DERBY CYCLE

MOVING
YOU FORWARD

ANNUAL REPORT 2010 / 11

// COMPANY PROFILE

Derby Cycle is Germany's largest bicycle manufacturer in terms of revenues, and one of the leading manufacturers in Europe. In particular, global demand growth for high-quality electric and sports bicycles, as well as the company's advancing internationalisation in all European volume markets, are reflected in the company's dynamic growth. Derby Cycle's product range comprises electric bicycles, sports bicycles for leisure and competition purposes, as well as comfort bikes for everyday and travel use. These bicycles are sold through the established Kalkhoff, FOCUS, Raleigh, Univega and Rixe brands. All models are developed and assembled at the company's base in Cloppenburg, Germany. These high-quality products are distributed through specialist retailers who provide their customers with professional advice and extensive service.

FINANCIAL CALENDAR

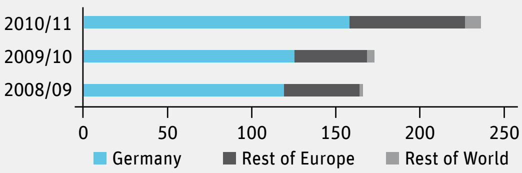
February 24, 2012	Report for Q1 2011 / 12
March 2, 2012	Ordinary AGM 2012
May 25, 2012	Report for Q2 2011 / 12
August 31, 2012	Report for Q3 2011 / 12

// DEVELOPMENT
THREE-YEAR COMPARISON

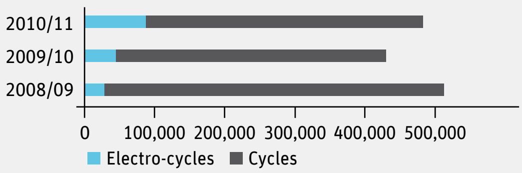
	Unit	2010/11	2009/10	2008/09
Sales revenues	EUR million	235.5	173.2	166.2
Aggregated operating performance	EUR million	244.8	177.2	163.7
Cost of materials	EUR million	170.0	120.6	110.9
Ratio of material costs	%	69.5	68.1	67.8
Personnel costs	EUR million	29.5	23.8	22.9
Ratio of personnel costs	%	12	13.5	14.0
EBIT	EUR million	19.6	12.1	10.8
EBIT margin	%	8.3	7.0	6.5
Consolidated net income	EUR million	11.2	7.5	5.3
Earnings per share	EUR	1.49*	1.00**	0.71**
Number of employees (annual average)	number	630	551	517
Cycles sold	unit	482,000	430,000	512,000
Electro-cycles sold	unit	87,000	44,000	28,000
Balance sheet date		**30/09/2011**	**30/09/2010**	**30/09/2009**
Fixed assets	EUR million	9.6	7.7	7.4
Current assets	EUR million	107.4	68.4	48.6
Equity	EUR million	65.4	35.1	23.4
Equity ratio	%	55.9	46.1	40.0
Balance sheet total	EUR million	117.0	76.1	58.5

* based on 7,500,000 shares
** pro forma information for a better comparison

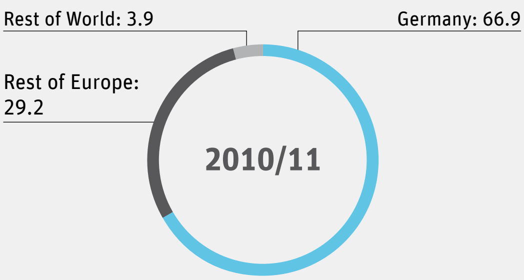
Sales revenues by region (EUR million)



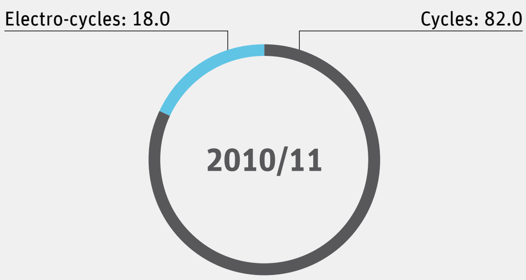
Cycles/Electro-cycles sold (units)



Sales revenues by region (%)



Cycles/Electro-cycles sold (%)



// KEY FINANCIAL FIGURES
FOR FISCAL YEAR 2010 / 11

EUR 235.5 mn
SALES REVENUES IN FISCAL YEAR 2010 / 11

8.3 %
EBIT MARGIN 2010 / 11

EUR 11.2 mn
CONSOLIDATED NET INCOME
INCREASED BY +49.3 %

482,000
TOTAL CYCLES SOLD

87,000
ELECTRO-CYCLES

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WE ARE MOVING THE MARKET...

... and driving the progress of bicyles forward. Derby Cycle aims to sustainably elevate the status of bicycles in our modern society. We respond to societal trends, and deploy new technologies and production methods: Derby Cycle is Germany‘s largest bicycle manufacturer in terms of sales, and one of Europe‘s leading manufacturers. This achievement is also a particular reflection of our broad product portfolio, spanning e-bikes and high-quality competition and sports bikes, and of our well-positioned and successful Kalkhoff, FOCUS, Raleigh, Univega and Rixe brands.

OUR BESTS MADE IN GERMANY

Kalkhoff

BY PROS FOR PROS

FOCUS

BEST OF BRITAIN

RALEIGH

CYCLING BEYOND THE MAINSTREAM

UNIVEGA

CYCLING IN THE BEST TRADITION

RIXE


kalkhoff

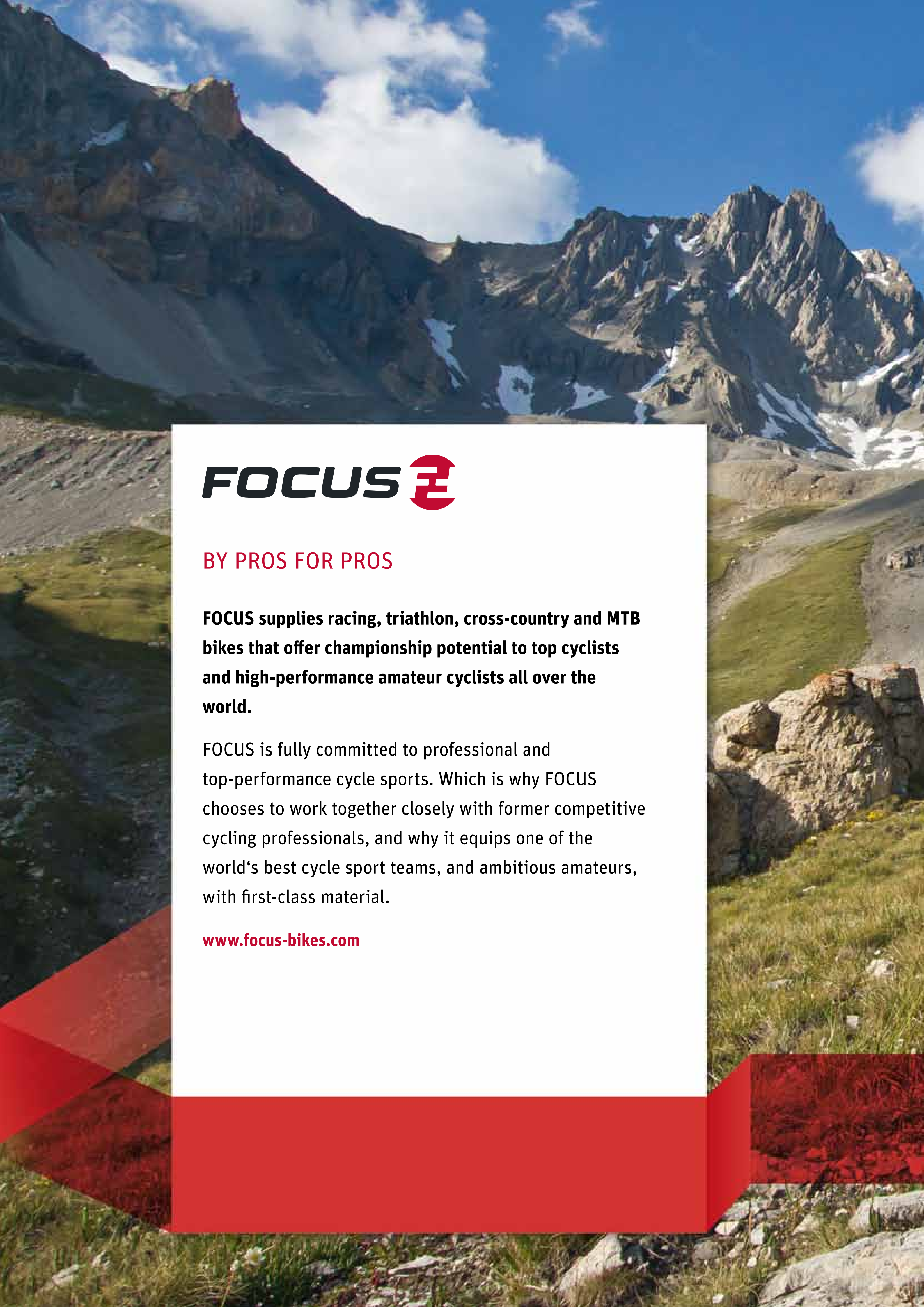
Kalkhoff

MY BIKE

Kalkhoff is the market leader for e-bikes and pedelecs in Germany (measured in terms of sales).

Kalkhoff bikes stand for more than 90 years of experience, high production quality (“Made in Germany”), and high-end riding comfort and user-friendliness. At Kalkhoff, you‘ll find exactly the right bike for you – a bike you‘ll enjoy riding for years, whether you opt for a city, touring, trekking or children‘s bike.

www.kalkhoff-bikes.com



BEST OF BRITAIN

Cycling with an international flair

As one of the major bicycle brands, Raleigh has been a favourite among cyclists for more than 125 years, including in the German-speaking region. This is because Raleigh, with its trekking, touring and e-bikes, combines tried-and-tested product quality and high German production standards with the international style of its designs.

www.raleigh-bikes.de


RALEIGH

RIDE IT YOUR WAY

Cycling beyond the mainstream

Univega is the brand for individualists who have their own ideas, and who know exactly where they‘re headed. People for whom the journey is more important than arriving at such-and-such a destination. And for whom journeys are rarely just ‚straight ahead‘.

Which is why Univega offers individual bikes for difficult and demanding routes, and for demanding cyclists: All Mountain, Freeride, Dirt, BMX – with individual geometries, special equipment, and a visual appeal that‘s far from the everyday.

www.univega.com

RIXE

CYCLING IN THE BEST TRADITION

Rixe has stood for outstanding German quality and reliability in the two-wheeler market since 1922.

