidies and other operating earnings	(1,153)	(4,842)
	67,772	**56,929**

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

Audit expenses

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

in €k	2014	2013
Audit of separate financial statements	370	346
Audit of consolidated financial statements	286	246
Special audits	17	5
Other services	160	41
	833	**638**

(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 € 7,407k (previous year: € 6,695k). Liabilities relating to severance payments for the Management Board amount to € 2,087k (previous year: € 1,405k).

A remuneration totaling € 73k (previous year: € 96k) will be proposed for the Supervisory Board for the business year 2014 (to be paid in business year 2015).

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	2014
As at 1 Januar	3,928
Changes in the business year	453
Changes in the scope of consolidation	(327)
As at 31 December	**4,054**
thereof workers	2,106
thereof employees	1,948

Employee expenses in business year 2014 amounted to € 211,949k (previous year: € 177,764k).

(08) OTHER OPERATING EXPENSES

Other operating expenses can be broken down as follows:

in €k	2014	2013
Guarantee expenses	17,535	13,290
Other expenses	229	333
	17,764	**13,623**

In other operating expenses depreciation in the amount of € 164k (previous year: € 86k) is included.

(09) OTHER OPERATING INCOME

Other operating income can be broken down as follows:

in €k	2014	2013
Grants	636	657
Income from the sale of fixed assets	202	956
Insurance income	2	71
Remaining other income	882	1,290
	1,722	**2,974**

(10) FINANCIAL- AND INVESTMENT RESULT

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

in €k	2014	2013
Interest income	1,182	997
Interest expenses	(18,145)	(19,229)
Result from at equity holdings	356	12,447
Other financial- and investment result	(4,455)	(2,247)
	(21,062)	**(8,032)**

For the result from interest recognized at equity please refer to item (17).

The other financial and investment result includes income from the measurement of financial instruments in the amount of € 2,365k (previous year: € –465k), expenses in connection with non-current financial assets in the amount of € 7,574k (previous year: € 1,207k) as well as foreign currency gains in the amount of € 754k (previous year: € –619k).

(11) TAXES ON INCOME

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

in €k	2014	2013
Current tax	(9,370)	(7,322)
Deferred tax	(7,698)	(4,879)
	(17,068)	**(12,201)**

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

Offsetting and reconciliation from the expected tax expenses for the business year (application of the total group tax rate of 25.0% to the pre-tax profit of € 71,944k (previous year: € 57,944k) to the actual tax expenses/income can be shown as follows:

in €k	2014	2013
Expected tax expense/income	(17,985)	(14,468)
Non-temporary differences	(3,332)	1,186
Rate for tax loss carried forward/value adjustments/utilization of losses carried forward	2,799	(4,585)
Taxes from prior periods	198	843
Effects of foreign tax rates	(758)	92
Result from at equity interest	57	3,118
Investment-related benefits	1,146	976
Others	807	637
	(17,068)	**(12,201)**

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

in €k	Losses carried forward	thereof value adjusted	Remaining losses carried forward	Deferred tax assets
31/12/2014				
CROSS Industries AG, Wels, Austria	17,516	(17,516)	0	0
CROSS KraftFahrZeug GmbH, Wels, Austria	2,175	(2,175)	0	0
KTM AG, Mattighofen, Austria	42,593	0	42,593	10,648
Pankl Group, Bruck upon Mur, Austria	14,123	(4,662)	9,461	2,793
WP Group, Munderfing, Austria	1,644	(1,644)	0	0
Durmont Teppichbodenfabrik GmbH, Hartberg, Austria	2,161	(2,161)	0	0
	80,212	**(28,158)**	**52,054**	**13,441**

in €k	Losses carried forward	thereof value adjusted	Remaining losses carried forward	Deferred tax assets
31/12/2013				
CROSS Industries AG, Wels, Austria	33,564	(33,564)	0	0
CROSS KraftFahrZeug GmbH, Wels, Austria	4,495	(4,495)	0	0
PF Beteiligungsverwaltungs GmbH, Wels, Austria	27,785	(27,785)	0	0
KTM AG, Mattighofen, Austria	83,054	(16,612)	66,442	16,611
Pankl Group, Bruck upon Mur, Austria	16,015	(4,107)	11,908	3,358
WP AG (formerly: CROSS Motorsport Systems GmbH), Munderfing, Austria	27,121	(27,121)	0	0
WP Immobilien GmbH (formerly: CROSS Immobilien GmbH), Munderfing, Austria	689	(689)	0	0
Wethje Group, Hengersberg, Deutschland	9,466	(9,466)	0	0
Others	2,716	(2,716)	0	0
	204,905	**(126,555)**	**78,350**	**19,969**

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 € 29,536k (previous year: € 156,202k). 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	31/12/2014	31/12/2013
Deferred tax assets		
Current assets		
Receivables and other assets	732	309
Inventories	4,895	1,851
Non-current assets		
Assets	1,138	1,146
Losses carried forward	13,441	19,969
Personnel-related liabilities	4,418	2,719
Provisions	1,651	421
Liabilities	1,370	2,547
	27,645	**28,962**
Offset	(21,520)	(22,026)
	6,125	**6,936**

in €k	31/12/2014	31/12/2013
Deferred tax liabilities		
Current assets	(266)	(4,029)
Non-current assets		
Intangible assets	(39,855)	(36,902)
Tangible assets	(3,039)	(2,990)
Subsidies	(109)	(119)
Others	(46)	(95)
	(43,315)	**(44,135)**
Offset	21,520	22,026
	(21,795)	**(22,109)**

The deferred taxes in business year 2014 developed as follows:

in €k	2014	2013
Deferred taxes (net) as at 1 January	(15,173)	(9,838)
Changes in the scope of consolidation	913	0
Deferred taxes affecting income	(7,698)	(5,434)
Deferred taxes recognized in other income	1,129	(5)
Foreign currency	318	98
Reclassification	4,750	0
Other changes	90	6
Deferred taxes (net) as at 31 December	**(15,671)**	**(15,173)**

In 2012 a provision for tax audit risks of € 4,750k was established and reported in deferred tax liabilities at KTM. Of this amount, € 2,030k was utilized or reversed in the period under review and the remaining amount of € 2,720k was reclassified in the item "Tax liabilities". Reclassification only leads to a change in the presentation of the balance sheet. No change was made to the preceding year as it was immaterial.

The deferred taxes on interests in subsidiaries and in entities measured at equity not recognized because of temporary differences amount to € 179k (previous year: € 122k).

(12) INCOME FROM DISCONTINUED OPERATIONS

in €k	2014	2013
Income from discontinues operations (Wethje Group)	2,086	(8,013)
Subsequent expenses from the disposal of Peguform Group 2011	0	(5,975)
Income from discontinued operations	**2,086**	**(13,988)**

Wethje Group, Hengersberg, Germany, is presented as discontinued operation. Please refer to item (02.2).

The previous year's income from discontinued operations included expenses for warranties (arbitration proceedings and additional tax claim from a tax audit at SMP Deutschland GmbH) from the sale of the Peguform Group in November 2011. The expenses also included advisory cost related to these cases.

(13) TANGIBLE ASSETS

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

The consolidated statement of fixed assets of 2014 includes Wetjhe Group with acquisition cost in the amount of € 825k and depreciation in the amount of € 976k until its deconsolidation 1 October 2014.

in €k	Real estate	Buildings	Technical equipment and machinery	Factory and business equipment	Advanced payments and assets under construction	Total
2013						
Acquisitions and manufacturing costs						
As at 1 January 2013	23,558	127,660	120,971	158,479	25,804	456,472
Currency conversion	(5)	(258)	(654)	(407)	(28)	(1,352)
Disposals from the reporting as discontinued operation	0	0	(2,162)	(292)	(1,628)	(4,082)
Additions/disposals due to changes in scope of consolidation	158	2,291	229	4,100	4	6,782
Additions	216	7,398	10,598	11,566	20,005	49,783
Transfers	(128)	15,445	5,470	7,051	(28,651)	(813)
Disposals	(114)	(2,639)	(3,016)	(4,274)	(547)	(10,590)
As at 31 December 2013	**23,685**	**149,897**	**131,436**	**176,223**	**14,959**	**496,200**
Accumulated depreciation						
As at 1 January 2013	57	32,461	80,348	123,987	0	236,853
Currency conversion	(1)	(90)	(497)	(361)	0	(949)
Disposals from the reporting as discontinued operation	0	0	(448)	(111)	0	(559)
Additions/disposals due to changes in scope of consolidation	0	1,318	207	3,354	0	4,879
Additions	458	5,131	11,058	12,733	0	29,380
Transfers	0	12	(5)	(7)	0	0
Disposals	0	(1,148)	(2,711)	(3,874)	0	(7,733)
As at 31 December 2013	**514**	**37,684**	**87,952**	**135,721**	**0**	**261,871**
Carrying amount						
As at 31 December 2013	23,171	112,213	43,484	40,502	14,959	234,329
As at 31 December 2012	23,501	95,199	40,623	34,492	25,804	219,619

In the depreciation 2013 non-scheduled depreciation in the amount of € 456k is included. This depreciation can be attributable to land of Wethje Group.

