ANNUAL REPORT **2011**

MIFA Mitteldeutsche Fahrradwerke AG

MITTELDEUTSCHE FAHRRADWERKE AG

EUR 100,5 million of sales in the 2011 financial year

31.4% year-on-year sales growth

644,000 bicycles sold

Key HGB figures

Key HGB figures	Unit	2010	2011	Change
Bicycles sold	Units	593,000	**644,000**	+8.6%
Sales	EUR mn	76.5	**100.5**	+31.4%
Cost of materials	EUR mn	56.2	**70.4**	+25.3%
Gross profit margin	%	26,6	**30.0**	
Personnel expenses	EUR mn	9.9	**12.0**	+21.2%
Personnel expense ratio	%	12.9	**11.9**	
EBIT	EUR mn	1.9	**4.7**	+142.0%
EBIT margin	%	2.5	**4.6**	
Net profit for the year	EUR mn	0.4	**1.5**	+251.3%
Fixed assets to total assets ratio	%	27.8	**23.6**	
Equity ratio	%	44.2	**44.4**	
Total assets	EUR mn	60.5	**63.6**	

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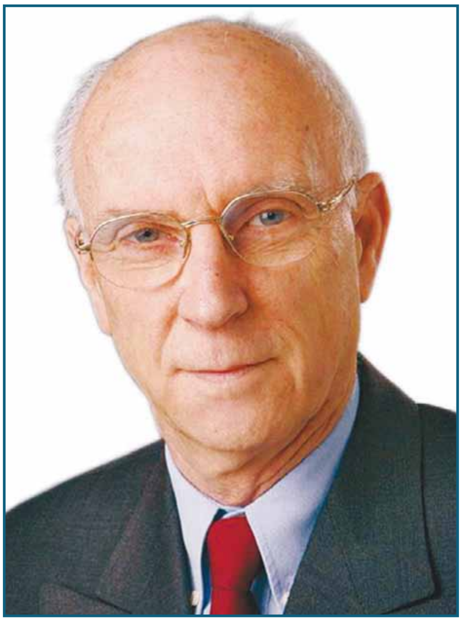
Supervisory Board report



Uwe Lichtenhahn
Supervisory Board Chairman

During the 2011 financial year, the Supervisory Board monitored the work of the Executive Board pursuant to the law and the company's articles of incorporation, and was available to provide consultation and advice. During the course of the financial year elapsed, the Executive Board informed the Supervisory Board at a total of three meetings, also by way of one additional telephone conference, as well as through verbal and written reports by the Executive Board, concerning the progress of business, the company's position, and all important business transactions.

Management reporting was established so that the Supervisory Board could fulfil its supervisory tasks. This reporting includes detailed information about sales trends, earnings and liquidity. The Executive Board also provided additional verbal information to the Supervisory Board, which included intensive discussion about market trends, the competitive situation, and the company's risk management. Fundamental questions relating to business policy, investment and financial planning, and various targets were also discussed. The Supervisory Board reviewed and subjected the reports to critical questioning relating to their plausibility. The Executive Board also informed the Supervisory Board Chairman about the company's position in the context of one-on-one discussions.

The annual financial statements of MIFA Mitteldeutsche Fahrradwerke AG as of 31 December 2011, and the company's management report were presented to the Supervisory Board. They were issued with unqualified audit opinions by the auditors Mittelrheinischer Treuhand GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Erfurt.

The Executive Board's proposal concerning the application of net retained profits was submitted to the Supervisory Board. The Supervisory Board's auditing and supervisory activities resulted in no objections. The Supervisory Board concurs with the Executive Board's proposal concerning the application of net retained profits. The Supervisory Board approves the annual financial statements that have been prepared, which are adopted as a consequence. The Supervisory Board would like to thank the Executive Board and all staff members for their work and commitment.

Erfurt, March 2012
On behalf of the Supervisory Board

Uwe Lichtenhahn
Supervisory Board Chairman

Management Report for the 2011 financial year

Business progress

Following a promising start to the year, the economic uptrend in Germany slowed over the course of 2011. The European debt crisis acted as a brake in this context. Price-adjusted GDP nevertheless grew by 3.0% over the course of the full year.[1] Demand from abroad continued to rise, exceeding the EUR 1 trillion level in nominal terms for the first time.[2] The German labour market also continued its positive trend, with the unemployment rate hitting its lowest point since German reunification at 7.1%.[3] Finally, private domestic consumption reported a gratifying trend. [4]

Experts anticipate a slowdown in global growth in 2012. The German federal government now expects Germany's GDP to grow by only 0.7%[5]; A slight recession is even expected for the Eurozone (EU 27).[6] Uncertainty clouds economic prospects as a consequence. In particular, the raw materials markets that are important for us tend to be particularly susceptible to global and financial policy announcements.