Emerging from classic motorbike construction techniques, bikes with the Rixe name today incorporate the virtues of contemporary cycle construction: cleverly thought-out and ergonomically mature frame concepts, a mix of first-class components, and appealing value for money. Whether trekking, city, sports or youth bikes – you can rely on Rixe cycles.

www.rixe-bikes.de

TO OUR SHAREHOLDERS

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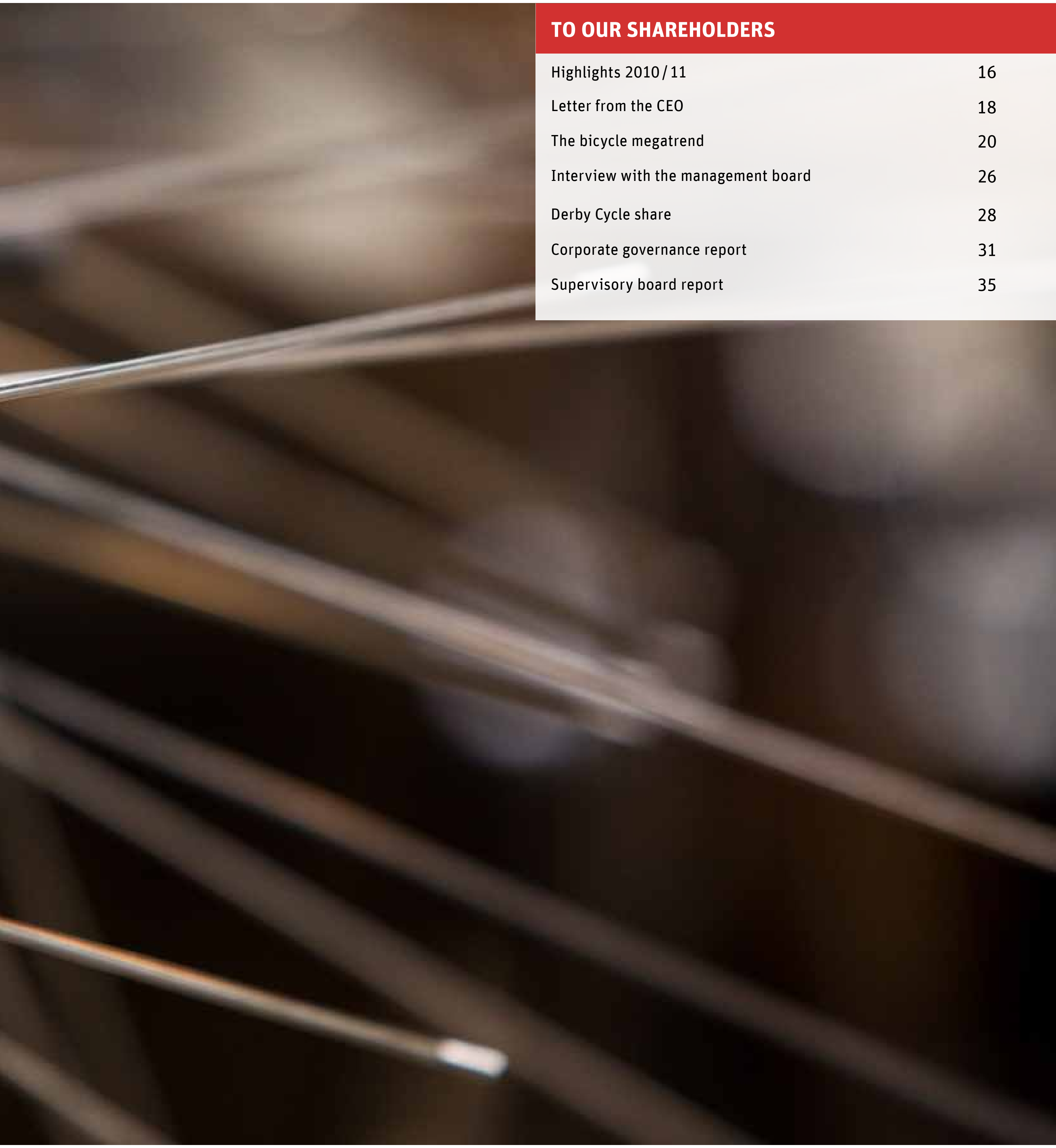


// HIGHLIGHTS 2010 / 11

01 / 2011
Announcement of the IPO of Derby Cycle AG

02 / 2011
Initial listing on the Frankfurt Stock Exchange (Prime Standard), at an issue price of EUR 12.50

03 / 2011
Derby Cycle presents its globally unique “Impulse” drive technology, which combines a central engine with a back-pedal brake for the first time

05 / 2011
50 / 50 joint venture with electro-motor specialist Daum Forschung & Entwicklung; FOCUS brand receives “Bicycle of the Year in the USA” award for the second time

06 / 2011

Direct sales launched in Australia through asset deal

07 / 2011

Start of direct sales in the United Kingdom

09 / 2011

Pre-order volumes up 25 % year-on-year; Derby Cycle included in SDAX index; merger agreement with Pon signed;

10 / 2011

Publication of Pon's takeover offer of EUR 28.00 per Derby Cycle share

12 / 2011

Successful conclusion of takeover offer; Pon holds 91.96 % of Derby Cycle shares

// LETTER FROM THE CEO

To our shareholders, customers, business partners and employees

Ladies and gentlemen,

The 2010 / 11 fiscal year was quite clearly characterised by dynamic growth. We achieved a further record year in our company's history through successfully and stringently implementing our three-pillar strategy of internationalisation, our focus on specialist retailers and wholesalers, and the electric bike megatrend. We also reached an important milestone in February 2011 when we floated on the stock market in the Prime Standard of the Frankfurt Stock Exchange at an issue price of the EUR 12.50. Examples of how we utilised some of the issue proceeds in the past fiscal year included our takeover of direct sales in the United Kingdom and Australia, and our concluding of a joint venture with the electromotor specialist Daum Forschung und Entwicklung. Daum had already been our development partner for the globally unique drive concept that combines a high-performance centre engine with a conventional back-pedal brake, which we presented in May 2011. With these investments, we laid the foundation for the further extension of our technology and market leadership, particularly in the high-margin e-bike segment.

We sold a total of 482,000 bicycles in the 2010 / 11 fiscal year (+12 %), including 87,000 electric bikes (+98 %). Our sales rose correspondingly by 36 %, from EUR 173.2 million in the previous year to EUR 235.5 million. Over the same period, we achieved a disproportionate increase in operating earnings (EBIT) of 62 % to EUR 19.6 million (previous year: EUR 12.1 million). This represents an 8.3 % EBIT margin for the reporting period, compared with 7.0 % last year. At the bottom line, we generated EUR 9.0 million of net income in the 2010 / 11 fiscal year, re-flecting a 20.5 % increase.

Our success did not go unreported. We concluded a merger agreement with our strategic partner Pon Holdings in September 2011. We have come to regard Pon as a strong ally that wishes to support both our growth strategy and our independence. In our assessment, we will benefit from decades of experience that the Pon Group has gained in the automotive and mobility areas, and from their excellent refinancing possibilities. We will also gain access to new products and sales markets, especially in the Netherlands. The agreement was followed in October 2011 by a takeover offer at EUR 28.00 per share. Pon held an interest of around 92 % in Derby Cycle following the successful conclusion of the offer in December 2011.

We expect that our sales will continue to grow in the 2011 / 12 fiscal year, driven particularly by our business activities' advancing internationalisation, and continued high demand for electric bikes. Pre-orders that we have already received, which are up by around 35 % year-on-year as of September 30, 2011, provide us with confirmation in this view.

As a consequence, we are assuming that sales in the current 2011 / 12 fiscal year will amount to between EUR 250 million and EUR 270 million, and that the EBIT margin will lie between 8 and 9 %.

We would like to take this opportunity to extend our warm thanks to our customers, in particular, for the confidence that they have entrusted in us. We would also like to say many thanks to our employees whose daily work forms the basis of our success and the high-quality of our products. And finally, we would like to thank our business partners and shareholders for their trust in cooperation – we are already looking forward to a joint and successful 2011 / 12 fiscal year.

Yours sincerely,

MATHIAS SEIDLER, CEO

Cloppenburg, January 2012

// THE BICYCLE MEGATREND

// ELECTROMOBILITY

- E-bikes “trendy“ for one quarter of all Germans
- 64 % of Germans ride bikes because bicycles are environmentally friendly
- E-bikes quadruple since 2005 in Germany
- German Two-Wheeler Industry Association (ZIV) expects e-bikes to account for 15 % of total German bicycle market by 2018

// URBAN MOBILITY

- The average German citizen spends 50 hours per year sitting in traffic jams – more than a whole working week
- 38 % of Germans believe that travelling by bike is the fastest way to reach their destination within a city

// HEALTH

- More than 90 % of Germans practice sport to stay fit, or to become fit
- 87 % of Germans ride bicycles because it‘s healthy
- 60 % of Germans use bikes for short recreational tours
- Riding a bike for 30 minutes five times per week reduces the risk of circulatory disease and heart attack by up to 50 %

// SPORT

- 81 % of German citizens say that cycling is their top outdoor sport activity
- One in five Germans use their bikes exclusively for sport
- For 62 % of German citizens, the purchase of a bicycle depends on quality standards and finish

INCREASING ENVIRONMENTAL AWARENESS

NEW APPROACHES TO MOBILITY

TREND TOWARDS FITNESS

CYCLING AS PRIMARY SPORT

// THE BICYCLE IS THE EVOLUTIONARY WINNER OF CLIMATE CHANGE. // MATTHIAS HORX

// ELECTROMOBILITY

Individual mobility is striding forward towards new transportation opportunities. Our benchmark is to combine growing societal awareness of environmental issues with the fun of cycling and modern lifestyles – and electromobility is the key.

Nimble and quick, comfortable, individualised and environmentally compatible – e-bikes are coming up fast in the outside lane. While we‘re still waiting for electro-cars to become viable on a mass production basis, the e-bike already meets all of tomorrow‘s transportation requirements: the fun of innovative cycling and mobility, the expression of individual lifestyles, greater quality of life as the result of CO2 savings, and inner-city roads free of cars. Well, all this is already possible for those who want it. Right now.

// BICYCLES ARE ELECTRIFYING THE INDUSTRY AND SWITCHING COMFORTABLY TO THE OVERTAKING LANE. //

// URBAN MOBILITY

Globally, more people live in cities than in the country. Urban mobility requirements are changing – and economic and ecological sustainability is becoming ever more important in this context.

Bicycles and e-bikes are at the cutting edge of trends, while the importance of cars as status symbols is dwindling among young people. The ascending generations are the pioneers of a visionary urban mobility concept. Bikes embody freedom of movement within city centres. They offer everyday flexibility. For all age groups, they encapsulate a modern lifestyle within an increasingly urbanised society. Whether on the journey to work, for touring, or for private use – bikes and e-bikes are making us mobile.

// NO INVENTION COMBINES PRACTICALITY WITH PLEASURE LIKE THE BICYCLE. // ADAM OPEL

// HEALTH

Whether it‘s a casual leisure excursion or a dynamic start to a new working day – cycling helps us to stay fit both physically and mentally – and on a daily basis.

Good health consists of staying fit and feeling well. Some 87 % of German citizens of all ages are also aware of this, which is why they choose to cycle. Whether comfortably on the journey to work, or as part of a high-performance power-training session – regular cycling strengthens the body, and provides protection against civilisation diseases such as high blood pressure, diabetes and obesity. Electric bikes represent the milder alternative, and ensure that mobility is enjoyable, also for individuals suffering from health problems.

// WE ONLY BUILD COMPONENTS FROM THE BEST ADRENALIN. //

// SPORT

Top performance requires top quality. Our cycles are high-end products that allow you to perform to your peak, and to go beyond your limits.

Derby Cycle is a renowned name among professional and elite sportspeople. We set new benchmarks by using the most advanced materials and components, continuously further developing high-performance geometries, and through close cooperation with top sportspeople. Whether on tarmac or off-road – it's the feeling of speed, the sensation of your body at work, pushing past its limits, and being ready to rely 100 % on the equipment that spurs both us and our sportspeople on to top achievements.

// INTERVIEW WITH THE MANAGEMENT BOARD

// MATHIAS SEIDLER, CEO

// UWE BÖGERSHAUSEN, CFO

Derby Cycle AG floated successfully on the stock market in February 2011. Looking back now, how do you assess this flotation, and how do you appraise your company's performance over the past business year?

SEIDLER: The flotation has allowed us to drive Derby Cycle AG's business development forward at full speed over the past business year. The success we've achieved as a company – based on our growth pillars of e-bikes, internationalisation, and our focus on specialist retailers and wholesalers – has quite clearly shown that we were right in adopting the strategy we pursued. The experience we've had with investors and business media on the capital market was very good. Investors who believed in our IPO story in February 2011, and who bought in at an issue price of € 12.50, were later able to realise an attractive return on their investment, right up to Pon's takeover offer at EUR 28.00 per share. We were also very pleased when Deutsche Börse included our share in their SDAX index in September 2011. Looking back, we regard our decision to float on the stock market as being very positive: on the capital market, we were able to continue with Derby Cycle's existing success story, driven by sales growth rates of 36 % on a comparable basis, and operating earnings up by 62 %.