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

The technical equipment and machinery comprise capitalized capital lease:

in €k	31/12/2014	31/12/2013
Leasing machinery		
Acquisition cost	3,757	4,215
Accumulated depreciation	(2,307)	(1,947)
Carrying amount	1,450	2,268

(14) REAL ESTATE HELD AS FINANCIAL INVESTMENT

Intangible assets comprise properties including buildings with a carrying amount of € 1,853k (previous year: € 14,251k), which are not used for own purposes. The fair value of these properties, which has to be explained according to IAS 40, in the amount of approximately € 5m, basically corresponds to the reported carrying amounts and was determined by an expert's opinion in 2009.

There have been changes in the business year concerning the use of facilities and buildings.

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

(15) GOODWILL

The capitalized goodwill in the amount of € 117,261k (previous year: € 118,457k) include the following:

in €k	31/12/2014	31/12/2013 restated
KTM Group	94,215	94,208
Pankl Group	22,086	21,475
WP Group	960	960
Wethje Group	0	1,814
	117,261	118,457

According to IAS 36 the recorded goodwill is no longer amortized as scheduled, but is tested annually for impairment. With regard to the calculation method reference is made to the section "Accounting and valuation methods".

(16) INTANGIBLE ASSETS

In business year 2014 development cost in the amount of € 35,881k (previous year: € 31,172k) were capitalized. As per 31 December 2014 the item "Intangible assets" includes development cost with a carrying amount in the amount of € 92,343k (previous year: € 77,280k) a depreciation period of five years, in accordance with an expected useful life was determined.

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

By transfer agreement, dated 17 September 2013 KTM AG acquired the license rights for the use of the brand "Husqvarna" from Pierer Industrie AG in the amount of € 10,000k. The license right is amortized over the remaining useful life for 13 years.

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 restated	Advanced payments and assets under construction	Total
2014					
Acquisition- and manufacturing costs					
As at 1 January 2014	36,606	210,637	141,284	10	388,537
Currency conversion	396	53	619	0	1,068
Additions due to redemption of discontinued operation	359	840	0	0	1,199
Additons/disposals due to changes of scope of consolidation	(638)	(4,400)	(1,814)	0	(6,852)
Additions	3,867	35,934	0	3,567	43,368
Transfers	578	10	0	1,790	2,378
Disposals	(551)	(19,656)	0	(24)	(20,231)
As at 31 December 2014	**40,617**	**223,418**	**140,089**	**5,343**	**409,467**
Accumulated depreciation					
As at 1 January 2014	18,825	63,107	22,827	0	104,759
Currency conversion	194	42	1	0	237
Additions due to redemption of discontinued operation	72	390	0	0	462
Additons/disposals due to changes of scope of consolidation	(307)	(918)	0	0	(1,225)
Additions	4,013	19,843	0	0	23,856
Transfers	2	0	0	0	2
Disposals	(625)	(17,933)	0	0	(18,558)
As at 31 December 2014	**22,174**	**64,531**	**22,828**	**0**	**109,533**
Carrying amount					
As at 31 December 2014	18,443	158,887	117,261	5,343	299,934
As at 31 December 2013	17,781	147,530	118,457	10	283,778

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

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 restated	Advanced payments and assets under construction	Total
2013					
Acquisition- and manufacturing costs					
As at 1 January 2014	23,342	180,317	141,550	383	345,592
Currency conversion	(231)	(16)	(266)	0	(513)
Disposals from the reporting as discontinued operation	(56)	(840)	0	0	(896)
Additons/Disposals due to changes of scope of consolidation	975	0	0	0	975
Additions	12,410	31,176	0	10	43,596
Transfers	1,196	0	0	(383)	813
Disposals	(1,030)	0	0	0	(1,030)
As at 31 December 2013	**36,606**	**210,637**	**141,284**	**10**	**388,537**
Accumulated depreciation					
As at 1 January 203	17,091	43,074	22,834	0	82,999
Currency conversion	(157)	(8)	(7)	0	(172)
Disposals from the reporting as discontinued operation	(24)	(315)	0	0	(339)
Additons/Disposals due to changes of scope of consolidation	129	0	0	0	129
Additions	2,792	20,356	0	0	23,148
Disposals	(1,006)	0	0	0	(1,006)
As at 31 December 2013	**18,825**	**63,107**	**22,827**	**0**	**104,759**
Carrying amount					
As at 31 December 2013	17,781	147,530	118,457	10	283,778
As at 31 December 2012	6,251	137,243	118,716	383	262,593

(17) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Shares in associated companies, accounted for using the equity method, are considered individually as immaterial. The associated companies include strategic minority shareholdings in KTM New Zealand Ltd., Auckland, New Zealand, KTM Middle East Al Shafar LLC, Dubai, United Arab Emirates, Kiska GmbH, Anif, as well as Wethje Group, Pleinting, Germany.

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

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

Wethje Group develops and produces carbon somposite components for the automotive and aerospace sector. After the disposal of 51% to Mitsubishi Rayon Co., Ltd., Japan, the company is included according to the equity method.

The balance sheet date of Kiska GmbH is 31 March and of KTM New Zealand Ltd. it is 30 June. For purpose of accounting according to the equity-method an unaudited interim statement as of 31 December was used for both cases. For Wethje Group an audited reporting package as of 31 December was used.

In the business year 2014 the carrying amounts developed as follows:

in €k	2014
Investment book value as at 1 January	2,422
Changes in scope of consolidation	4,220
Share of net profit	356
Payout	(130)
Investment book value as at 31 December	6,868

(18) OTHER NON-CURRENT ASSETS

in €k	31/12/2014	31/12/2013
Non-consolidated subsidiaries and financial assets not accounted for using the equity method	19,886	5,913
Loans	1,993	1,860
Other non-current assets	3,896	39
	25,775	7,812

The other non-current assets mainly include asstes of the put-/call option for 23% of the shares of Wethje Group.

The carrying amount of financial assets developed as follows:

in €k	As at 01/01/2014	Additions	Currency conversion	Adjustment	Disposals	As at 31/12/2014
Non-consolidated subsidiaries and financial assets not accounted for using the equity method	5,913	20,302	0	(6,305)	(24)	19,886
Loans	1,860	75	247	0	(189)	1,993
	7,773	20,377	247	(6,305)	(213)	21,879

(19) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in banks, checks and fixed-term deposits in the amount of € 89,404k (previous year: € 42,270k).

The KTM Group has an enforceable right of mutual set-off of certain items in the financial assets and financial liabilities. These items are reported with their net amount in the consolidated financial statements. Therefore the amount of € 0k (previous year: € 26,564k) was balanced of cash and cash equivalents, see also item (28).

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

The adjustments to receivables developed as follows:

in €k	Trade receivables	Other financial receivables (current and non-current)	Financial assets – loans
As at 1 January 2013	3,187	0	0
Changes in the scope of consolidation	0	0	0
Currency conversion	(28)	0	0
Additions	619	0	0
Use	(1,272)	0	0
Disposals	(366)	0	0
As at 31 December 2013 = 1 January 2014	**2,140**	**0**	**0**
Changes in the scope of consolidation	(21)	0	0
Currency conversion	5	0	0
Additions	722	0	0
Use	(531)	0	0
Disposals	(167)	0	0
As at 31 December 2014	**2,148**	**0**	**0**

The expenses for completely writing off trade accounts receivables amounted to € 257k (previous year: € 406k).

Trade receivables include receivables in the amount of € 0k (previous year: € 2,501k) applying the percentage of completion method.

