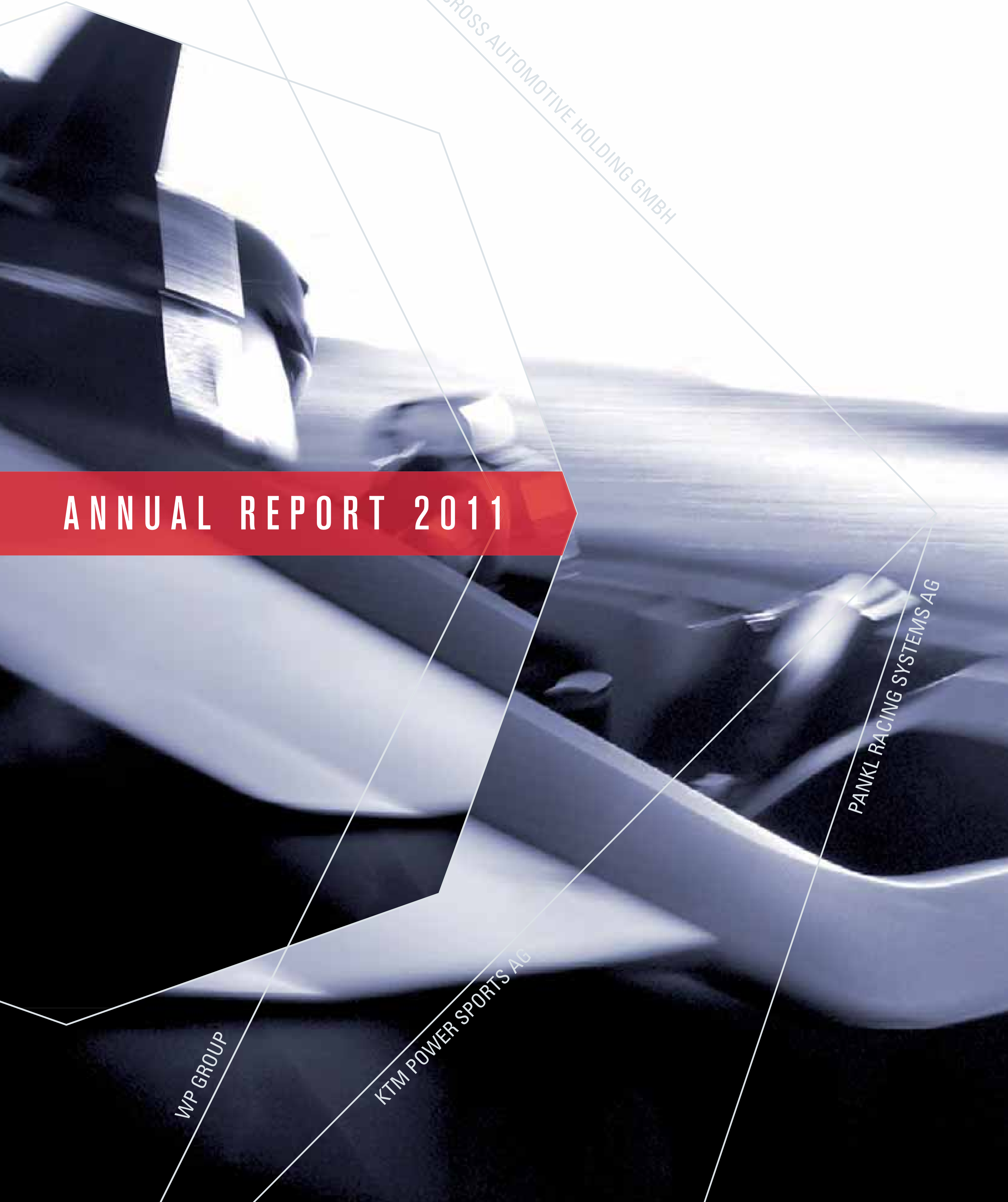
CROSS Industries AG

ANNUAL REPORT 2011



KEY FIGURES

	2011 in €m	2010 in €m
Earnings figures		
Revenues	678.6	590.1
EBITDA	85.5	75.2
Operating income (EBIT)	38.9	26.3
Net profit/loss from continuing operations	21.5	(3.0)
Key balance sheet figures		
Balance sheet total	818.5	1.433.2
Equity	306.0	292.6
Net debt	320.4	609.6
Cash flow		
Cash flow from operating activities	57.3	102.3

CROSS Industries AG

ANNUAL REPORT 2011

The strategic core areas of the CROSS Group comprise KTM Power Sports AG, CROSS Motorsport Systems AG (with its shareholdings in Pankl Racing Systems AG, WP Suspension Austria GmbH and its subsidiary WP Radiator GmbH), CROSS Lightweight Technologies Holding GmbH (with its shareholdings in Wethje Carbon Composites GmbH and Wethje-Entwicklungs GmbH) as well as CROSS Automotive Beteiligungs GmbH with its shareholdings in the Peguform Group and Durmont Teppichbodenfabrik GmbH. CROSS Motorsport Systems AG, CROSS Lightweight Technologies Holding GmbH as well as CROSS Automotive Beteiligungs GmbH are pooled in CROSS Automotive Holding GmbH.

Contrary to the general trend and despite a reclining motorcycle market in Europe and the USA, KTM Power Sports AG was able to increase both revenue by 13.4% and sales to 81,200 motorcycles (+22.4%) in comparison to the previous year. In the main markets such as France, Germany, Spain, Italy and the USA the KTM Group managed to win market shares, which can be mainly attributed to the successful launch of the Duke 125 as well as the new Enduro Competition generation, which proofed very successful in motorsports. In February 2012 the second motorcycle from the cooperation with Bajaj Auto Ltd. – the Duke 200 – was presented to the public in New Delhi. The Duke 200 is the first model available world-wide, which is a further step towards implementing a global product strategy and expansion in emerging markets. For this model we expect sales of over 20,000; moreover further increase in revenue and sales in 2012 can be anticipated. In April 2012 the 4.375% bond of KTM Power Sports AG in the amount of € 85m and a five-year term was issued for the retail market.

For the CROSS Motorsport Group business year 2011 was characterized by a globally good economic situation in the automobile sector and the associated increase of racing budgets, which in particular influenced the Pankl Racing Systems Group – the most important shareholding of CROSS Motorsport Systems AG. Pankl benefited from the intensive preparations of individual automobile manufacturers for the participation in various racing series, such as LeMans or DTM as well as from preparations for the new regulations in Formula 1 as of 2014. There was also a significant boom in the aerospace area. Thus, the Pankl manufacturing company in the USA benefited from a significant increase in demand for helicopter drive components. In Europe we were also able to generate similar increases in revenue as of mid-year. In business year 2011 the Pankl Group generated the second highest revenue in the company's history.

As of mid-2011 the motorcycle market also experienced certain stabilization on the relevant sales markets after years of decline. The WP Group benefited from new product developments, in particular from new motorcycle models at KTM and BMW. In business year 2012 the WP Group will take over the exhaust- and frame production for motorcycles from KTM-Sportmotorcycle AG. In doing so the product portfolio for already existing customers is extended by further technologically sophisticated products. In the course of this expansion step WP Radiator GmbH takes on the responsibility for the exhaust system production section. At the same time we will further strenghten research and development activities, invest in the site in Munderfing and target an increase in revenue of third-party customers (BMW, Triumph and Ducati).

All shares (50%) in Wethje Carbon Composite GmbH as well as in Wethje-Entwicklungs GmbH have been contributed to the newly established CROSS Lightweight Technologies Holding GmbH.

CROSS Automotive Beteiligungs GmbH bundles 100% of shares in Durmont Teppichbodenfabrik GmbH as well as 20% of remaining shares after the share sale in the Peguform Group. In November 2011 the CROSS Group completed the sale of 80% of its holding in Peguform Iberica S.L., Polinyà, Spain, as well as 70% of shares in Peguform GmbH, Bötzingen, Germany, to Forgu GmbH, Germany, and MSSL GmbH, Germany – both subsidiaries of the Indian Samvardhana Motherson Group.

Further holdings of the CROSS Group include CROSS Informatik GmbH (50%) with its shareholdings in the IT companies All for One Midmarket AG, BRAIN FORCE HOLDING AG as well as Triplan AG. All for One Midmarket AG – a SAP full-range service provider was able to achieve significant growth and increase the group revenue by 14% (to € 90.2m) as well as the EBIT by 86% (to € 4.7m) compared to the previous year – a trend, which also continued in the first quarter of 2011/2012. BRAIN FORCE HOLDING AG also reported an increase in revenue of 16% in the first quarter of 2011/2012. Thus, BRAIN FORCE generated an increase in revenue four quarters in a row. Triplan AG's result developed positively as well in the first quarter of 2011/2012 with a revenue increase of 9.6% to € 10.14m.

One of the major projects of CROSS Immobilien AG with its holding in Wirtschaftspark Wels Errichtungs- und Betriebs AG in business year 2011 was the construction start of WP Radiator

"CROSS INDUSTRIES AG IS AN AUSTRIAN INDUSTRIAL HOLDING COMPANY, WHICH, IN THE COURSE OF ITS STRATEGIC REALIGNMENT, SET THE FOCUS ON THE INDUSTRIAL AUTOMOTIVE SECTOR."

in Munderfing. Apart from this 99% of shares in KTM Immobilien GmbH were contributed to KTM Power Sports AG in the course of a contribution in kind, resulting in a reduction in KTM Immobilien GmbH shares to 1%.

The development of the CROSS Group depends on the development of subsidiaries integrated in the group. The global, economic development, triggered by the bank- and financial crisis resulted in a significant reduction of market value of major associate companies of the group already in business year 2008/2009, which however was almost made up for.

In its assessment for business year 2012 the management anticipates further growth of subsidiaries and can give a positive outlook for all business areas of the CROSS Group for 2012.

Since prognoses show that the European and American overall markets relevant for the KTM Group will slightly decline in 2012, KTM set a further step towards implementing a global product strategy and expansion in Asian markets with the launch of the Duke 200 – the first KTM model available world-wide. With this step KTM expects further increase in revenues and sales for 2012.

In the companies of CROSS Motorsport Systems AG the order income for the first half of 2012 is on a good level. However, in the long-term the framework conditions are still difficult to predict. In all companies of the CROSS Motorsport Group a main focus will be set on the development of new products and components, which is an important factor for successful development of companies in the future.

Thanks to the overall good economic situation and the resolved changes in regulations in the motorsports sector for 2013 and 2014 and the associated development- and testing activities Pankl Racing Systems AG expects an increase in revenue also in 2012.

The WP Group is also expecting a slight revenue increase in the existing core business in 2012 due to the overall improved economic situation. An important task will be the integration and realignment of new technology areas – exhaust systems and frame production.

As a result of the stabile financial situation of all subsidiaries with unchanged high equity ratios and a matching-maturity financing, new opportunities on the market will arise for the CROSS Group also in 2012.

Despite the slightly positive market trend, the management of CROSS Industries AG still expects continuing volatile market conditions for the year 2012. Due to this fact the company emphasizes continuous monitoring and critical assessment of the market situation in order to implement immediate measures for the stabilization of the striven profit situation, if needed.

Wels, April 2012

Stefan Pierer
Chairman of the Management Board

MANAGEMENT BOARD

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

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

Other functions:

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

■ **Friedrich Roithner (CFO)**
Appointed until 30 June 2013

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

Other functions:

- Deputy Chairman of the Supervisory Board of BRAIN FORCE HOLDING AG

SUPERVISORY BOARD

■ **Rudolf Knünz**
Chairman of the Supervisory Board, Entrepreneur

■ **Josef Blazicek**
Deputy Chairman of the Supervisory Board, Entrepreneur

■ **Manfred De Bock**
Member of the Supervisory Board, Attorney

■ **Gerald Kiska**
Member of the Supervisory Board, Entrepreneur

Alfred Hörtenhuber
Appointed until 31 January 2013

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

Other functions:
– Chairman of the TGW Future Privatstiftung

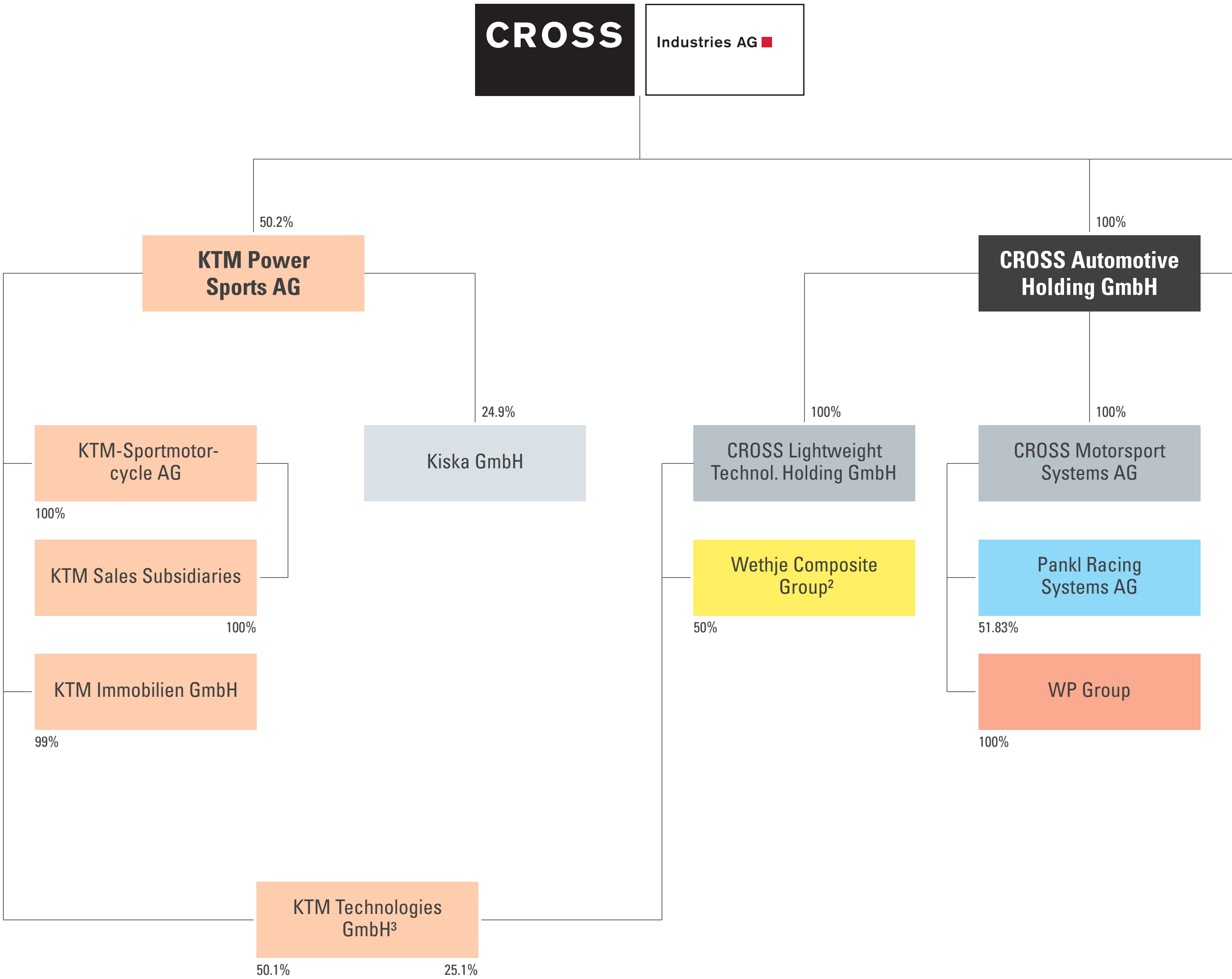
Klaus Rinnerberger
Appointed until 30 September 2013

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

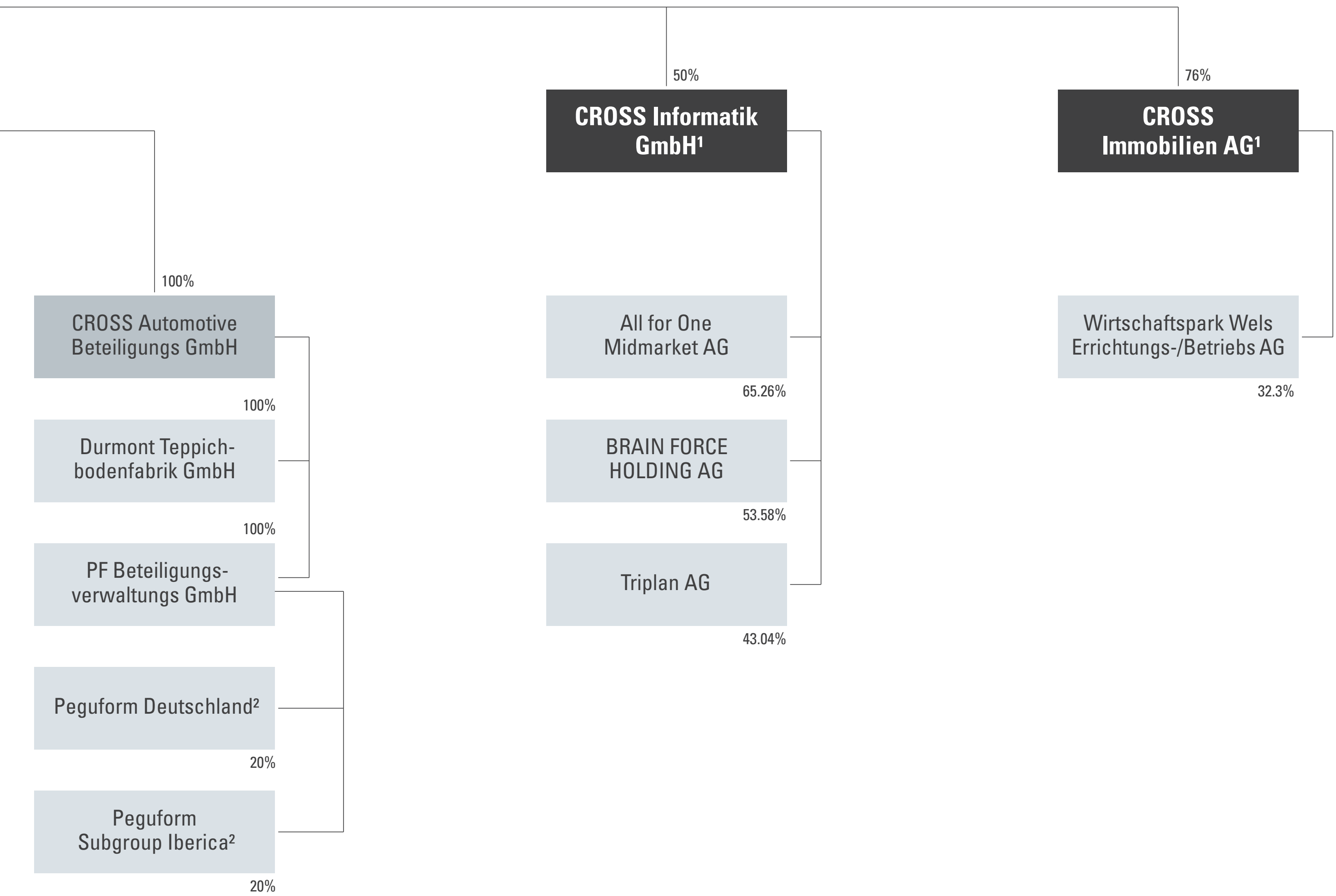
Other functions:
– Member of the Supervisory Board of Peguform Gmbh

GROUP STRUCTURE

Simplified presentation as of 31 December 2011



¹ The remaining are held by shares by Unternehmens Invest AG
² The remaining shares are held by Samvardhana Motherson Group, India (simplified presentation)
³ The remaining shares are held by Kiska Holding GmbH


50%
CROSS Informatik GmbH¹
76%
CROSS Immobilien AG¹
100%
CROSS Automotive Beteiligungs GmbH
100%
Durmont Teppich-bodenfabrik GmbH
100%
PF Beteiligungs-verwaltungs GmbH
Peguform Deutschland²
20%
Peguform Subgroup Iberica²
20%
All for One Midmarket AG
65.26%
BRAIN FORCE HOLDING AG
53.58%
Triplan AG
43.04%
Wirtschaftspark Wels Errichtungs-/Betriebs AG
32.3%

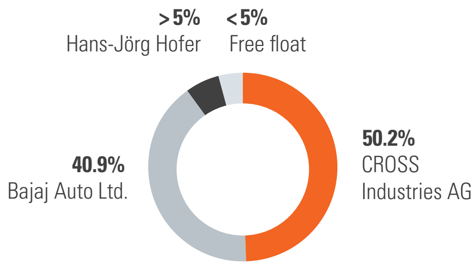
KTM POWER SPORTS AG

MILESTONES OF THE BUSINESS YEAR

- In business year 2011 KTM became the most successful motorcycle manufacturer in Europe and the USA. Sales increased by 22.4% or 81,200 motorcycles
- Increase in revenues by 13.4% to € 526.8m
- Profit after tax increased by 30% to € 20.7m
- March 2011: successful launch of the Duke 125 from the cooperation with Bajaj in New Delhi; ranking first in the registrations statistic in June 2011
- February 2012: presentation of Duke 200, the second model from the cooperation with Bajaj in New Delhi; the Duke 200 is the first model that is available worldwide
- March 2012: increase of share of Bajaj Auto Ltd. in KTM Power Sports AG to 47.18%
- April 2012: successful placement of 4.375% bond (2012–2017) in the amount of € 85m
- Focus on emerging markets and technology leadership in business year 2012

KEY FIGURES in €m	2011	2009/2010[1]
Revenues	526.8	459.8
EBITDA	64.5	54.6
EBIT	31.0	22.4
Net profit of the year	20.8	11.3
Balance sheet total	485.8	476.0
Equity	219.8	173.3
Net debt	125.0	159.6
Free cash flow	33.1	42.3

SHAREHOLDER STRUCTURE as of 31/12/2011



[1] In business year 2009/2010 the balance sheet date was changed from 31/08 to 31/12. For better comparability numbers for the period 01/09/2009 to 31/08/2010 are provided.