Your operating success has proved attractive to competitors. Following rumours of a takeover by Accell between April and July 2011, Derby Cycle entered into *a merger agreement with Pon in September 2011. Could you give us a brief recap of what happened over this period?*

BÖGERSHAUSEN: The transparency entailed in stock market listing also made our success visible to our competitors, and at the same time boosted our recognition on the capital market. The first indication that Accell was interested in us was when they acquired a 5.7 % stake in our company in April 2011, which this Dutch bicycle group described at the time as a financial investment. When Accell announced at the end of August that they were aiming to increase their interest to 22 %, it seemed clear they were intending to make a hostile takeover. By this point, many of our major customers had already openly voiced their concerns about a potential merger of Derby Cycle and Accell. This is why a merger with Accell could have jeopardised our commercial success. And there were also antitrust concerns, particularly where the German market was concerned. Discussions were then held with Pon Holdings over the course of September. Pon Holdings is a Dutch, family-owned company whose product portfolio also includes the Dutch bicycle brand Gazelle. On September 21, 2011, we signed a merger agreement with Pon, entailing a voluntary public takeover offer at EUR 28.00 per Derby Cycle share. The offer was highly successful, and Pon now holds 92 % of Derby Cycle‘s shares. A further 5.5 % of the shares are the subject of a put / call option; these shares are attributable to Mr. Seidler. These options can be exercised after a 18 months period starting with the conclusion of the takeover offer. De facto Pon holds now more than 97 % of the Derby Cycle shares.

Why did you decide in favour of a merger with Pon, and what long term benefits do you expect from it?

SEIDLER: Over the course of our discussions, we got to know Pon as a strategic partner whose aim was to support both our growth strategy and our independence on a long-term basis. Pon greatly appreciates the success we‘ve achieved on our own so far. We can also benefit from Pon Group‘s experience in the mobility sector, and from extensive refinancing opportunities that the largest Dutch family-owned company offers us. In particular, once the merger process is over, we‘re will be reviewing the opportunities unleashed by the cooperation between Derby Cycle and the Pon Gazelle subsidiary. The partnership also provides Derby Cycle with access to new products and sales markets through Gazelle – especially in the Netherlands. All of these factors make us confident that we will remain on our growth path over the coming years. To summarise, we regard our merger with Pon as highly positive for our company.

What will change in the future for Derby Cycle, and to what extent will Pon‘s takeover affect employees in Germany?

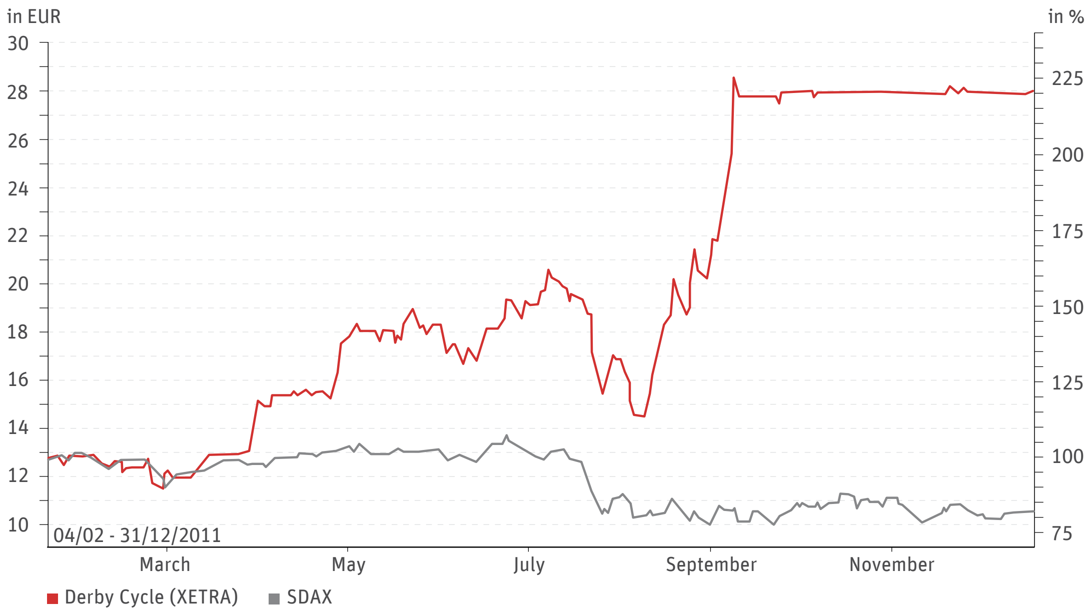
BÖGERSHAUSEN: Our employees are the key driver of our success, and Pon acknowledges this fact. This is why we conducted all discussions and negotiations with Pon in close coordination with our Works Council. We agreed a five-year guarantee for our Cloppenburg location with Pon. There will also be no changes to employment terms for Derby Cycle AG employees. And what is more – we believe our staff will enjoy new opportunities and more responsibility within the company thanks to the company‘s growth acceleration.

SEIDLER: Nothing will change in operational terms for the time being, because Pon wants us to continue to operate independently, and as successfully as we have over the past years. Once the takeover topic has been closed, we will all be able, in 2012, to concentrate fully again on what we do best – developing, producing and selling bicycles.

// DERBY CYCLE SHARE

OVERVIEW

Share price performance



Following its initial listing in February 2011, the price of the Derby Cycle share traded around the EUR 12.50 issue price and in line with the comparable SDAX share index. The share significantly outperformed the SDAX during the subsequent months from mid-April, however. The earthquake in Japan and its tragic consequences in spring 2011 exerted a short-term negative impact on global equity markets, and both the SDAX and the Derby Cycle AG share were affected by this trend from mid-March. Consequently, the stock reached its low of EUR 11.49 on March 12, 2011. The share price nevertheless recovered rapidly, registering very positive performance given the good progress of business at Derby Cycle AG. The company announced two upgrades to its full-year forecast, on April 13, 2011, and on May 12, 2011, most recently to EUR 220 million to EUR 240 million of sales revenues, and an EBIT margin of between 8 % and 9 %. Underpinned by this good news, the Derby Cycle AG share reached its interim high of EUR 20.63 on July 21, 2011. Global equity markets went into a a downturn in the following months due to the intensification of the euro and debt crisis in some European countries, and the Derby Cycle share initially proved unable to decouple from this trend, as was also the case with the SDAX. During this phase, the share price moved to around EUR 14.50 as of August 19, 2011. In contrast with the development of the comparable SDAX index, however, the share recovered rapidly during the subsequent period, and had already exceeded its end-of-July level by mid-September 2011, at a price of more than EUR 21.00. The Derby Cycle AG share was included in the SDAX equity index of the Frankfurt Stock Exchange due to this extremely positive trend. Along with improved business prospects, a further reason for the share price increase was presumably also the gradual acquisition of a notable interest in the company by the competitor Accell Group from the Netherlands. On April 19 and September 7, 2011, Accell announced that it had exceeded the thresholds of 5 % and 20 % respectively, and meanwhile accordingly held 22.32 % of the shares in Derby Cycle. As part of the takeover offer submitted by Pon Holdings (a group that is also from the Netherlands), Accell sold this interest in its entirety as of September 12, 2011. Following the signing of the merger agreement between Derby Cycle and Pon on September 21, 2011, which included a takeover offer of EUR 28.00 per share, the share appreciated sharply to approximately this level, where it gravitated. The share closed at EUR 27.73 on September 30, 2011, reflecting an approximately 122 % increase compared with the issue price on the first trading date on February 4, 2011. As a consequence, the company‘s market capitalisation amounted to around EUR 208 million on September 30, 2011. Following the balance sheet date, and the successful conclusion of Pon‘s takeover offer on December 7, 2011, the share remained constant at a level of around EUR 28.00.

TAKEOVER BY PON

On September 21, 2011, Derby Cycle AG signed a merger agreement with Pon Holdings, entailing a voluntary public takeover offer by Pon. At the same time, Pon published a letter of intent pursuant to Section 10 of the German Securities Takeover Act (WpÜG), stating that it wished to submit an offer of EUR 28.00 per share to all Derby Cycle AG shareholders. This was followed on October 21, 2007 by the publication of the corresponding offer document, with an acceptance period from October 21 until December 7, 2011 inclusive (including the extended acceptance period). The Management and Supervisory boards of Derby Cycle AG published a joint opinion on November 1, 2011, in which they welcomed Pon‘s takeover offer, and appraised the price that was offered as appropriate. Following the successful conclusion of the offer, Pon announced on December 12, 2011, that the company held around 91.96 % of Derby Cycle‘s share capital as of this date. This position is composed of the shares tendered as part of the takeover offer, and those that Pon had already acquired before the publication of, and during, the takeover offer, either through the stock market or off-bourse.

Key data and figures

ISIN	DE000A1H6HN1
German Securities Identification Number (WKN)	A1H6HN
Stock exchange symbol	DCT
Sector	Consumer goods / cycle manufacturer
Trading segment	Regulated Market (Prime Standard)
Stock markets	Frankfurt am Main, Berlin, Düsseldorf, Munich, Stuttgart, London
First listed on	February 4, 2011
Issue price	EUR 12.50
Share price on 30 / 09 / 11	EUR 28.10
Number of shares	7,500,000
Market capitalisation on 31 / 12 / 11	EUR 210.75 million
Nominal proportion of equity	EUR 1 per share
Share capital	EUR 7,500,000
Designated sponsors	equinet Bank and BHF-BANK
Financial year-end	September 30

SHAREHOLDER STRUCTURE

Following Pon‘s takeover offer, which was concluded successfully on December 7, 2011, the free float according to the Deutsche Börse‘s definition amounted to 2.54 % as of December 12, 2001. Pon announced that it held a total shareholding of 91.96 % after the conclusion of the takeover offer. A further 5.5 % are held by A / M / S GmbH, and are attributable to CEO Mathias Seidler. These shares are the subject of a put option to the benefit of A / M / S GmbH, and a call option to the benefit of Pon. These options can be exercised by Pon from March 2013, and by A / M / S GmbH, represented by Mathias Seidler, generally from December 2012.

INVESTOR RELATIONS

It is of critical importance to Derby Cycle AG's capital market strategy that the company establishes and extends a sustainable and trusting relationship with all its shareholders and stakeholders.

For this reason, the company has adopted the following measures, among others, since its IPO in February 2011:

- Continuous personal contact with investors, analysts and the media
- Regular publication of announcements relating to the company
- Transparent financial reporting
- Conference calls and webcast presentations for investors and analysts to accompany financial reports on the dates when they are published
- Provision of all publications on the investor relations website in German and English, including above and beyond statutory requirements (such as directors' dealings and voting rights announcements, presentations, factsheets etc)
- A day for investors and analysts at the company's headquarters in Cloppenburg in August 2011
- Company presentation and one-on-one meetings at the German Equity Capital Forum (in Frankfurt am Main) in November 2011
- A total of two roadshows were held in Germany and other European countries since the IPO in February 2011

The company intends to continue in the future to inform capital market participants openly and transparently about the company and its development.

FINANCIAL CALENDAR

February 24, 2012	Report for Q1 2011 / 12
March 2, 2012	Ordinary AGM 2012
May 25, 2012	Report for Q2 2011 / 12
August 31, 2012	Report for Q3 2011 / 12

// CORPORATE GOVERNANCE REPORT

The German Corporate Governance Code (DCKG) consists of a set of guidelines for good and responsible corporate management and controlling. These guidelines are recognised both nationally and internationally. The Management and Supervisory boards of Derby Cycle AG are committed to these standards, and work towards implementing them within the company. The aim is to establish transparency, and to extend the trust of capital market participants, employees, customers and the public. The Corporate Governance Report (pursuant to Figure 3.10), which is prepared by the Management and Supervisory boards, describes the company's key corporate governance structures. It also includes a report on the compensation scheme for the Management and Supervisory boards.

MANAGEMENT AND SUPERVISORY BOARDS

Derby Cycle AG operates a dual structure for corporate management and controlling pursuant to the statutory regulations of German stock corporation law. The Management Board manages the company at its own responsibility, is bound to act in the company's interest, and is obligated to generate sustainable growth in the company's value. The Supervisory Board exercises a supervisory and consultative function. The Management Board consists of two members: Mathias Seidler, who is the Management Board Chairman (Chief Executive Officer), and Uwe Bögershausen, the Chief Financial Officer. The Supervisory Board consists of three members.

The Management Board works together closely with the Supervisory Board. Accordingly, Mathias Seidler and Uwe Bögershausen participated in last year's Supervisory Board meetings, providing information about business progress on the implementation of the company's strategy. Between the regular meetings during the 2010/11 fiscal year, there was continuous contact between the Management and Supervisory boards, particularly with the Supervisory Board members. The Management Board's reporting requirements are set out extensively according to type and content in the Management Board's rules of business procedure.