The German bicycles market

The German bicycles market gained significant momentum last year. Raw materials prices were on the rise, environmental awareness is growing, and health and fitness are playing an ever greater role for consumers. The growth topic of „e-mobility" also spurred the bicycle markets on. E-bikes have already allowed new consumer groups to be tapped over recent years. E-bikes' share of bike sales is estimated to have stood at 5% in 2011, whereas fewer than one percent of bicycles sold in 2005 were equipped with electric motors. Further growth in market shares is generally anticipated for the coming years.

Business with conventional bicycles continued to report a stable development in 2011. With 35% and 25% market shares respectively, trekking and city bikes commanded the largest market shares together. Overall, strong competition has characterised the market for many years, which is primarily reflected in pricing.

Against this backdrop, our key figures developed as follows:

- 2011 sales: EUR 100.5 million (previous year: EUR 76.5 million)
- Profit from ordinary activities 2011: EUR 2.8 million (previous year: EUR 0.7 million)
- Net profit for 2011: EUR 1.5 million (previous year: EUR 0.4 million)

Macroeconomic trends and effects on the sector

Good macroeconomic trends delivered positive impulses for private consumer spending in the year under review. Together with the trend towards e-bikes, this drove bicycle markets worldwide, particularly our sales markets

Sales and new order intake trends

MIFA also benefited from this trend in 2011. Our order book position reported a very positive development in the year under review. The number of bikes sold was up by 8.6% to 644,000 units (previous year: 593,000 units).

Results of operations

Growth in new order intake exerted a positive impact on MIFA's revenues in the year under review. Our business was primarily boosted by the sale of e-bikes, which generally command higher average prices. As a consequence, we grew our sales by 31.4% to EUR 100.5 million (previous year: EUR 76.5 million). Sales in Germany reported particularly strong gains of around 50%. Total output stood at EUR 106.0 million (previous year: EUR 83.2 million).

Growth in our business activities also fed through to a EUR 14.2 million increase in our cost of materials. Despite intense competition on the bicycles market, the gross profit margin (as a percentage of sales) nevertheless amounted to 30.0%, compared with 26.6% in 2010. We attribute this gratifying trend to production efficiency enhancements, among other factors. We reduced the personnel expense ratio to 11.9% in the year under review (previous year: 12.9%); depreciation and amortisation fell further due to the lower fixed asset level. The sales-related increase in outgoing freight costs, in particular, impacted other operating expenses; their share of sales at 16.1% nevertheless remained stable (previous year: 16.3%).

As a consequence, earnings before interest and tax amounted to EUR 4,648 thousand, corresponding to a 4.6% EBIT margin (previous year: 2.5%). The net financial result stood at EUR -1,801 thousand (previous year: EUR -1,197 thousand), primarily reflec-

1 German Federal Statistical Office, press release no. 063, 24 February 2012
2 German Federal Statistical Office, press release no. 044, 8 February 2012
3 Statistics provided by the German Federal Employment Agency, „Unemployment in Germany"
4 German Federal Statistical Office, press release no. 063, 24 February 2012
5 Press handout for the German federal government's annual economic report, 18 January 2012
6 World Bank, press release 2012_236_DEC of 18 January 2012