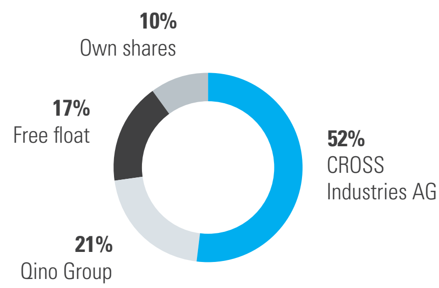
PANKL RACING SYSTEMS AG

MILESTONES OF THE BUSINESS YEAR

- Very positive development in business year 2011
- Achieved the second highest revenues in the corporate history (€ 105.4 m or +17%) compared to the previous year
- Increase of operative EBIT by 85% to € 7m
- Strong sales growth in the Racing/High Performance segment due to the favorable economic development in the automotive industry
- Permanent increase of capacities to satisfy demand with acceptable delivery time
- Started development of new 6-cylinder engine Formula 1
- Acquisition and integration of Californian crankshaft supplier SP Crankshaft LP; enables in-house development and production of crank assemblies for high-end motor racing applications
- Favourable development of Aerospace segment – significant revenue growth in the second half 2011
- Huge investment program (€ 16m) planned for 2012
- Revenue growth of 12% expected for 2012

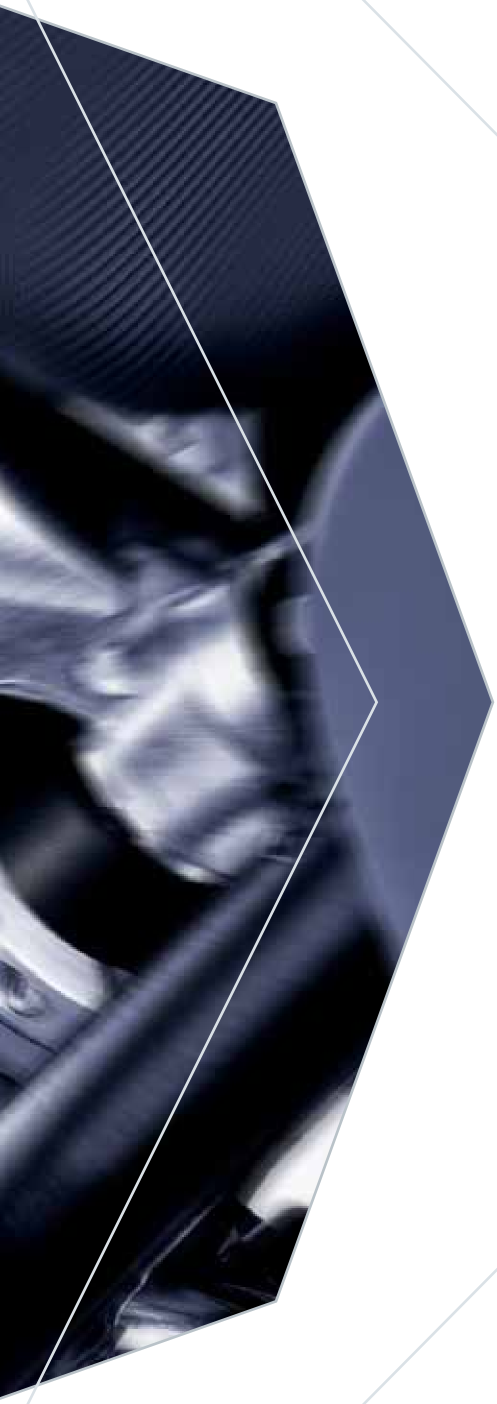
KEY FIGURES in €m	2011	2010[1]
Revenues	105.4	89.8
EBITDA	15.2	12.1
EBIT	7.0	3.8
Net profit of the year	4.5	2.9
Balance sheet total	119.4	117.9
Equity	64.4	64.4
Net debt	32.0	28.5
Free cash flow	3.8	8.1

SHAREHOLDER STRUCTURE as of 31/12/2011



[1] In business year 2009/2010 the balance sheet date was changed from 30/09 to 31/12. For better comparability numbers for the period 01/01/2010 to 31/12/2010 are provided.

WP GROUP

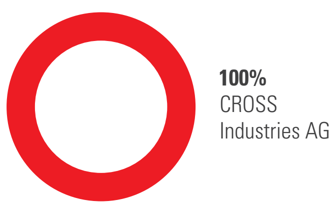


MILESTONES OF THE BUSINESS YEAR

- Very positive development of revenues and earnings in business year 2011
- New customers in the motorcycle industry increase market share
- Successful return to street motorcycle racing
- Breaking ground for new production site of WP Radiator in Munderfing
- Takeover of the exhaust system- and frame production for motorcycles from KTM Sportmotorcycle AG in January 2012 – further development to international systems provider for motorcycles

KEY FIGURES in €m	2011	2010[1]
Revenues	69.9	49.2
EBITDA	6.6	4.9
EBIT	5.2	3.5
Net profit of the year	3.7	3.4
Balance sheet total	40.7	38.8
Equity	16.0	12.3
Net debt	5.9	9.5

SHAREHOLDER STRUCTURE as of 31/12/2011



[1] In business year 2009/2010 the balance sheet date was changed from 30/09 to 31/12. For better comparability numbers for the period 01/01/2010 to 31/12/2010 are provided.

WETHJE COMPOSITE GROUP

WETHJE
Carbon Composites

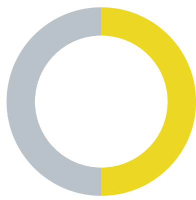
MILESTONES OF THE BUSINESS YEAR

- Strong growth and positive earnings development in the last nine months of business year 2011 after a weak first quarter
- Acquisition of important racing- and OEM orders (e. g. substantial carbon lightweight parts for VW XL-1 and the new Porsche 918 Spider)
- Successful development in the newly set-up RTM (Raisin Transfer Moulding) area with numerous prototype- and first serial orders
- Introduction of the new ERP-system (SAP)
- December 2011: 50% of the shares of Wethje Carbon Composite GmbH and Wethje-Entwicklungs GmbH are transferred in to newly established CROSS Lightweight Technologies Holding GmbH

KEY FIGURES in €m	2011	2010[1]
Revenues	21.2	17.7
EBIT	0.3	(0.4)
EBIT margin	1.4%	(2.3%)

SHAREHOLDER STRUCTURE as of 31/12/2011

50%
Forgu GmbH[2]



50%
CROSS Lightweight Technologies Holding GmbH

[1] In business year 2009/2010 the balance sheet date was changed from 30/09 to 31/12. For better comparability numbers for the period 01/01/2010 to 31/12/2010 are provided.
[2] Subsidiary of the Indian Samvardhana Motherson Group.

CROSS INFORMATIK GMBH

CROSS Informatik GmbH

MILESTONES OF THE BUSINESS YEAR

- Sale of 50% of CROSS Informatik GmbH to Unternehmens Invest AG in November 2011

- In November 2011 All for One Midmarket AG takes over 100% of the shares of Steeb Anwendungssysteme GmbH, now appearing under the new brand name "All for One Steeb"
- In business year 2010/2011 All for One Midmarket AG achieves revenues of € 90.2m (14%), an EBIT of € 4.7m (+86%) and increases group results to € 7.3m (+260%)
- The positive trend holds on in the first quarter 2011/2012: All for One increases revenues by 51% to € 33.9m

- BRAIN FORCE HOLDING AG achieved the operating turn-around in business year 2010/2011 by successful strategic reorientation and the effectiveness of the restructuring measures implemented
- 2% sales growth in business year 2010/2011, increase of operating EBIT by 172% to € 3.13m
- The positive trend continues in the first quarter of 2011/2012: sales increase by 12% to € 5.84m compared to previous year

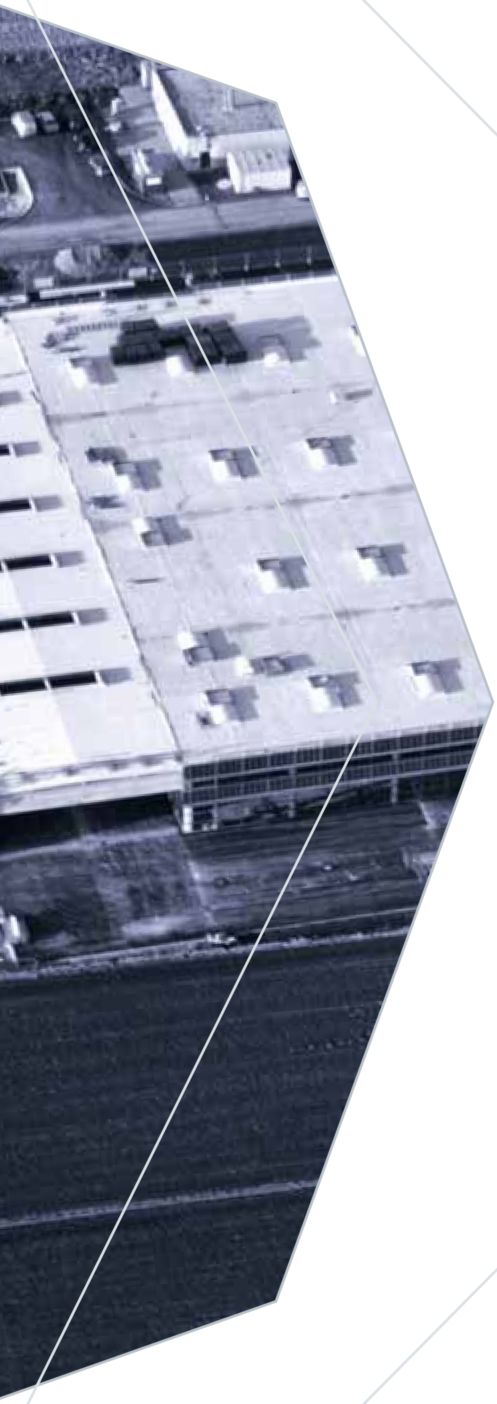
- Positive development of Triplan AG in business year 2010/2011 because of significant sales increase and successful optimizing – and restructuring measures
- Sales increase by 9.6% to € 10.1m in the first quarter of 2011/12

KEY FIGURES in €m	2011[1]
Revenues	83.9
EBIT	3.2
EBIT margin	3.8%

SHAREHOLDER STRUCTURE as of 30/09/2011

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

CROSS IMMOBILIEN AG

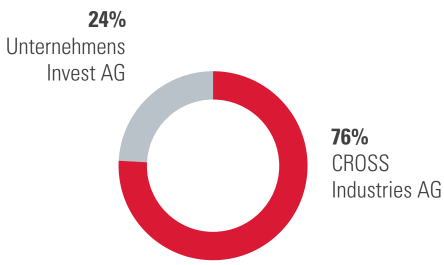


MILESTONES OF THE BUSINESS YEAR

- November 2011: CROSS Industries AG acquires 25% of the shares of CROSS Immobilien AG from Unternehmens Invest AG and now holds 76%
- Start of new building site for WP Radiator in Munderfing, Upper Austria
- Sale of real estate in Vöcklabruck, Upper Austria
- Sale of 49% of the shares in KTM Immobilien GmbH to CROSS Industries AG; reduction in shares of KTM Immobilien GmbH to 1%

KEY FIGURES in €m	2011	2010[1]
Revenues	1.9	0.4
Net profit/loss of the year	0.7	(0.5)
Balance sheet total	27.0	28.8
Equity	11.4	10.7

SHAREHOLDER STRUCTURE as of 31/12/2011



[1] Abridged business year from 01/10/2010 to 31/12/2010.

In the business year 2011, the Supervisory Board of CROSS Industries AG held five meetings, thus fulfilling its duties required by law and under the articles of association.

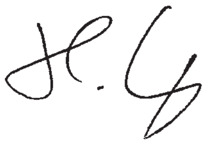
The Management Board of CROSS Industries AG regularly reported to the Supervisory Board on business development and the economic state of the corporation, including its associated companies. The annual financial statements and the management report for the business year 2011 as well as the consolidated financial statements and group management report for business year 2011 were audited by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz. The audit did not give rise to any objections and the individual and consolidated statements for business year 2011 were granted an unqualified audit certificate.

The auditors certified that the accounting and the annual financial statements as of business year 2011 are consistent with the applicable laws, that the annual financial statements give, in all material respects, an as true and fair view as possible of the company's net assets, financial position and results of operations for business year 2011 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 2011, 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 2011.

The Supervisory Board recommends that KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, be appointed as independent auditors for the business year 2012.

Wels, April 2012



Rudolf Knünz
Chairman of the Supervisory Board

GROUP STATUS REPORT 2011

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1. BUSINESS DEVELOPMENT AND COMPANY STATUS

Regarding its strategic orientation CROSS Industries AG focuses on the automotive, industrial sector. The CROSS Group basically comprises the following strategic core areas – the KTM Power Sports Group, the CROSS Motorsport Systems Group (with its shareholdings in Pankl Racing Systems AG in Bruck upon Mur, WP Suspension Austria GmbH in Munderfing and its subsidiary WP Radiator GmbH in Mattighofen), CROSS Lightweight Technologies Holding GmbH in Wels (with its 50% shareholdings in Wethje Carbon Composites GmbH in Hengersberg, Germany, as well as in Wethje-Entwicklungs GmbH in Vilshofen-Pleinting, Germany) as well as CROSS Automotive Beteiligungs GmbH with a 20% share in the Peguform Group and a 100% share in Durmont Teppichbodenfabrik GmbH in Hartberg.

On 23 November 2011 the CROSS Group sold 80% of its share in Peguform Iberica S.L., Polinyà, Spain, as well as 70% of its share in Peguform GmbH, Bötzingen, Germany, to Forgu GmbH in Gelnhausen, Germany, and MSSL GmbH, Gelnhausen, Germany – both subsidiaries of the Indian Samvardhana Motherson Group. 20% of shares in Peguform Iberica S.L., Polinyà, Spain, and 20% of shares in Peguform GmbH, Bötzingen, Germany, remain with the CROSS Group.

Apart from the transfer of shares in the Peguform Group, 50% of shares in Wethje Carbon Composite GmbH, Hengersberg, Germany, as well as 50% of shares in Wethje-Entwicklungs GmbH, Vilshofen-Pleinting, Germany, were sold to Forgu GmbH, Gelnhausen, Germany.

Due to the final consolidation of the Peguform Group in November 2011, the income statement for business year 2010 was adjusted according to IFRS 5 and showed as "income from discontinued operations".

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

As of 31 December 2011 CROSS Industries AG ("CROSS") directly respectively indirectly holds 50.24% of KTM Power Sports AG's share capital and voting rights. On the reporting date CROSS also held 100% in CROSS Automotive Holding GmbH, which again held 100% in CROSS Motorsport Systems AG ("CROSS Motorsport"), Wels, in the newly established CROSS Lightweight Technologies Holding GmbH and in CROSS Automotive Beteiligungs GmbH, Wels. CROSS Automotive Beteiligungs GmbH holds shareholdings in Peguform GmbH, Germany, as well as Peguform Iberica S.L., Polinyà, Spain, (20% respectively) through its 100%-subsidiary PF Beteiligungsverwaltungs GmbH (formerly: Peguform Beteiligungs GmbH). Moreover, CROSS Automotive Beteiligungs GmbH holds an interest in Durmont Teppichbodenfabrik GmbH (100%). CROSS Lightweight Technologies Holding GmbH holds shareholdings in companies that contribute their know-how in light-weight-construction to the CROSS network. These companies include Wethje Carbon Composite GmbH (50.0%) and Wethje-Entwicklungs GmbH (50.0%). Apart from this, CROSS Lightweight Technologies Holding GmbH also holds a 25.1% share in KTM Technologies GmbH, Anif.

In business year 2011 CROSS Motorsport System AG's investment portfolio changed due to a contractual arrangement of 22 October 2010 with Wethje Beteiligungs GmbH, Außenzell, Germany regarding the purchase of 26% of shares in Wethje Carbon Composite GmbH and Wethje-Entwicklungs GmbH to 49% of shares in the Wethje Group.

On 11 July 2011 CROSS Motorsport Systems AG acquired another 1% of shares in Wethje Carbon Composite GmbH as well as Wethje-Entwicklungs GmbH from PF Beteiligungsverwaltungs GmbH (formerly: Peguform Beteiligungs GmbH) and thus increased its investment in the Wethje Group to 50%.

With effect from 22 December 2011 all shares (50%) in Wethje Carbon Composite GmbH as well as in Wethje-Entwicklungs GmbH were sold to CROSS Industries AG, which transferred them to the newly established CROSS Lightweight Technologies Holding GmbH.