TRANSPARENT COMMUNICATION

In the Management Board's opinion, responsible and value-enhancing corporate management is distinguished not only by the establishment of efficient structures, but also, in particular, by open communication and a high degree of corporate transparency. For this reason, Derby Cycle AG has set itself the goal of openly, rapidly and directly informing investors, analysts and other interested parties. For this purpose, there is an extensive range of information within the Investor Relations area of Derby Cycle AG's website, which is updated continuously. This offering is supplemented by an investor relations distribution list that allows interested parties to receive the latest corporate news by e-mail. The company also conducts regular roadshows in Europe, and conference calls to accompany the publication of quarterly and annual reports. We are looking forward to welcoming our shareholders for the first time to the Ordinary Shareholders' General Meeting, which is to be held prospectively on March 2, 2011.

DIRECTORS' DEALINGS (STATUS AS OF DECEMBER 21, 2011)

Securities transactions that require mandatory reporting were performed by Mr. Fritz-Wilhelm Krüger (Supervisory Board Chairman), A/M/S GmbH, which is attributable to somebody (CEO), and by

Dr. Robert Hennigs, Mr. Felix Sulzberger and Mr. Uwe Bögershausen. The following table provides a list of the respective transactions.

Date	Reporting person / insider	Number of shares	Transaction	Price per share	Total volume
02/02/2011	Fritz-Wilhelm Krüger	12,000	Purchase	EUR 12.50	EUR 150,000
02/02/2011	Dr. Robert Hennigs	10,000	Purchase	EUR 12.50	EUR 125,000
02/02/2011	Feli, Sulzberger	20,000	Purchase	EUR 12.50	EUR 250,000
02/02/2011	Uwe Bögershausen	10,000	Purchase	EUR 12.50	EUR 125,000
002/02/2011	A/M/S GmbH	180,000	Sale	EUR 12.50	EUR 2,250,000
01/03/2011	Uwe Bögershausen	1,000	Purchase	EUR 12.50	EUR 12,500
03/06/2011	Dr. Robert Hennigs	6,344	Sale	EUR 18.00	EUR 114,192
06/06/2011	Dr. Robert Hennigs	3,656	Sale	EUR 18.0161	EUR 65,867
22/09/2011	Felix Sulzberger	20,000	Sale	EUR 28.00	EUR 560,022
26/10/2011	A/M/S GmbH	187,500	Sale*	EUR 28.00	EUR 5,250,000
26/10/2011	Uwe Bögershausen	11,000	Sale*	EUR 28.00	EUR 308,000
24/11/2011	Fritz-Wilhelm Krüger	12,000	Sale	EUR 28.00	EUR 336,000

* Tendered as part of the takeover offer by Pon Holding Germany GmbH of October 21, 2011

SHAREHOLDINGS

As of September 30, 2011, the following Management and Supervisory board members held direct or indirect interests in the company.

	Shares held directly	Shares held indirectly	Total interest
Management Board			
Mathias Seidler	0.00 %	8.00 %	8.00 %
Uwe Bögershausen	0.15 %	0.00 %	0.15 %
Supervisory Board			
Fritz-Wilhelm Krüger	0.16 %	0.00 %	0.16 %

Mr. Mathias Seidler holds his indirect interest through A/M/S GmbH.

The shareholdings are as follows after the conclusion of the takeover offer on December 7, 2011:

	Shares held directly	Shares held indirectly	Total interest
Management Board			
Mathias Seidler	0.00 %	5.50 %	5.50 %
Uwe Bögershausen	0.00 %	0.00 %	0.00 %
Supervisory Board			
Fritz-Wilhelm Krüger	0.00 %	0.00 %	0.00 %

Mr. Mathias Seidler holds his indirect interest through A/M/S GmbH.

STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Statement by the Management and Supervisory boards of Derby Cycle AG concerning the recommendations of the "German Corporate Governance Code Government Commission" pursuant to Section § 161 of the German Stock Corporation Act (AktG)

The Management and Supervisory boards of Derby Cycle Aktiengesellschaft hereby declare that, since the shares of Derby Cycle AG were admitted to stock market trading on February 3, 2011, the company has complied with, and also intends to comply in the future with, the principles of behaviour as recommended by the "German Corporate Governance Code" Government Commission in the version of May 26, 2010, with the exceptions described below:

- *Disclosure of the compensation of individual Management Board members (Figure 4.2.4): On the basis of a resolution passed by the company's AGM on January 20, 2011, the company does not disclose the total compensation paid to individual Management Board members. The company believes that to disclose the total compensation paid to individual Management Board members would give rise to the risk of an undesired levelling of compensation differences in the case of Management Board compensation payments.*
- *Formation of committees (Figure 5.3): The company's Supervisory Board consists of the statutory minimum number of three members, and has consequently formed no committees from among its number.*
- *Composition of the Supervisory Board (Figure 5.4.1 Paragraphs 2 and 3): The company's Supervisory Board has set no specific targets that take into account potential conflicts of interest, fixed age limits for Supervisory Board members, and diversity, and which, in particular, envisage an appropriate inclusion of women. The company's Supervisory Board believes that when selecting Supervisory Board members the primary focus should be on knowledge and abilities, as well as specialist expertise. Although the company's Supervisory Board welcomes the Code's intention to place a greater emphasis on the aforementioned criteria when making appointments to the Supervisory Board, the Supervisory Board does not regard the setting of specific objectives as appropriate at the current time.*
- *Supervisory Board compensation (Figure 5.4.6): The company's Supervisory Board members receive fixed compensation and the reimbursement of their expenses. The Supervisory Board members do not receive performance-based compensation since the company believes that this does not contribute to improved performance on the part of the Supervisory Board.*
- *Deadline to publish the consolidated financial statements and interim report (Figure 7.1.2 Clause 4): The company publishes its consolidated financial statements and interim reports within the statutory deadline period. The company does not currently publish such reports within the deadlines as recommended by the German Corporate Governance Code.*
- *Postal ballot (Figure 2.3.3): Due to the high presence at the Shareholders' General Meeting and the shareholder structure, the additional expense entailed in a postal ballot would not be appropriate in relation to the voting participation anticipated as a result of a postal ballot. In addition, a postal ballot compared with the proxy voting option that Derby Cycle AG provides to its shareholders offers them no identifiable added value when personally exercising their rights, as a consequence of which the Management Board has refrained from the postal ballot option.*

Cloppenburg, January 20, 2012

Derby Cycle AG

For the Management Board:

Mathias Seidler Uwe Bögershausen

For the Supervisory Board:

Fritz-Wilhelm Krüger

COMPENSATION REPORT

The compensation scheme for the Management and Supervisory boards of Derby Cycle AG is based on the responsibilities and tasks incumbent upon the respective individuals. The existing variable components for the Management Board take into account the company's commercial and financial performance.

The Supervisory Board consults and decides on the Management Board compensation. The current compensation structure was fixed when the employment contracts were concluded at the time when the Management Board appointments were made. Compensation payments include both fixed and variable components in line with the German Corporate Governance Code. The so-called "restricted stock programme" represents a component with long-term incentive effect and risk character, as part of which Derby Cycle shares are granted to the Management Board according to normal market vesting periods. Due to the takeover offer by Pon, and the related reduction in the free float in the company's shares, the Supervisory Board is considering adjusting this component to the changed circumstances, and of correspondingly amending employment agreements with the Management Board members. Management Board compensation amounted to EUR 1,051 thousand in the fiscal year elapsed, including 16,529 shares.

The Shareholders' General Meeting of January 20, 2011, passed a resolution concerning Supervisory Board compensation, regulations for which are set out in Section § 13 of the articles of association. Supervisory Board members accordingly receive only fixed annual compensation. Supervisory Board members also have their essential expenses reimbursed in full, as well as VAT that is incurred on their compensation. Total compensation of EUR 80,000 (net, before reimbursement of expenses) was paid to the Supervisory Board for the fiscal year elapsed.

// SUPERVISORY BOARD REPORT

REPORT ON THE AUDIT OF THE 2010 / 11 ANNUAL FINANCIAL STATEMENTS

Pursuant to a resolution by the Shareholders' General Meeting of December 10, 2010, the Supervisory Board Chairman in September 2011 mandated BDO AG, Wirtschaftsprüfungsgesellschaft, to audit the annual financial statements in accordance with Section 111 (2) Clause 3 of the German Stock Corporation Act (AktG) and, pursuant to Section 315a (1) of the German Commercial Code (HGB), the consolidated financial statements and Group management report prepared on the basis of IFRS / IAS regulations.

The auditor audited the single-entity annual financial statements and management report of the public stock corporation (the parent company), and the consolidated financial statements and Group management report, including the disclosures pursuant to Section 289 (4), Section 315 (4) of the German Commercial Code (HGB). The audits resulted in no objections, and unqualified audit certificates were issued.

The Supervisory Board Chairman was issued with the following directly after they were prepared and audited:

- the single-entity annual financial statements and the Management Board's proposal for the application of unappropriated retained earnings for the 2010 / 11 fiscal year
- the Management Board's report on the company's position in 2010 / 11
- the 2010 / 11 consolidated financial statements
- the Management Board's report on the Group's position in 2010 / 11
- the auditor's audit reports.

The Supervisory Board extensively considered and reviewed the single-entity annual financial statements and management reports in ongoing coordination with the Management Board, and through discussion with the auditor at the Supervisory Board accounts meeting held on January 19, 2012. The auditor was present at the Supervisory Board accounts meeting. The auditor reported on the key results of the audit, and was available for questioning. There were no circumstances giving rise to concern, according to information provided by the auditor.

The Supervisory Board noted with agreement the result of the audit by the auditor of the 2010 / 11 single-entity annual financial statements and management report, and the consolidated financial statements and Group management report, as well as the dependent company report. The Supervisory Board raised no objections following the conclusive result of its review, and approved the single-entity annual financial statements and management report of Derby Cycle AG as of September 30, 2011, which are adopted as a consequence. Following the conclusive result of its review, the Supervisory Board raised no objections, and also approved the consolidated financial statements as of September 30, 2011, and the Group management report for the 2010 / 11 fiscal year, including the disclosures pursuant to Section 315 (4) of the German Commercial Code (HGB).

REPORT ON THE SUPERVISORY BOARD'S ACTIONS TO REVIEW THE MANAGEMENT DURING THE 2010 / 11 FINANCIAL YEAR

To the extent that the Supervisory Board's monitoring actions did not occur as part of the preparation and review of the financial statements, the monitoring of the management occurred primarily through regular and extensive verbal and written reports by the Management Board, and the discussion of them, and also through fulfilling ongoing advisory and consultative duties as part of Supervisory Board meetings. The Management Board reports included Management Board information about the company's current net assets, financial position and results of operations pursuant to Section 90 of the German Stock Corporation Act (AktG), and about the internal controlling, risk monitoring, and early warning system pursuant to Section 91 (2) of the German Stock Corporation Act (AktG). The Supervisory Board was included in all decisions of significance for the Group and the parent company.

The Supervisory Board convened for a total of eight meetings in the 2010/11 fiscal year, and also passed six resolutions outside the scope of meetings by way of written voting procedure.

The Supervisory Board concerned itself in depth with current business trends at all meetings. In each instance, the Management Board reported, in particular, about sales, earnings, and the personnel situation within the companies and the Group, as well as concerning strategic and structural further development, including on international markets.

The Supervisory Board focused on the following topics at its meetings:

- Regular information about current business progress;
- Discussion concerning corporate strategy, especially given the acquisition strategy announced as part of the IPO;
- Specific acquisitions such as the interest in Daum Forschung & Entwicklung GmbH, or the asset deal to found Derby Cycle Australia;
- The budget for the fiscal year currently underway;
- Current intra-year financial reporting consisting of the quarterly reports, the semi-annual report and the annual report;
- The financing of current business through factoring and syndicated loans;
- Organisation and personnel policy;
- Other transactions requiring approval, and
- The progress of negotiations, and approving the conclusion of the merger agreement with Pon, including the question relating to the appropriateness of the takeover offer.