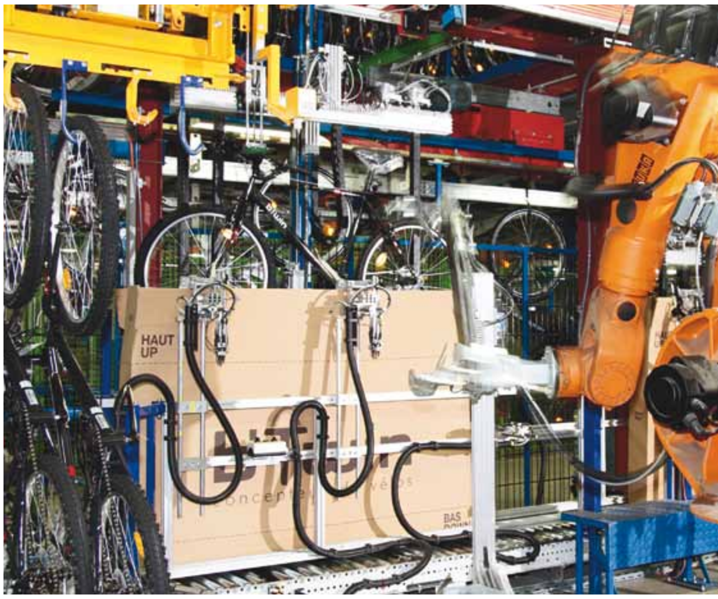
ting higher interest expenses. This increase is due to our having utilised additional loans to finance our growth. Profit from ordinary activities consequently amounted to EUR 2,848 thousand, compared with EUR 723 thousand in 2010. Following payments for arrears for previous years, however, income tax expenses rose to EUR 1,287 thousand (previous year: EUR 247 thousand).

At the bottom line, net profit of EUR 1,516 thousand for the year under review nevertheless represented a tripling of the previous year's EUR 431 thousand.

Financial position

MIFA's financial position developed very positively overall in the year under review. Cash flow in the narrower sense of the term, which we define as the sum of net profit plus depreciation and amortisation, amounted to EUR 4,221 thousand, representing a significant year-on-year increase. Operating cash flow was also positive due to net profits and higher provisions. Operating cash flow amounted to EUR 92 thousand despite higher inventories and receivables positions (previous year: EUR -2,837 thousand).

The cash outflow from investing activities fell by EUR 286 thousand to EUR 888 thousand in the 2011 financial year. We invested primarily in technical plant and operating equipment. Cash flow from financing activities amounted to EUR 2,480 thousand, but was somewhat lower than in the previous year. Overall, MIFA reported EUR 2,349 thousand of liquid resources at the end of 2011 (previous year: EUR 665 thousand), representing a EUR 1,684 thousand year-on-year increase.



Net assets

The higher level of business volumes fed through to a 5.2% increase in total assets in the year under review. Due to depreciation and amortisation, the ratio of fixed assets to total assets fell further to 23.6%, compared with a level of still 27.8% in 2010.

Inventories increased by 6.1% as of the reporting date due to the high level of order intake for the first quarter of 2012. In particular, MIFA held significantly more finished products warehoused as of the reporting date for the coming bicycle season. As a consequence, trade receivables were significantly higher than a year previously, and amounted to EUR 4,947 thousand (previous year: EUR 3,712 thousand). At the same time, liquid resources of EUR 2,349 thousand were considerably higher than in the previous year (31 December 2010: EUR 665 thousand).

Due to the net profit for the year, the equity ratio rose further to 44.4% (previous year: 44.2%); it continues to significantly exceed the sector level. Provisions relate to warranty claims and arrears for corporation and trade tax payments. The high new order volumes for 2012 also resulted in an increase in liabilities, which totalled EUR 34,519 thousand (previous year: EUR 33,348 thousand).

Customers – major projects

As usual, we agreed follow-on orders with a number of major customers in the year under review. Our specific sales volumes will nevertheless continue to depend always on private consumption propensity and the orientation of major customers. For most customers, the most important decision-making criterion was, and remains, pricing. Not least for this reason, we will continue in 2012 to conduct targeted campaigns with food and non-food chains, and with specialist wholesalers/retailers.

Our core markets abroad primarily comprise France, the Benelux states, and Scandinavia. We continued to acquire new customers in these countries in 2011.

Purchasing and production

We select our suppliers carefully as part of our purchasing process. MIFA acquires all important production components from leading manufacturers or distributors that rank among the sector's technology leaders. We further improved purchasing terms with a number of important suppliers in the year under review. No purchasing bottlenecks occurred in 2011, and are also not anticipated for 2012.

We conduct standardised goods entry checks before the start of production in order to ensure the high quality of our bicycles. Our testing procedures have been put to the test over many years, and enable continuous in-process controlling.