In July 2011 CROSS Industries AG bought 100% of shares in Durmont Teppichbodenfabrik GmbH from KP Invest Beteiligungs GmbH (now: Pierer Invest Beteiligungs GmbH), Wels and transferred them to CROSS Automotive Beteiligungs GmbH.

On the reporting date 31 December 2011 the company did not hold any shares in BEKO HOLDING AG, Nöhagen. At the 21st ordinary shareholder meeting of BEKO HOLDING AG on 4 February 2011 it was agreed upon the spin-off of 53.75% of BRAIN FORCE HOLDING AG, Vienna, 61.90% of All for One Midmarket AG, Stuttgart, Germany, as well as 43.04% of Triplan AG, Bad Soden, Germany, which, in the course of a universal succession were transferred to the newly established CROSS Informatik GmbH on 30 September 2010. With effect from 12 March 2011 CROSS Informatik GmbH was registered in the commercial register. After the spin-off with the purpose of a new foundation, CROSS Industries AG and Opportunity Beteiligungs AG, Linz, were no longer shareholders of BEKO HOLDING AG. CROSS held an interest of 73.59% and Opportunity Beteiligungs AG a share of 26.41% in CROSS Informatik GmbH.

In the course of business year 2011 the remaining interest in CROSS Informatik GmbH was acquired by Opportunity Beteiligungs GmbH. With the purchase and transfer agreement of November 2011 50% of shares in CROSS Informatik GmbH were sold to Unternehmens Invest AG, Wels. On the reporting date 31 December 2011 CROSS Industries AG held 50% of shares in CROSS Informatik GmbH. CROSS Informatik GmbH will be included in the consolidated financial statements at-equity.

In business year 2011 CROSS Industries AG bought further 25% of shares in CROSS Immobilien AG, Wels, and held 76% in the company on the reporting date.

In business year 2011 CROSS Industries AG also bought further 49% in KTM Immobilien GmbH, Wels from CROSS Immobilien AG. Subsequently, 99% of shares in KTM Immobilien GmbH were contributed to KTM Power Sports AG by means of contribution in kind.

CROSS Industries still holds 100% in CROSS Services GmbH, Ursensollen, Germany, which is currently undergoing liquidation as well as 100% of shares in CI Holding GmbH, Wels.

Further details regarding the investment development are explained in the notes to the annual financial statements as of 31 December 2011.

BUSINESS PERFORMANCE

Despite a 5%-decline on the motorcycle market in Europe and the USA, KTM managed to increase its revenue in business year 2011 by 13.4% compared to the previous year and sales to 81,200 motorcycles (+22.4% compared to the previous year).

Contrary to the general market trend **KTM** was able to increase revenues and sales compared to the previous year and win market shares in major markets such as France (+1.8 percentage points), Germany (+1.4 percentage points), Spain (+1.5 percentage points), Italy (+0.8 percentage points) as well as the USA (+0.4 percentage points). This improvement results from the availability of new products, such as the launch of the Duke 125 and the new Enduro Competition generation and can also be attributed to the outstanding successes in motorsports. Thus, KTM's market share in Europe increased by 30% from 4.9% to 6.3% compared to the previous year. Hence, KTM became the most successful motorcycle brand and gained an edge over its competition.

For the **CROSS Motorsport Group** business year 2011 was characterized by a globally favorable economic situation, which resulted in an increase in the motorsports budget. The **Pankl Group** benefited from the intensive preparations of many automobile manufacturers for various racing series such as LeMans or DTM as well as preparations for the new regulations in Formula 1 coming into force in 2014. Moreover, during the whole year components for series vehicles were produced at full capacity. During the past business year also the aerospace industry business recovered. Consequently, the Pankl manufacturing company in the USA has recorded a significantly higher demand for helicopter drive components since the beginning of the year. In Europe a significant increase in revenue in this business area was achieved at mid-year. After years of recession there was certain stabilization on essential sales markets in the motorcycle sector as of the middle of 2011. WP benefited from new product developments for new motorcycle models at KTM and BMW.

After the successful integration of the motorcycle radiator production into the **WP Group** in business year 2009/2010, another step towards the expansion of the product portfolio was made at the end of business year 2011 in accordance with the strategy of the CROSS Motorsport Group stating to set a strong focus on the engine- and chassis components business in the motorsports- and high performance segment in the future. With effect from 1 January 2012 the WP Group took over the exhaust system- and frame production for motorcycles from KTM Sportmotorcycle AG. Thanks to this step, the product portfolio for already existing customers was expanded with further technologically sophisticated products. In the course of the expansion WP Radiator GmbH took on the responsibility for the sub-area exhaust system production as of 1 January 2012.

2. FINANCIAL SITUATION AND ASSETS

RESULT ANALYSIS

The result of the CROSS Industries AG Holding amounts to € –4.5m (previous year: € –4.8m) and can be mainly attributed to interest expenses. The explanations in the status report also cover events in the CROSS Group. Since CROSS Industries AG mainly operates as a holding company, the status report also covers the development of business year 2011 of its subsidiaries as well as of the whole group.

The result of the business year for continued business operations amounts to € 21.5m (previous year: € –3.0m). To this result the KTM Group contributed € 20.8m (previous year: € 10.5m), the CROSS Motorsport Group € 0.8m (previous year: € –0.3m) and the remaining companies and the holding companies (including consolidation effects) € –0.1m (previous year: € –14.3m). The result from discontinued operations amounts to € 24.0m (previous year: € –15.m). To this result the Peguform Group contributed € 17.0m (previous year: € –15.2m), Wethje € 3.0m (previous year: € 0.2m) and the CROSS Informatik Group € 4.0m (previous year: € 0m).

The group revenue of the KTM Group increased to € 526.8m with 81,200 vehicles sold, which resulted in an EBIT of € 31.0m. Thus, both revenues and the EBIT were significantly increased compared to the previous year.[1]

In business year 2011 the revenue development of Pankl Racing Systems AG showed a continuous upwards trend. The increase in revenue was achieved in particular through a favorable growth in the racing-engine-components companies in Austria and the USA as well through the US aerospace subsidiary Pankl Aerospace. Thus, the Pankl Group was able to generate a revenue of € 105.4m in the reporting period 2011 (15M 2009/2010: € 109.2m; 12M 2009/2010: € 87.6m) – a result above the level of previous reporting periods. The operative group result reached € 7.0m in 2011 (15M 2009/2010 € 3.9m; 12M 2009/2010 € 3.7m) and thus increased overproportionally.[2]

In business year 2011 the economic development of the WP Group was very positive. Sales at all major customers were increased and a revenue of about € 69.9m (15M 2009/2010: € 58.4m) was generated. The positive development at the key customers and the launch of new products led to a significant increase of supplies to the key customers KTM and BMW and also resulted in an increase of the EBIT to € 5.2m (15M 2009/2010: € 3.4m). This development occurred in a still shrinking overall market for motorcycles above 125cc. In total the relevant market share of WP increased significantly.

BALANCE SHEET ANALYSIS

Compared to last year's comparative period the balance sheet total decreased from € 1,433.2m to € 818.5m, which can be mainly attributed to the final consolidation of the Peguform Group.

Liquid assets decreased from € 66.2m to € 28.3m. Trade receivables dropped by 69.8% to € 71.8m. Inventory levels decreased as well by 27.1% to € 163.9m. Inventories in the amount of

Associated company	Revenues in €m	EBIT in €m
KTM Power Sports AG	526.8	31.0
Pankl Racing Systems AG	105.4	7.0
WP Group	69.9	5.2
Durmont Teppichbodenfabrik GmbH	14.6	0.0
Holding companies	14.3	(2.1)
Consolidation (including effects from purchase price allocation)	(52.5)	(2.2)
CROSS Group	**678.6**	**38.9**

[1] Source revenue and EBIT: published consolidated financial statements as of 31 December 2011 of KTM Power Sports AG
[2] Source revenue and EBIT: published consolidated financial statements as of 31 December 2011 of Pankl Racing Systems AG

€ 114.0m can be basically attributed to the KTM Group; € 46.6m account for the CROSS Motorsport Group.

Other short-term assets and prepayments were reduced by € 28.2m to € 20.9m and can be mainly attributed to the decrease in receivables from the final consolidation of the Peguform Group.

Long-term assets decreased from € 848.7m to € 532.6m and account for 65.1% of the balance sheet total (previous year: 59.2%).

Compared to the previous year the financial assets increased by 60% to € 80.7m. This can be mainly attributed to the remaining 20% share in the Peguform Group amounting to € 35.0m.

On the balance sheet date the tangible fixed assets amounted to € 160.3m, which equals a decrease by € 310.7m compared to the previous year. The reduction mainly results from the decrease of tangible fixed assets in the amount of € 349.7m from the final consolidation of the Peguform Group. The tangible assets can be attributed to the KTM Group with € 84.3m and to the CROSS Motorsport Group with € 53.5m.

Intangible assets increased only slightly by 1.7% to € 130.4m. Regarding this item € 61.1m (previous year: € 61.1m) can be attributed to the sales of the brand "KTM" and € 53.8m (previous year: € 46.3m) to activated development costs at KTM.

Other long-term assets fell from € 23.3m to € 0.1m as a result of the final consolidation of the Peguform Group.

The reduction of total assets can be found on the liabilities' side of the balance sheet in the following items:

Financial liabilities (short-term and long-term) amount to € 226.0m and have decreased in the past business year by € 320.5m. Apart from the sale of the majority interest in the Peguform Group, this decrease can be attributed to the increase in the operative result of the CROSS Group.

The bond payables (short-term and long-term) fell in business year 2011 by € 9.1m to € 113.7m, which mainly results from the purchase of CROSS Motorsport bonds by the CROSS Group. As of the balance sheet date CROSS Motorsport bonds with a nominal value of € 11.0m are held within the group.

Moreover, all other short- and long-term debts have significantly decreased in comparison to previous year's reporting date due to the withdrawal of the Peguform Group.

Compared to the previous year equity increased by € 13.4m to € 306.0m. The shares of non-controlling shareholders decreased from € 148.8m to € 137.4m. On the one hand this drop can be attributed to the withdrawal of shares of non-controlling shareholders in the course of the sale of the Peguform Group in the amount of € –35.0m, on the other hand to the annual group result in the amount of € 17.6m connected to the non-controlling shareholders and the positive cash flow hedge amounting to € 4.3m. Equity of majority shareholders increased in the past business year by € 24.8m to € 168.7m, mainly as a result of the positive group annual result. On the reporting date the equity ratio amounted to 37.4% (previous year: 20.4%).

LIQUIDITY ANALYSIS

The group cash flow from the operative business amounts to € 57.3m (previous year: € 102.3m) and is made up of the result cash flow (€ 93.8m) and the changes of the balance sheet items amounting to € –36.5m.

The group cash flow from investments in the amount of € 10.6m (previous year: € –71.8m) mainly results from the in-payment from the sale of the majority interest in the Peguform Group. Expenses for investments as well as tangible- and intangible assets remained at previous year's level with € 97.1m.

The group cash flow from financial activities amounts to € –105.8m (previous year: € –32.7m) and also mainly results from the redemption after the sale of Peguform shares.

Thanks to the improved result of the KTM Power Sports Group the positive development of the free cash flow could be continued in business year 2011. The cash flow for the past business year amounted to € 33.1m. Thus, the company was able to reduce its net indebtedness and further increase liquidity reserves.

Due to the operative result the Pankl Group achieved a free cash flow of € 3.8m.

INVESTMENTS

In the previous business year € 53.4m were invested in continued operations (tangible and intangible assets), whereof € 37.7m were contributed by the KTM Group and € 25.3m (previous year: € 20.5m) resulted from the activation of series development costs. In this respect the company invested in the further development of the already existing product line as well as in new products in the Offroad- and Street segment and in particular in the development and the purchase of tools.

Contrary to the past years, the CROSS Motorsport Group increased its investment expenses again and invested € 9.4m in tangible assets during the past business year.

KEY FINANCIAL PERFORMANCE INDICATORS

	2011 in €m	2010 in €m
Earnings figures		
Revenues	678.6	590.1
EBITDA	85.5	75.2
EBITDA margin	12.6%	12.7%
EBIT	38.9	26.3
EBIT margin	5.7%	4.4%
Net profit from continuing operations	21.5	(3.0)
Net profit from discontinued operations	24.0	(15.0)
Operative cash flow	57.3	102.3
Balance sheet total	818.5	1,433.2
Equity	306.0	292.6
Equity ratio	37.4%	20.4%
Working capital employed[1]	161.9	250.1
Net debt[2]	320.4	609.6

3. HUMAN RESOURCES

As of 31 December 2011 the number of personnel amounted to 3,131 employees (previous year: 9,810 employees). KTM employed 1,632 people on average (31 December 2011: 1,755 people). As of the effective date further 1,232 employees from the CROSS Motorsport Group will be integrated into the CROSS Group, out of whom a significant part can be allotted to the Pankl Group with a number of personnel of 907 on annual average (31 December 2011: 985). At the Durmont Teppichbodenfabrik 127 employees were employed as of 31 December 2011. At the time of the final consolidation on 23 November 2011 the Peguform Group employed 7,682 people.

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.

[1] Working capital employed: Accounts receivable from trade plus inventories less Accounts payable from trade.
[2] Net debt: Bank- and bond liabilities plus payables from capital lease and other financing less liquid assets.

4. IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

Regarding the important events after the balance sheet date please refer to the notes to the consolidated financial statements of CROSS Industries AG, see item (28).

5. RISK REPORT

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

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

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

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

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

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

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

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

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

6. SUSTAINABILITY

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

KTM creates added value for society and shareholders with strategic leadership, focusing on developing core strengths, continuous improvement of work processes, treating employees and suppliers as partners, and the process-oriented quality management system. With 1,363 people on average working at the facilities in Mattighofen, KTM is one of the largest employers in the region.

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

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

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

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

7. ENVIRONMENT

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

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

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

In the 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).

8. CORPORATE SOCIAL RESPONSIBILITY

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

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

9. OUTLOOK

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

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.

According to prognoses the overall European and US markets relevant for the KTM Group will further slightly recline or even stagnate in 2012. Therefore, KTM made a further important step towards implementing a global product strategy and the expansion in Asian markets.

On 24 January 2012 the Duke 200 was presented to the public in New Delhi for the first time. With this motorcycle developed in cooperation with Bajaj, KTM enters the Indian market and expects sales of over 20,000. The Duke 200 is the first KTM model, which is available world-wide. With this step KTM expects a further increase in sales and revenues in 2012.

For business year 2012 the management anticipates further growth in the CROSS Motorsport Group. The incoming orders for the first half of 2012 are on a good level. In the long-term the framework conditions are however still difficult to predict. 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.

In addition, a major focus in all companies of the CROSS Motorsport Group is laid on the development of new products and components, which is a key factor for the successful development of the company in the future.

Thanks to the good overall business situation and the already resolved regulation changes in motorsports for the years 2013 and 2014 connected with development- and testing activities, the Pankl Group expects an increase in sales also in 2012. As a result of the sustainable cost-cutting- and efficiency increasing measures we can also expect improved operating results.

Because of the good overall business situation the WP Group also expects a slight increase in revenue in the already existing core business for the next business year. One major issue will be the integration and reorientation in the new technology segments exhaust systems and frame production. In addition, we will further intensify activities in the research- and development area and invest in the location in Munderfing. In the future we aim at further increasing revenue of third-party customers (BMW, Triumph and Ducati).

As a result of the stabile financial situation in all subsidiaries with still high equity ratios and financing with matching maturities, there will be new opportunities on the market in 2012 for the companies of the CROSS Group.

Despite a slightly positive market trend, the management of CROSS Industries AG anticipates continuing volatile framework conditions in business year 2012. 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. For all business areas of the CROSS Group a positive outlook can be assumed for 2012.

At the time the balance sheet was prepared CROSS Industries AG and CROSS Motorsport Systems AG were immediately before concluding a new, long-term equity financing, which shall secure the future financial requirements.

Wels, 29 March 2012

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

CROSS Industries AG

CONSOLIDATED FINANCIAL STATEMENTS 2011

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CONSOLIDATED BALANCE SHEET

as of 31 December 2011

	ASSETS in €k	31/12/2011	31/12/2010
	SHORT-TERM ASSETS		
(13)	Cash and cash equivalents	28,297	66,150
(14)	Accounts receivable from trade	71,844	238,014
	Accounts receivable from affiliated companies	779	1,220
(15)	Inventory		
	– Raw materials	35,405	72,420
	– Unfinished goods	29,322	43,758
	– Finished products and goods	97,957	104,095
	– Payments on account	1,265	4,624
		163,949	**224,897**
	Advance payments made	2,616	6,429
(14)	Receivables and other short-term assets	18,322	42,705
		285,807	**579,415**
(14)	Assets held for sale	0	5,056
		285,807	584,471
	LONG-TERM ASSETS		
(16)	Financial fixed assets		
	– Participations in affliated companies	9,825	8,807
	– Participations in associated companies	31,055	37,206
	– Other participations	37,128	2,001
	– Loans	2,143	2,421
	– Investment securities	525	0
		80,676	**50,435**
(17)	Tangible fixed assets		
	– Land	15,952	31,095
	– Buildings	76,370	170,851
	– Technical facilities and machinery	29,891	194,601
	– Fixtures and furnishings	28,722	44,905
	– Payments on account	9,365	29,592
		160,300	**471,044**
(19)	Goodwill	153,748	160,205
(19)	Intangible fixed assets	130,370	128,200
(12)	Deferred tax assets	7,496	15,511
(14)	Receivables and other long-term assets	51	23,296
		532,641	848,691
	Total assets	818,448	1,433,162

	LIABILITIES AND SHAREHOLDER'S EQUITY in €k	**31/12/2011**	**31/12/2010**
	SHORT-TERM LIABILITIES		
(21)	Financial liabilities	53,553	112,825
(21)	Bonds	49,945	0
	Accounts payable from trade	73,853	212,799
	Accounts payable from affiliated companies	5,567	3,424
(23)	Provisions	5,344	14,139
	Liabilities from income taxes	1,473	997
	Advance payments made	933	1,852
(21)	Other short-term liabilities	48,347	153,700
		239,015	499,736
	LONG-TERM LIABILITIES		
(21)	Financial liabilities	172,476	433,747
(21)	Bonds	63,768	122,768
(24)	Liabilities for personnel	10,171	13,545
(12)	Deferred tax labiliites	18,082	36,508
	Long-term liabilities from affiliated companies	34	175
(21)	Other long-term liabilities	8,873	34,084
		273,404	640,827
	SHAREHOLDER'S EQUITY		
(20)	Share capital	1,332	1,332
(20)	Capital reserves	141,220	141,220
(20)	Perpetual bond	58,987	58,987
(20)	Other reserves including retained earnings	(32,863)	(57,702)
	Minority interests	137,353	148,762
		306,029	292,599
	Total liabilities and shareholder's equity	818,448	1,433,162