Fritz-Wilhelm Krüger was elected to be the Chairman, and Dr. Robert Hennigs was elected to be his Deputy.

Following the Annual General Meeting on January 20, 2011, the constituive meeting was held.

Following in-depth review and discussion with the Management Board, the Supervisory Board approved all matters that the Management Board presented to the Supervisory Board as requiring approval according to the articles of association and rules of business procedure.

The Management Board participated in all eight Supervisory Board meetings last year.

There was regular contact between the Management and Supervisory boards between meetings. At regular meetings between the Management Board and the Supervisory Board Chairman, the Management Board provided up to date and extensive information, particularly concerning current trends in the Group and parent company, and about considerations relating to strategic cooperation with third parties, as well as about significant business events.

The Supervisory Board has formed no committees.

PERSONNEL CHANGES

There were changes to the composition of the Supervisory Board during the 2010/11 fiscal year.

Dr. Robert Hennigs stepped down as a member of the Supervisory Board as of September 16, 2011. Dr. Hennigs had acted as Deputy Chairman until that date. Mr. Gerold Heinen succeeded him as a Supervisory Board member. Mr. Felix Sulzberger is the new Deputy Chairman.

At this juncture, the Supervisory Board would like to extend its special thanks to the Management Board members, Dr. Hennigs as a former Supervisory Board member, and all of the company's staff for their successful work and commitment in the fiscal year elapsed.

Cloppenburg, January 20, 2012

Fritz-Wilhelm Krüger
Supervisory Board Chairman

SUPERVISORY BOARD MEMBERS

Current Supervisory Board members

Fritz-Wilhelm Krüger (Supervisory Board Chairman)

Mr. Fritz-Wilhelm Krüger worked as a managing shareholder and managing director in various medium-sized companies. He is currently CEO of MBB Palfinger GmbH, Ganderkesee, and Managing Director of Krüger Leasing GmbH & Co. KG, Königstein, and of Krüger Beteiligungs GmbH, Eschborn. Mr. Krüger is also a member of the parliament of the German federal state of Hesse.

Further supervisory board and advisory board mandates:

Honorary Supervisory Board member of STEG (Städtebauliche Entwicklungsgesellschaft mbH, Eschborn); Advisory Board Chairman of Schwinn Holding GmbH, Ober-Ramstadt; Advisory Board member of Bärbel Drexel GmbH, Baar; member of advisory boards of Finatem Group, Frankfurt am Main; Supervisory Board member of Eltec AG, Mainz (until January 11, 2012).

Felix Sulzberger, CEO of Calida AG

After holding various positions in the consumer goods industry, Mr. Felix Sulzberger has been active as CEO of CALIDA AG, Oberkirch, Switzerland, since 2001.

Further supervisory board and advisory board mandates:

Advisory Board member of Finatem Beteiligungs GmbH, Frankfurt am Main; member of the Board of Directors of Lafuma SA, Anneyron, France.

Gerold Heinen, auditor and tax consultant

Mr. Gerold Heinen has been an auditor and tax advisor in the firm of Heinen & Renken, Oldenburg, since 1994, and additionally at Knollenborg & Partner, Lingen, since 1995, as well as at Fokuhl & Partner, Oldenburg, since 2008. Mr. Heinen is also Managing Director at FIDAUDIT GmbH Wirtschaftsprüfungsgesellschaft, Berlin, and at buda Steuerberatungsgesellschaft mbH, Stralsund.

Further supervisory board and advisory board mandates:

ASTORIA Wohnungsbaugenossenschaft eG, Oldenburg; Norddeutsche Boden AG, Oldenburg, Ecentis AG, Bremen

Former members

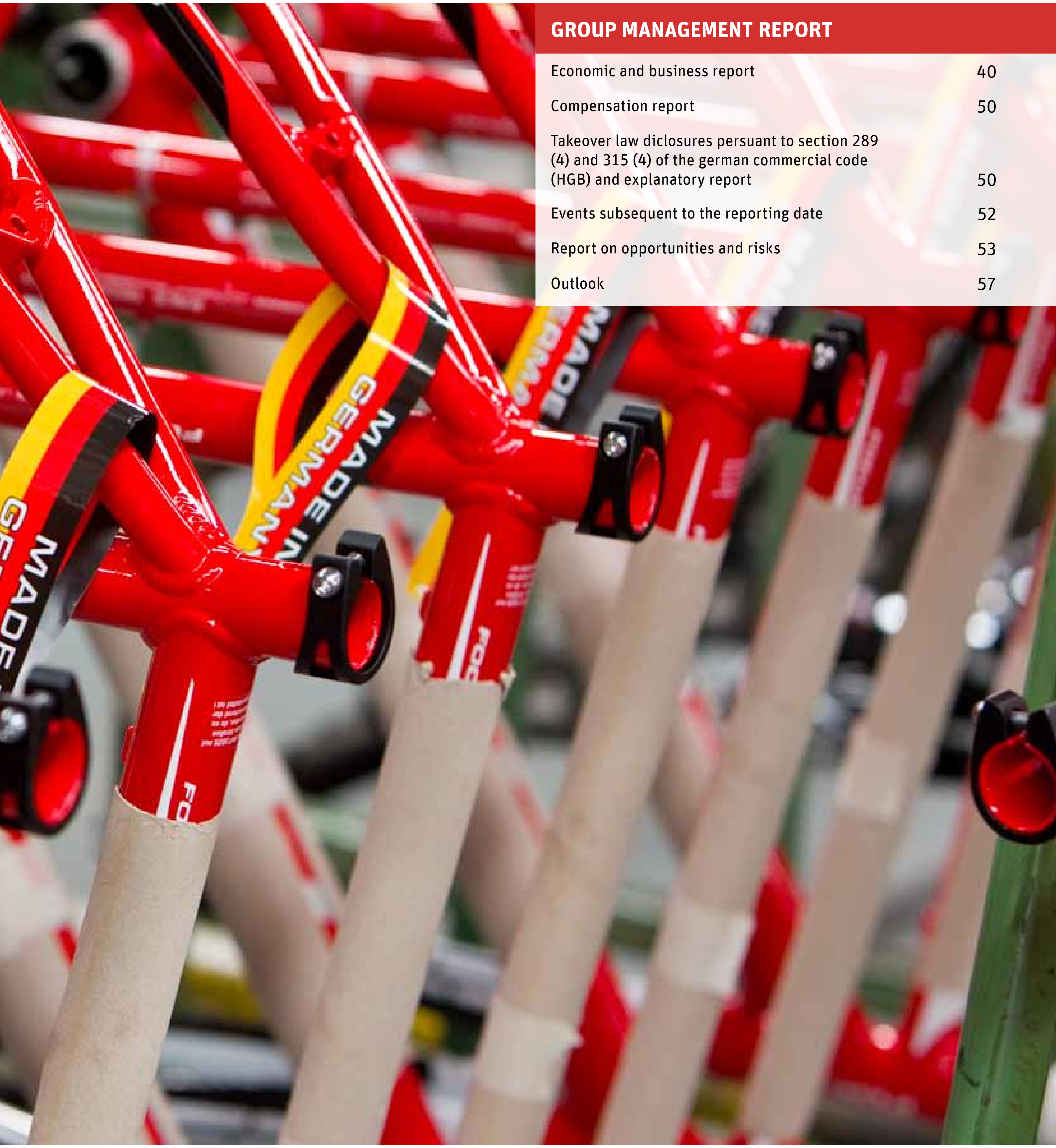
Dr. Robert Hennigs, fund manager

After holding various professional posts in the private equity area, Dr. Robert Hennigs has been Managing Director and Partner at Finatem Fonds Management Verwaltungs GmbH, Frankfurt am Main, since 2004.

Further supervisory board and advisory board mandates:

Advisory Board member of Deutsche Notrufzentralen und Sicherheitsdienste Holding GmbH, Bielefeld


LIGHTWEIGHT ENGINEERING
RACE TECHNOLOGY
MADE IN GERMANY
FOCUS



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// GROUP MANAGEMENT REPORT

ECONOMIC AND BUSINESS REPORT

CORPORATE POSITION

Business activities and Group structure

Derby Cycle AG is a holding company that wholly owns direct interests in the following companies:

- Derby Holding GmbH (Cloppenburg, Germany)
- Derby Cycle Werke GmbH (Cloppenburg, Germany)
- NW Sportgeräte Vertriebs-GmbH (Cloppenburg, Germany)
- swissbike Piero Zurino GmbH (Dierikon, Switzerland)
- Derby Cycle Australia Pty Limited (Grange, Australia)

There are also wholly owned interests in Raleigh Univega GmbH (Cloppenburg, Germany) and FOCUS Bicycles Inc. (Carlsbad, CA, USA).

In addition, Derby Cycle AG holds a direct 50 % interest in Daum Forschung & Entwicklung GmbH, which is based in Fürth (Germany). Derby Cycle AG and its subsidiaries and participating interests are aggregated as a corporate group under the name “Derby Cycle”.

Overview of participating interests

Derby Cycle ranks as the largest bicycle manufacturer on the German market in terms of sales, and one of Europe‘s leading producers, in the Management Board‘s assessment. The company‘s product range includes electric bikes, sports bikes for leisure and competition purposes, and comfort bikes for everyday and travel uses. These are sold under the Kalkhoff, FOCUS, Raleigh, Univega and Rixe brands. All models are predominantly developed and assembled at the company‘s headquarters in Cloppenburg. The products are sold through specialist dealers who offer their customers professional advice and extensive service.

Under each of its brands, the company sells models that are tailored to differing consumer target groups. All models are developed in Germany, where they are also largely produced. Derby Cycle sets great store by the high quality of its bicycles and a differentiated market profile in this context. This allows the products to be sold through specialist dealers that offer their customers good advice and comprehensive service, thereby comprising an important sales channel for bicycles and electric bikes.

Sites and production

The company maintains production locations in Cloppenburg and Quakenbrück. Production particularly comprises the finishing and painting of the frames – which are sourced from a very varied range of suppliers – and the assembly of the bicycles. The annual production capacity of both production sites amounts to approximately 650,000 normal bicycles on a one-shift basis, and the capacity of the painting line amounts to around 3,500 bicycles per day on a two-shift basis.

The manufacturing structure is flexible, which allows the company to adjust it to the seasonal pattern of bicycle production. The number of bicycles produced rises particularly between September and June, since production for the following year‘s bicycle season commences as early as September.

This seasonality in the business model means that Derby Cycle requires a large number of employees during the September to June period. Prevailing collective bargaining employment contracts and the plant agreements are structured flexibly, and allow employees‘ working hours to be distributed in line with demand. This enables high season demand to be served, while permitting a base of qualified staff to be maintained also during the low season.

Products

Bicycles and electric bikes are products offering different options for daily use in modern society, and across age groups. They comprise a fixed aspect of urban mobility, in particular. They are regarded as an environmentally friendly form of mobility and as a rapid means of transportation in inner city environments, and make up part of the profile of individualised mobility behaviour. People of all ages are also placing increasingly stronger focus on health factors – cycling allows personal fitness considerations to be integrated into everyday life. The bicycle‘s significance as a dedicated sports equipment item forms a focus for both professional and leisure sportspeople.

Derby Cycle‘s product range includes electric bikes, sports bikes for leisure and competition purposes, and comfort bicyles for everyday and travel uses. Electric bikes are sold under the established Kalkhoff, FOCUS, Raleigh, Univega and Rixe brands. The company offers its sports bicycles primarily under the FOCUS and Univega brands, while the Kalkhoff, Raleigh and Rixe brands are primarily oriented to comfort bikes. The brands in the comfort bikes area are positioned at national level, while the sports brands are internationally recognised.

Unit sales	2010/11	2009/10	2008/09
Total bicycles	482,000	430,000	512,000
Electric bicycles	87,000	44,000	28,000

Under each of its brands, the company sells models that are tailored to differing consumer target groups. FOCUS is the brand for professional and high-level amateur sportspeople, whereas Kalkhoff is aimed at families that use bikes for everyday and leisure purposes. Derby Cycle emphasises its brands‘ character through bicycle design and market profiling. Derby Cycle diversifies its product offerings for two reasons: firstly, consumers prefer bicycle brands that are specialised toward either sports bikes or comfort bikes, and which exhibit special characteristics that set them apart from other providers. Secondly, specialist dealers also set store by differentiated product portfolios, since they like to offer an individual range of bicycle brands in order to set themselves apart from their competitors.