Current receivables and other assets are made up as follows:

in €k	31/12/2014	31/12/2013
Receivables from derivative financial instruments	466	2,252
Other current financial assets	23,282	14,513
thereof deferral of subsidies	7,281	6,011
thereof advance payments	4,970	0
thereof reduction of receivables to ABS financing	3,281	2,651
thereof others	7,750	5,851
Receivables from associated companies	7,609	4,886
Other current financial assets	**31,357**	**21,651**
Receivables towards tax authorities	5,019	6,149
Others	2,910	2,756
Other current non-financial assets	**7,929**	**8,905**
Other current assets	**39,286**	**30,556**

(21) INVENTORIES

in €k	31/12/2014	31/12/2013
Raw and auxiliary materials and supplies	55,651	54,039
Unfinished goods	35,382	34,867
Finished goods and products	129,031	106,284
Payments on account	0	2,095
	220,064	**197,285**

in €k	31/12/2014	31/12/2013
Inventory gross	246,517	218,406
Less adjustment	(26,453)	(21,121)
Inventory net	**220,064**	**197,285**

The carrying amount of inventories written-off below cost to the lower fair value less costs to sell amounts to € 107,535k (previous year: € 90,938k).

(22) GROUP EQUITY

The development of the group equity in business year 2014 and 2013 is presented on page 34.

The share capital as of 31 December 2014 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 € 137,825k there is a payout block according to article 235 para 3 of the Austrian Commercial Code (UGB) in the amount of € 107,626k.

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

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

in €k	
As at 1 January 2013	(4,058)
Effective share of fair value adjustments of cash flow hedges	(1,377)
Reclassification of group equity in the consolidated income statement – recognition in financial result	2,029
Reclassification of group equity in the consolidated income statement – recognition in operative result	175
As at 31 December 2013	**(3,231)**
Effective share of fair value adjustments of cash flow hedges	(2,816)
Reclassification of group equity in the consolidated income statement – recognition in financial result	1,049
Reclassification of group equity in the consolidated income statement – recognition in operative result	981
As at 31 December 2014	**(4,017)**

The IAS 19 reserve includes actuarial losses from pension and severance pay provisions. As at 31 December 2014 the IAS 19 reserve – including shareholdings of non-controlling parties – amounts to € –5,828k (previous year: € –3,340k).

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.

Non-controlling interests

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

in €k	KTM AG	Pankl Racing Systems AG	WP AG	Other effects	Total
Percentage of non-controlling interests as of balance sheet date	48.82%	48.87%	10.00%	–	–
2014					
Revenues	864,636	165,027	121,091	–	–
Profit	57,162	6,861	8,922	–	–
Other income	(1,585)	2,566	193	–	–
Comprehensive income	**55,577**	**9,427**	**9,115**	–	–
Profit attributable to non-controlling interests	**27,982**	**3,722**	**0**	**(948)**	**30,756**
Other income attributable to non-controlling interests	**27,210**	**5,098**	**0**	**(928)**	**31,380**
Non-current assets	305,700	90,683	53,868	–	–
Current assets	310,705	91,995	49,878	–	–
Non-current liabilities	(189,203)	(70,452)	(35,483)	–	–
Current liabilities	(178,021)	(35,446)	(30,353)	–	–
Net assets	**249,181**	**76,780**	**37,910**	–	–
Carrying amount of non-controlling interests	**122,237**	**40,173**	**3,738**	**(4,955)**	**161,193**

in €k	KTM AG	Pankl Racing Systems AG	WP AG	Other effects	Total
Cash flows from operating activities	79,649	14,662	28,478	–	–
Cash flows from investing activities	(69,735)	(15,929)	(18,528)	–	–
Cash flows from financing activities	23,755	3,789	(6,210)	–	–
Net increase in cash	**33,669**	**2,522**	**3,740**	–	–
Dividends to non-controlling interests	**5,300**	**661**	**0**	**0**	**5,961**

in €k	KTM AG	Pankl Racing Systems AG	Other effects	Total
Percentage of non-controlling interests as of balance sheet date	48.91%	48.87%	–	–
2013				
Revenues	716,390	139,804	–	–
Profit	36,509	2,493	(35,653)	–
Other income	(596)	(347)	–	–
Comprehensive income	**35,913**	**2,146**	–	–
Profit attributable to non-controlling interests	**17,870**	**1,268**	**(1,064)**	**18,074**
Other income attributable to non-controlling interests	**17,555**	**1,138**	**(1,075)**	**17,618**
Non-current assets	258,573	85,933	–	–
Current assets	234,468	84,717	–	–
Non-current liabilities	(142,427)	(69,174)	–	–
Current liabilities	(146,164)	(33,140)	–	–
Net assets	**204,450**	**68,336**	–	–
Carrying amount of non-controlling interests	**100,580**	**35,734**	**(3,587)**	**132,727**
Cash flows from operating activities	83,240	(403)	–	–
Cash flows from investing activities	(58,053)	(17,510)	–	–
Cash flows from financing activities	(22,971)	17,513	–	–
Net increase/decrease in cash	**2,216**	**(400)**	–	–
Dividends to non-controlling interests	**3,720**	**1,584**	**0**	**5,304**

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 36.0% (previous year: 32.8%).

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

(23) ACCOUNTS PAYABLE

Bonds

In April 2012 KTM AG successfully issued a bond (ISIN: AT0000A0UJP7) with a five-year term and a total volume of € 85m. The bond with a denomination of € 500.00 is listed in the Second Regulated Market of the Vienna Stock Exchange; the coupon amounts to 4.375%.

In October 2012 CROSS Industries AG issued a bond (ISIN: AT0000A0WQ66) with a six-year term and a total volume of € 75m. The bond with a denomination of € 500.00 is listed in the Second Regulated Market of the Vienna Stock Exchange, the coupon amounts to 4,625%.

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

As of 31 December 2014 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
Pankl Racing Systems AG	€	August 2013	10,000	4 years
			170,000	
thereof current			0	
thereof non-current			170,000	

Interest-bearing liabilities

in €k	31/12/2014	31/12/2013
Bonds payable	169,246	168,996
Bank loans	184,476	210,579
Finance lease obligations	8,797	1,854
Other interest-bearing liablities (discounted bond interest rate)	3,813	3,964
Interest-bearing liabilities to shareholders	38,201	0
	404,533	**385,393**
thereof remaining term up to 1 year	44,264	36,102
thereof remaining term more than 1 year	360,269	349,291

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 € 0k (previous year: € 26,564k) 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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Up to 1 year	721	684	545	627
2 to 5 year	1,570	1,280	1,016	1,227
Mote than 5 years	6,559	0	5,520	0
	8,850	**1,964**	**7,081**	**1,854**

Payments due to minimum lease payments recorded as expense (interest expense) in business year 2014 amounted to € 56k (previous year: € 82k). 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 15 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 € 23,990k (previous year: € 19,308k), liabilities from derivative financial instruments in the amount of € 9,277k (previous year: € 6,142k) liabilities towards the financial authority in the amount of € 3,153k (previous year: € 4,398k), liabilities for turnover bonuses in the amount of € 11,761k (previous year: € 7,737k), liabilities for discounts in the amount of € 5,198k (previous year: € 4,198k) as well as liabilities towards shareholders in the amount of € 0k (previous year: € 1,256k).

As of 31 December 2014 other long-term debts include mainly deposits in the amount of € 5,998k (previous year: € 4,286k), liabilities towards shareholders in the amount of € 0k (previous year: € 1,353k) as well as investment grants of € 1,165k (previous year: € 1,757k).

(24) CONTINGENCIES, LIEN RIGHTS AND LIABILITIES

Registered liens amount to € 113,047k (previous year: € 148,479k) and can be broken down as follows:

in €k	31/12/2014	31/12/2013
Tangible assets	96,814	114,656
Receiveables	16,233	33,823
	113,047	**148,479**

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 € 181,827k (previous year: € 155,577k), These affect KTM AG with 1,346,864 shares.

In the course of the sale of a 80%-share in the Peguform Group, PF Beteiligungsverwaltungs GmbH granted guarantees in the amount of maximum of 15% of the purchase price to the buyer. At balance sheet two warranty cases are claimed (arbitration proceedings and additional tax claim from a tax audit at SMP Deutschland GmbH). Contingent liabilities in the amount of € 21,165k exist on balance sheet date.

(25) 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 2014 a total amount of € 7,382k (previous year: € 5,601k) for provisions for guarantees and gestures of goodwill was balanced.