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

CONSOLIDATED INCOME STATEMENT

for Business Year 2011

	in €k	2011	2010
(05)	Revenues	678,626	590,081
(06)	Cost of goods sold	(478,768)	(412,813)
	Gross margin	**199,858**	**177,268**
(06)	Sales and sport activity expenditure	(81,177)	(72,991)
(06)	R&D expenditure	(24,156)	(23,767)
(06)	Administration costs	(49,055)	(47,885)
(08)	Other operating expenses	(9,606)	(9,343)
(09)	Other operating income	3,055	2,971
	Operating income (EBIT)	**38,919**	**26,253**
(10)	Interest income	1,541	1,667
(10)	Interest expenses	(21,417)	(25,155)
(17)	Reslut from at-equity valuation	(49)	(3,820)
(10)	Other financial and participation result	3,011	(2,316)
	Pre-tax profit	**22,005**	**(3,371)**
(12)	Tax on income and earnings	(493)	344
	Net profit from continuing operations	**21,512**	**(3,027)**
(02)	Net profit from discontinued operations	23,991	(15,001)
	Net profit/loss of the year	**45,503**	**(18,028)**
	thereof: shareholders of parent company	27,936	(26,790)
	thereof: minority interests	17,567	8,762

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 2011

in €k	2011	2010
Net profit/loss of the year	45,503	(18,028)
Currency conversiong	650	5,703
Investment valuation not affecting net income	(225)	49
Deferred taxes on "Available for Sale" securities	56	(12)
Valuation of cash flow hedges	11,393	(21,491)
Deferred taxes on financial instruments	(2,848)	5,373
Other income	9,026	(10,378)
Total comprehensive income	**54,529**	**(28,406)**
thereof: shareholders of parent company	31,782	(31,767)
thereof: minority interests	22,747	3,361

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

CONSOLIDATED CASH FLOW STATEMENT

for Business Year 2011

	in €k	2011	2010
	CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit/loss for the year	45,503	(18,028)
+	Deprecation of fixed assets	79,605	139,807
+ (–)	Increase (decrease) of long-term personnel liabilities	663	1,151
– (+)	Profit (loss) from the sale of interest in subsidiaries	(30,699)	0
– (+)	Profit (loss) from equity-consolidation	49	2,917
– (+)	Profit (loss) from the sale of fixed assets	(360)	(8,893)
–	Non cash changes of liabilities	0	(33,113)
+ (–)	Other non cash expenses (income)	(976)	686
	Consolidated cash flow from results	**93,785**	**84,528**
– (+)	Increase (decrease) in inventories and prepayments on account	(22,081)	(8,679)
– (+)	Increase (decrease) in trade receivables, advance payments, other short-term and long-term assets	(84,072)	8,070
+ (–)	Increase (decrease) in trade payables, advance payments and other short-term and long-term liabilities	68,451	36,598
+ (–)	Increase (decrease) in liabilities from tax provisions, deferred tax liabilities and other provisions	(4,454)	(23,904)
– (+)	Increase (decrease) in assets and liabilities held for sale	5,056	0
– (+)	Increase (decrease) in currency rate differences	650	5,703
		(36,450)	**17,788**
		57,335	**102,315**

	in €k	2011	2010
	CONSOLIDATED CASH FLOW FROM INVESTMENT ACTIVITIES		
–	Investments in fixed assets (outflow of funds for investments)	(97,134)	(102,546)
–	Investments in financial assets	(1,300)	(83)
+ (–)	Purchase (sale) of interest in subsidiaries	103,128	(1,152)
+	Disposals of fixed assets (cash flow from the sale: residual book values + profits (– losses) from the disposal of fixed assets)	3,199	37,019
+ (–)	Currency rate differences from fixed assets	2,698	(4,895)
+ (–)	Other non cash effects due to changes in consolidation scope	0	(117)
		10,591	**(71,774)**
	CONSOLIDATED CASH FLOW FROM FINANCING ACTIVITIES		
–	Dividend payments to third parties	(4,233)	(4,125)
+ (–)	Capital increase	1,335	44,887
+ (–)	Increase (decrease) in short-term and long-term bank debts	(94,146)	(45,328)
+ (–)	Increase (decrease) in bonds	(8,735)	(28,083)
		(105,779)	**(32,649)**
	CONSOLIDATED CASH FLOW		
	Consolidated cash flow from operating activities	57,335	102,315
	Consolidated cash flow from investment activities	10,591	(71,774)
	Consolidated cash flow from financial activities	(105,779)	(32,649)
	Change in the liquidity of the group	**(37,853)**	**(2,108)**
+	Starting cash and cash equivalents of the group	66,150	68,258
	Closing cash and cash equivalents of the group	**28,297**	**66,150**
	consisting of: cash in hand, cheques, cash at bank	28,297	66,150
	Interest paid	34,464	39,574
	Income tax paid	765	2,047
	Dividends achieved	20	250

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 2011

in €k	Share capital	Capital reserve	Perpetual bond	Reserves incl. retained earnings	IAS 39 reserve
2011					
As of 01/01/2011	1,332	141,220	58,987	(52,735)	(6,901)
Total profit/loss directly included in equity	0	0	0	29,656	4,161
Dividens to third parties	0	0	0	(3,094)	0
Purchease treasury stock of Pankl Racing Systems AG	0	0	0	106	0
Capital increase of KTM Power Sports AG	0	0	0	0	0
Change in shares in affiliated companies	0	0	0	(4,011)	0
Deconsolidation of Peguform Group	0	0	0	0	0
Deconsolidation of CROSS Informatik GmbH	0	0	0	0	0
Other entries not affecting net income	0	0	0	56	0
As of 31/12/2011	**1,332**	**141,220**	**58,987**	**(30,022)**	**(2,740)**
2010					
As of 01/01/2010	1,000	111,025	58,987	(20,486)	1,119
Total profit/loss directly included in equity	0	0	0	(26,790)	(8,020)
Dividens to third parties	0	0	0	(3,094)	0
Capital increase of CROSS Industries AG	332	30,195	0	0	0
Capital increase of KTM Power Sports AG	0	0	0	0	0
Change in shares in affiliated companies	0	0	0	(3,840)	0
Purchease treasury stock of Pankl Racing Systems AG	0	0	0	581	0
Share of at equity rating not affecing net income	0	0	0	257	0
Other entries not affecting net income	0	0	0	637	0
As of 31/12/2010	**1,332**	**141,220**	**58,987**	**(52,735)**	**(6,901)**

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

Adjustments conversion reserve	Total	Minority interests	Total group equity
1,934	143,837	148,762	292,599
(2,035)	31,782	22,747	54,529
0	(3,094)	(108)	(3,202)
0	106	(2,598)	(2,492)
0	0	1,335	1,335
0	(4,011)	4,139	128
0	0	(34,967)	(34,967)
0	0	(2,172)	(2,172)
0	56	215	271
(101)	**168,676**	**137,353**	**306,029**

(1,110)	150,536	119,523	270,059
3,043	(31,767)	3,361	(28,406)
0	(3,094)	(8,829)	(11,923)
0	30,527	0	30,527
0	0	20,866	20,866
0	(3,840)	16,187	12,347
0	581	(2,188)	(1,607)
0	257	0	257
0	637	(158)	479
1,934	**143,837**	**148,762**	**292,599**

I. THE COMPANY

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

The following table shows the 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.

Subsidiaries	Share	Voting rights	Corporate purpose
KTM Power Sports AG	50.24%	50.24%	Development, production and distribution of motorized leisure equipment (Power Sports)
CROSS Motorsport Systems AG	100.00%	100.00%	Shareholdings in companies of the automotive sector
Pankl Racing Systems AG	57.59%[1]	69.74%[2]	Development, production and distribution of motor-, drivetrain and chassis parts for the racing industry, high-performance vehicles and the aerospace industry
WP Group	100.00%	100.00%	Development, production and distribution of suspension units, manufacturing and distribution of radiators and parts for combustion engines

[1] In consideration of 350,000 own shares of Pankl Racing Systems AG, consequently increasing the equity holding from 51.83% to 57.59%.

[2] On 26 April 2007 Cross Industries AG, Qino Capital Partners II Ltd. and Qino Flagship Ltd., both Kingstown, St. Vincent and the Grenadines, entered a voting agreement regarding shares of Pankl Racing Systems AG. According to this agreement Qino Capital Partners II Ltd. with regards to 227,206 shares and Qino Flagship Ltd. with regards to 155,370 shares shall exercise their voting rights exclusively in accordance to instructions of CROSS Industries AG. The ownership of Pankl shares of Qino Capital Partners II Ltd. and of Qino Flagship Ltd. is retained by Qino.

II. PRINCIPLES OF ACCOUNTING AND BALANCING AND VALUATION METHODS

(01) PRINCIPLES OF ACCOUNTING

The annual consolidated financial statements as of 31 December 2010 and 31 December 2011 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. According to Article 245a, Austrian Business Enterprise Code ("Unternehmensgesetzbuch", UGB), which was added in the framework of the Consolidated Financial Statement Law ("Konzernabschlussgesetz"), these consolidated financial statements based on IFRS fulfill all Austrian reporting requirements.

Due to the final consolidation of the Peguform Group in November 2011 the income statement for business year 2010 was adjusted in accordance with IFRS 5.

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 2011:

Changes in reporting rules
IAS 24 (revised 2009): Related party disclosure
IAS 32 (revised): Classification of rights issues
IFRS 1 (revised): Additional exemptions for first-time adopters in connection with IFRS 7
IFRIC 14 (revised): Prepayments of a minimum funding requirement
IFRIC 19: Extinguishing financial liabilities with equity instruments
Revisions in several IFRS resulting from the improvement process 2010

The first-time adaption of the listed IFRS and IFRIC had only minor impact on the consolidated fiscal statements of the CROSS Group at the balance sheet date, as the changes were applied sporadically only. There were no major effects on the accounting- and valuation methods.

Future changes in reporting rules

The IASB and IFRIC have passed further standards and interpretations, which however are not yet binding in business year 2011 and have not yet been adopted by the EU Commission. These standards and interpretations are as follows.

Future changes in reporting rules	Application is compulsory for business years starting on or after the stated date	
	acc. to IASB	acc. to EU-Endorsement
IFRS 7: Information requirements for the transfer of financial assets	01/07/2011	01/07/2011
IAS 1 (amendment): Description of facts and circumstances in the other results	01/07/2012	Not yet adopted
IAS 12 (amendment): Deferred taxes on real estate held as a financial investment	01/01/2012	Not yet adopted
IAS 19 (revised 2011): Employee benefits	01/01/2013	Not yet adopted
IAS 27 (revised 2011): Separate financial statements	01/01/2013	Not yet adopted
IAS 28 (revised 2011): Investments in associates and joint ventures	01/01/2013	Not yet adopted
IAS 32 (amendment): Balancing of financial assets and liabilities	01/01/2014	Not yet adopted
IFRS 1 (amendment): Hyperinflation and replacement of the fixed conversion moment for the first time use of IFRS	01/07/2011	Not yet adopted
IFRS 7 (amendment): Information on the notes – balancing of financial assets and financial debt	01/01/2013	Not yet adopted
IFRS 9: Financial instruments	01/01/2015	Not yet adopted
IFRS 10: Consolidated financial statements	01/01/2013	Not yet adopted
IFRS 11: Joint arrangements	01/01/2013	Not yet adopted
IFRS 12: Disclosure of interests in other entities	01/01/2013	Not yet adopted
IFRS 13: Fair value evaluation	01/01/2013	Not yet adopted
IFRIC 20: Stripping costs in the production phase of a surface mine	01/01/2013	Not yet adopted

Other effects on the consolidated financial statements of the CROSS Group are not expected. IFRS 9 and IFRS 10 are not analyzed completely yet. A premature application of the new standards and interpretations is not planned.

Basis of preparation

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

The consolidated financial statements are set up in euro, the functional currency of the parent company. All amounts are, unless otherwise stated, in thousand euros (€k), whereby differences from rounding may occur.

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

The valuation is based on the continuation of the company. The liquidity plan of CROSS Industries AG shows a financial requirement within twelve months after the balance sheet date of approximately € 8m from interest payments and operative expenses, of approximately € 20m from the repayment of the lombard loan to banks, of approximately € 3m from the repayment of intercompany lombard loans and in the amount of € 50m for the repayment of the CROSS Industries AG bond, which is due in December 2012.

At the balance sheet date CROSS Industries AG is finalizing a long-term equity financing that will cover the above financial requirement.

At the same time the premature refinancing of CROSS Motorsport Systems AG for interest payments and operative expenses (€ 6m), the repayment of the lombard loan (€ 8m) and the premature refinancing of the CROSS Motorsport Systems AG bond in the amount of € 64m (original nominal value was € 75m) is processed.

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

(02) SCOPE OF CONSOLIDATION

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

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

The annual consolidated financial statements per 31 December 2011 consist of the annual financial statements of CROSS Industries AG and its subsidiaries.

CROSS Industries AG's business year 2011 covers the period from 1 January 2011 to 31 December 2011.

The companies included in the consolidated financial statements are stated in the list of the equity interests per 31 December 2011 (see page 91).

Changes in the scope of consolidation
In business year 2011 the scope of consolidation changed as follows:

	Fully consolidated	Consolidated at-equity
As of 31/12/2010	58	20
Additions to the scope of consolidation	4	3
Merging to other group companies	(3)	0
Disposals from the scope of consolidation	(19)	(2)
As of 31/12/2011	**40**	**21**
thereof foreign companies	16	18

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

Additions to the scope of consolidation
Durmont Teppichbodenfabrik GmbH
On 29 July 2011 Durmont Teppichbodenfabrik GmbH, producer of high-quality carpets for the automotive industry, was acquired. Durmont Teppichbodenfabrik GmbH was allocated to the segment "Other".

The acquisition had the following impact on the balance sheet:

in €k	Durmont Teppich-bodenfabrik GmbH
Cash and cash equivalents	1
Trade receivables	2,803
Inventories, goods and services	2,819
Other short-term assets	165
Long-term assets	1,964
Assets	**7,752**
Bank liabilities	2,131
Trade liabilities	2,233
Other short-term debts	2,805
Other long-term debts	400
Liabilities	**7,569**
Equity (net assets)	**183**
Net assets of the parent company (100%)	183
Reward	183
Difference	**0**
Reward	183
thereof paid in 2011	183
Acquired cash	(1)
Net cash flow	**182**

From 1 January 2011 until the acquisition date 29 July 2011 Durmont Teppichbodenfabrik GmbH achieved a revenue in the amount of € 15,558k and a result of € –460k. During the period from 30 July 2011 to 31 December 2011 Durmont Teppichbodenfabrik GmbH achieved sales in the amount of € 14,645k and a result of € –45k.

Pankl Engine Systems Inc.

On 27 July 2011 the operations of the Californian crankshaft supplier, Superior Crankshaft LP, were taken over by the newly formed Pankl Engine Systems Inc., which operates in the Racing/High Performance segment.

The acquisition had the following impact on the balance sheet:

in €k	Pankl Engine Systems Inc.
Cash and cash equivalents	329
Other short-term assets	756
Tangible goods	420
Other long-term assets	200
Assets	**1,705**
Short-term debts	1,168
Long-term debts	0
Passive deferred taxes	71
Liabilities	**1,239**
Equity (net assets)	**466**

in €k	Pankl Engine Systems Inc.
Net assets of the parent company (100%)	466
Reward	569
Goodwill	**103**
Acquisition costs	569
thereof paid in 2011	569
Acquired cash	(329)
Net cash flow	**240**

The capitalized goodwill can be mainly attributed to potential synergies, primarily in connection with Pankl Engine Systems GmbH & Co KG. In the time period from the acquisition to the balance sheet date, Pankl Engine Systems Inc. contributed € 1,306k to the group revenue and € –180k to group earnings.

Disposals from the scope of consolidation

Peguform Group and Wethje Group

On 23 November 2011 the sale of 80% of shares in Peguform Iberica, S.L.; Polinyà, Spain, and 70% of shares in Peguform GmbH, Bötzingen, Germany, to Forgu GmbH, Gelnhausen, Germany, and MSSL GmbH, Gelnhausen, Germany, both subsidiaries of the Indian Samvardhana Motherson Group – was closed.

In addition 50% of shares in Wethje Carbon Composite GmbH, Hengersberg, Germany, as well as 50% of shares in Wethje-Entwicklungs GmbH, Vilshofen-Pleinting, Germany, were sold to Forgu GmbH Gelnhausen, Germany.

20% of shares in Peguform Iberica S.L., Polinyà, Spain, 20% of shares in Peguform GmbH, Bötzingen, Germany, 50% of shares in Wethje Carbon Composite GmbH, Hengersberg, Germany, and 50% of shares in Wethje-Entwicklungs GmbH, Vilshofen-Pleinting, Germany, remain with the CROSS Group.

In the course of the sale a put-/call option on the remaining 20% of shares in Peguform Iberica S.L., Polinyà, Spain, and Peguform GmbH, Bötzingen, Germany, was agreed upon. Hence the CROSS Group can request from the Motherson Group to purchase all remaining Peguform shares by 23 November 2011 at the latest (put option) or the Motherson Group can ask the CROSS Group to sell all remaining Peguform shares to her for the amount of € 35m plus interest (call option).

In the course of the sale of 80% of shares in the Peguform Group, PF Beteiligungsverwaltungs GmbH (formerly: Peguform Beteiligungs GmbH) granted a guarantee in the amount of maximal 15% of the purchase price to the buyer.

In addition a put option for all shares in both Wethje companies was agreed upon between the CROSS Group and Forgu GmbH. Consequently Forgu GmbH can request from the CROSS Group to purchase all shares in both Wethje companie at market value by 1 January 2014 at the earliest.

The expenses from discontinued operations include, among others, changes in the obligation of usufructuary rights, interest from the Peguform equity financing and other costs in connection with the transaction.

The discontinued operations until deconsolidation and the result from consolidation are as follows.

Income statement in €k	01/01/2011–23/11/2011	2010
Revenues	1,226,319	1,368,619
Expenses	(1,220,949)	(1,391,488)
Operating result	**5,370**	**(22,869)**

(Continuation) in €k	**01/01/2011–23/11/2011**	**2010**
Financial result	(13,270)	(14,030)
Result before taxes	**(7,900)**	**(36,899)**
Income tax	(2,485)	7,830
Result after taxes of the discontinued operation	**(10,385)**	**(29,069)**
Result of the final consolidation	32,369	0
Expenses/income in connection with discontinued operations	(1,960)	14,068
Result from discontinued operations	**20,024**	**(15,001)**

Cash flow in €k	**01/01/2011–23/11/2011**	**2010**
Operative cash flow	27,331	38,824
Investment cash flow	(45,829)	(32,044)
Financing cash flow	1,586	(16,859)
	(16,912)	**(10,079)**

Balance sheet in €k	**23/11/2011**	**31/12/2010**
Cash and cash equivalents	25,405	42,317
Trade receivables	258,577	170,667
Inventories	86,334	73,490
Tangible assets	318,968	310,604
Other assets	73,725	87,142
Total assets	**763,009**	**684,220**
Financial liabilities	229,897	208,826
Trade liabilities	227,349	163,642
Provisions for deferred taxes	19,992	16,139
Other debts	110,653	101,979
Total liabilities	**587,891**	**490,586**
Equity	**175,118**	**193,634**

CROSS Informatik GmbH

With effect from 4 February 2011 CROSS Industries AG acquired 73,59% of shares in the newly established CROSS Informatik GmbH as a result of the demerger of BEKO HOLDING AG. CROSS Informatik GmbH holds the majority of shares in the listed companies All for One Midmarket AG and BRAIN FORCE HOLDING AG, and has considerable influence in TRIPLAN AG (valued at equity). These companies provide services along the IT value chain.