We work continuously on structuring our production even more efficiently. For this reason, we invested a total of EUR 0.9 million in the 2011 financial year, which was primarily utilised for technical plant and operating equipment. We plan to further accelerate our warehousing and logistics processes in 2012, thereby cutting our costs further. We regard this efficiency as one of our decisive competitive advantages. We took the first step in early 2011 with the commissioning of a fully automated warehousing system for small components, which we largely developed ourselves.

Personnel and social matters

We regard our employees as a significant factor behind MIFA's long-term corporate success. We place particular value on training and further training across all departments. Eleven employees completed their apprenticeships at our company as of the balance sheet date. Experienced MIFA employees also undergo continuous training at in-house training sessions and workshops, and training programs and internships allow us to acquire new talent for our company.

Environmental protection

MIFA regards itself as a „clean factory", and consequently stands for the careful and sparing utilisation of natural resources. In our purchasing area, we pay particular attention to information provided by suppliers about the environmental compatibility of their products and production processes – also above and beyond statutory requirements. We are also licensees of Germany's Dual System (Der Grüne Punkt). In the year under review, MIFA additionally joined a dual system that operates across the whole of Germany, in order to guarantee compliance with all statutory regulations contained in the new packaging directive.

Research and development

MIFA does not operate its own research and development department for basic technologies. We have nevertheless worked closely together with our suppliers for several years; these suppliers comprise the sector's technology leaders. In this way, we participate constantly in the latest research and development results. It will also remain our goal in the future to rapidly integrate the market leaders' innovative technologies, and make them accessible to our customers.

The company's branches

Along with its headquarters, the company also operates three branches. Besides the company's own operating site in Sangerhausen, further shops in Berlin, Hanover and Dortmund serve as operating locations.

Remarks on significant risks relating to future development

We have established a risk management system that is tailored to our company in order to secure MIFA as a going concern. To this end, we constantly monitor risks to which MIFA is exposed, taking into account changes to business and regulatory requirements. We regularly monitor the important areas of the risk management system. We control our earnings and liquidity positions daily. We continuously apply our risk management system pursuant to Section 91 (2) of the German Stock Corporation Act (AktG). We identified the following main risks in the year under review:

The weak economy in the important sales countries, particularly in Germany, France and the Benelux states, could exert a negative impact on MIFA's business position. MIFA could incur a decline in sales if consumers' propensity to spend, or, in particular, demand for bicycles, were to suffer a long-term decline on these markets. Weather conditions also play a major role in this connection. Similar applies to the „e-bike" price segment. A weakening in the trend towards the e-bike could feed through to a decline in income. As a consequence, we place a special priority on continuing to achieve stable sales figures also in the conventional bicycles business. We have succeeded in doing this to date as a result of our solid sales structures.

Our continued concentration on customers of good credit standing could exert considerable impact on our sales volumes. We might also be forced to de-list major customers if their creditworthiness were to deteriorate. We aim to minimise such risks through long and trusting business relationships with our customers. The bicycle markets have also been characterised by very strong competition for years, which primarily impacts prices. We believe that this trend will continue in 2012. MIFA could incur market share losses if competition intensifies, or new competitors enter the market. We regard ourselves as currently well-positioned, since we continuously optimise our cost structures, thereby remaining competitive. We are constantly streamlining our production and logistics processes to this end. It is nevertheless conceivable that our cost advantages diminish, feeding through to a fall in profitability.

We also identify risks in the area of purchasing markets. We believe that concentration on the supplier side will continue, which could create pricing pressure. Increases or fluctuations in energy and transportation costs could further raise pressure on margins. Exchange-rate risks also affect purchasing and sales prices on global markets, particularly in the case of the volatile US dollar. The performance of the US dollar can feed through to new cost increases. Here, the risk exists that such cost increases cannot be passed on to customers through price increases. We counter this risk through targeted hedging transactions.

We minimise quality problem risks through constant goods entry controls, and in-house staff training; we reduce the consequences of potential operating interruptions and stoppages through further training and emergency plans.

Above and beyond this, the effects of Basel III (including capital requirements for banks) could affect our company when utilising project financing lines.

Further changes to fiscal and social regulations could also reduce MIFA's profits.

From a technological standpoint, the further development of our products depends on Shimano and other suppliers. Such dependency nevertheless also applies to our competitors.

We are not currently aware of additional risks that might negatively impact the company's net assets and results of operations. We regard MIFA's overall risk position as appropriate, and as not posing a risk to the company as a going concern. There were no identifiable going-concern risks either in the financial year elapsed, or at the time when this report was prepared.