During the business year provisions have developed as follows:

in €k	As at 01/01/2014	Currency conversion	Additions	Disposals	Use	Changes in scope of consolidation	As at 31/12/2014
Current provisions for							
Guarantees	5,562	4	7,097	(472)	(4,950)	102	7,343
Restructuring measurements	0	0	16	0	(12)	0	4
Litigation cost	660	0	100	(60)	(250)	(50)	400
Others	464	0	897	(6)	(493)	228	1,090
	6,686	**4**	**8,110**	**(538)**	**(5,705)**	**280**	**8,837**
Non-current provisions for							
Guarantees	39	0	0	0	0	0	39
	39	**0**	**0**	**0**	**0**	**0**	**39**

(26) SOCIAL CAPITAL OBLIGATIONS

Social capital obligations include provisions for:

in €k	31/12/2014	31/12/2013
Severance pay	16,911	12,492
Retirement pay	0	656
Anniversary bonus	2,468	1,644
	19,379	**14,792**

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

in €k	2014	2013
Projected benefit obligation		
As at 1 January	13,411	11,704
Service cost	758	678
Interest expenses	422	440
Payments made	(277)	(485)
Actuarial loss	3,469	1,078
Changes in scope of consolidation	(921)	0
Others	49	(4)
As at December 31	**16,911**	**13,411**

(Continuation) in €k	**2014**	**2013**
Projected benefit obligation as at 31 December	16,911	13,411
Plan assets		
As at 1 January	263	305
Payments received	0	9
Payments made	(27)	(38)
Actuarial loss	0	(13)
Changes in scope of consolidation	(236)	0
As at 31 December	0	263
Net debt as at 31 December (projected benefit obligation less plan assets)	16,911	13,148

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

in €k	**31/12/2014**	**31/12/2013**
Projected benefit obligation covered by plan assets (gross)	0	919
Market value of plan assets	0	263
Projected benefit obligation covered by plan assets (net)	0	656
Projected benefit obligation not covered by plan assets	16,911	12,492
Total projected benefit obligations	16,911	13,148

As of 31 December 2014 the weighted remaining terms (duration) of the obligations relating to severance payments and anniversary bonuses is 15 years (previous year: 14 years).

The actuarial loss is made up as follows:

in €k	**31/12/2014**	**31/12/2013**
Change in expected values	174	334
Change in demographic assumptions	69	(75)
Change in financial assumptions	3,226	832
Actuarial loss	3,469	1,091

The valuation of obligations is subject to the following assumptions:

	31/12/2014	**31/12/2013**
Interest rate	2.0%	3.5%
Wages and salary trend	3.0%	3.0%
Pension age for women/men (with transition rule)	65 years	65 years

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

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

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

As of 31 December 2014 a change (±0.5 percentage points) of the parameters "Interest rate" and "Wages and salary trend" had changed the present value of the future payments as follows:

	Change – 0.5 percentage points	Change + 0.5 percentage points
31/12/2014		
Discounting rate	7.7%	(7.0%)
Wage and salary trend	(6.9%)	7.6%

As of 31 December 2013 a change (±0,5 percentage points) of the parameters "Interest rate" and "Wages and salary trend" had changed the present value of the future payments as follows:

	Change – 0.5 percentage points	Change + 0.5 percentage points
31/12/2013		
Discounting rate	7.5%	(6.7%)
Wage and salary trend	(6.5%)	7.2%

Obligations related to claims from anniversary bonuses developed as follows:

in €k	2014	2013
As at 1 January	1,644	1,333
Service cost	166	136
Interest expenses	57	53
Payments made	(7)	0
Actuarial loss	597	126
Others	11	(4)
As at 31 December	**2,468**	**1,644**

For employees in Austria whose employment contracts commenced before 1 January 2003 1.53% of their salaries are paid monthly into a company employee benefit fund. In business year 2014 payments in the amount of € 1,446k (previous year: € 1,297k) were made.

IV. OTHER EXPLANATIONS

(27) RISK REPORT

As a globally active group the CROSS Industries Group is confronted with a large number of risks. The Executive Board and Supervisory Board are periodically informed about risks that can have a major impact on the group's business operations. Management takes timely action to avoid, minimize and hedge risks.

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

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

CROSS Industries AG as holding company

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

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

Cyclical risk

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

The Pankl Group is influenced by rule changes in the motor racing market (e. g. Formula 1). The rule changes result in increased development and testing activities in the upcoming years. The risk exists, on the one hand, that the challenges cannot be met by Pankl, but on the other hand, the opportunity is given for Pankl to further increase market share and to further strengthen the leading market position via innovations.

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

Competition and pricing pressure

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

Sales risk

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

Restrictions relating to motorcycling

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

Changes of the procurement market

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

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

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

At the WP 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.

Research and development, racing

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

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

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

Product liability risk

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

Risks due to the legal framework

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

Business and environmental risk

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

Personnel-related risks

Especially with regard to the growth course, risks may arise if key staff leaves the company. Efficient personnel management as well as the constant pursuit of personnel development programs are designed to counteract the risk of managerial staff leaving the company. The risk of a shortage of skilled staff is minimized by a comprehensive apprentice training program in our own apprentice workshop. The aim is to recruit employees in the region and retain them in the long-term.

Financial risks

Regarding the financial risks (currency risks, interest rate risks, default risks as well as liquidity risks), reference is made to the explanations given in item (28).

(28) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(28.1) Basis

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

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

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

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

(28.2) Classification and fair value

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

Reclassifications between levels are considered at balance sheet date. There were no reclassifications between levels in business year 2014.

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

in €k	Carrying amount	Fair value	Fair value Level 1	Level 2	Level 3	Total
31/12/2014						
Loans and receiveables						
Cash and cash equivalents	89,404	0	0	0	0	0
Trade receivables	97,139	0	0	0	0	0
Receivables to affiliated companies	1,642	0	0	0	0	0
Other financial assets (current and non-current)	34,787	0	0	0	0	0
Financial assets – loans	1,993	0	0	0	0	0
	224,965	**0**				
Available for sale						
Other non-current financial assets	19,886	0	0	0	0	0
	19,886	**0**				
Fair value – hedging instruments						
Other current assets – derivatives with positve market valuet	466	466	0	466	0	466
	466	**466**				
	245,317	**466**				
31/12/2013						
Loans and receiveables						
Cash and cash equivalents	42,720	0	0	0	0	0
Trade receivables	82,768	0	0	0	0	0
Receivables to affiliated companies	6,456	0	0	0	0	0
Other financial assets (current and non-current)	19,438	0	0	0	0	0
Financial assets – loans	1,860	0	0	0	0	0
	153,242	**0**				
Available for sale						
Financial assets – loans	5,913	0	0	0	0	0
	5,913	**0**				
Fair value – hedging instruments						
Other current assets – derivatives with positve market valuet	2,252	2,252	0	2,252	0	2,252
	2,252	**2,252**				
	161,407	**2,252**				

Receivables sold in connection with KTM's existing ABS program are derecognized according to the regulations provided by IAS 39. In the context of the ABS program, receivables insured on a revolving monthly basis are sold up to a maximum volume of € 50,000k (previous year: € 40,000k). At the balance sheet date, receivables of € 48,926k (previous year: € 35,159k) were sold to third parties. The agreement was concluded in 2012 and supplemented in 2014 and runs until 2019. Up to a contractually defined amount, KTM continues to bear a risk from credit-related defaults. At 31 December 2014, the maximum resulting loss risk was € 342k (previous year: € 246k). At the time of the sale, the expected loss was expensed. At 31 December 2014, the carrying amount of the ongoing commitment was € 342k (previous year: € 246k) and was reported under other current liabilities. The carrying amount corresponds to the fair value of the ongoing commitment. In the period under review, € 96k (previous year: € 17k) was recognized as revenue and a cumulative amount of € 342k (previous year: € 246k) has been expensed since the transaction began. The volume is not subject to any material fluctuations.

In addition there exists a factoring agreement within the CROSS Industries Group on a maximum volume of € 2,500k. The factoring bank bears the risk of default. A maximum of 90% of the volume can be used. As at reporting date, receivables in the amount of € 714k had been derecognized.