CROSS Industries AG achieved interim control of CROSS Informatik GmbH by demerging the at-equity valued BEKO HOLDING AG, whereby the assets were transferred to the newly established CROSS Informatik GmbH according to the demerging plan. As the group owned shares of the company already before gaining control, the acquisition is considered successive.

At the time of gaining control the management already intended to sell the acquired shares of CROSS Informatik GmbH within twelve months.

The fair value of the transferred equivalent from the demerger amounted to € 28,193k at the acquisition date.

Expenses from the demerger of BEKO HOLDING AG (valuation, specialist counseling) were included in the administration expenses of the income statement.

CROSS Informatik GmbH includes the following assets and liabilities on consolidated basis at the acquisition date:

in €k	CROSS Informatik GmbH
Cash and cash equivalents	18,872
Trade receivables	28,427
Financial assets	16,932
Goodwill	15,867
Intangible assets	11,054
Other receivables and assets	22,721
Financial liabilities	(17,663)
Trade liabilities	(10,816)
Other liabilities	(21,672)
Deferred interest debts	(3,927)
Equity (net assets)	**59,795**
thereof shares of non-controlling shareholders	21,922
Net assets of the parent company (73.59%)	27,871

Non-controlling shares in CROSS Informatik GmbH amounted to € 31,924k at the acquisition date. This amount is assessed proportionally based on the pro-rata equity considering preliminary stages.

In business year 2011 the remaining 26.41% of shares in CROSS Informatik GmbH were purchased by Opportunity Beteiligungs AG. On 28 November 2011 50% of shares in CROSS Informatik GmbH were sold to Unternehmens Invest AG for the amount of € 19,760k.

After the sale CROSS Informatik GmbH was included at equity in the consolidated financial statements, thus shares of non-controlling shareholders cease to exist. Taking into account the overall business year from a cumulated point of view, the shares of non-controlling shareholders did not changes due to this transaction. The additions and disposals are not shown in the schedule of development of shareholder's funds. The disposal of shares of non-controlling shareholders in equity in the amount of € 2,172k is related to the attributable result for the time of group affiliation during the business year.

As of 31 December 2011 the fair value of the remaining shares of CROSS Informatik GmbH amounts to € 19,760k. The revaluation resulted in a loss in the amount of € 900k, reflected in the consolidated statement of comprehensive income in item "results from discontinued operations".

Revenues (and any other positions in the income statement) do not include any amounts from CROSS Informatik GmbH according to IFRS 5. The period result of CROSS Informatik GmbH is included in the item "result from discontinued operations" in the income statement according to IFRS 5. This would also not be the case if the merger was carried out on 1 January 2011.

The result of CROSS Informatik GmbH for the period of its affiliation to the CROSS Group and the deconsolidation result is as follows:

in €k	
Result from discontinued operations acquired already with the intention to sell them	5,637
Result of the final consolidation	(1,670)
Result from discontinued operations	**3,967**

(03) CONSOLIDATION METHODS

Capital consolidation: The first consolidation was carried out on 1 October 2009 using the acquisition method according to IFRS 3 (2008). On the acquisition date – the date when the control is transferred – the revalued identifiable assets and liabilities of the acquired company are compared to the equivalent; the amount attributable to the non-controlled interests, if applicable and the fair value of the shares already held at acquisition date. A remaining positive amount is activated as goodwill, a remaining negative amount will be revaluated as "acquisition below market value" realized as earning in the income statement. The cost of the acquisition is realized as an expense.

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

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

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

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

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

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

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

Shares in associated companies and in joint ventures are recognized at equity according to IAS 28 or IAS 31 if selected. 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 equity without affecting net income.

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

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

in €k	Closing rate		Average rate	
	31/12/2011	31/12/2010	2011	2010
US Dollar	1.2939	1.3362	1.3917	1.3268
British Pound	0.8353	0.8608	0.8678	0.8582
Swiss Franc	1.2156	1.2504	1.2340	1.3823
Japanese Yen	100.2000	108.6500	111.0214	116.4567
South African Rand	10.483	8.8625	10.0930	9.7135
Mexican Peso	18.0512	16.5475	17.2791	16.7532

(04) ACCOUNTING AND VALUATION METHODS

The accounting of the companies included in the consolidated financial statements is based on standardized accounting and valuation methods. They are identical to those used in the business year 2010 except for the new obligatory standards.

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

Consolidated income statement

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

Revenue is 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.

Engineering-contracts of the Peguform Group meet IAS 11 criteria “construction contracts”. Revenue from customer specific construction contracts is recognized as revenue if the result of the construction contract can be assessed accurately, that is if the degree of completion can be assessed accurately at balance sheet date. In case the degree of completion cannot be determined accurately, profit is not realized and revenue is reported according to actual cost of construction contracts.

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

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

Consolidated balance sheet

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

Accounts receivable and other assets are reported at the nominal value, while receivables in foreign currencies are reported converted at the current rate, less any adjustments necessary due to recognizable risks. Specific financial assets are adjusted if the book value of the financial asset is higher than the cash value of the future, discounted cash flow. Indicators for value adjustments are financial difficulties, insolvency, breach of contract and default of payment. The value adjustments are composed from numerous individual positions, none of which is essential taken individually. Additionally value adjustments according to risk groups are conducted to consider general credit risks. Financial receivables are allocated to the "Loans and Receivables" category and reported using the amortized cost method.

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

Acquisition costs include all costs incurred for the item to achieve the required state and to be shipped to the relevant location. Manufacturing costs include material and production costs as well as appropriate parts of the material and production overheads. Administrative and distribution overheads are not part of the manufacturing costs.

Construction contracts are recognized at cost of goods plus profit at valuation date less provision for contingent losses and less progress billings, if the degree of completion can be assessed accurately. The degree of completion is assessed based on milestones set by the company. The cost include expenses, that are directly attributable to specific projects, and a share of fixed and variable overhead costs, based on the average capacity utilization of construction contracts of the group. In case the degree of completion cannot be determined accurately, profit is not realized and revenue is reported according to actual cost of construction contracts (zero profit margin method).

Investments (trading securities) are valued at their market price, and valuation changes are recorded in the income statement. Held-to-maturity securities (debt instruments) are recorded in the balance sheet at their acquisition cost less depreciation in the case of a steady decrease in value. The securities held in the category "At Fair Value through Profit or Loss" are recorded at market value without affecting income. The remaining securities (financial assets available for sale) are recognized at fair value at the balance sheet date. The fair value is generally taken to be the stock exchange price at the balance sheet date. Other shares, where a fair value cannot be determined without major effort, are valued at the acquisition costs.

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	6 to 50 years
Machines/tools	2 to 15 years
Fixtures and furnishings	2 to 15 years

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

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

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

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

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

The depreciation requirement for the consolidated financial statements as per 31 December 2011 is calculated based on the discounted cash flow method. Therefore the achievable amount (net profit on sales) of the cash generating units – i. e. the higher amount of the fair value less cost of sale and value in use – has to be estimated. The calculation is based on the following parameters:

	WACC	Mid-term planning	Growth parameters for following years	Interest rate
As of 31/12/2011				
KTM Group	7.73%	2012–2016	2.00%	25%
Pankl Group	8.10%	2012–2015	2.00%	25%
WP Group	7.73%	2012–2014	2.00%	25%
As of 31/12/2010				
KTM Group	7.91%	2011–2015	2.00%	0%–25%
Pankl Group	8.79%	2011–2013	2.00%	25%
WP Group	7.91%	2011–2013	1.00%	25%
Wethje Group	8.79%	2011–2013	1.00%	28%

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

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

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

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

Intangible assets are capitalized at acquisition 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 16 years

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

Intangible assets with an indefinite useful life, as for example the brand names, capitalized during the original purchase price allocation, are not amortized regularly, but are subjected to an annual impairment test and any depreciation recognized in the income statement. For this impairment test the same parameters as for the impairment test of goodwill are used.

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

Liabilities are reported at the amounts repayable, while foreign currency liabilities are converted at the reporting date rate. Financial debts are allocated to the "Financial Liabilities at Amortized Cost" category.

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

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

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 full immediately in the income statement for the year they occur.

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. The actuarial result is immediately recognized in the income statement.

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 not shown as individual positions in the financial statements of the companies are shown in the consolidated financial statements under long-term borrowed funds.

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

Derivative financial instruments

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

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

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

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

Estimates and uncertainties in cases of discretionary decisions and assumptions

To a certain extent, estimates and assumptions have to be made in the consolidated financial statements. These estimates have an impact on the balance sheet assets and liabilities, the disclosure of contingent liabilities at the balance sheet date, and the reporting of expenses and income in the business year. The subsequent actual amounts may then differ from such estimates. This applies in particular to the impairment of goodwill and intangible assets with an indefinite useful life and to the assets and liabilities reported at the time of initial consolidation, including purchase price allocations.

The most important balance sheet items, where the valuation related to the planned useful life is based on estimates, are tools (tangible assets) and capitalized development costs (intangible assets). Estimates are also based on deferred tax assets for losses carried forward regarding the period of utilization for the losses carried forward. In addition, there are uncertainties regarding the valuation of receivables and the recognition and valuation of obligations for social capital and other provisions.

III. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(05) NET SALES

Net sales by regions

in €k	2011	2010
KTM Power Sports products	526,801	480,928
High performance components	175,864	136,332
Others and consolidation	(24,039)	(27,179)
	678,626	**590,081**

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

(06) BREAKDOWN OF EXPENSES

Cost of sales

in €k	2011	2010
Cost of materials and services for purchased services	367,942	300,075
Personnel expenses	74,367	66,111
Depreciation and amortization of tangible assets and intangible assets including low-value assets	19,726	22,891
Other operating expenses	16,733	23,736
	478,768	**412,813**

Distribution- and motorsport expenses

in €k	2011	2010
Cost of materials and services for purchased services	30,575	20,437
Personnel expenses	19,172	21,404
Depreciation and amortization of tangible assets and intangible assets including low-value assets	2,839	2,779
Other operating expenses	33,054	33,814
Sponsorship income	(4,463)	(5,443)
	81,177	**72,991**

Expenses for research and development

in €k	2011	2010
Cost of materials and services for purchased services	1,678	653
Personnel expenses	5,068	3,563
Depreciation and amortization of tangible assets and intangible assets including low-value assets	19,925	18,854
Other operating expenses	2,920	6,505
Grants	(5,435)	(5,808)
	24,156	**23,767**

Administration expenses

in €k	2011	2010
Cost of materials and services for purchased services	1,261	1,315
Personnel expenses	19,841	19,793
Depreciation and amortization of tangible assets and intangible assets including low-value assets	4,019	4,453
Other operating expenses	23,934	22,324
	49,055	**47,885**

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

The expenses for the audit of the business year 2011 by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft amount to € 780k, thereof € 294k were used for group companies. Expenses for special audits amounted to € 33k and other auditing-related consulting amounted to € 154k.

(07) MANAGEMENT BOARD REMUNERATION AND STAFF INFORMATION

The total salaries paid by the CROSS Group for the Management Board's activities and their administrative duties amounted to € 5,418k (previous year: € 4,498). Severance payments in the amount of € 284k (previous year: € 216k) were made.

A remuneration totaling € 26k (previous year: € 24k) will be proposed for the Supervisory Board for the business year 2011 (to be paid in business year 2012).

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

Employees

	2011
As of 01/01	9,810
Additions to the scope of consolidation	133
Disposals from the scope of consolidation	(7,986)
Changes in the business year	1,174
As of 31/12	**3,131**
thereof workers	1,753
thereof employees	1,378

Employee expenses in business year 2011 amounted to € 130,771k (previous year: € 124,542k).

(08) OTHER OPERATING EXPENSES

Other operating expenses can be broken down as follows:

in €k	2011	2010
Guarantee expenses	9,442	8,714
Other expenses	164	629
	9,606	**9,343**

(09) OTHER OPERATING INCOME

Other operating income can be broken down as follows:

in €k	2011	2010
Grants	1,419	766
Income from the sale of fixed asset	360	224
Insurance income	101	367
Remaining other income	1,175	1,614
	3,055	**2,971**

(10) FINANCIAL- AND INVESTMENT RESULT

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

in €k	2011	2010
Interest income	1,541	1,667
Interest expenses	(21,417)	(25,155)
Result from at-equity holdings	(49)	(3,820)
Other financial- and investment result	3,011	(2,316)
	(16,914)	**(29,624)**

The financing and participation result includes expenses from financial instruments in the amount of € 2,623k (previous year: € 1,060k), earnings from the reversal of a provision for onerous contracts (previous year: expenses from the allocation) in the amount of € 1,577k and income from the disposal of BEKO HOLDING AG from the demerger to fund CROSS Informatik GmbH in the amount of € 4,477k.

(12) TAXES ON INCOME

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

in €k	2011	2010
Current tax	(3,230)	(1,344)
Deferred tax	2,737	1,688
	(493)	**344**

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

Deferred taxes on equity can be shown as follows:

in €k	2011	2010
Deferred tax on the valuation of AfS stocks	56	(12)
Deferred tax on the valuation of cash flow hedges	(2,848)	5,373
	(2,792)	**5,361**

A reconciliation from the expected tax expenses for the business year (application of the total tax rate of 25.0% to the pre-tax profit of € 22,005k (previous year: loss € –3,371k) to the actual tax expenses/income can be shown as follows:

in €k	2011	2010
Expected tax expense/income	(5,501)	843
Non-temporary differences	(376)	(2,426)
Rate for tax loss carried forward/value adjustments/utilization of losses carried forward	2,398	657
Taxes from prior periods	(79)	761
Effects of foreign tax rates and other tax related cuts	(457)	211
Investment-related benefits	726	623
Others	2,796	(325)
	(493)	**344**

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

in €k	31/12/2011			31/12/2010		
	Losses carried forward	**Possible deferred tax**	**Active deferred tax**	**Losses carried forward**	**Possible deferred tax**	**Active deferred tax**
CROSS Industries AG, Wels	37,022	9,256	0	30,758	7,689	0
CROSS Motorsport Systems AG, Wels	13,616	3,404	0	16,608	4,152	0
CROSS Immobilien AG, Wels	1,228	307	0	2,163	541	0
CI Holding GmbH, Wels	3,387	847	0	2,221	555	0
PF Beteiligungs-verwaltungs GmbH, Wels (formerly: Peguform Beteiligungs GmbH)	21,549	5,387	0	5,185	1,296	0
KTM Power Sports AG, Mattighofen	114,035	28,509	17,105	130,740	32,685	13,141
WP Radiator GmbH, Munderfing	303	76	0	0	0	0
Pankl Group	20,229	5,740	3,537	24,742	6,904	4,232
Peguform Group	0	0	0	124,404	36,857	332
Others	0	0	0	58	0	0
	211,369	**53,525**	**20,642**	**336,879**	**90,680**	**17,705**

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 € 151,255k (previous year: € 292,005k). 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	31/12/2011	31/12/2010
Active deferred taxes		
Short-term assets	1,468	2,306
Long-term assets		
– Assets	1,190	3,898
– Losses carried forward	20,642	17,705
Liabilities	2,745	5,047
Others	415	401
	26,460	**29,357**
Offset	(18,964)	(13,846)
	7,496	**15,511**
Passive deferred taxes		
Short-term assets	(3,003)	(1,940)
Long-term assets	(33,882)	(47,818)
Liabilities	0	(340)
Subsidies	(113)	(146)
Others	(48)	(110)
	(37,046)	**(50,354)**
Offset	18,964	13,846
	(18,082)	**(36,508)**

The deferred taxes in business year 2011 developed as follows:

in €k	2011	2010
Deferred taxes (net) as of 01/01	(20,996)	(37,670)
Changes in the scope of consolidation	10,257	0
Other changes including currency exchange difference	208	(288)
Deferred taxes affecting income	2,737	11,601
Deferred taxes not affecting income	(2,792)	5,361
Deferred taxes (net) as of 31/12	**(10,586)**	**(20,996)**

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

(13) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in banks, checks and fixed-term deposits in the amount of € 28,297k (previous year: € 66,150k).

For certain items under the financial assets and financial liabilities, the KTM Group has an enforceable right of mutual offsetting. In the consolidated financial statements, these items are only shown as net amounts. At the balance sheet date disposability of the above mentioned cash in banks is partially restricted by means of pledges to certain banks.

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

Trade accounts receivable include construction contracts carried as assets toward customers in the amount of € 0k (previous year: € 51,656k), which consisted in 2010 of engineering receivables in the amount of € 74,822k, prepayments made for engineering in the amount of € 11,644k) and prepayments received for engineering in the amount of € 34,810k.

The adjustments to receivables developed as follows:

in €k	Trade receivables	Other financial receivables (short- and long-term)	Financial assets – loans
As of 01/01/2010	6,987	1,218	0
Changes in the scope of consolidation	0	0	0
Currency conversion	30	0	0
Additions	2,429	0	0
Use	(2,857)	0	0
Disposals	(551)	0	0
As of 31/12/2010 = 01/01/2011	**6,038**	**1,218**	**0**
Changes in the scope of consolidation	(3,136)	0	0
Currency conversion	34	0	0
Additions	1,028	99	0
Use	(839)	(1,200)	0
Disposals	(436)	(18)	0
As of 31/12/2011	**2,689**	**99**	**0**

The expenses for completely writing off trade accounts receivables amounted to € 561k (previous year: € 564k).

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

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

in €k	31/12/2011	31/12/2010
Receivables from derivative financial instruments and option contracts	725	886
thereof derivative cash flow hedge	366	758
thereof derivative fair value hedge	359	128
Other short-term financial assets	7,187	6,243
thereof accrued subsidies	3,647	550
thereof accrued interest	257	0
thereof others	3,283	5,693
Receivables from associated companies	4,160	3,389
Securities (Held-for-Trading and Available-for-Sale)	0	2,182
Other short-term financial assets	**12,072**	**12,700**
Receivables to tax authorities	3,715	6,457
Other short-term non-financial assets	2,535	23,548
Other short-term non-financial asset	**6,250**	**30,005**
Other short-term assets	**18,322**	**42,705**

Other short-term, non-financial assets in the previous year can be mainly attributed to various individual claims of the Peguform Group.

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

in €k	31/12/2011	31/12/2010
Other long-term financial assets	51	21,764
Other long-term non-financial assets	0	1,532
	51	**23,296**

Other long-term, financial assets as of 31 December 2010 mainly comprise long-term trade receivables (€ 12,498k) as well as long-term receivables from the sale of the shareholding in Unternehmens Invest AG (€ 8,548k).

(15) INVENTORIES

in €k	31/12/2011	31/12/2010
Raw and auxiliary materials and supplies	35,405	72,420
Unfinished goods	29,322	43,758
Finished goods and products	97,957	104,095
Payments on account	1,265	4,624
	163,949	**224,897**

in €k	31/12/2011	31/12/2010
Inventory gross	183,932	248,214
Loss depreciation	(19,983)	(23,317)
Inventory net	**163,949**	**224,897**

The book value of inventories written off below cost to net realizable value from continued operations amounts to € 65,645k (previous year: € 61,933k).