Derby Cycle develops all of its models in Germany. Every year, the product range is developed further in both technical and optical terms. This allows the company to offer a new and high-quality range every year. Derby Cycle operates a test centre at its Cloppenburg site, where all components are tested intensively, in order to ensure long-term product quality.

Customers

Derby Cycle AG‘s main customers are specialist bicycle dealers. High-quality demands are made of the products and production processes. Identical demands are made in terms of advice and sales of bicycles, which are delivered to a high level by expert specialist dealers. For this reason, the company focuses on ongoing partnerships with specialist bicycle dealers around the world. The products are meanwhile distributed in more than 50 countries through a large network of specialist businesses. Both nationally and internationally, specialist dealers are attended to directly by Derby Cycle, or with the help of distributors, and are supplied with models produced in Germany. This ensures that specialist dealers always have expert contacts on hand, and that end-consumers can always locate competent bicycle specialists in their proximity. For this reason, ideal service can be offered both before and after bicycle purchases in all bicycle segments – including also in the particularly advice-intensive e-bike segment.

Derby Cycle is not dependent on individual customers. The ten largest individual customers accounted for only approximately 25 % of sales in the 2010 / 11 fiscal year. The company largely sells its products directly to a current total of approximately 3,200 specialist dealers and around 70 distributors worldwide.

Marketing and sales

The aim of the company‘s marketing strategy is to ensure the long-term loyalty of specialist dealers to the company, as well as that of end-customers to its products and brands.

Regular and close contact with the target group plays a special role in the marketing strategy to specialist dealers. For instance, the in-house trade fair at the company‘s headquarters in Cloppenburg has now become North Germany‘s most important bicycle trade fair. Derby Cycle is also regularly represented with its products at the European Eurobike trade fair, and at other international and national trade fairs. Short communication lines to specialist dealers also ensure that the company can respond to their needs, and is able market its products in line with customer demand. In addition, Derby Cycle supports specialist dealers with various promotional sales measures, and provides an extensive customer service.

Thanks to this marketing strategy, the company‘s business trends can also be planned with a great deal of ease, because a significant proportion of the sales for the following cycling season can be quantified in the form of specialist dealers‘ pre-orders at the bicycle trade fairs that are held primarily in the second half of the year.

Derby Cycle also addresses end-consumers through targeted marketing. The company develops high-quality catalogues and Internet profiles for each of its brands for this purpose. For instance, sponsoring of the Katusha professional cycling sports team through the FOCUS brand generates a significant public impact that is bolstered through advertising during cycling championship events such as the Tour de France.

Research and development

Derby Cycle develops new models every year, and updates the bicycles that are already included in its product range. In doing so, the company further develops both the technology and the combination of components, as well as design. This allows the integration of design trends, and new materials and processing possibilities, as well as the processing of the latest components.

Product management teams are responsible for bicycle model development. Development is based on detailed market and consumer analyses. Active and former professional sports people are also frequently involved in sports bike development by contributing their practical experience. Frame development plays a significant role in this context, since this is one of the most important bicycle components. Derby Cycle also develops smaller components such as forks, baggage carriers, and mountings for lights and chain protectors. This enables the company to assemble high-quality individual parts that offer more functionality, or which are easier to assemble than components from suppliers.

Derby Cycle entered into a joint venture agreement with Daum Forschung & Entwicklung GmbH in May 2011, acquiring a 50 % interest in the company as part of the arrangement. The company aims to thereby expand its technology leadership in the high-growth electric bike segment. The Impulse drive was already developed jointly with Daum. This is a globally unique drive concept that combines a high-performance mid-engine with a conventional backpedal brake. Consumers have been faced with a compromise to date: either to enjoy a particularly comfortable centre engine thanks to its low centre of gravity, but without a back-pedal brake – or to deploy back-pedal braking as accustomed, but to then derive the electro-drive's much-loved "tailwind effect" from a technically inferior front motor. The specialist press was persuaded of the new concept's merits: the magazine ElektroRad rated it as "outstanding" in April 2011.

Employees

Derby Cycle's employees rank as a key success factor. The high level of qualification and motivation, as well as the capabilities, of staff in the production, sales and administration areas formed the basis for the company's sustained success, and its dynamic growth.

Derby Cycle employed 630 staff in the fiscal year elapsed.

The following table provides an overview of Group employee number trends.

	2010/11	2009/10	2008/09
Average number of employees	630	551	517

Derby Cycle has experienced strong growth over recent years. The company particularly focuses on recruiting and retaining specialist staff. Derby Cycle aims to continue to further expand its workforce over the coming years.

BACKGROUND

Market and competitive environment

Economic environment

Since October 2010 (the start of Derby Cycle's past fiscal year), economic trends have been characterised by stable growth that was also barely impacted by the euro and state debt crisis. In September 2011, the International Monetary Fund (IMF) expected that global gross domestic product (GDP) would grow by 4.25 % in 2011 and by 2.75 % in 2012, on a real, price-adjusted basis. With a look to the EU, the IMF forecast lower but robust growth of 1.6 % in 2011 and 1.3 % for 2012 in its last published set of estimates.

The IMF estimated that three of the four most important sales markets for Derby Cycle AG in Europe, Austria, France and the United Kingdom, would prospectively report stable growth. With 3.3 % growth in 2011, Austria is set to register the fifth highest growth rate among the EU states, and also continue to grow stably in 2012 at a prospective rate of 1.6 %. France will grow in line with the forecast EU average with estimated growth of 1.7 % for 2011 and 1.4 % in 2012, according to the IMF. After reporting GDP gains of 1.1 % in 2011, below this EU average, the UK economy should increase by 1.6 % in 2012. A generally positive trend is also anticipated in the fourth important sales market of Spain, according to the IMF, with 0.8 % GDP growth in 2011, and 1.1 % prospectively in 2012.

The estimated growth trend in Germany, Derby Cycle AG's largest sales market, of 2.7 % for 2011 is significantly ahead of the 1.6 % EU average. GDP growth is expected to decline to 1.3 % in 2012, by contrast. In particular, consumer behaviour in Germany continued to run a steady course in 2011, despite continuing financial turbulence in neighbouring EU countries. The consumer climate index for Germany as calculated by the GfK Group moved constantly in a corridor between 5 and 6 index points. This index again reported a positive trend in the fourth quarter, proving to be extremely unsusceptible to the crisis.

Regulatory environment

Customs law

Bicycle imports to Germany grew by 4 % to a total of approximately 1.83 million bicycles in the first half of 2011. Imports accounted for 63.1 % of domestic deliveries (domestic production + imports – exports) in the first half of 2011 as a consequence. With an 11 % share, Thailand topped the origin countries for the first time, with Taiwan not far behind. Poland followed with 10 %, the Netherlands with 9 %, and Lithuania with 8 %. A further high share of 31 % is distributed among many individual states. EU customs regulations for imports from states outside the EU are significant – particularly for imports from the Asian region. With around 9 million imported bicycles in 2010, they accounted for almost 50 % of European sales volumes.

Exports of bicycles, electric bikes or related components from Germany to other EU states, or to the EFTA states of Norway, Iceland, Liechtenstein and Switzerland, can be effected without customs duties, and are otherwise also not subject to trade restrictions. Since Derby Cycle generated around 27.5 % of its sales abroad in the 2009 / 10 fiscal year, and around 33.1 % in 2010 / 11, with around 95 % of this volume being attributable in each case to EU and EFTA states, the customs laws of other states outside the EU and EFTA zone have no notable significance for Derby Cycle's business activities.

Effects of traffic law

In terms of road transportation requirements, EU member states' traffic laws are connected with the type of vehicle. Depending on drive type and risk assessment, various prerequisites need to be satisfied for a vehicle to be used in traffic situations. Differences can arise in individual member states due to a lack of regulatory uniformity.

Pedelecs, where the motor provides pedalling support, are deemed to be bicycles according to EU law as long as the motor does not exceed a maximum continuous rated power of 250 Watts, and switches off automatically from a speed of 25 km / h. No insurance certificates, driving licences or helmets are required on this basis in Germany, Italy or France, for example. Most of Derby Cycle's products belong to this segment.

E-bikes are not regarded as bicycles in Germany, Italy or France. A driving licence and / or test certificate for a moped is correspondingly required in these countries. Individual nations' regulations may diverge in their detail. In addition, there is the requirement for insurance and registration plates in France and Italy – the wearing of helmets is also mandatory for all e-bikes. In Germany, this is the case only for e-bikes with speeds of 20 km / h upward, or motor output of greater than 500 Watts.

EU product placement requirements

Products placed in the EU must satisfy certain minimum requirements for safety reasons. Manufacturers themselves or independent testing centres guarantee compliance with EU regulations through CE marks. All Derby Cycle AG products comply with these safety and quality standards.

Support programmes

States, communities and organisations have meanwhile adopted the bicycle as an opportunity for preventative health measures for the population, or to solve transportation problems in inner cities, among other aspects. Accordingly, there are various programmes to promote the bicycle as a trend product at both European and national levels.

Pan-European projects such as the EVARIM project ("Electric Vehicle Awareness Raising Initiative for Municipalities") and the "Go Pedelec!" project are currently targeted particularly at boosting the degree of recognition and proliferation of electric bikes within the EU. Information campaigns and supportive measures are being implemented, especially at national level. Support ranges from state subsidies to increase the number of bicycles, e-bikes and pedelecs, to the establishment of bicycles in the systems at local community level, and the extension of cycle routes and bicycle parking places.

There are similar support programmes in many states around the world. For example, the Australian government in its National Cycle Strategy 2011-2016 set itself the target of doubling bicycle use among the Australian population by 2016.

The bicycle market

The bicycle market is split into three product groups with a primary differentiation between comfort, sports and electric bikes. Comfort bikes primarily include city bikes, trekking bikes and all-terrain bikes. Sports bikes especially comprise mountain bikes and racing bikes.

Electric bikes are primarily bicycles that include an electric motor in addition to a bicycle's normal functions. These electric motors are operated using rechargeable accumulators, and can be used as drives. Electric bikes come in two variants: pedelecs and e-bikes. Comfort and sports bikes comprise all conventional bicycle types, by contrast.

The global bicycle market

The USA and Australia are Derby Cycle's most important sales markets outside Europe. The bicycle market in the USA experienced a significant recovery in 2010, according to data provided by the National Bicycle Dealers Association. Sales volumes were up 15 % year-on-year to reach 19.8 million bicycles sold in 2010, generating revenue of around USD 6 billion. The US market has proved extremely stable since 2003 with sales of between USD 5.8 billion and USD 6.1 billion. The year 2009 was the only exception, when sales dipped to USD 5.6 billion.

Bicycle sales were up by 12 % year-on-year in Australia in 2010, with 1.3 million bikes sold, according to the Cycling Promotion Fund, thereby almost reapproaching the number of bikes sold in the 2007 record year of 1.4 million units.

Europe

A total of 19.4 million bikes were sold in Europe in 2010, including electric bikes. This represents a 0.83 % decline. This trend is set to continue in 2011, although the German Two-Wheeler Industry Association (ZIV) nevertheless anticipates significant sales growth due to higher average prices and a higher share of electric bikes.

Bicycle production in the 27 EU states stood at 12.3 million units in 2010, with 20 % being attributable to production locations in Italy, followed by Germany with an 18 % share, the Netherlands with 10 %, Poland at 8 %, and Portugal and France with 8 % each.

Germany was Europe's most important bicycle market in 2010 with a 21 % market share, corresponding to around 4 million bikes. This was followed by the United Kingdom with 19 %, France at 16 %, Italy at 9 %, and the Netherlands with a 6 % market share.

Only around 300,000 electric bikes were sold across Europe in 2008, compared with as many as 700,000 by 2010. The ZIV assumes that the trend towards electric bikes will strengthen further over the coming years, and anticipates that 900,000 such bikes will be sold in 2011. The most important markets were in Germany, with sales of 200,000 bikes in 2010, representing a 34 % market share. This was followed by the Netherlands with 171,000 bikes, Italy with 50,000, France with 40,000, Denmark and the United Kingdom with 30,000 each, and Austria with 20,000 electric bikes sold.