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

in €k	Carrying amount	Fair value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total
31/12/2014						
At amortized cost						
Liabilities to financial institutions	184,476	188,650	0	0	188,650	188,650
Bonds	169,246	179,215	168,388	0	10,827	179,215
Trade payables	111,879	0	0	0	0	0
Fiancial liabilities to affiliated companies	44,847	0	0	0	0	0
Liabilities financial leasing	8,797	0	0	0	0	0
Other financial liabilities (current and non-current)	43,146	0	0	0	0	0
	562,391	367,865				
Held for trading						
Other financial liabilities – Derivatives with negative market value	1,085	1,085	0	1,085	0	1,085
	1,085	1,085				
Fair value – hedging instruments						
Other financial liabilities – derivatives with negative market value (cash flow hedge)	8,192	8,192	0	8,192	0	8,192
	8,192	8,192				
	571,668	377,142				

in €k	Carrying amount	Fair value	Fair value Level 1	Level 2	Level 3	Total
31/12/2013						
At amortized cost						
Liabilities to financial institutions	210,579	212,469	0	0	212,469	212,469
Bonds	168,996	173,956	163,324	0	10,632	173,956
Trade payables	104,915	0	0	0	0	0
Fiancial liabilities to affiliated companies	5,744	0	0	0	0	0
Liabilities financial leasing	1,854	0	0	0	0	0
Other financial liabilities (current and non-current)	47,349	0	0	0	0	0
	539,437	386,425				
Held for trading						
Other financial liabilities – derivatives with negative market value	550	550	0	550	0	550
	550	550				
Fair value – hedging instruments						
Other financial liabilities – derivatives with negative market value (cash flow hedge)	5,592	5,592	0	5,592	0	5,592
	5,592	5,592				
	545,579	392,567				

Fair value determination

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

Type	Valuation technique	Significant unobservable inputs	Connection between significant unobservable inputs and fair value measurement
Financial instruments measured at fair value			
Foreign currency forwards and interest rate swaps	Market comparison method: The fair values are based on price quotations of banks. Similar contracts are traded on active markets; the price quotations reflect the actual transaction costs for similar instruments.	Not applicable	Not applicable

Type	Valuation technique	Significant unobservable inputs	Connection between significant unobservable inputs and fair value measurement
Financial instruments not measured at fair value			
Liabilities to financial institutions	The closing price on the balance sheet date is used to measure listed bonds	Not applicable	–
Loans	Discounted cash flows	Risk premium for own credit risk	–

Offsetting

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

With certain credit institutions, the CROSS Industries Group has an enforceable right of mutual set-off of cash and cash equivalents and financial liabilities. Only a net amount is shown for these items in the consolidated financial statement of financial position. Therefore, an amount of € 0k (previous year: € 26,564k) was offset against cash and cash equivalents.

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

in €k	Financial assets (gross)	Offset accounting amounts (gross)	Recognized financial assets (net)	Effects from master settlement agreement	Net amounts
Financial assets 2014					
Other financial assets – derivatives with positive market value					
Foreign currency forwards	466	0	466	(466)	0
	466	0	466	(466)	0

in €k	Financial liabilities (gross)	Offset accounting amounts (gross)	Recognized financial liabilities (net)	Effects from master settlement agreement	Net amounts
Financial liabilities 2014					
Other financial liabilities – derivatives negative market value					
Foreign currency forwards	5,385	0	5,385	(466)	4,919
Interest swaps	3,892	0	3,892	0	3,892
	9,277	0	9,277	(466)	8,812

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

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

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

in €k	From interest	From subsequent fair value measurement	From value adjustment	From gain/loss on disposal	Net result (total)
2014					
Loans and receivables	1,182	0	(555)	(257)	370
Available for sale	35	0	(7,360)	481	(6,844)
At fair value – hedging instruments and held for trading	(391)	(535)	0	0	(926)
At amortized cost	(15,919)	0	0	0	(15,919)
	(15,093)	**(535)**	**(7,915)**	**224**	**(23,319)**

in €k	From interest	From subsequent fair value measurement	From value adjustment	From gain/loss on disposal	Net result (total)
2013					
Loans and receivables	1,010	0	(283)	(406)	321
Available for sale	0	0	(592)	0	(592)
At fair value – hedging instruments and held for trading	(1,589)	(505)	0	26	(2,068)
At amortized cost	(17,214)	0	0	0	(17,214)
	(17,793)	**(505)**	**(875)**	**(380)**	**(19,553)**

The change in the value adjustment to loans and receivables is shown under the other operating expenses. The remaining components of the net result are included in financial income and financial expenses, respectively.

(28.3) **Financial risk management**

Principles of financial risk management

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

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

Currency risks

As a global corporation, the CROSS Industries Group is also affected by general economic conditions, such as changes in monetary parities or developments on the world's financial markets. The exchange rate trends for the US dollar in particular, which represents the highest individual foreign exchange risk for the KTM Group, play a significant role in the company's sales and earnings performance. In the business year 2014 24% 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 2015 the US dollar-business was hedged at a rate between 1.26 and 1.38 USD/€.

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

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

Sensitivity analyses were carried out for the currency risks involved in financial instruments that show the impact of hypothetical changes in exchange rates on earnings (after tax) and equity. The relevant balances as of the balance sheet date as well as the purchases and sales planned to be made in foreign currency in the business year 2015 were used as a basis. It was assumed for the analysis that the risk faced on the balance sheet date essentially represents the risk during the business year. The group tax rate used was 25%. In addition, the analysis was also based on the assumption that all other variables, especially interest rates, remain constant. Included in the analysis were currency risks for financial instruments that are denominated in a currency deviating from the functional one and of a monetary nature.

Currency risks from Euro 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.

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

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

– For the sensivity of profit and loss, the group's bank balances, receivables and payables are considered, as are future inpayments and outpayments in foreign currency that are not entered in the balance sheet in the functional currency in the group company. Likewise, the open derivatives of the cash flow hedge whose underlying transaction has already been realized on the balance sheet date (recognized as income) are used.

– For the sensivity of other income, open derivatives of the cash flow hedge whose underlying transaction has not yet been realized on the balance sheet date (not recognized as income) are considered. The nominal amount of open derivatives corresponds to the exposure.

in €k	Revaluation by 10%		Devaluation by 10%	
	31/12/2014	**31/12/2013**	**31/12/2014**	**31/12/2013**
Change of result (after tax)	(7,235)	(10,424)	8,766	12,683
Change of currency related cash flow hedge provision	5,172	3,133	(6,322)	(3,829)
Change of equity	**(2,063)**	**(7,291)**	**2,444**	**8,854**

Interest rate risks

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

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

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

A change in the market interest rate level by 50 basic points (BP) would have the following effect:

in €k	Increase by 50 BP		Decrease by 50 BP	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Change of result (after tax)	84	(174)	(82)	174
Change of currency related cash flow hedge provision	694	430	(716)	(436)
Change of equity	**778**	**256**	**(798)**	**(262)**

Default risks (credit risks)

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

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

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

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

On the asset side, the amounts shown represent the maximum default risk. Additional master settlement agreements – besides those settlement agreement described in item (28.2) of the consolidated notes – do not exist.

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

in €k	Carrying amount	thereof: As of the reporting date neither impaired nor overdue	thereof: As of the reporting date 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	
31/12/2014							
Trade receivables	97,139	75,469	14,978	2,523	826	297	3,046
Receivables towards affiliated companies	1,642	1,642	0	0	0	0	0
Other financial receivables (current and non-current)	34,787	34,787	0	0	0	0	0
Financial assets – loans	1,993	1,993	0	0	0	0	0
	135,561	**113,891**	**14,978**	**2,523**	**826**	**297**	**3,046**

in €k	Carrying amount	thereof: As of the reporting date neither impaired nor overdue	thereof: As of the reporting date 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	
31/12/2013							
Trade receivables	82,768	67,522	7,963	2,681	917	932	2,753
Receivables towards affiliated companies	6,456	6,456	0	0	0	0	0
Other financial receivables (current and non-current)	19,438	19,438	0	0	0	0	0
Financial assets – loans	1,860	1,860	0	0	0	0	0
	110,522	**95,276**	**7,963**	**2,681**	**917**	**932**	**2,753**

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 Industries Group is to ensure liquidity and financial flexibility at all times. Factors contributing liquidity risks include, in particular, proceeds from revenues being below the planning assumptions due to weaker demand. For this purpose a liquidity reserve in the form of unused credit lines (cash and guaranteed credit) – and if required in the form of cash in hand – is held at banks with a high credit ranking. Top priority is given to ensuring liquidity over the short and medium term. Another major control parameter is the maximization of free cash flow by cost-cutting measures, proactive working capital management and reduced investment expenditure. From today's perspective, sufficient commitments have been given concerning the creditworthiness of our strategic financing partners and thus the hedging of current liquidity reserves. The long-term liquidity requirements are met by issuing company shares and bonds, taking out bank loans as well as by capital increases.