Opportunities attached to future development

MIFA anticipates further increases in shipments and sales for 2012. In particular, the dynamic trend of bicycle markets will underpin such growth. It remains our philosophy to realise only those projects that sustainably enhance the company's success and profitability. With additional customers, committed employees and the relevant products and services, we have created the platform for the next few years in order to further boost our sales while retaining our target return.

Report on events after the balance sheet date

No business transactions of particular significance occurred after the balance sheet date.

Business progress and prospects

The Executive Board assesses the 2011 financial year very positively. We also expect a generally positive trend to our business for the coming years. We continue to regard ourselves as well positioned to meet the challenges on the bicycles market with our stable sales structures and efficient production processes.

Sangerhausen, February 2012

The Executive Board

Annual financial statement

Balance sheet as at 31 December 2011

Assets

			31. Dec. 2011	31. Dec. 2010
		EUR	EUR	TEUR
A.	Fixed assets			
I.	Intangible fixed assets			
	Purchased concessions, industrial and similar rights and assets and licences in such rights and assets		1,964,288.50	2,897
II.	Tangible fixed assets			
1.	Land, land rights and buildings including buildings on third-party land	6,676,173.46		7,267
2.	Technical equipment and machinery	5,400,326.50		5,094
3.	Other equipment, operating and office equipment	771,472.81		729
4.	Advance payments and assets under construction	166,096.98		808
			13,014,069.75	13,898
	Total fixed assets		14,978,358.25	16,795
B.	Current assets			
I.	Inventories			
1.	Raw materials, consumables and supplies	19,828,290.62		21,396
2.	Finished goods and merchandise	20,243,137.71		16,428
3.	Advance payments	826,472.11		728
			40,897,900.44	38,552
II.	Receivables and other assets			
1.	Trade receivables	4,947,017.16		3,712
2.	Other assets	401,727.06		718
			5,348,744.22	4,430
III.	Cash-in-hand, central bank balances, bank balances and cheques		2,349,430.73	665
	Total current assets		48,596,075.39	43,647
C.	Prepaid expenses		21,019.29	35
			63,595,452.93	**60,477**

Equity & liabilities

			31. Dec. 2011	31. Dec. 2010
		EUR	EUR	TEUR
A.	Equity			
I.	Subscribed capital	8,000,000.00		8,000
II.	Capital reserves	14,266,569.30		14,267
III.	Revenue reserves			
	Other revenue reserves	2,946.36		3
IV.	Net retained profits	5,982,167.47		4,466
	Total equity		28,251,683.13	26,736
B.	Provisions			
1.	Provisions for pensions and similar obligations	37,479.00		28
2.	Provisions for taxes	347,727.41		0
3.	Other provisions	439,576.49		365
	Total provisions		824,782.90	393
C.	Liabilities			
1.	Liabilities to banks	32,502,113.13		29,870
2.	Trade payables	1,373,747.05		2,695
3.	Other liabilities - of which taxes EUR 52,194.58 (prior year: EUR 57 thousand) - of which social security: EUR 814.87 (prior year: EUR 31 thousand)	643,126.72		783
	Total liabilities		34,518,986.90	33,348
			63,595,452.93	**60,477**

Income statement for financial year 2011

			2011	2010
		EUR	EUR	TEUR
1.	Sales		100,549,415.17	76,539
2.	Change in finished goods and inventories		3,815,179.04	5,308
3.	Other own work capitalised		156,968.93	263
4.	Other operating income		1,435,166.28	1,057
			105,956,729.42	83,167
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies, and of purchased merchandise	68,912,172.32		54,869
	b) Cost of purchased services	1,484,483.38	70,396,655.70	1,303
6.	Personnel expenses			
	a) Wages and salaries	9,977,178.03		8,173
	b) Social security contributions and other pension costs	2,003,133.85		1,711
	- of which for old age pensions: EUR 25,047.73 (prior year: EUR 13 thousand)		11,980,311.88	
7.	Amortisation of intangible fixed assets, depreciation of tangible fixed assets		2,704,615.64	2,710
8.	Other operating expenses		16,226,957.12	12,481
9.	Other interest and similar income		7,234.51	1
10.	Interest and similar expenses		1,807,782.21	1.198
	- of which periodic interest accrued on provisions EUR 12,538.00 (prior year: EUR 0 thousand)			
11.	Profit from ordinary activities		+2,847,641.38	+723
12.	Extraordinary expenses		0,00	1
13.	Extraordinary loss		0,00	-1
14.	Taxes on income		1,286,857.61	247
15.	Other taxes		45,128.83	44
16.	Net profit for the year		1,515,654.94	431
17.	Retained profits brought forward		4,466,512.53	4,035
18.	**Net retained profits**		**5,982,167.47**	**4,466**