(16) FINANCIAL ASSETS AND INTERESTS IN ASSOCIATED COMPANIES

in €k	31/12/2011	31/12/2010
Shareholdings in affiliated companies	9,825	8,807
Shareholdings in associated companies	31,055	37,206
Shareholdings	37,128	2,001
Loans	2,143	2,421
Investment securities	525	0
	80,676	**50,435**

The table of equity holdings as of 31 December 2011 comprises all companies included in the consolidated financial statements (see page 91).

The book values of financial assets have developed as follows:

in €k	As of 01/01/2011	Currency conversion	Changes in the scope of con- solidation	Additions	Reclassifi- cations	Disposals	As of 31/12/2011
Shareholdings in affiliated companies	8,807	0	0	1,118	0	(100)	9,825
Shareholdings in associated companies	37,206	0	17,100	1,006	0	(24,257)	31,055
Shareholdings	2,001	0	34,995	132	0	0	37,128
Loans	2,421	73	0	82	0	(433)	2,143
Investment securities	0	0	0	525	0	0	525
	50,435	**73**	**52,095**	**2,863**	**0**	**(24,790)**	**80,676**

The interests in associated companies comprise 16 KTM distribution subsidiaries, which were deconsolidated as of 31 May 2010 due to a lack of material interest and are now subject to an at-equity valuation. The profit share recorded in 2011 amounts to € 657k (previous year: € 786k) and is stated under distribution expenses. The investment valuation as of 31 December 2011 amounts to € 5,027k (previous year: € 4,370k).

The revenue or result of these companies in 2011 amounted to € 21,361k and € 657k respectively. As of 31 December 2011 the assets amounted to € 11,107k and liabilities to € 6,880k.

The following investments were also reported at-equity:

in €k	Profit share 2011	Investment valuation 31/12/2011	Goodwill 31/12/2011
Shares in associated companies			
CROSS Informatik GmbH, Wels	0	19,760	0
Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels	(49)	4,795	454
Wethje Entwicklungs GmbH, Vilshofen-Pleinting, Germany	0	237	88
Wethje Carbon Composite GmbH, Hengersberg, Germany	0	6,263	2,639
	(49)	**31,055**	**3,180**

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

in €k	Balance sheet date	Sales	Result	Assets	Liabilities
CROSS Informatik GmbH, Wels	30/09/2011	83,914	5,637	122,455	58,180
Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels	31/08/2011	3,100	(151)	21,358	11,829
Wethje Entwicklungs GmbH, Vilshofen-Pleinting, Germany	31/12/2011	1,881	389	4,500	3,584
Wethje Carbon Composite GmbH, Hengersberg, Germany	31/12/2011	150	(13)	6,251	1,359

(17) TANGIBLE ASSETS

in €k	Real estate	Buildings	Technical equipment and machinery	Factory- and business equipment	Advanced payments	Total
2011						
Acquisition- and manufacturing costs						
As of 01/01/2011	44,180	213,979	324,100	153,631	29,592	765,482
Currency conversion	56	164	(5,410)	(217)	(994)	(6,401)
Additions/disposals due to changes of the consolidation scope	(28,792)	(113,039)	(258,097)	(21,588)	(16,152)	(437,668)
Additions	539	1,977	32,178	9,151	24,703	68,548
Transfers	371	1,973	18,172	5,225	(27,486)	(1,745)
Reclassification in assets held for sale	0	0	0	0	0	0
Disposals	(346)	(725)	(8,180)	(3,328)	(298)	(12,877)
As of 31/12/2011	**16,008**	**104,329**	**102,763**	**142,874**	**9,365**	**375,339**
Cumulated depreciation						
As of 01/01/2011	13,085	43,128	129,499	108,726	0	294,438
Currency conversion	2	(40)	(4,038)	526	0	(3,550)
Additions/disposals due to changes of the consolidation scope	(13,008)	(22,333)	(77,638)	(8,649)	0	(121,628)
Additions	35	7,671	32,927	16,215	0	56,848
Transfers	(11)	12	7	(8)	0	0
Reclassification in assets held for sale	0	0	0	0	0	0
Disposals	(47)	(479)	(7,885)	(2,658)	0	(11,069)
As of 31/12/2011	**56**	**27,959**	**72,872**	**114,152**	**0**	**215,039**
Book value as of 31/12/2011	15,952	76,370	29,891	28,722	9,365	160,300
Book value as of 31/12/2010	31,095	170,851	194,601	44,905	29,592	471,044
2010						
Acquisition- and manufacturing costs						
As of 01/01/2010	46,884	214,798	304,421	148,463	15,345	729,911
Currency conversion	58	1,116	2,711	1,038	562	5,485
Additions/disposals due to changes of the consolidation scope	(1,804)	(5,609)	(566)	(5,466)	(2)	(13,447)
Additions	2,625	9,498	29,788	9,758	27,868	79,537
Transfers	778	1,908	7,600	3,403	(13,177)	512
Reclassification in assets held for sale	(671)	(4,230)	0	0	0	(4,901)
Disposals	(3,690)	(3,502)	(19,854)	(3,565)	(1,004)	(31,615)
As of 31/12/2010	**44,180**	**213,979**	**324,100**	**153,631**	**29,592**	**765,482**

in €k	Real estate	Buildings	Technical equipment and machinery	Factory- and business equipment	Advanced payments	Total
Cumulated depreciation						
As of 01/01/2010	92	25,663	70,803	95,854	0	192,412
Currency conversion	(1)	116	644	606	0	1,365
Additions/disposals due to changes of the consolidation scope	0	(1,947)	(540)	(4,366)	0	(6,853)
Additions	12,989	19,502	64,623	19,524	0	116,638
Transfers	5	(52)	0	47	0	0
Reclassification in assets held for sale	0	0	0	0	0	0
Disposals	0	(154)	(6,031)	(2,939)	0	(9,124)
As of 31/12/2009	**13,085**	**43,128**	**129,499**	**108,726**	**0**	**294,438**
Book value as of 31/12/2010	31,095	170,851	194,601	44,905	29,592	471,044
Book value as of 31/12/2009	46,792	189,135	233,618	52,608	15,345	537,497

In business year 2011 government grants in the amount of € 913k (previous year: € 1,066k) were classified as a liability.

On 31 December 2011 the CROSS Group concluded an option agreement (put-option and call-option) for properties in Munderfing with a cash value of € 3,791k. Under the put-option the option seller (KTM Immobilien GmbH) grants the option buyer (property owner) an option right for the conclusion of a purchase agreement for the property in question. According to the agreement, the property was already capitalized with the expected purchase price and the liabilities from the option payment were closed.

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

in €k	31/12/2011	31/12/2010
Leasing buildings		
Acquisition cost	0	16,212
Accumulated depreciation	0	(1,094)
Book value	**0**	**15,118**
Leasing machinery		
Acquisition cost	5,471	54,186
Accumulated depreciation	(1,954)	(10,985)
Book value	**3,517**	**43,201**

(18) REAL ESTATE HELD AS FINANCIAL INVESTMENT

Intangible assets comprise properties including buildings with a book value of € 12,793k (previous year: € 13,021k), which are not used for own purposes. The fair value of these properties, which has to be explained according to IAS 40, basically corresponds to the reported book values.

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

(19) INTANGIBLE ASSETS AND GOODWILL

In business year 2011 development costs in the amount of € 25,332k (previous year: € 20,535k) were capitalized. As of 31 December 2011 the item "intangible assets" comprised development costs with a book value of € 53,858k (previous year: € 46,324k). The depreciation period was set according to the expected useful life of five years. Moreover, as previous year, the intangible assets comprise the brand KTM with € 61,103k, set after the first-time consolidation of the group, with an indefinite useful life and thus subject to an annual impairment test.

in €k	Concessions, industrial property rights, similar rights, benefits as well as licenses derived from them	Customer base, brand value, self-provided intangible assets	Goodwill	Advanced payments	Total
2011					
Acquisition- and manufacturing costs					
As of 01/01/2011	23,545	228,709	207,563	0	459,817
Currency conversion	(121)	249	119	0	247
Additions/disposals due to changes of the consolidation scope	(6,990)	(3,746)	(3,754)	0	(14,490)
Additions	3,244	25,332	10	0	28,586
Transfers	1,380	365	0	0	1,745
Disposals	(259)	(309)	(27,363)	0	(27,931)
As of 31/12/2011	**20,799**	**250,600**	**176,575**	**0**	**447,974**
Cumulated depreciation					
As of 01/01/2011	15,788	108,266	47,358	0	171,412
Currency conversion	(70)	249	(12)	0	167
Additions/disposals due to changes of the consolidation scope	(2,491)	(2,905)	0	0	(5,396)
Additions	2,881	19,876	0	0	22,757
Transfers	(365)	365	0	0	0
Disposals	(256)	(309)	(24,519)	0	(25,084)
As of 31/12/2011	**15,487**	**125,542**	**22,827**	**0**	**163,856**
Book value as of 31/12/2011	5,312	125,058	153,748	0	284,118
Book value as of 31/12/2010	7,757	120,443	160,205	0	288,405
2010					
Acquisition- and manufacturing costs					
As of 01/01/2010	23,645	205,734	208,258	0	437,637
Currency conversio	442	46	393	0	881
Additions/disposals due to changes of the consolidation scope	(75)	1,291	(1,463)	0	(247)
Additions	1,946	20,618	389	56	23,009
Transfers	(1,476)	1,020	0	(56)	(512)
Disposals	(937)	0	(14)	0	(951)
As of 31/12/2010	**23,545**	**228,709**	**207,563**	**0**	**459,817**

in €k	Concessions, industrial property rights, similar rights, benefits as well as licenses derived from them	Customer base, brand value, self-provided intangible assets	Goodwill	Advanced payments	Total
Cumulated depreciation					
As of 01/01/2010	13,137	87,305	48,037	0	148,479
Currency conversion	129	10	23	0	162
Additions/disposals due to changes of the consolidation scope	(74)	1,291	(702)	0	515
Additions	3,509	19,660	0	0	23,169
Transfers	0	0	0	0	0
Disposals	(913)	0	0	0	(913)
As of 31/12/2010	**15,788**	**108,266**	**47,358**	**0**	**171,411**
Book value as of 31/12/2010	7,757	120,443	160,205	0	288,405
Book value as of 31/12/2009	10,508	118,429	160,221	0	289,158

The capitalized goodwill in the amount of € 153,748k (previous year: € 160,205k) is made up as follows:

in €k	31/12/2011	31/12/2010
KTM Power Sports AG	132,900	135,432
Pankl Group	19,888	19,594
WP Group	913	913
CROSS Immobilien AG	47	47
Wethje Group	0	2,043
Peguform Group	0	2,176
	153,748	**160,205**

The application of IAS 36 did not result in unscheduled impairment expenses or revaluation in the intangible assets and goodwill.

(20) GROUP EQUITY

The development of group equity in business year 2010 and business year 2011 is presented on page 40.

As of 31 December 2011 the share capital amounted to € 1,332k (previous year: € 1,332k) and was divided into 1,332,000 nominal shares with a nominal value of € 1.00 each.

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

The changes in value of derivate financial instruments from cash flow hedges are reported in the cash flow hedge reserve, which is included in the consolidated balance sheet in the reserves including consolidated balance sheet profits. As of 31 December 2011 the cash flow hedge reserve including the shares of non-controlling shareholders amounted to € –5,104k (previous year: € –13,649k).

Changes in value not affecting results of stocks and shareholdings of the category available-for-sale are reported in the available-for-sale reserve, which is included in the reserves under IAS 39. As of 31 December 2011 the available-for-sale reserve including shares of non-controlling shareholders amounted to € –201k (previous year: € –32k).

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

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

Capital Management

The aim of capital management is to maintain a strong capital basis so that an appropriate yield for the company's shareholders reflecting the company's risk situation can be further generated, the future development of the company ensured and also so that benefits for other stakeholders can be generated. Management views capital exclusively as book equity according to IFRS. As of the balance sheet date the equity ratio amounted to 37.4% (previous year: 20.4%).

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

(21) ACCOUNTS PAYABLE

Trade payables include construction contracts with a net debit balance towards customers in the amount of € 0k (previous year: € 21,873k).

Bonds

in €k	Currency	Issuing date	Nominal value	Term
CROSS Motorsport Systems AG	EUR	July 2008	75,000	5 years
CROSS Industries AG	EUR	December 2005	50,000	7 years
			125,000	
thereof short-term			50,000	

As of 31 December 2011 the CROSS Group held bonds of CROSS Motorsport Systems AG with a nominal value of € 11,020k. According to IFRS the nominal value of bonds held by the group is balanced with joint and several liability.

Financial Liabilities

in €k	31/12/2011	31/12/2010
Bank loans	108,131	399,380
Consortium loan	87,454	82,042
Finance lease obligations	2,180	37,235
ERP export acceptance credit from OeKB	17,000	13,000
ERP investment financing	6,613	10,650
Loans from the government's research promotion fund	4,651	4,265
	226,029	**546,572**
thereof remaining term up to 1 year	53,553	112,825
thereof remaining term 1 to 5 years	152,004	402,479
thereof remaining term over 5 years	20,472	31,268

Changes in liabilities towards banks can be mainly attributed to the withdrawal of the Peguform Group including the associated financing.

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 € 33,206k (previous year: € 7,167k) 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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Up to 1 year	741	13,159	708	11,114
2 to 5 year	1,583	22,718	1,472	18,820
Above 5 years	0	8,294	0	7,301
	2,324	**44,171**	**2,180**	**37,235**

Payments due to minimum lease payments recorded as expense (interest expense) in business year 2011 amounted to € 9k (previous year: € 2,326k). Expenses from finance lease agreements do not include any material, contingent rental payments.

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

Other short-term debts can be mainly broken down in personnel liabilities in the amount of € 11,799k (previous year: €31,676k), liabilities towards the financial authority in the amount of € 3,142k (previous year: € 19,221k) as well as liabilities from the accrual of interest in the amount of € 2,167k (previous year: € 2,438k). Other long-term debts include long-term provisions in the amount of € 946k (previous year: € 1,887k) as well as other long-term liabilities of € 7,927k (previous year: € 32,197k).

(20) CONTINGENCIES, LIEN RIGHTS AND LIABILITIES

In the CROSS Motorsport Group tangible assets in the amount of € 22,321k (previous year: € 27,376k), receivables in the amount of € 3,852k (previous year: € 1,967k) and inventories in the amount of € 0k (previous year: € 2,331k) are pledged for the collateralization of liabilities.

In CROSS Immobilien AG tangible assets in the amount of € 12,408k (previous year: € 12,408k) are pledged. Moreover, liabilities of CROSS Immobilien AG towards banks in the amount of € 9,748k (previous year: € 10,340k) are pledged by a general assignment of receivables from the current business activity.

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 € 86,153k (previous year: € 98,155k). These affect KTM Power Sports AG with 1,596,887 shares and Pankl Racing Systems AG with 1,771,683. Moreover, all shares of CROSS Immobilien AG are pledged.

In May 2004 KTM Group GmbH issued a corporate bond amounting to € 90m. It had a five-year term and an interest rate of 4.5%. The bond was settled in May 2009. The refinancing of the € 90,000k bond was part of a strategic funding concept with a banking consortium (led by Raiffeisen Zentralbank Österreich AG, Vienna) also used previously for turning short-term financing arrangements into long-term credit lines.

The financing concept expires on 31 May 2014.

With the beginning of the business year 2009/2010 the financial covenants were adopted to the current midterm-plan. The financial covenants were calculated on the basis of the current mid-term plan considering safety margins. If a key financial indicator deviates adversely on two successive quarter reporting dates, the bank consortium is technically entitled to demand repayment under the financing agreement described above. As of 31 December 2011 there were no negative deviations from the financial covenants. The refinancing conditions improved in business year 2011 because of the positive economic development.

As of 1 January 2011 the refinancing agreement was adjusted to reflect the changes in the global economic environment, thus reducing the interest margin. Financial covenants will be adjusted as of business year 2011 and in future calculated on a half-year basis (per 30 June and 31 December). A deviance on two consecutive reporting dates may result in a reduction respectively an increase of the future interest margin.

Under the above-mentioned refinancing agreement, the following has been pledged as security for the bank consortium (as of 31 December 2011):

Pledges
All shares of KTM-Sportmotorcycle AG, Mattighofen (15,868,000 shares) and shares held in trust by CROSS Industries AG, Wels (132,000 shares)
Shareholding in KTM Finance GmbH, Frauenfeld, Switzerland, corresponding to a fully paid in capital stock of € 12.5k
Shareholding in KTM Financial Services GmbH, Kiefersfelden, Germany, 25% of the shareholding corresponds to paid in capital stock of € 17.5k
Shareholding in KTM Technologies GmbH, Anif, 50.1% of the shareholding corresponds to paid in capital stock of € 60k
All national and international trademark rights owned by KTM-Sportmotorcycle AG, Mattighofen
Finished products at KTM-Sportmotorcycle AG, Mattighofen
Production and storage facilities including office furniture and equipment, the training center and reception building in Mattighofen

Guarantees
Province of Upper Austria guarantee amounting to € 33,600k for the € 42,000k loan to KTM Power Sports AG

Furthermore, in the framework of the above described refinancing, a conversion right has been considered that would enable the banking consortium to convert a part of the outstanding financial debt into primary shares of KTM Power Sports AG after three years at the earliest. Accordingly, the Management Board obtained the necessary approvals at the Annual General Meeting of 18 December 2009. In the present revised refinancing agreement, clauses regarding the conversion right were changed per 1 January 2011 as follows. The banking consortium allows CROSS Industries AG to collect receivables from the loan that is not collateralized by a liability assumed by the Province of Upper Austria through a unilateral redemption agreement to acquire the conversion right. Upon redemption CROSS Industries AG receives the conversion right. The period for redemption is 8 May 2012 at the earliest and 15 May 2014 at the latest.

Bank loans from group companies are secured by recorded mortgage deeds in the amount of € 14,047k and by recordable mortgage deeds in the amount of € 13,545k.

In the course of the sale of Wethje Group shares (see page 44f) a put option for all shares in both Wethje companies was concluded between CROSS Motorsport Systems AG and Forgu GmbH. Hence, Forgu GmbH can request CROSS Motorsport Systems AG to buy all shares in both Wethje companies at market value as of 1 January 2014 at the earliest.

In the course of the sale of a 80%-share in the Peguform Group (see page 44f) PF Beteiligungsverwaltungs GmbH (formerly: Peguform Bereiligungs GmbH) transferred guarantees in the amount of maximum 15% of the purchase price to the buyer.

From Unternehmens Invest AG's former shareholding in LIBRO AG there is a risk of losing the profit gained in 1999/2000 from the sale of LIBRO AG shares to a strategic investor due to criminal proceedings instituted against former members of the Management Board. Unternehmens Invest AG may be liable for compensation damages to subscribers of new shares from the capital increase in November 1999 in case of their conviction by means of levying or payback of the purchase price. On 14 October 2009 the Prosecutor's Office of Wiener Neustadt brought charges against the Management Board of LIBRO AG, Mr. Kurt Stiassny, Mr. Christian Nowotny and Mr. Bernhard Huppmann.