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

in €k	Carrying amoung	Cash flows 2015			Cash flows 2016 to 2019			Cash flows from 2020		
		Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion
31/12/2014										
At amortized cost										
Financial liabilities towards banks	184,476	1,717	1,427	41,709	4,356	2,742	113,873	681	226	28,894
Bonds	169,246	7,513	0		15,374	0	169,246	0	0	0
Trade payables	111,879	0	0	111,879	0	0	0	0	0	0
Financial liabilities towards affiliated companies	44,847	0	1,008	4,540	0	955	40,307	0	0	0
Liabilities financial lease	8,797	14	162	687	4	550	1,550	0	1,039	6,560
Other financial liabilities (current and non-current)	43,146	23	0	34,957	5	0	2,191	0	0	5,998
	562,391	9,267	2,597	193,772	19,739	4,247	327,167	681	1,265	41,452
Held for trading										
Other financial liabilities – derivatives with negative market value	1,085	0	0	1,085	0	0	0	0	0	0
	1,085	0	0	1,085	0	0	0	0	0	0
Fair value – hedging instruments										
Derivatives with negative market value (cash flow hedge)	8,192	1,264	0	8,178	1,131	0	14	152	0	0
	8,192	1,264	0	8,178	1,131	0	14	152	0	0
	571,668	10,531	2,597	203,035	20,870	4,247	327,181	833	1,265	41,452

in €k	Carrying amoung	Cash flows 2014			Cash flows 2015 to 2018			Cash flows from 2019		
		Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion
31/12/2013										
At amortized cost										
Financial liabilities towards banks	210,579	2,525	2,993	34,141	4,060	6,872	147,541	1,076	306	28,897
Bonds	168,996	7,513	0	0	22,887	0	168,996	0	0	0
Trade payables	104,915	0	7	104,219	0	17	696	0	0	0
Financial liabilities towards affiliated companies	5,744	0	114	1,657	0	44	4,087	0	0	0
Liabilities financial lease	1,854	26	35	627	17	38	1,227	0	0	0
Other financial liabilities (curren and non-current)	47,349	29	110	43,366	25	171	3,983	0	0	0
	539,437	**10,093**	**3,259**	**184,010**	**26,989**	**7,142**	**326,530**	**1,076**	**306**	**28,897**
Held for trading										
Other financial liabilities – derivatives with negative market value	550	507	0	0	297	0	0	0	0	0
	550	**507**	**0**	**0**	**297**	**0**	**0**	**0**	**0**	**0**
Fair value – hedging instruments										
Derivatives with negative market value (cash flow hedge)	5,592	985	0	2,952	1,444	0	562	0	0	0
	5,592	**985**	**0**	**2,952**	**1,444**	**0**	**562**	**0**	**0**	**0**
	545,579	**11,585**	**3,259**	**186,962**	**28,730**	**7,142**	**327,092**	**1,076**	**306**	**28,897**

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.

(28.4) **Derivate and hedging**

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

In the framework of cash flow hedge accounting variable future payment flows from long-term liabilities with a term until 2020 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 2014:

in €k	Nominal value in 1,000 local currency	Market value	Exposures	Term	
				Up to 1 year	1 to 5 years
31/12/2014					
Currency forwards					
USD	37,600	(2,915)	85,057	37,600	0
JPY	2,350,000	(457)	27,028	2,350,000	0
CAD	22,300	(265)	25,663	22,300	0
GBP	31,830	(1,450)	47,273	31,830	0
CHF	20,470	(180)	20,137	20,470	0
SEK	66,000	230	18,368	66,000	0
DKK	6,850	1	1,751	6,850	0
PLN	13,360	42	7,144	13,360	0
NOK	11,950	84	5,404	11,950	0
CZK	108,850	26	7,178	108,850	0
HUF	0	0	0	0	0
ZAR	121,000	(35)	14,809	121,000	0
Interest swaps					
	81,418	(2,807)	0	839	80,579
31/12/2013					
Currency forwards					
USD	31,000	1,232	76,841	31,000	0
JPY	2,355,000	(1,909)	24,847	2,355,000	0
CAD	12,100	474	22,065	12,100	0
GBP	26,950	(597)	38,247	26,950	0
CHF	13,920	34	17,679	13,920	0
SEK	78,200	237	15,711	78,200	0
DKK	7,700	3	1,486	7,700	0
PLN	15,000	(49)	6,379	15,000	0
NOK	9,000	57	4,062	9,000	0
CZK	68,800	174	5,290	68,800	0
HUF	135,000	3	1,133	135,000	0
ZAR	0	0	0	0	0
Interest swaps					
	72,257	(2,999)	0	0	72,257

The changes of the market value of the derivatives have been recognized in the other comprehensive income in the amount of € –3,755k (previous year: € –1,836k), € 2,707k (previous year: € 2,939k) were taken from other comprehensive income, whereof € 1,308k (previous year: € 233k) were transferred into the operating result and € 1,399k (previous year: € 2,705k) to the financial result.

No hedge accounting was established for the following derivative instruments:

in €k	31/12/2014				31/12/2013			
	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
Interst swaps								
	31,000	(1,085)	0	31,000	41,000	(550)	30,000	11,000

Forward exchange transactions

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

Interest rate swaps

As of the effective date interest rate swaps in the amount of € 112,418k (previous year: € 113,257k) were concluded in order to reduce volatility of variable interest payments from loans. Basically all underlying transactions and hedges are contracted in a way that all essential contractual components completely match (critical terms match). The security effect is reviewed on a regular basis by means of efficiency tests.

Due to the discontinuation of several hedged items, hedges were dissolved in this business year. 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 € 1,085k as of 31 December 2014 (previous year: € 514k).

(29) OPERATING LEASE AGREEMENTS

(29.1) The CROSS Industries Group as lessee

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

In business year 2014 payments from lease payments (lease or rent expenses) from operating leasing relations recorded as expenses amounted to € 14,448k (previous year: € 10,318k). 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 € 60,515k (previous year: € 46,332k) that are payable as follows:

in €k	31/12/2014	31/12/2013
Up to 1 year	13,028	10,040
2 to 5 years	46,978	35,567
More than 5 years	509	725
	60,515	**46,332**

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.

(29.2) **CROSS Industries Group as lessor**

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

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

in €k	31/12/2014	31/12/2013
Up to 1 year	859	857
2 to 5 years	1,379	2,189
More than 5 years	0	65
	2,238	**3,111**

In business year 2014 leasing agreements from operating leasing relations amounted to € 862k (previous year: € 1,287k).

(30) SEGMENT REPORTING

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

The segment others include CROSS Industries AG, Durmont Teppichbodenfabrik GmbH as well as all other holding companies.

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

Intersegmental information ("Presentation of revenues by regions and product groups") for the business year 2013 and 2014 we refer to item (05) "Net sales" and regarding products and services of each segment to section I. "The company".

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

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

(31) EVENTS AFTER THE BALANCE SHEET DATE

Events after 31 December 2014 that are of material interest for the assessment of assets and liabilities are either taken into account in the present report or not known.

(32) BUSINESS RELATIONS TO AFFILIATED COMPANIES AND PERSONS

Shares of CROSS Industries AG are held completely by Pierer Industrie AG, Wels. Pierer Industrie AG is held by 100% of Pierer Konzerngesellschaft mbH, Wels. Sole shareholder and CEO of Pierer Konzerngesellschaft mbH, Wels is Mr. Stefan Pierer.

In business year 2014 the shareholders have not received any dividend from the previous business year 2013.

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

- Chairman of the Management Board of CROSS Industries AG, Wels
- Chairman of the Management Board of Pierer Industrie AG, Wels
- Chairman of the Management Board of KTM AG, Mattighofen
- Managing Director of PF Beteiligungsverwaltungs GmbH, Wels
- Chairman of the Supervisory Board of Pankl Racing Systems AG, Bruck upon Mur
- Chairman of the Supervisory Board of BF HOLDING AG, Wels (until 17 December 2014)
- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels
- Chairman of the Supervisory Board of WP AG, Munderfing (since 23 July 2014)

By an assignment agreement dated 17 September 2013, KTM AG acquired the license right for the use of the "Husqvarna" brand from Pierer Industrie AG for € 10,000k. The license right is amortized over the remaining useful life of 13 years and tested for impairment regularly.

Pierer Industrie AG granted to CROSS Industries AG long-term financing at a normal market rate in the amount of € 38,201k (previous year: € 5,102k). At balance sheet date further liabilities towards Pierer Industrie AG existed in the amount of € 60k (previous year: € 0k) resulting from current settlements.

Furthermore income from Pierer Industrie AG in the amount of € 298k (previous year: € 243k) as well as expenditures in the amount of € 411k (previous year: € 40k) from current services and interest expenditures had been generated.

As at 31 December 2014 BF HOLDING AG, a subsidiary of Pierer Industrie AG, holds bonds of CROSS Industries AG (Perpetual Bond) with a nominal value of € 22,650k.