Cash flow statement

		2011	2010
		TEUR	TEUR
	Net profit for the year	+1,516	+431
	Depreciation and amortisation (+)	+2,705	+2,710
=	Cash flow (in the narrower sense)	+4,221	+3,141
	Increase (+) / decrease (-) in provisions	+432	-1,324
	Other non-cash expenses (+) / income (-)	0	-9
	Gain (-) / loss (+) on fixed asset disposals	0	+6
	Increase (-) / decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	-3,251	-4,402
	Increase (+) / decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	-1.310	-249
=	Cash flow from operating activities	+92	-2,837
	Proceeds from the sale of tangible fixed assets	+10	+36
	Payments (-) for investments in tangible fixed assets	-865	-1,170
	Payments (-) for investments in intangible fixed assets	-33	-40
=	Cash flow from investing activities	-888	-1,174
	Proceeds (+) from the drawing down of borrowings	+4,990	+5,000
	Payments (-) for the repayment of borrowings	-2,510	-1,250
=	Cash flow from financing activities	+2,480	+3,750
	Net change in cash funds	+1,684	-261
	Cash funds at the start of the period	+665	+926
=	Cash funds at the end of the period	+2,349	+665

Notes 2011

I. General information

At the reporting date for the financial statements, the Company meets the size criteria of a large corporation pursuant to § 267 (3) German Commercial Code (Handelsgesetzbuch, „HGB").

These annual financial statements were prepared in accordance with §§ 252 et seq. and §§ 279 et seq. HGB and with the relevant provisions of the German Stock Corporation Act (Aktiengesetz, „AktG").

The income statement was prepared using the nature of expense method.

II. Accounting policies

The annual financial statements were prepared using the following significant accounting policies.

Purchased **intangible fixed assets** are recognised at cost and, if they have finite useful lives, are amortised on a straight-line basis over their useful lives.

Tangible fixed assets are carried at the depreciated cost of acquisition or production. Depreciation is charged on a straight-line basis using the normal useful lives for the business. Depreciation on additions to tangible fixed assets is generally charged on a time-apportioned basis. Investment grants have been reported as subsequent reductions of the cost of purchase. Low-value items with a cost between EUR 150 and EUR 1,000 are recorded in a collective account and written off in equal amounts over five years in keeping with tax guidelines.

Inventories comprise raw materials, consumables and supplies, finished goods and advance payments.

Raw materials, consumables and supplies were measured at the lower of cost or market value using average costs of purchase.

Finished goods were measured at the cost of production. This was based on the Company's cost allocation system and includes a proportion of overheads in addition to direct costs. The lower of cost or market principle was applied for the purposes of the measurement of finished goods.

Advance payments are carried at their nominal amount.

Receivables and other assets are recognised at their nominal amount. General credit risk is reflected by recognising a collective valuation allowance of 0.5%.

Pension provisions are measured using the projected unit credit method (PUC method) in keeping with international standards. A discount rate of 5.13% was used for the purposes of measurement. The biometric parameters for the calculations were provided by the 2005 G mortality tables published by Klaus Heubeck. The annual rate of increase in pensions assumed for the purpose of calculating the pension provisions was 3.0%. The interest cost of EUR 12,538 arising in financial year 2011 is included in the income statement under interest and similar expenses.

The Company has taken out an insurance policy to cover its pension commitments. The policy was measured at fair value.

Other provisions take appropriate and adequate account of identifiable risks. They are recognised in accordance with prudent business judgement at the necessary settlement amount.

Liabilities are reported at the repayment amount.

Bank balances, receivables and liabilities denominated in **foreign currencies** were measured at the net rate applying at the date of the transaction or at the respective middle rate applying at the balance sheet date if lower or higher.

III. Notes to the balance sheet

Fixed assets

The development of the individual items of fixed assets is presented together with depreciation and amortisation for the financial year in the statement of changes in fixed assets.