Germany

Germany featured as Europe's largest sales market in 2010 with a 21 % market share, and around 4 million bikes sold. This is equivalent to around EUR 1.84 billion of sales volume. The number of bicycles in use in Germany rose to around 69 million in total in the same year. The ZIV is assuming that there will be further growth in the base of bicycles in use over the coming years due to additional purchases in the high-quality and electric bikes segment.

Comfort bikes comprised 68 % of the total German bike segment in 2010. Comfort bikes include trekking bikes (35 %), city bikes (25 %) and all-terrain bikes (8 %). The sports bike segment consists of mountain bikes (11 %) and racing bikes (6 %). Other bicycles, such as Dutch bikes and touring bikes, and children's and youth bikes, which are not clearly attributable to one of the aforementioned segments, represented a 10 % market share in 2010. Electric bikes commanded an approximately 5 % market share in 2010.

Compared with 2007, when only 70,000 electric bikes were sold, a total of 300,000 will be sold in 2011, according to estimates provided by the ZIV. This represents a quadrupling of annual shipment volumes. This 5 % market share is still a relatively low level compared with total volumes in Germany – sales volumes in this segment are nevertheless already noteworthy given that the average sales price is approximately four times as high as for a conventional bicycle. The ZIV anticipates a medium-term share of 10 to 15 % of the total bicycle market, corresponding to between 400,000 and 600,000 bikes.

General statement on background conditions

The overall slight growth in the bicycle market (on the basis of sales), and, in particular, the high growth reported in the electric bike market segment, prompts the company to take a confident position regarding its future growth. Although current economic uncertainties and the European state debt crisis are impacting consumer spending propensity, the Management Board does not anticipate that this will have a major or sustainable effect on Derby Cycle AG's operating business trends.

Corporate objectives and strategy

Derby Cycle is distinguished by the following competitive strengths:

- Sales strength: concentration on specialist wholesalers and retailers that are oriented to quality and service.
- Internationalisation: Derby Cycle has internationalised its activities over recent years, particularly through its FOCUS brand, and is now selling its products in more than 50 countries.
- Leading position in electric bikes: strong positioning in the technically demanding growth segment of electric bikes as the market leader in Germany.

The company's strategy aims to further extend these competitive strengths through acquisitions, research and development, and through investing in the further internationalisation of its sales activities. In doing so, Derby Cycle's objective is to continue the dynamic growth that it has achieved over recent years. The share of sales generated abroad, which is already significant, is to be bolstered further to around 30 % in the medium term. Together with its new strategic partner and majority shareholder, the Pon Group of the Netherlands, the company regards itself as well equipped to meet future challenges within the bicycle industry. This is also due to the fact that Pon wishes to significantly expand its bicycle activities following the acquisition of the Gazelle brand in June 2011, and will increasingly support and promote Derby Cycle's future development.

Remarks on business performance, and an analysis of the net assets, financing position, and results of operations

General business performance

Derby Cycle AG reported very positive business growth in the 2010 / 11 fiscal year. The Group raised its revenue by 36 %, from EUR 173.2 million in the previous year to EUR 235.5 million, and reported an 8.3 % EBIT margin as the result of this expansion of sales activities through specialist dealers, growing internationalisation, and strong growth in the number of electric bikes sold. Important milestones for the company's future development were also achieved with its IPO in February 2011, and its merger agreement with Pon Holdings in September 2011. Derby Cycle AG also fulfilled market experts' positive forecasts in the business year under review, particularly with regard to sales trends for electric bikes. For example, the number of electric bikes sold increased to 87,000 in the period under review, compared with 44,000 in the previous year. The total number bicycles sold also experienced significant growth, from 430,000 in the previous year to 482,000.

Earnings situation

The 2010/11 fiscal year was characterised by strong growth on the part of the entire corporate Group. Net sales in the 2010/11 fiscal year were up by 36.0 % to EUR 235.5 million, compared with EUR 173.2 million in the previous year. Of these sales, 33.2 % were generated outside Germany, following 27.4 % in the previous year.

Net sales of EUR 157.8 million were generated in Germany in the period under review (previous year: EUR 125.7 million). This represents growth of 25.3 %, and a 66.9 % share of total net sales in the period under review.

Net sales of EUR 68.7 million were generated in the rest of Europe in the fiscal year elapsed (previous year: EUR 43.1 million), representing growth of 59.3 %. As a consequence, the proportion of total net sales generated in the rest of Europe stood at 29.2 % in the 2010/11 fiscal year. Important markets worthy of particular mention in Europe include Austria, France, the United Kingdom and Spain.

Net sales of EUR 9.3 million were achieved in international markets outside Europe (previous year: EUR 4.4 million), which were largely attributable to the US subsidiary. This corresponds to growth of 113.3 %. As a result, the proportion of net sales achieved in the rest-of-world segment amounted to 4.0 %.

The total share of sales generated outside Germany increased from 27.4 % to 33.2 %, thereby underscoring the success of the internationalisation strategy.

Aggregated operating performance grew by 38.1 % over the same period, rising from EUR 177.2 million to EUR 244.8 million. The increase in finished and unfinished products amounted to EUR 9.3 million, a 132.6 % rise on the previous year. This is mainly due to the expansion of stocks of finished goods, reflecting the company's business growth.

Other income was up by 42.1 % compared with the 2009/10 fiscal year, to EUR 2.8 million. Other income derives primarily from the release of provisions for specific valuation adjustments, income from sponsoring agreements, and income from reclamations on purchased goods.

The cost of materials increased by 41.0 %, from EUR 120.6 million to EUR 170.0 million, due to the growth in aggregated operating performance. The cost of materials ratio stood at around 69.5 % in the 2010/11 fiscal year (previous year: 68.1 %), which is due to a shift in the product mix toward high-quality bicycles such as electric bikes and high-quality sports bikes.

Derby Cycle's workforce was also expanded in line with the growth in net sales and aggregated operating performance. For instance, the average number of employees of the Derby Cycle Group increased from 551 to 630. Personnel costs rose by 23.2 % compared with the previous year, although the personnel cost ratio fell to 12.0 % compared with 13.5 % in the 2009/10 fiscal year. This was due to efficiency gains, the change in the product mix towards higher quality products such as electric bikes, and the realisation of economies of scale.

Other expenses rose by 26.9 %, from EUR 21.5 million in the previous year to EUR 27.2 million in the 2010/11 fiscal year. The expense ratio fell from 12.1 % in the previous year to 11.1 % as a consequence. The increase in other expenses is mainly due to costs connected with the IPO and higher marketing expenses.

Depreciation and amortisation reported a slight increase from EUR 1.0 million in the previous year to EUR 1.2 million in the 2010/11 reporting year. This is principally attributable to scheduled depreciation and amortisation charges for investments that were realised in the 2010/11 fiscal year. This underscores the relatively low capital intensity of the business model compared to other sectors.

EBIT was up by 61.7% to EUR 19.6 million in the 2010/11 fiscal year (previous year: EUR 12.1 million), corresponding to an 8.3% EBIT margin (previous year: 7.0%).

The net financial was almost unchanged at EUR -1.7 million in the period under review (previous year: EUR -1.5 million).

In line with the strong growth in net sales and EBIT, earnings before taxes of EUR 17.9 million were 67.6% ahead of the previous year's result of EUR 10.7 million.

The tax charge increased by EUR 3.2 million year-on-year to EUR 6.7 million in the 2010/11 fiscal year. The tax expense amounted to 37.5% of earnings before tax as a consequence (previous year: 30.0%). This change primarily reflects the lapsing of tax loss carryforwards as part of the change of ownership that occurred.

As a consequence, the company reported a 49.6% increase in consolidated net income to EUR 11.2 million (previous year: EUR 7.5 million).

Net assets

Fixed assets amounted to EUR 9.6 million as of September 30, 2011, representing a EUR 1.9 million increase compared with September 30, 2010 (previous year: EUR 7.7 million). This increase was due to investments made in operating and office equipment for the Cloppenburg production site, and the interest acquired in the joint venture with Daum Forschung & Entwicklung GmbH. Despite these investments, the share of fixed assets in total assets reduced from 10.1% in the previous year to 8.2% as of September 30, 2011.

In the financial statements as of September 30, 2011, inventories were up by 59.9% compared with the previous year to EUR 73.3 million. This rise is due to the expansion of production, and the related necessity to stock larger quantities of raw materials and supplies, and further stocking of finished goods. Compared with previous years, production had already resumed to a stronger degree as of September 30, 2011. Inventories' share of total assets was almost unchanged at 62.6% as a consequence (previous year: 60.3%).

Trade receivables amounted to EUR 13.9 million as of the balance sheet date, and were consequently slightly below the previous year's figure of EUR 14.7 million as of September 30, 2010. This primarily reflected the sale of receivables as part of factoring.

Other financial assets increased to EUR 6.2 million as of the 2011 reporting date, compared with EUR 3.5 million as of the previous year's accounting date. This was mainly due to a greater number of currency hedging transactions that were concluded utilising derivatives.

Cash and cash equivalents increased from EUR 2.5 million in the previous year to EUR 12.6 million due to the IPO and positive business trends.

Current assets rose correspondingly from EUR 68.4 million as of the prior-year balance sheet date to EUR 107.4 million.

Equity was up from EUR 35.1 million in the previous year to EUR 65.4 million as of September 30, 2011. This was due to the IPO in February 2011 and the results achieved during the current fiscal year. The equity ratio stood at 55.9% at the end of the 2010/11 fiscal year (previous year: 46.1%), underscoring Derby Cycle's stable net assets position.

Non-current liabilities amounted to EUR 7.2 million at the end of the reporting period. These almost exclusively comprised a bank loan as of September 30, 2011, which amounted to

EUR 5.0 million on balance after the assumption of new loans and following scheduled redemptions. Derby Cycle reported EUR 2.2 million of deferred tax liabilities for the 2010/11 fiscal year (September 30, 2010: EUR 0.6 million). This was due to the capitalisation of loss carryforwards.

Trade accounts payable and other liabilities increased by 38.5% compared with the comparable period of the reporting year, rising from EUR 23.0 million to EUR 31.8 million as of September 30, 2011, which reflected the business growth.

Compared with this, other current financial liabilities fell by 55.5% to EUR 2.7 million as of the 2010/11 balance sheet date (previous year: EUR 6.0 million). This marked decline is principally due to the repayment of tranches of borrowings in the previous year, which were subsequently reclassified as current liabilities.

By comparison with the 2009/10 annual financial statements, this year's current provisions were up by 22.6% to EUR 5.9 million (previous year: EUR 4.8 million). These primarily comprise provisions for vacation and Christmas payments, guarantees and bonus payments.

As a consequence, total assets were up by 53.8%, rising from EUR 76.1 million in the previous year to EUR 117.0 million as of September 30, 2011.

Financial position

Cash flow from operating activities amounted to EUR -0.5 million for the 2010/11 fiscal year (2009/10 fiscal year: EUR +3.5 million). This was mainly due to the increase in inventories, which was only partially offset by trade accounts payable (supplier loans).

The net cash outflow on investing activities stood at EUR -3.4 million in the 2010/11 fiscal year (previous year: EUR -1.5 million). These cash outflows were primarily attributable to investments in operating and office equipment in Cloppenburg, and the interest that was acquired in a joint venture with Daum Forschung & Entwicklung GmbH (please refer to the section on investments and financing).

The net cash inflow on a financing activities of EUR +19.2 million was significantly positive, mainly reflecting the IPO in February 2011 (previous year: EUR -8.8 million). As part of the IPO, Derby Cycle assumed funds of EUR 18.8 million for investments to expand its business operations, which is reflected in this year's net cash inflow.

As a consequence, financial resources underwent a positive change of EUR +15.3 million in the 2010/11 fiscal year. Financial resources stood at EUR 12.0 million at the end of the reporting period, compared with EUR -3.3 million in the previous year.

Investments and financing

In the 2010/11 fiscal year, the Derby Cycle Group invested mainly in operating and office equipment for the production site in Cloppenburg. This was financed from equity and existing loans. In addition, EUR 1.0 million was invested in the 50% interest in Daum Forschung & Entwicklung GmbH, which is to be managed as a joint venture in the future. Investments were also made in the launch of direct sales in Australia, the United Kingdom, and other countries.