Mr. Rajiv Bajaj, Deputy Chairman of the Supervisory Board, is the managing director of Bajaj Auto Ltd., Pune, India. Mr. Srinivasan Ravikumar, member of the Supervisory Board, is a director of Bajaj Auto International Holdings B.V., Amsterdam, Netherlands, and President of Business Development and Assurance, Bajaj Auto Ltd. Bajaj Auto International Holdings B.V., Amsterdam, Netherlands, a subsidiary of Bajaj Auto Ltd., Pune, India, held 47.99% of KTM AG at 31 December 2014. A receivable related to repayments of € 4,422k is due from and a liability of € 476k is owed to Bajaj Auto Ltd., Pune, India, as of 31 December 2014 (previous year: a receivable of € 6k and a liability of € 51k). Bajaj Auto International Holdings B.V. granted KTM Motorrad AG a short-term arm's length, interest-bearing loan of € 5,000k due on 31 March 2015. Due to the cooperation with the Bajaj Group income in the amount of € 3,800k (previous year: € 2,068k) and expenditures in the amount of € 71,604k (previous year: € 43,518k) incurred.

Cooperation with the Indian Bajaj Group has been in place since 2007. The Bajaj Group is India's second largest manufacturer of motorcycles and three wheelers, selling approximately 3.87 million units in the last financial year (balance sheet date: 31 March 2014). The cooperation focuses on the joint development of entry level street motorcycles, which are produced in India and distributed under the "KTM" brand by both companies in their respective core markets.

Wohnbau-west Bauträger Gesellschaft m.b.H., a direct subsidiary of Pierer Konzerngesellschaft mbH, provides as general contractor services connected with planning and constructing the KTM logistics center in Munderfing for Oberbank Mattigtal Immobilienleasing GmbH, with which KTM Immobilien GmbH has concluded an arm's-length leasing contract. In 2014 KTM Immobilien GmbH made prepayments of € 4,835k to Oberbank Mattigtal Immobilienleasing GmbH. The construction services provided by Wohnbau-west Bauträger Gesellschaft m.b.H. on the balance sheet date came to € 7,570k. Oberbank Leasing Gesellschaft mbH holds 90% and KTM Motorrad AG 10% of Oberbank Mattigtal Immobilienleasing GmbH. In 2014 KTM Motorrad AG purchased the interest held by CROSS Industries AG at the book value of € 474k.

it-consol GmbH provided IT consultancy services to the KTM Group for € 1,451k (previous year: € 488k). Mr. Michael Hofer, shareholder and CEO of it-consol GmbH, has other management functions in the Pierer Konzerngesellschaft Group.

Pierer Industrie AG holds 100% in Moto Italia SRL, Meran, Italy, and 25.07% in All for One Steeb AG, Filderstadt, Germany. In 2014 the KTM Group purchased from Moto Italia spare parts for the "Husqvarna" brand for € 4.6m. For the future sales of these spare parts, a division of margins was agreed that was fulfilled in 2014 ahead of schedule with a payment to Moto Italia SRL of € 1.3m. All for One Steeb AG provided IT consultancy services to the CROSS Industries Group for € 2,989k (previous year: € 217k). As at balance sheet date payables towards All for One Steeb AG in the amount of € 27k (previous year: € 21k) existed.

Mr. Gerald Kiska is member of the Supervisory Board of CROSS Industries AG, Wels, and Chief Executive of Kiska GmbH, Anif/Salzburg in which KTM AG holds a 24.9% share. For services of Kiska GmbH expenditures in the amount of € 7,132k (previous year: € 6,696k) as well as income in the amount of € 480k (previous year: € 525k) arose in business year 2014. As of 31 December 2014 there were open liabilities towards Kiska GmbH in the amount of € 3,796k (previous year: € 2,342k).

Mr. Ernst Chalupsky is member of the Supervisory Board of CROSS Industries AG, Wels, and KTM AG, Mattighofen, and partner in Saxinger, Chalupsky und Partner Rechtsanwälte GmbH, Wels. The group made use of consulting services from Saxinger, Chalupsky und Partner Rechtsanwälte GmbH, Wels, at standard market conditions in the amount of € 536k (previous year: € 593k) in 2014, which were approved by the Supervisory Board. As of the balance sheet date outstanding liabilities towards Saxinger, Chalupsky und Partner Rechtsanwälte GmbH 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
2014				
Shareholder (direct)	0	0	0	0
Associated companies	10,499	1	18,287	0
Other affiliated companies	1,821	8,211	1,469	6,787
Other affiliated persons	0	0	0	73
	12,320	**8,212**	**19,756**	**6,860**
2013				
Shareholder (direct)	4	2,609	1,918	140
Associated companies	3,682	0	28,462	9,495
Other affiliated companies	6,051	1,560	1,377	5,488
Other affiliated persons	0	0	0	65
	9,737	**4,169**	**31,757**	**15,188**

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

(33) EQUITY HOLDINGS AS OF 31 DECEMBER 2014

The list of equity holdings comprises all companies, which have been included in the consolidated financial statements apart from the parent company (see page 91).

(34) BODIES OF CROSS INDUSTRIES AG

In business year 2014 the following members were appointed to the Supervisory Board:

- Josef Blazicek, Chairman (since 29 April 2014)
- Ernst Chalupsky, Deputy Chairman (since 29 April 2014)
- Gerald Kiska
- Rudolf Knünz (member until 5 November 2014)

In business year 2014 the following, collectively authorized members were appointed to the Management Board:

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

Wels, 16 March 2015

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

LIST OF THE EQUITY INTERESTS AS AT 31 DECEMBER 2014

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

Company	Initial consolidation date	Participation	Type of consolidation
Direct subsidiaries of CROSS Industries AG, Wels, Austria			
Pankl Racing Systems AG, Bruck upon Mur, Austria	01/01/2008	51.13%	FC
Pankl Engine Systems GmbH & Co KG, Bruck upon Mur, Austria	01/01/2008	51.13%	FC
Pankl Drivetrain Systems GmbH & Co KG, Kapfenberg, Austria	01/01/2008	51.13%	FC
Pankl Racing Systems UK Ltd., Bicester, Great Britain	01/01/2008	51.13%	FCA
Pankl Holdings, Inc., Carson City, Nevada, USA	01/01/2008	51.13%	FCA
Capital Technology Beteiligungs GmbH, Bruck upon Mur, Austria	01/01/2008	51.13%	FC
CP-CARRILLO, LLC, Irvine, USA	01/01/2008	35.79%	FCA
Performance Equipment Company, LLC, Irvine, USA	01/01/2008	35.79%	FCA
Pankl Emission Control Systems GmbH, Kapfenberg, Austria	01/01/2008	51.13%	FC
Pankl Aerospace Systems Inc., Cerritos, USA	01/01/2008	51.13%	FCA
Pankl Beteiligungs GmbH, Kapfenberg, Austria	01/01/2008	51.13%	FC
Pankl Schmiedetechnik GmbH & Co KG, Kapfenberg, Austria	01/01/2008	51.13%	FC
Pankl Aerospace Systems Europe GmbH, Kapfenberg, Austria	01/01/2008	51.13%	FC
Pankl Automotive Slovakia s.r.o., Topolcany, Slovakia	01/01/2008	51.13%	FCA
Pankl Engine Systems, Inc., Irvine, USA	27/07/2011	51.13%	FCA
Carrillo Acquisitions Inc., Irvine, USA	23/12/2011	51.13%	FCA
Pankl – APC Turbosystems GmbH, Mannheim, Germany	28/09/2012	26.08%	FCA
Pankl Japan, Inc., Tokyo, Japan	–	51.13%	NCA
WP AG, Munderfing, Austria (formerly: CROSS Motorsport Systems GmbH, Wels, Austria)	30/06/2005	90.00%	FC
WP Performance Systems GmbH, Munderfing, Austria	30/11/2007	90.00%	FC
WP Components GmbH, Munderfing, Austria	31/12/2009	89.98%	FC
WP Immobilien GmbH, Munderfing, Austria (formerly: CROSS Immobilien GmbH, Wels, Austria)[1]	30/04/2005	90.50%	FC
WP Suspension B.V., Malden, Netherlands	–	90.00%	NCA
WP Cooling Systems (Dalian) Co., Ltd., Dalian, China	–	90.00%	NCA
WP Germany GmbH, Ursensollen, Germany	–	90.00%	NCA
WP Suspension North America, Inc., Murrieta, CA, USA	–	90.00%	NCA
Durmont Teppichbodenfabrik GmbH, Hartberg, Austria	31/07/2011	100.00%	FC
PF Beteiligungsverwaltungs GmbH, Wels, Austria	31/12/2009	100.00%	NC
Wethje Holding GmbH, Hengersberg, Germany	25/06/2012	49.00%	IEA
Die Wethje GmbH Kunststofftechnik, Hengersberg, Germany	25/06/2012	49.00%	IEA
Wethje Immobilien GmbH, Vilshofen-Pleinting, Germany	25/06/2012	52.06%	IEA