Prepaid expenses

Prepaid expenses comprise domain and server fees and insurance contributions.

Subscribed capital

The share capital of the Company currently amounts to EUR 8,000,000 and is divided into 8,000,000 no-par value ordinary bearer shares each representing a notional interest of EUR 1 in the share capital.

Capital reserves

In financial year 2007 the premium of EUR 3 per share arising in the context of the issue of 2,000,000 new shares at an issue price of EUR 4 per share was transferred to capital reserves (EUR 6,000,000).

In total, capital reserves comprise the premium amounting to EUR 14,250,000 resulting from the sale of 3,000,000 no-par value ordinary shares and the capital reserve of EUR 16,569.30 acquired as a result of the merger with gatus 233. GmbH, Berlin in 2007.

Provisions

In accordance with § 246 (2) HGB the amount of the obligation incorporated in the pension provisions was offset against the insurance policy to cover the pension commitments which represents plan assets.

	31. Dec. 2011
	EUR
Pension provisions	263,478.00
less insurance policy	-225,999.00
	37,479.00

The cost of the insurance policy to cover the pension commitments amounts to EUR 200,456.

The remaining provisions were recognised mainly in respect of contractual obligations arising from employers' liability insurance (EUR 15 thousand/prior year EUR 5 thousand), the costs of preparing and auditing the financial statements (EUR 35 thousand/prior year EUR 35 thousand), personnel expenses (EUR 74 thousand/prior year EUR 47 thousand) and sales rebates (EUR 110 thousand/prior year EUR 120 thousand)..

Liabilities

Analysis of liabilities in TEUR

Type of liability	Remaining term			**Total**
	up to 1 year	1 to 5 years	over 5 years	**31. Dec. 2011**
Liabilities to banks (prior year)	28,752 (26,110)	3,775 (3,760)	0 (0)	32,502 (29,870)
Trade payables (prior year)	1,374 (2,695)	0 (0)	0 (0)	1,374 (2,695)
Other liabilities(prior year)	639 (778)	4 (5)	0 (0)	643 (783)

The liabilities to banks are secured by the transfer of title over inventories of goods and assignments of receivables.

Other financial obligations

Purchasing commitments for raw materials, consumables and supplies of approximately EUR 6,500 thousand are outstanding.

IV. Notes to the income statement

Sales revenues

	2011		2010	
	TEUR	%	TEUR	%
Sales revenues (by region)				
Germany	76,568	76.2	51,013	66.6
EU countries	23,034	22.9	24,385	31.9
Third countries	947	0.9	1,081	1.4
Other	0	0.0	6	0.1
Total	**100,549**	100.0	76,539	100.0

Other operating income

Other operating income includes, among other items, income from exchange differences amounting to EUR 1,090 thousand, subsidies for personnel expenses of EUR 47 thousand and income from the reversal of provisions of EUR 199 thousand.

Other operating expenses

In addition to the costs of shipping and handling amounting to EUR 7,344 thousand, the major items of other operating expenses are expenses from exchange differences of EUR 1,064 thousand, payments for services amounting to EUR 3,146 thousand and rental and incidental rental expenses of EUR 668 thousand.

Taxes on income

The taxes on income reported consisted of corporation tax of EUR 779 thousand, solidarity surcharge of EUR 29 thousand and trade tax of EUR 479 thousand. The corporation tax expense includes prior-period tax expenses for the years 2007 to 2010 amounting in total to EUR 226 thousand.

Proposed appropriation of profits

The Executive Board proposes, with the consent of the Supervisory Board, to carry the net retained profits of EUR 5,982,167.47 forward to new account.

V. Other disclosures

Deferred tax assets of EUR 270,222.01 mainly reflected the different carrying amounts in the financial statements and for tax purposes of intangible fixed assets and provisions for pensions and similar obligations. They were measured using the individual tax rate at the reporting date for the financial statements of 28.11%. The Company made use of the option granted by § 274 (1) sentence 2 HGB so that no amounts were included in the financial statements.
For the purpose of hedging interest rate risks, floating-rate loans (hedged item, nominal amount EUR 16,500 thousand), interest rate swaps (hedging instruments, notional amount EUR 11,000 thousand; negative fair value EUR 280 thousand) and a collar (notional amount EUR 5,000 thousand; negative fair value EUR 240 thousand) were combined to form a macro-hedge (Bewertungseinheit) within the meaning of § 254 HGB. The hedge is effective since a change in EURIBOR causes mutually offsetting changes in the fair values of the hedged item and the hedging instruments.