From today's point of view no statement can be made whether – based on the above mentioned facts – the company will actually be held liable. This assessment is now being significantly supported by the acquittals of 21 June 2011 as well as the statements of the court of first instance and the evidence from the main hearing, which is favorable for the company also from the viewpoint of civil liability and only possible to appeal against at the appeal procedure to a limited extent. In case the Prosecutor's Office Wiener Neustadt does not execute the appeal for nullity filed against the acquittals, this would imply a validation of the present assessments. A clarification of this matter can be expected by mid-2012. If the Prosecutor's Office executes the appeal for nullity filed against the acquittals, the present assessment will have to be evaluated on the basis of the course and results of the appeal procedure, whereas a completion of the appeal procedure can be expected only in the course of 2013. Together with competent advisers the Management Board of Unternehmens Invest AG will continue putting all efforts to continuously evaluate the assessment of risks that was made from today's perspective regarding the company's liability on the basis of the development of the proceedings.

A part of the purchase price claim from the sale of UIAG shares in the amount of € 10,000k is only due after the legally binding acquittal in the pending criminal proceedings. Should it become clear that claims of third parties towards Unternehmens Invest AG exist from the formerly interest of Unternehmens Invest AG in LIBRO AG, the share purchase agreement of 23 December 2009 entitles the buyers to exercise a withdrawal right until 31 December 2014. With a supplement to the share purchase agreement of 23 December 2009, which was concluded on 26 April 2010 it was resolved to replace the right to withdrawal with a reduction of the purchase price. Thus, in case claims of third parties towards Unternehmens Invest AG from the former interest of Unternehmens Invest AG in LIBRO AG exist, the buying parties are no longer entitled to a withdrawal, instead the obligation to pay the second part of the purchase price in the amount of € 10,000k is cancelled. Pursuant to an agreement of 22 December 2011 the previously mentioned purchase price claim has become due and was set off against counterclaims of the buying parties. In case claims of third parties from the formerly interest of Unternehmens Invest AG in LIBRO AG against Unternehmens Invest AG can be asserted, the buying parties are entitled to purchase price reductions or claims for restitution towards the company in the amount of € 10,000k.

(23) 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 2011 a total amount of € 4,909k (previous year: € 6,373k) for provisions for guarantees and gestures of goodwill was balanced.

During the business year provisions have developed as follows:

in €k	As of 01/01/2011	Currency conversion	Additions	Changes in the scope of consolidation	Disposals	Use	Reclassifications	As of 31/12/2011
Short-term provisions for								
Guarantees	5,641	(6)	4,147	(1,694)	0	(4,022)	0	4,066
Onerous contracts	3,624	0	229	(640)	(2,649)	(335)	(94)	135
Restructuring measurements	1,289	(1)	33	0	0	(1,289)	94	126
Litigation costs	282	(5)	415	421	0	(696)	0	417
Others	3,303	(71)	493	(390)	(1,844)	(891)	0	600
	14,139	**(83)**	**5,317**	**(2,303)**	**(4,493)**	**(7,233)**	**0**	**5,344**
Long-term provisions for								
Guarantees	732	0	500	0	(302)	(87)	0	843
Others	1,155	(45)	171	(436)	(366)	(376)	0	103
	1,887	**(45)**	**671**	**(436)**	**(668)**	**(463)**	**0**	**946**

(24) SOCIAL CAPITAL OBLIGATIONS

Social capital obligations include provisions for:

in €k	31/12/2011	31/12/2010
Severance pay	9,205	7,999
Anniversary bonus	964	2,030
Retirement pay	2	3,516
	10,171	**13,545**

During the business year social capital obligations developed as follows:

in €k	31/12/2011	31/12/2010
Projected benefit obligation		
As of 01/01	13,840	12,484
Service cost	688	460
Interest expenses	441	309
Payments made	(335)	(688)
Accrued profit/loss	297	466
Changes in the scope of consolidation	(4,536)	809
As of 31/12	10,395	13,840

in €k	31/12/2011	31/12/2010
Projected benefit obligation as of 31/12 (continuation)	**10,395**	**13,840**
Plan assets		
As of 01/01	295	90
Payments made	7	3
Expected income	0	3
Additions from merger	0	199
Changes in the scope of consolidation	(78)	0
As of 31/12	**224**	**295**
Net debt (projected benefit obligation minus plan assets)	**10,171**	**13,545**

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

in €k	31/12/2011	31/12/2010
Projected benefit obligation covered by plan assets (gross)	224	926
Market value of plan assets	224	295
Projected benefit obligation covered by plan assets (net)	**0**	**631**
Projected benefit obligation not covered by plan assets	10,171	12,914
Total projected benefit obligations	**10,171**	**13,545**

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

in €k	31/12/2011	31/12/2010
Service expenses	688	460
Interest expenses	441	309
Accrued profit/loss	297	466
Expected income	0	3
	1,426	**1,238**

The valuation of obligations is subject to the following assumptions:

	31/12/2011	31/12/2010
Interest rate	5.00%	4.75%
Wages and salary trend	3.00%	3.00%
Pension age for women/men (with transition rule)	65 years	65 years

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

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

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

Expenses for contribution-defined pension schemes mainly affect the employee provision fund in Austria and amount to € 498k.

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

in €k	30/09/2008	30/09/2009	31/12/2009	31/12/2010	31/12/2011
Value of the obligations	26,935	15,726	12,394	13,545	10,171

IV. OTHER EXPLANATIONS

(25) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Basis

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

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

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

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

Book values, fair values and net result of the financial instruments

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

in €k	Book value	Fair value	Amount stated acc. to IAS 39				Amount stated acc. to IAS 17
			Continued acquisition costs	Acquisition costs	Fair value affecting net income	Fair value not affecting net income	
31/12/2011							
Loans and Receivables	114,461	114,461					
Cash and cash equivalents	28,297	28,297	✔	–	–	–	–
Trade receivables	71,844	71,844	✔	–	–	–	–
Receivables towards affiliated companies	779	779	✔	–	–	–	–
Other financial receivables (short- and long-term)	11,398	11,398	✔	–	–	–	–
Financial assets – loans	2,143	2,143	✔	–	–	–	–

in €k	Book value	Fair value	Amount stated acc. to IAS 39 Continued acquisition costs	Acquisition costs	Fair value affecting net income	Fair value not affecting net income	Amount stated acc. to IAS 17
Financial Assets Held-to-Maturity	**525**	**525**					
Financial assets – capital asset stocks (Held-to-Maturity)	525	525	✔	–	–	–	–
Financial Assets at Fair Value through Profit or Loss	**0**	**0**					
Other short-term assets – stocks (trading)	0	0	–	–	✔	–	–
Financial Assets Available-for-Sale	**46,953**	**46,953**					
Financial assets – holdings in affiliated companies	9,825	9,825	–	✔	–	–	–
Financial assets – holdings	37,128	37,128	–	✔	–	–	–
Other short-term assets – stocks	0	0	–	–	–	✔	–
Others	**725**	**725**					
Other short-term assets – derivates with positive market value (fair value hedge)	359	359	–	–	✔	–	–
Other short-term assets – derivates with positive market value (cash flow hedge)	366	366	–	–	–	✔	–
	162,664	**162,664**					
31/12/2010							
Loans and Receivables	**339,201**	**339,254**					
Cash and cash equivalents	66,150	66,150	✔	–	–	–	–
Trade receivables	250,512	250,512	✔	–	–	–	–
Receivables towards affiliated companies	1,220	1,220	✔	–	–	–	–
Other financial receivables (short- and long-term)	18,898	18,951	✔	–	–	–	–
Financial assets – loans	2,421	2,421	✔	–	–	–	–

in €k	Book value	Fair value	Amount stated acc. to IAS 39				Amount stated acc. to IAS 17
			Continued acquisition costs	Acquisition costs	Fair value affecting net income	Fair value not affecting net income	
Financial Assets Held-to-Maturity	0	0					
Financial assets – capital asset stocks (Held-to-Maturity)	0	0	✔	–	–	–	–
Financial Assets at Fair Value through Profit or Loss	1,091	1,091					
Other short-term assets – stocks (trading)	1,091	1,091	–	–	✔	–	–
Financial Assets Available-for-Sale	11,899	11,899					
Financial assets – holdings in affiliated companies	8,807	8,807	–	✔	–	–	–
Financial assets – holdings	2,001	2,001	–	✔	–	–	–
Other short-term assets – stocks	1,091	1,091	–	–	–	✔	–
Others	886	886					
Other short-term assets – derivates with positive market value (fair value hedge)	128	128	–	–	✔	–	–
Other short-term assets – derivates with positive market value (cash flow hedge)	758	758	–	–	–	✔	–
	353,077	353,130					

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

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

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

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

in €k	Book value	Fair value	Amount stated acc. to IAS 39				Amount stated acc. to IAS 17
			Continued acquisition costs	Acquisition costs	Fair value affecting net income	Fair value not affecting net income	
31/12/2010							
Financial Liabilities at Amortized Cost	948,354	968,031					
Liabilities towards banks	509,337	516,832	✔	–	–	–	–
Trade liabilities	212,799	212,799	✔	–	–	–	–
Financial liabilities towards affiliated companies	3,599	3,599	✔	–	–	–	–
Bonds	122,768	133,650	✔	–	–	–	–
Other financial liabilities (short- and long-term)	99,851	101,151	✔	–	–	–	–
Financial Liabilities at Fair Value through Profit or Loss	310	310					
Other financial liabilities – derivates with negative market value (trading)	310	310	–	–	✔	–	–
Others	56,966	56,966					
Liabilities finance lease	37,235	37,235	–	–	–	–	✔
Other financial liabilities – derivates with negative market value (fair value hedge)	3,658	3,658	–	–	✔	–	–
Other financial liabilities – derivates with negative market value (cash flow hedge)	16,073	16,073	–	–	–	✔	–
	1,005,630	1,025,307					

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

Classification of financial instruments by valuation method

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

in €k	Level 1	Level 2	Level 3	Total
31/12/2011				
Financial assets				
Stocks	0	525	0	**525**
Derivative financial instruments	0	725	0	**725**
Financial liabilities				
Derivative financial instruments	0	6,679	0	**6,679**
31/12/2010				
Financial assets				
Stocks	2,182	0	0	**2,182**
Derivative financial instruments	0	886	0	**886**
Financial liabilities				
Derivative financial instruments	0	20,041	0	**20,041**

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

in €k	From interest	From subsequent valuation at fair value	From value adjustment	From disposal result	Net result (total)
2011					
Loans and Receivables	1,195	0	(673)	561	1,083
Available-for-Sale	0	202	(117)	66	151
At Fair Value through Profit or Loss (fair value option)	0	0	0	4,645	4,645
At Fair Value through Profit or Loss (trading)	4	(2,689)	0	0	(2,685)
Financial Liabilities at Amortized Cost	(20,121)	0	0	0	(20,121)
	(18,922)	**(2,487)**	**(790)**	**5,272**	**(16,927)**
2010					
Loans and Receivables	2,642	0	(1,878)	(564)	200
Available-for-Sale	0	(39)	0	0	(39)
At Fair Value through Profit or Loss	11	(1,163)	0	(245)	(1,397)
Financial Liabilities at Amortized Cost	(43,413)	19,840	0	0	(23,573)
	(40,760)	**18,638**	**(1,878)**	**(809)**	**(24,809)**

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

Financial risk management

Principles of financial risk management

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

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

Currency risks

As a global corporation, the CROSS Group is also affected by general economic conditions, such as changes in monetary parities or developments on the world's financial markets. The exchange rate trends for the US dollar in particular, which represents the highest individual foreign exchange risk for the KTM Group, play a significant role in the company's sales and earnings performance. In the business year 2011 23% of the revenue (previous year: 24%) 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 2012 the US dollar-business was hedged at a rate between 1.30 and 1.39 EUR/USD.

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

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

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

Sensitivity analyses were carried out for the currency risks involved in financial instruments that show the impact of hypothetical changes in exchange rates on earnings (after tax) and equity. The balances affected at the balance sheet date as well as the planned purchases and sales in foreign currencies in 2012 were taken as basis. It was assumed for the analysis that the risk on the balance sheet date basically represents the risk during the business year. The group tax rate used was 25%. In addition, the analysis was also based on the assumption that all other variables, especially interest rates, remain constant. Included in the analysis were currency risks for financial instruments that are denominated in a currency deviating from the functional one and of a monetary nature. Currency risks from euro items in subsidiaries whose functional currency deviates from the euro were added to the currency risk for the functional currency of the relevant subsidiary. Risks involved in foreign currency items not in euros were aggregated at group level. Exchange rates differences resulting from converting financial statements into the group currency are not taken into account.

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

in €k	Revaluation by 10%		Devaluation by 10%	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Change of the result (after taxes)	(2,846)	(1,762)	3,393	2,098
Change of the currency-related cash flow hedge provision	4,656	11,568	(5,722)	(13,868)
Change of equity	**1,810**	**9,806**	**(2,329)**	**(11,770)**

Interest rate risks

The financial instruments primarily have variable interest rates both on the asset and liability side. As a result, the risk lies in rising expense interest rates and falling income interest rates due to an adverse change in the market interest rates. The risk is observed by a constant monitoring of the money and capital markets as well as by the implementation of fixed interest rate payer swaps.

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

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

in €k	Increase by 50 basic points		Decrease by 50 basic points	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Change of the result (after taxes)	(480)	(1,135)	480	1,135
Change of the interest-related cash flow hedge provision	1,203	0	(1,260)	0
Change of equity	**723**	**(1,135)**	**(780)**	**1,135**

Other market price risks

In addition to currency and interest rate risks, the CROSS Group is also exposed to other price risks that, as a whole, are however of lesser importance to the group.

Default risks (credit risks)

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

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

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

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

The default risk involved in receivables from customers can be considered low, as the risk rating of new and existing customers is checked regularly and security is demanded.

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

On the asset side, the amounts shown represent the maximum default risk. Apart from the agreement described in item (22) of the notes to the consolidated financial statements, there are no other general offsetting agreements.

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

in €k	Book value	Thereof: As of the reporting date neither impaired nor overdue	Thereof: As of the reporting date not impaired and due in the following periods of time				Thereof impaired
			Up to 30 days	30 to 60 days	60 to 90 days	More than 90 days	
31/12/2011							
Trade receivables	71,844	49,270	5,776	3,114	5,127	4,878	3,679
Receivables towards affiliated companies	779	779	0	0	0	0	0
Other financial receivables (short- and long-term)	11,398	11,000	266	0	0	28	104
Financial assets – loans	2,143	2,143	0	0	0	0	0
	86,164	**63,192**	**6,042**	**3,114**	**5,127**	**4,906**	**3,783**
31/12/2010							
Trade receivables	250,512	213,764	16,695	4,691	6,676	2,179	6,507
Receivables towards affiliated companies	1,220	20	0	0	0	0	1,200
Other financial receivables (short- and long-term)	18,898	18,732	2	0	0	146	18
Financial assets – loans	2,421	2,421	0	0	0	0	0
	273,051	**234,937**	**16,697**	**4,691**	**6,676**	**2,325**	**7,725**

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

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

Liquidity risks

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

In the framework of a strategic financing concept with a banking consortium financial covenants were agreed upon by the KTM Group. The financial covenants were determined based on the current medium-term planning taking into account a safety margin. An adverse deviation from one of the financial covenants on two consecutive quarterly key dates, would in principle entitle the banks to call for debt repayment. Liquidity risks are, in particular, that receipt of payments from sales turn out to be below assumptions as a result of a decline in demand and that planned measures toward working capital optimization as well as fixed costs reduction are insufficiently implemented or else with delay.

In view of the global financial crisis, which has also had an immediate effect on the commercial banks used by the group, securing short and medium-term liquidity is top priority. Moreover we refer to item II (Principles of accounting and balancing and valuation methods) in the notes to the consolidated financial statements.

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

in €k	Book value	Remaining lifetime		
		Up to 1 year	1 to 5 years	More than 5 years
31/12/2011				
Financial Liabilities at Amortized Cost	**453,419**	**213,459**	**219,393**	**20,567**
Liabilities towards banks	223,849	52,845	150,532	20,472
Trade liabilities	73,853	73,853	0	0
Liabilities towards affiliated companies	5,601	5,567	34	0
Bonds	113,713	49,945	63,768	0
Other financial liabilities (short- and long-term)	36,403	31,249	5,059	95
Financial Liabilities at Fair Value through Profit or Loss	**0**	**0**	**0**	**0**
Other financial liabilities – derivates with negative market value (trading)	0	0	0	0
Others	**8,859**	**7,238**	**1,621**	**0**
Liabilities finance lease	2,180	708	1,472	0
Other financial liabilities – derivates with negative market value (fair value hedge)	2,024	2,024	0	0
Other financial liabilities – derivates with negative market value (cash flow hedge)	4,655	4,506	149	0
	462,278	**220,697**	**221,014**	**20,567**
31/12/2010				
Financial Liabilities at Amortized Cost	**948,354**	**386,609**	**533,667**	**28,078**
Liabilities towards banks	509,337	101,711	383,649	23,977
Trade liabilities	212,799	212,799	0	0
Liabilities towards affiliated companies	3,599	3,424	175	0
Bonds	122,768		122,768	0
Other financial liabilities (short- and long-term)	99,851	68,675	27,075	4,101
Financial Liabilities at Fair Value through Profit or Loss	**310**	**310**	**0**	**0**
Other financial liabilities – derivates with negative market value (trading)	310	310	0	0
Others	**56,966**	**30,845**	**18,830**	**7,291**
Liabilities finance lease	37,235	11,114	18,830	7,291
Other financial liabilities – derivates with negative market value (fair value hedge)	3,658	3,658	0	0
Other financial liabilities – derivates with negative market value (cash flow hedge)	16,073	16,073	0	0
	1,005,630	**417,764**	**552,497**	**35,369**

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

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

in €k	Book value	Cash flows 2011			Cash flows 2012 to 2015			Cash flows from 2016		
		Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion	Interest fixed	Interest variable	Redemp-tion
31/12/2010										
Financial Liabilities at Amortized Cost	948,354	17,218	14,486	386,609	24,134	18,287	533,667	247	1,271	28,078
Liabilities towards banks	509,337	9,298	14,441	101,711	10,484	18,172	383,649	247	1,271	23,977
Trade liabilities	212,799	0	0	212,799	0	0	0	0	0	0
Liabilities towards affiliated companies	3,599	0	0	3,424	0	0	175	0	0	0
Bonds	122,768	6,906	0	0	9,297	0	122,768	0	0	0
Other financial liabilities (short- and long-term)	99,851	1,014	45	68,675	4,353	115	27,075	0	0	4,101
Financial Liabilities at Fair Value through Profit or Loss	310	0	0	310	0	0	0	0	0	0
Other financial liabilities – derivates with negative market value (trading)	310	0	0	310	0	0	0	0	0	0
Others	56,966	1,994	76	30,845	3,841	57	18,830	993	0	7,291
Liabilities finance lease	37,235	1,994	76	11,114	3,841	57	18,830	993	0	7,291
Other financial liabilities – derivates with negative market value (fair value hedge)	3,658	0	0	3,658	0	0	0	0	0	0
Other financial liabilities – derivates with negative market value (cash flow hedge)	16,073	0	0	16,073	0	0	0	0	0	0
	1,005,630	19,212	14,562	417,764	27,975	18,344	552,497	1,240	1,271	35,369

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

Derivate und hedging

The following table shows the nominal and balanced fair values of derivate financial instruments. Thereby a distinction is made whether they are integrated in effective hedging relationship according to IAS 39 (fair value hedge and cash flow hedge) or not.

in €k	31/12/2011				31/12/2010			
	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
Cross currency swap								
EUR/CHF	0	0	0	0	1,050	(310)	(310)	0
Forward exchange dealing								
USD	60,000	(2,613)	(2,613)	0	124,000	(7,000)	(7,000)	0
AUD	0	0	0	0	62,457	(6,351)	(6,351)	0
CHF	0	0	0	0	5,950	(793)	(793)	0
JPY	220,000	174	174	0	0	0	0	0
CAD	17,930	(353)	(353)	0	12,530	(302)	(302)	0
GBP	21,020	(734)	(734)	0	11,870	149	149	0
SEK	79,000	(144)	(144)	0	80,600	(313)	(313)	0
NZD	2,350	(92)	(92)	0	2,228	(372)	(372)	0
DKK	8,200	0	0	0	0	0	0	0
CZK	63,000	149	149	0	39,780	0	0	0
HUF	91,000	41	41	0	234,460	(20)	(20)	0
ZAR	81,100	330	330	0	104,605	(3,843)	(3,843)	0
Interest swaps								
	91,000	(2,714)	0	91,000	56,000	51	0	0

In order to hedge foreign currency receivables and liabilities against the risk of currency rate fluctuations, the companies of the CROSS Group have concluded currency derivates (forward rate agreements) and applied them in the course of fair value hedge relations as a hedging instrument.