[1] 5.0% are held by CROSS Industries AG

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 KraftFahrZeug Holding GmbH, Wels, Austria	30/09/2010	100.00%	FC
KTM AG, Mattighofen, Austria	31/05/2005	51.18%	FC
KTM Motorrad AG (formerly: KTM-Sportmotorcycle AG), Mattighofen, Austria	31/05/2005	51.18%	FC
KTM North America, Inc., Amherst, Ohio, USA	31/05/2005	51.18%	FCA
KTM-Motorsports Inc., Amherst, Ohio, USA	31/05/2005	51.18%	FCA
KTM-Sportmotorcycle Japan K.K., Tokyo, Japan	31/05/2005	51.18%	FCA
KTM-Racing AG, Frauenfeld, Switzerland	31/05/2005	51.18%	FCA
KTM-Sportcar GmbH (formerly: KTM-Sportcar Sales GmbH), Mattighofen, Austria	31/05/2005	51.18%	FC
KTM Events & Travel Service AG, Frauenfeld, Switzerland	01/09/2006	51.18%	FCA
KTM Motorcycles S.A. Pty. Ltd., Paulshof, South Africa	01/03/2009	51.18%	FCA
KTM Sportmotorcycle Mexico C.V. de S.A., Lerma, Mexico	01/06/2009	51.18%	FCA
KTM South East Europe S.A., Elefsina, Greece	01/11/2010	51.18%	FCA
KTM Technologies GmbH, Anif, Austria[1]	01/10/2008	50.74%	FC
KTM Immobilien GmbH, Mattighofen, Austria[2]	31/12/2010	51.67%	FC
KTM Sportmotorcycle GmbH (formerly: KTM Dealer & Financial Services GmbH), Mattighofen, Austria	31/03/2011	51.18%	FC
KTM-Sportmotorcycle India Private Limited, Pune, India	01/06/2012	51.18%	FCA
Husqvarna Motorcycles GmbH, Mattighofen, Austria	01/01/2013	51.18%	FC
KTM-Sportmotorcycle GmbH, Ursensollen, Germany	31/12/2013	51.18%	FCA
KTM Switzerland Ltd, Frauenfeld, Switzerland	31/12/2013	51.18%	FCA
KTM-Sportmotorcycle UK Ltd., Brackley, Great Britain	31/12/2013	51.18%	FCA
KTM-Sportmotorcycle Espana S.L., Terrassa, Spain	31/12/2013	51.18%	FCA
KTM-Sportmotorcycle France SAS, Saint Priest, France	31/12/2013	51.18%	FCA
KTM-Sportmotorcycle Italia s.r.l., Gorle, Italy	31/12/2013	51.18%	FCA
KTM-Sportmotorcycle Nederland B.V., Malden, Netherlands	31/12/2013	51.18%	FCA
KTM-Sportmotorcycle Scandinavia AB, Örebro, Sweden	31/12/2013	51.18%	FCA
KTM-Sportmotorcycle Belgium S.A., Wavre, Belgium	31/12/2013	51.18%	FCA
KTM Canada Inc., St-Bruno, Canada	31/12/2013	51.18%	FCA
KTM Hungária Kft., Törökbálint, Hungary	31/12/2013	51.18%	FCA
KTM Central East Europe s.r.o., Bratislava, Slovakia	31/12/2013	51.18%	FCA
KTM Österreich GmbH (formerly: KTM-Österreich Vertriebs GmbH), Mattighofen, Austria	31/12/2013	51.18%	FC
KTM Nordic Oy, Vantaa, Finland	31/12/2013	51.18%	FCA

[1] 25.1% are held by CROSS Industries AG
[2] 1.0% are held by CROSS Industries AG

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

Company	Initial consolidation date	Participation	Type of consolidation
KTM Sportmotorcycle d.o.o., Marburg, Slovenia	31/12/2013	51.18%	FCA
KTM Czech Republic s.r.o., Pilsen, Czech Republic	01/01/2014	51.18%	FCA
KTM Sportmotorcycle Singapore PTE Ltd., Singapore, Singapore	31/12/2013	51.18%	FCA
Husqvarna Motorcycles Italia S.r.l., Albano Sant'Alessandro, Italy	31/12/2013	51.18%	FCA
Husqvarna Motorcycles Deutschland GmbH, Ursensollen, Germany	31/12/2013	51.18%	FCA
Husqvarna Motorcycles Espana S.L., Terrassa, Spain	31/12/2013	51.18%	FCA
Husqvarna Motorcycles UK Ltd., Brackley, Great Britain	31/12/2013	51.18%	FCA
Husqvarna Motorcycles France SAS, Saint Priest, France	31/12/2013	51.18%	FCA
HQV Motorcycles Scandinavia AB, Örebro, Sweden	31/12/2013	51.18%	FCA
Husqvarna Motorcycle North America, Inc., Murrieta, CA, USA	01/12/2013	51.18%	FCA
Associated companies			
KTM New Zealand Ltd., Auckland, New Zealand	–	13.31%	IEA
Kiska GmbH, Anif, Austria	–	12.74%	IE
KTM MIDDLE EAST AL SHAFAR LCC, Dubai, VAE	–	12.80%	IEA
Other non-current financial assets			
KTM Australia Pty Ltd., Perth, Australia	–	51.18%	NCA
KTM Finance GmbH, Frauenfeld, Switzerland	–	51.18%	NCA
KTM Wien GmbH, Mattighofen, Austria	–	51.18%	NC
KTM do Brasil Ltda., São Paulo, Brazil	–	51.18%	NCA
KTM Braumandl GmbH, Wels, Austria	–	13.31%	NC
Project Moto Rütter & Holte GmbH, Oberhausen, Germany	–	13.31%	NCA
MX – KTM Kini GmbH, Wiesing, Austria	–	13.31%	NC
KTM Regensburg GmbH, Regensburg, Germany	–	13.31%	NCA
Oberbank Mattigtal Immobilienleasing GmbH, Linz, Austria	–	5.12%	NC

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

SEGMENT REPORTING

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

in €k	KTM Group	Pankl Group	WP Group	Others	Consoli-dation	Group – continuing operations	Dis-continued operations
2014							
Revenue[1]	864,635	165,027	121,091	48,948	(113,401)	1,086,300	23,967
thereof external	864,462	158,225	20,831	42,782	0	1,086,300	23,277
EBIT[2]	75,377	11,894	8,553	(2,793)	(25)	93,006	(1,650)
Interest income	822	71	80	2,023	(1,814)	1,182	3
Interest expenses	(8,352)	(2,530)	(2,593)	(6,484)	1,814	(18,145)	(474)
Investments	84,363	17,504	4,679	627	0	107,173	1,270
Depreciation	36,686	12,423	3,567	2,415	0	55,091	1,408
thereof unscheduled	0	0	0	0	0	0	0
Share of net profit of investments accounted for using the equity method	628	0	0	(272)	0	356	0
2013							
Revenue[1]	716,390	139,804	111,087	49,459	(106,149)	910,591	25,148
thereof external	716,322	133,297	21,752	39,220	0	910,591	25,148
EBIT[2]	54,886	6,150	6,411	(1,403)	(140)	65,904	(6,950)
Interest income	900	84	1	2,671	(2,659)	997	13
Interest expenses	(8,345)	(2,217)	(531)	(10,795)	2,659	(19,229)	(474)
Investments	63,315	18,950	3,971	2,242	0	88,478	7,907
Depreciation	32,781	11,323	2,421	4,262	0	50,787	2,212
thereof unscheduled	0	0	0	0	0	0	456
Share of net profit of investments accounted for using the equity method	539	0	0	11,908	0	12,447	0

[1] Including revenues within the segments

[2] Before write-downs

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of CROSS Industries AG, Wels, for the financial year from 1 January to 31 December 2014. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year 2014 and a summary of significant accounting policies and other explanatory notes.

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

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 and Description of Type and Scope of the Statutory Audit

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 Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2014 and of its financial performance and its cash flows for the financial year from 1 January to 31 December 2014 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

REPORT ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company’s position. The auditor’s report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements.

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

Linz, 16 March 2015

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Ernst Pichler	ppa Mag. Michael Mayer-Schütz
Wirtschaftsprüfer	Wirtschaftsprüfer
(Austrian Chartered Accountants)	

This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor’s opinion may only be made if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Article 281 para 2 of the Austrian Commercial Code (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, March 2015

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

www.crossindustries.at