Expenses were recognised in the financial year in respect of fees payable to the auditors of the annual financial statements for audits of the financial statements (EUR 30 thousand) and for tax advice (EUR 5 thousand).

Executive Board

Herr Peter Wicht
Mr. Wicht is exempt from the restrictions set out in § 181 German Civil Code (Bürgerliches Gesetzbuch, „BGB"). He has no other responsibilities or memberships in supervisory boards or other supervisory bodies.

The Company is making use of § 286 (4) HGB with respect to the disclosure of the total remuneration of the Executive Board.

Supervisory Board

Uwe Lichtenhahn, retired savings bank director, Mannheim (Chairman)

Hans Joachim Rust, head of risk management, MCE Bank GmbH, Gau-Algesheim (Deputy Chairman)

Peter Finkbeiner, Director, Hudson Advisors Germany GmbH, (business address in Frankfurt)

The remuneration for the services of the Supervisory Board in financial year 2011 amounted to EUR 14 thousand.

Mr. Lichtenhahn and Mr. Rust are members of the supervisory board of Hyrican Informationssysteme AG, Kindelbrück.

Employees

The average number of employees during the financial year was as follows:

	2011	2010
Hourly-paid workers	580	458
Salaried staff	30	33
	610	491

Sangerhausen, February 2012

Executive Board

Consolidated statement of changes in non-current assets as at 31 December 2011

in EUR	Changes in acquisition costs				
	01.01.2011	Additions	Disposals	Reclassifica-tions	**31.12.2011**
I. Intangible fixed assets					
1. Purchased concessions, industrial and similar rights and assets and licences to such rights and assets	7,023,593.76	32,904.81	0.00	0.00	7,056,498.57
Intangible fixed assets	7,023,593.76	32,904.81	0,00	0,00	7,056,498.57
II. Tangible fixed assets					
1. Land, land rights and buildings including buildings on third-party land	9,821,768.98	0.00	0.00	0.00	9,821,768.98
2. Technical equipment and machinery	10,199,750.31	196,009.25	0.00	995,274.75	11,391,034.31
3. Other equipment, operating and office equipment	2,217,779.31	315,952.66	84,730.01	0.00	2,449,001.96
4. Advance payments and assets under construction	808,192.47	353,179.26	0.00	-995,274.75	166,096.98
Tangible fixed assets	23,047,491.07	865,141.17	84,730.01	0.00	23,827,902.23
Total	30,071,084.83	898,045.98	84,730.01	0.00	**30,884,400.80**

Changes in depreciation and amortisation				Book value	
01.01.2011	Depreciation/ amortisation for the financial year	Disposals	**31.12.2011**	**31.12.2011**	31.12.2010
4,126,812.26	965,397.81	0.00	5,092,210.07	1,964,288.50	2,896,781.50
4,126,812.26	965,397.81	0.00	5,092,210.07	1,964,288.50	2,896,781.50
2,555,148.52	590,447.00	0.00	3,145,595.52	6,676,173.46	7,266,620.46
5,105,658.31	885,049.50	0.00	5,990,707.81	5,400,326.50	5,094,092.00
1,488,677.83	263,721.33	74,870.01	1,677,529.15	771,472.81	729,101.48
0.00	0.00	0.00	0.00	166,096.98	808,192.47
9,149,484.66	1,739,217.83	74,870.01	10,813,832.48	13,014,069.75	13,898,006.41
13,276,296.92	2,704,615.64	74,870.01	**15,906,042.55**	**14,978,358.25**	16,794,787.91

Auditors' report

We have audited the annual financial statements – consisting of the balance sheet, income statement and notes, together with the bookkeeping system, and the management report of

MIFA Mitteldeutsche Fahrradwerke AG, Sangerhausen,

for the financial year from 1 January 2011 to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB [„Handelsgesetzbuch": „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Erfurt, 15th March 2012

Mittelrheinische Treuhand GmbH

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Hellmich	Kroy
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

MIFA Mitteldeutsche Fahrradwerke AG

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Editorial note: rounding differences may occur in the tables.

MIFA
MITTELDEUTSCHE FAHRRADWERKE AG