The derivative instruments (interest swaps, cross currency interest rate swaps) are used as hedging instruments in the course of cash flow hedge relations. In addition, derivative instruments are used to provide security against fluctuations in future cash flows from recognized foreign currency liabilities, which are subject to uncertainty as a result of exchange rate and interest rate fluctuations.

In business year 2011 the group used call and put options at the same nominal value, maturity and exchange rate for USD, qualified as hedging instruments in accordance with IAS 39, whose changes in market value upon fair value hedge are recognized in the groups' income statement and upon cash flow hedge until realization of the underlying transaction are recognized in the groups' equity. The forward exchange transactions are concluded mainly in order to hedge future planned revenues and material costs in foreign currencies against foreign currency fluctuations.

In order to hedge interest risks, interest caps (micro hedges) were concluded, which can be immediately related to bank liabilities.

The table below shows the agreed due dates for payments (nominal values) from the cash flow hedges, i. e. when the underlying transactions affect net income:

in €k	Expected payment within 6 months	Expected payment in more than 6 months	Total
2011			
Forward exchange dealing and currency swap	57,385	47,608	104,993
Interest swaps	228	228	456
	57,613	**47,836**	**105,449**
2010			
Forward exchange dealing and currency swap	151,120	49,063	200,183
Interest swaps	0	0	0
	151,120	**49,063**	**200,183**

(26) OPERATING LEASE AGREEMENTS

CROSS as lessee

In addition to the finance lease agreements, there are rental and lease agreements in the KTM 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 2011 payments from lease payments (lease or rent expenses) from operating leasing relations recorded as expenses amounted to € 9,003k (previous year: € 18,310k).

The use of lease assets not reported under tangible assets (mostly rent for parts distribution center, CNC machinery, vehicles and computer equipment) entails obligations to third parties totaling € 50,573k (previous year: € 64,192k) that are payable as follows:

in €k	31/12/2011	31/12/2010
Up to 1 year	11,242	13,643
2 to 5 years	38,611	44,542
More than 5 years	720	5,957
	50,573	**64,142**

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

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

CROSS as lessor

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

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

in €k	31/12/2011	31/12/2010
Up to 1 year	831	1,020
2 to 5 years	5,168	3,709
More than 5 years	851	2,307
	6,850	**7,036**

In business year 2011 leasing agreements from operating leasing relations amounted to € 734k (previous year: € 830k).

(27) SEGMENT REPORTING

The business segments of the CROSS Group comprise power sports products of KTM Power Sports AG (road and off-road motorcycles, Sportminicycles, ATV, the KTM sports car X-Bow as well as spare parts and equipment) and the high performance component segment of the CROSS Motorsport Systems AG Group. Until 30 September 2011 the segment automotive included mainly the automobile supplier Peguform GmbH. The segment others include CROSS Industries AG, Durmont Teppichbodenfabrik GmbH as well as all other holding companies.

in €k	KTM Power Sports products	High performance components	Others	Consoli-dation	Group – continued operations	Discontinued operations (Automotive)
2011						
Revenue	526,801	175,864	27,731	(51,770)	678,626	1,226,319
thereof inner-group	201	43,239	8,330	(51,770)	0	0
EBIT	31,009	6,535	1,369	6	38,919	5,370
Interest expenses	(10,000)	(7,201)	(6,160)	1,944	(21,417)	(14,254)
Interest income	768	1,601	1,116	(1,944)	1,541	715
Assets	485,777	203,739	456,755	(327,823)	818,448	0
Liabilities	266,000	159,599	125,077	(38,257)	512,419	0
Investments	37,702	9,728	5,985	0	53,415	43,719
Depreciation	33,369	12,042	1,173	0	46,584	33,021
thereof unscheduled	0	0	0	0	0	0
2010						
Revenue	480,928	136,332	22,387	(49,566)	590,081	1,368,619
thereof inner-group	687	33,413	15,466	(49,566)	0	404
EBIT	23,974	4,480	(2,359)	158	26,253	21,923
Interest expenses	(13,849)	(7,228)	(10,666)	6,588	(25,155)	(20,708)
Interest income	1,126	1,733	5,396	(6,588)	1,667	625
Assets	445,322	211,881	795,688	(703,949)	748,942	684,220
Liabilities	268,537	168,999	291,954	(79,513)	649,977	490,586
Investments	29,596	6,981	2,403	0	38,980	63,583
Depreciation	34,525	13,074	1,378	0	48,977	90,832
thereof unscheduled	0	0	0	0	0	44,792

Regions

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

in €k	Europe		North America		Others	
	2011	2010	2011	2010	2011	2010
External sales	445,087	384,065	136,524	128,509	96,893	77,507

(28) EVENTS AFTER THE BALANCE SHEET DATE

The KTM Group aimed at manufacturing motorcycles with an engine size of over 450cc in Brazil together with a partner in the framework of a joint venture. In the current business year 2012 this business partner however claimed cancellation of the joint venture. For the risks recognizable at the time the balance sheet was prepared, appropriate provisions were made in the consolidated financial statements as of 31 December 2011.

KTM Power Sports AG is planning the issue of a new bond, subject to the approval of the prospectus by the financial market authority, which is expected for 30 March 2012. The bond shall have a total volume of € 75,000k, a term of five years and a denomination of € 500. The partial debentures will be subject to a fixed interest rate. Interest is payable on a half-year basis. The underwriting revenue shall be exclusively used for the partly, premature redemption of a bank loan and bank credit granted to group companies.

Until the end of March 2012 the shareholders (Unternehmens Invest AG, Pierer GmbH) granted CROSS Industries AG a subordinated loan in the amount of € 10,000, which was granted in correspondence with their holding amount.

At the time the balance sheet was prepared CROSS Industries AG and CROSS Motorsport Systems AG were immediately before concluding a new, long-term financing. Regarding this matter we refer to item II (Principles of accounting and balancing and valuation methods) in the notes to the consolidated financial statement.

Further events after 31 December 2011, which are material for the valuation of assets and liabilities, have been either considered in the present financial statements or not known.

(29) BUSINESS RELATIONS TO AFFILIATED COMPANIES AND PERSONS

50.30% of shares of CROSS Industries AG, Wels are held by Pierer Invest Beteiligungs GmbH (formerly: KP Invest Beteiligungs GmbH), Wels, 24.92% by Unternehmens Invest AG and 24.78% by Pierer GmbH, Wels. Pierer GmbH, Wels and Knünz GmbH, Dornbirn hold 50.00% respecively of Pierer Invest Beteiligungs GmbH, Wels (formerly: KP Invest Beteiligungs GmbH). Mr. Stefan Pierer is the sole shareholder and Chief Executive of Pierer GmbH. Sole shareholder and Chief Executive of Knünz GmbH, Dornbirn is Mr. Rudolf Knünz.

In business year 2011 no dividends were paid to shareholders.

Mr. Stefan Pierer holds the following positions in the CROSS Group:

- Chairman of CROSS Industries AG, Wels
- Chairman of KTM Power Sports AG, Mattighofen
- Chairman of KTM-Sportmotorcycle AG, Mattighofen
- Chief Executive of PF Beteiligungsverwaltungs GmbH (formerly: Peguform Beteiligungs GmbH), Wels
- Chief Executive of CROSS Informatik GmbH, Wels (from 12 March 2011)

– Chief Executive of CROSS Services GmbH, Ursensollen, Germany (in liquidation)
– Chairman of the Supervisory Board of CROSS Immobilien AG, Wels
– Chairman of the Supervisory Board of CROSS Motorsport Systems AG, Wels
– Chairman of the Supervisory Board of Pankl Racing Systems AG, Bruck upon Mur
– Chairman of the Supervisory Board of BRAIN FORCE HOLDING AG, Vienna
– Member of the Supervisory Board of Peguform GmbH, Bötzingen, Germany
– Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels
– Member of the Supervisory Board of BEKO HOLDING AG, Nöhagen (until 11 March 2011)

Mr. Rudolf Knünz holds the following positions in the CROSS Industries AG Group:
– Chairman of the Supervisory Board of CROSS Industries AG, Wels
– Chairman of the Supervisory Board of KTM Power Sports AG, Mattighofen
– Chairman of the Supervisory Board of KTM-Sportmotorcycle AG, Mattighofen
– Deputy Chairman of the Supervisory Board of CROSS Immobilien AG, Wels
– Deputy Chairman of the Supervisory Board of CROSS Motorsport Systems AG, Wels
– Deputy Chairman of the Supervisory Board of Pankl Racing Systems AG, Bruck upon der Mur
– Chairman of the Supervisory Board of BEKO HOLDING AG, Nöhagen (until 11 March 2011)
– Member of the Supervisory Board of Peguform GmbH, Bötzingen, Germany (until 23 November 2011)

Mr. Gerald Kiska is member of the Supervisory Board of CROSS Industries AG, Wels and Chief Executive of Kiska GmbH, Anif/Salzburg. Kiska GmbH, Anif/Salzburg provided consulting services for the group, which were made use of at general market conditions.

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
Shareholder	47	2,543	1,577	6,922
Associated company	1,833	104	855	826
Other affiliated companies	3,332	6,386	6,323	26,102
Other affiliated persons	0	0	0	78
	5,212	**9,033**	**8,755**	**33,928**

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

(30) EQUITY HOLDINGS AS OF 31 DECEMBER 2011

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).

(31) BODIES OF CROSS INDUSTRIES AG

In business year 2011 the following members were appointed to the **Supervisory Board**:

- Rudolf Knünz (Chairman)
- Josef Blazicek
- Manfred De Bock
- Gerald Kiska

In business year 2011 the following, collectively authorized members were appointed to the **Management Board**:

- Stefan Pierer (Chairman)
- Friedrich Roithner
- Alfred Hörtenhuber
- Klaus Rinnerberger

Wels, 29 March 2012

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

Company	Initial consolidation date	Participation	Type of consolidation
CROSS Immobilien AG, Wels	30/04/2005	76.00%	FC
Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft, Wels	–	24.55%	IE
CI Holding GmbH, Wels	30/09/2010	100.00%	FC
CROSS Services GmbH, Ursensollen, Germany[1]	–	100.00%	NC
CROSS Automotive Holding GmbH, Wels	30/06/2010	100.00%	FC
CROSS Automotive Beteiligungs GmbH, Wels	30/06/2010	100.00%	FC
Durmont Teppichbodenfabrik GmbH, Hartberg	31/07/2011	100.00%	FC
PF Beteiligungsverwaltungs GmbH, Wels (formerly: Peguform Beteiligungs GmbH)	31/12/2009	100.00%	FC
Peguform GmbH, Bötzingen, Germany	–	20.00%	NCA
Peguform Iberica S.L., Polinyà, Spain	–	20.00%	NCA
CROSS Lightweight Technologies Holding GmbH, Wels	31/07/2011	100.00%	FC
Wethje Carbon Composite GmbH, Hengersberg, Germany	–	50.00%	IEA
Wethje-Entwicklungs GmbH, Vilshofen-Pleinting, Germany	–	50.00%	IEA
CROSS Informatik GmbH, Wels	–	50.00%	IE
KTM Group			
KTM Power Sports AG, Mattighofen	31/05/2005	50.24%	FC
KTM-Sportcar Sales GmbH, Mattighofen	31/05/2005	50.24%	FC
KTM-Sportmotorcycle AG, Mattighofen	31/05/2005	50.24%	FC
KTM Dealer & Financial Services GmbH, Mattighofen	31/03/2011	50.24%	FC
KTM Immobilien GmbH, Wels	31/12/2010	50.50%	FC
KTM Wien GmbH, Vienna	–	50.24%	NC
KTM North America, Inc., Amherst, Ohio, USA	31/05/2005	50.24%	FCA
KTM-Motorsports Inc., Amherst, Ohio, USA	31/05/2005	50.24%	FCA
KTM-Sportmotorcycle Japan K.K., Tokyo, Japan	31/05/2005	50.24%	FCA
KTM-Racing AG, Frauenfeld, Switzerland	31/05/2005	50.24%	FCA
KTM Events & Travel Service AG, Frauenfeld, Switzerland	01/09/2006	50.24%	FCA
KTM Motorcycles S.A. Pty. Ltd., Paulshof, South Africa	01/03/2009	50.24%	FCA
KTM-Sportmotorcycle Mexico C.V. de S.A., Nuevo León, Mexico	01/06/2009	50.24%	FCA
KTM South East Europe S.A., Elefsina, Greece (formerly: KTM Hellas SA)	01/11/2010	50.24%	FCA
KTM Technologies GmbH, Anif	01/10/2008	50.27%	FC
KTM-Sportmotorcycle GmbH, Ursensollen, Germany	–	50.24%	IEA
KTM Switzerland Ltd, Frauenfeld, Switzerland	–	50.24%	IEA
KTM-Sportmotorcycle UK Ltd., Brackley, Great Britain	–	50.24%	IEA
KTM-Sportmotorcycle Espana S.L., Terrassa, Spain	–	50.24%	IEA
KTM-Sportmotorcycle France SAS, Lyon, France	–	50.24%	IEA
KTM-Sportmotorcycle Italia s.r.l., Gorle, Italy	–	50.24%	IEA
KTM-Sportmotorcycle Nederland B.V., Malden, Netherlands	–	50.24%	IEA
KTM-Sportmotorcycle Scandinavia AB, Örebro, Sweden	–	50.24%	IEA

[1] In liquidation

Company	Initial consolidation date	Participation	Type of consolidation
KTM-Sportmotorcycle Belgium S.A., Wavre, Belgium	–	50.24%	IEA
KTM Canada Inc., St. Bruno, Canada	–	50.24%	IEA
KTM Hungária Kft., Törökbálint, Hungary	–	50.24%	IEA
KTM Nordic Oy, Vantaa, Finland	–	50.24%	IEA
KTM Sportmotorcycle d.o.o., Marburg, Slovenia	–	50.24%	IEA
KTM Central East Europe s.r.o., Bratislava, Slovakia	–	50.24%	IEA
KTM-Österreich Vertriebs GmbH, Mattighofen	–	50.24%	IE
KTM do Brasil, São Paulo, Brazil	–	50.24%	NCA
KTM Czech Republic s.r.o., Pilsen, Czech Republic	–	50.24%	IEA
KTM-Sportcar Australia Pty Ltd., Perth, Australia	–	50.24%	NCA
KTM Finance GmbH, Frauenfeld, Switzerland	–	50.24%	NCA
Other shareholdings			
KTM Regensburg GmbH, Regensburg, Germany	–	13.06%	IEA
KTM New Zealand Ltd., Auckland, New Zealand	–	13.06%	IEA
KTM Braumandl GmbH, Wels	–	13.06%	NC
KTM MIDDLE EAST AL SHAFAR LCC, Dubai, United Arab Emirates	–	12.56%	NCA
KTM Financial Services GmbH, Kiefersfelden, Germany	–	12.56%	NCA
Project MOTO Rütter & Holte GmbH, Oberhausen, Germany	–	13.06%	NCA
Kiska GmbH, Anif	–	12.51%	NC
MX-KTM Kini GmbH, Wiesing	–	13.06%	NC
CROSS Motorsport Group			
CROSS Motorsport Systems AG, Wels	30/06/2005	100.00%	FC
Pankl Group[1]			
Pankl Racing Systems AG, Bruck upon Mur	01/01/2008	57.59%	FC
Pankl Engine Systems GmbH & Co KG, Bruck upon Mur	01/01/2008	57.59%	FC
Pankl Drivetrain Systems GmbH & Co KG, Kapfenberg	01/01/2008	57.59%	FC
Pankl Racing Systems UK Ltd., Bicester, Great Britain	01/01/2008	57.59%	FCA
Pankl Holdings, Inc., Carson City, Nevada, USA	01/01/2008	57.59%	FCA
Capital Technology Beteiligungs GmbH, Bruck upon Mur	01/01/2008	57.59%	FC
CP-CARRILLO, LLC, Irvine, USA	01/01/2008	40.31%	FCA
Performance Equipment Company, LLC, Irvine, USA	01/01/2008	57.59%	FCA
Pankl Emission Control Systems GmbH, Kapfenberg	01/01/2008	57.59%	FC
Pankl Aerospace Systems Inc., Cerritos, USA	01/01/2008	57.59%	FCA
Pankl Engine Systems Inc., Irvine, USA	27/07/2011	57.59%	FCA
Pankl Beteiligungs GmbH, Kapfenberg	01/01/2008	57.59%	FC
Pankl Schmiedetechnik GmbH & Co KG, Kapfenberg	01/01/2008	57.59%	FC
Pankl Aerospace Systems Europe GmbH, Kapfenberg	01/01/2008	57.59%	FC
Pankl Automotive Slovakia s.r.o., Topolcany, Slovakia	01/01/2008	57.59%	FCA
Carrillo Industries Inc., Irvine, USA	31/05/2008	57.59%	FCA
Pankl Japan Inc., Tokyo, Japan	–	57.59%	NCA

[1] Under consideration of 350,000 own shares of Pankl Racing Systems AG, resulting in an increase of the equity holding from 51.38% to 57.59%.

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

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of CROSS Industries AG, Wels, for the reporting period from 1 January 2011 to 31 December 2011. These consolidated financial statements comprise the balance sheet as at 31 December 2011, and the income statement, the consolidated statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended, and the notes.

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

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

Auditor's responsibility

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

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

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

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and present fairly, in all material respects, the financial position of the group as at 31 December 2011 and its financial performance for the period from 1 January 2011 to 31 December 2011 in accordance with generally accepted accounting principles in the International Financial Reporting Standards (IFRSs) as adopted by the EU.

REPORT ON OTHER LEGAL REQUIREMENTS (GROUP MANAGEMENT REPORT)

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

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

Linz, 29 March 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Dr. Helge Löffler	ppa Mag. Daniela Köberl
Wirtschaftsprüfer	Wirtschaftsprüfer
(Austrian Chartered Accountants)	

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

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

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

Wels, April 2012

The Management Board of CROSS Industries AG

Stefan Pierer

Friedrich Roithner

Alfred Hörtenhuber

Klaus Rinnerberger

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

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

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