General statement concerning the Group's commercial position

The Management Board is of the opinion that the 2010/11 fiscal year registered very positive progress, with 36% revenue growth to EUR 235.5 million, and 62% EBIT growth to EUR 19.6 million. Not least due to the successful IPO in February 2011, and the capital increase that was placed in this context, the company commands sufficient liquidity and a strong equity ratio.

COMPENSATION REPORT

The 2010/11 Compensation Report that is included on page 34 of the Corporate Governance Report forms part of the Management Report. The Compensation Report summarises the principles that were decisive for the compensation of Management Board members in the 2010/11 fiscal year, and explain the structure level of Management Board compensation, as well as the compensation for the Supervisory Board in the 2010/11 fiscal year.

TAKEOVER LAW DISCLOSURES PURSUANT TO SECTIONS 289 (4) AND 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT

1. Composition of subscribed capital: The share capital is split into 7,500,000 no par value bearer shares (no par shares). There are no differing share classes. Each share is fully voting and dividend entitled. Each share confers one vote at the Shareholders' General Meeting.
2. The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.
3. Direct or indirect interests in the share capital exceeding 10 % of the voting rights as of September 30, 2011, whereby indirect interests were determined taking into account the attribution criteria of the German Securities Trading Act (WpHG):
   a. Accell Group N.V., Heerenveen, Netherlands: 22.32 % (indirect)
   b. Sparta B.V., Wilmersdorf, Netherlands: 22.32 % (indirect)
   c. In2Cycling B.V., Heerenveen, Netherlands: 22.32 % (direct)
   d. Mr. Wijnand Nicolaas Pon, Netherlands: 15.00 % (indirect)
   e. Stichting Continuïteit Wilg, Leusden, Netherlands: 15.00 % (indirect)
   f. Houdstermaatschappij Wilg B.V., Leusden, Netherlands: 15.00 % (indirect)
   g. Pon Holdings B.V., Almere, Netherlands: 15.00 % (indirect)
   h. Geveke N.V., Almere, Netherlands: 15.00 % (indirect)
   i. Pon Holding Germany GmbH: 15.00 % (direct)

   The report on events subsequent to the reporting date provides information about how these interests have changed as part of the takeover offer by Pon.
4. There are no shares with special rights granting controlling authority.
5. There is no voting right control over the share capital exercised by employees.
6. Statutory provisions and provisions of the articles of association concerning the appointment and removal from office of the Management Board, and amendments to the articles of association: The Supervisory Board appoints the members of the Management Board and is entitled to recall them from office for significant reasons. Section 84 of the German Stock Corporation Act (AktG): (1) The Supervisory Board appoints Management Board members for a maximum period of five years. The Supervisory Board can make repeated appointments, or can extend periods in office, for a maximum period of five years in each case. This requires a renewed resolution by the Supervisory Board, which can be passed at the earliest one year before the previous period of office has elapsed. Only in the instance of an appointment for a period of less than five years can periods of office be extended without a renewed resolution by the Supervisory Board, and insofar as the entire period of office lasts for no longer than five years as a consequence. This applies correspondingly for the employment contract; it can nevertheless make provision for the instance where a period of office is extended until its expiry. (2) If several individuals are appointed as Management Board members, the Supervisory Board can appoint one member to be the chairperson of the Management Board (CEO). (3) The Supervisory Board can revoke appointments of Management Board members and the appointment of the Management Board chairperson for significant reasons. Such reasons include gross infringement of duty, inability to conduct business in a proper manner, and a vote

of no confidence by the Shareholders' General Meeting, unless such a vote of no confidence has been realised for ostensibly unobjective reasons. Such revocations are effective until their lack of legal effectiveness has been legally determined. The general regulations of Section 179 of the German Stock Corporation Act (AktG) are applicable for claims arising from employment contracts. (1) All amendments to the articles of association require a resolution by the Shareholders' General Meeting. The Shareholders' General Meeting can transfer to the Supervisory Board the authority to make amendments relating solely to wording. (2) The resolution of the Shareholders' General Meeting requires a majority that comprises at least three quarters of the share capital represented when the resolution is passed. The articles of association can make provision for another capital majority, or where such amendments concern the company's purpose, it must be a larger capital majority. It can establish further requirements. Pursuant to Section 12 (2) of the articles of association, the Supervisory Board can pass resolutions to amend the articles of association, although only concerning their wording. As the result of a resolution passed by the Shareholders' General Meeting on January 20, 2011, the Supervisory Board was also authorised to amend the wording of the company's articles of association after performing capital increases from the company's authorised capital on the basis of Section 5 of the articles of association, or after the expiry of the authorisation period if the authorised capital is not utilised.

7. Authorisations of the Management Board, particularly regarding the possibility to issue or repurchase shares:

(1) Authorised capital: Pursuant to Section 5 of the company's articles of association, the Management Board is authorised by a resolution passed by the Shareholders' General Meeting of January 20, 2011, to increase the share capital, with Supervisory Board assent, once or on several occasions during the period until January 15, 2016, by up to a total of EUR 3,000,000 through issuing up to 3,000,000 new ordinary bearer shares against cash or non-cash capital contributions. Shareholders are generally entitled to subscription rights in this context. The Management Board is also authorised, with Supervisory Board assent, to exclude shareholders' subscription rights, under certain circumstances, however. This is permissible only in the following instances: aa) for residual amounts arising due to the subscription ratio; bb) in the case of capital increases against non-cash capital contributions, especially to acquire companies, parts of companies, or interest in companies; cc) if the capital increase is performed against cash, and the issue price of the new shares is not significantly less (in the meaning of Sections 203 (1) and (2), 186 (3) Clause 4 of the German Stock Corporation Act [AktG]) than the stock market price of already listed shares of the same class and entitlement when the issue price is finally determined, and the total amount of share capital attributable to these shares that are newly issued pursuant to this authorisation does not exceed 10 % of the share capital, and specifically the share capital existing either at the time when this becomes effective, or when this authorisation is exercised. To utilise the 10 % limit, the exclusion of subscription rights on the basis of other authorisations pursuant to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG) must be taken into account. The Management Board, with Supervisory Board assent, decides concerning the further contents of share rights and the terms of share issues.

(2) Authorisation to acquire and utilise treasury shares: With a resolution of the Shareholders' General Meeting on January 20, 2011, the Management Board, with Supervisory Board assent, was authorised until January 15, 2016, to acquire treasury shares in the scope of up to 10 % to the share capital existing when the resolution was passed. These amount to up to 600,000 shares. Such a purchase may be effected only through the stock market on the basis of a public share offer to all shareholders. Shares acquired in such a manner can be resold through the stock market. Above and beyond this, the Management Board is authorised, with Supervisory Board assent, to utilise shares acquired on the basis of this authorisation as follows: (1) The shares can be withdrawn without a renewed resolution on the part of the Shareholders' General Meeting, or (2) under exclusion of shareholders' subscription

rights (aa) be offered and transferred to third parties as part of corporate mergers, or where companies are acquired, or where interests in companies are acquired, (bb) be offered for purchase and transferred to Management Board members, employees of the company or its Group companies, (cc) be offered or transferred for purchase to third parties, which, as strategic partners of the company or its Group companies, make a significant contribution to the attainment of the company's corporate objectives, or (dd) be utilised to satisfy the company's obligations arising from convertible bonds that the company issues or guarantees. The Management Board is required to report to the Shareholders' General Meeting concerning the purchase and utilisation of the shares.

8. Significant company agreements conditional on a change of control following a takeover offer, and the resultant effects: The employment agreements for the company's Management Board members include a special right of termination for the instance that a third party in the meaning of Sections 29 (2), (30) of the German Securities Takeover Act (WpÜG) gains control over the company (change of control clause). The Management Board members who are currently in office waived the exercise of this special termination right as part of the voluntary public takeover offer submitted by Pon Holding Germany GmbH. In addition, the newly concluded syndicated loan agreement and the newly concluded factoring agreement are subject to a change of control. Both agreements entitle the financing partners to exercise a special termination right. The change of control as part of the takeover by Pon was explicitly excluded in this context, and triggers no termination right. Both agreements are discussed in the report on events after the reporting date.
9. Company compensation agreements that have been made with the Management Board or employees for the instance of a takeover offer: The Management Board employment agreements grant Management Board members a special right of termination for the instance that a third party in the meaning of Sections 29 (2), 30 of the German Securities Takeover Act (WpÜG) gains control over the company. Given the voluntary public takeover offer submitted by Pon Holding Germany GmbH on October 21, 2011, the Management Board members waived the exercise of this special termination right.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On October 21, 2011, Pon Holding Germany GmbH submitted a voluntary public takeover offer to all Derby Cycle AG shareholders. The acceptance period for this offer ended on November 18, 2011, and the extended acceptance period ended on December 7, 2011. Pon Holding Germany announced on December 12, 2011, that it held a 91.96 % interest in Derby Cycle AG. This new constellation has had no impact to date on the business activities of Derby Cycle AG and its subsidiaries.

In December 2011, the German member companies of the Derby Cycle Group concluded a new loan agreement with an expanded consortium of banks for a total financing volume of EUR 98.5 million. As part of this syndicated loan agreement, the Derby Cycle Group was granted a syndicated loan of EUR 15.0 million, a working capital line of up to EUR 20.0 million, a seasonal working capital line of up to EUR 60.0 million, and a guarantee line of up to EUR 3.5 million. The seasonal working capital credit facility can be utilised only during certain months of the bicycle season. With the exception of a partial amount of the syndicated loan, the syndicated loan agreement carries a fixed term of up to December 2014 for all financing components. A further partial amount of the syndicated loan also carries a fixed term until December 2016. The financing banks are entitled to cancel the syndicated loan agreement without notice if a person or company acquires direct or indirect control over Derby Cycle AG, for example, through acquiring 30 % of the voting rights in Derby Cycle AG. The takeover that Pon has already realised is exempt from this regulation.

Also in December 2011, Derby Cycle Werke GmbH, NW Sportgeräte Vertriebs-GmbH and Raleigh Univega GmbH, as well as Derby Cycle AG and Derby Holding (Deutschland) GmbH, as guarantors, concluded a new master factoring agreement with a member company of the Nord LB Group. This agreement has a term until July 31, 2015, and comprises payment based on EURIBOR plus both a margin and a handling fee. This new factoring master agreement has a programme limit of EUR 40.0 million during the months December until May, and of EUR 30.0 million from June to November. A special termination right is applicable to the syndicated loan agreement in this instance, too.

There were no other business transactions of significance following the balance sheet date.

REPORT ON OPPORTUNITIES AND RISKS

INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM

Internal controlling and risk management system relating to the (Group) accounting process (report pursuant to Sections 289 (5), 315 (2) Number 5 of the German Commercial Code (HGB))

Derby Cycle AG operates an internal controlling and risk management system relating to the (Group) accounting process, in which appropriate structures and processes are defined, and which is implemented within the organisation. It is designed to ensure that all business processes and transactions are accounted for promptly, uniformly and correctly. It ensures compliance with statutory norms, accounting regulations and internal accounting instructions that are binding for all companies included in the consolidated financial statements. Amendments to laws and accounting standards, and other releases, are constantly analysed with respect to relevance and effects on the consolidated financial statements, and the resultant amendments are integrated into the Group's internal guidelines and systems.

Along with defined controlling mechanisms, examples of the foundations on which the internal controlling system is based include system-technology and manual coordination processes, the separation between execution and controlling functions, and compliance with guidelines and working instructions. The foreign Group companies prepare their financial statements locally, and transfer them using a data model that has been designed on a standard basis for use across the entire Group. The Group companies are responsible for compliance with Group-wide guidelines and procedures, and the proper and timely processing of their accounting-related processes and systems. Central contacts provide support to local companies during the entire accounting process. Measures are implemented as part of the accounting process that ensure that the Group financial statements conform with regulations. This is supported by measures to identify and measure risks, and to limit and review identified risks.

The consolidated sets of accounting figures are prepared centrally based on the data from the subsidiaries included in the scope of consolidation. Specially trained staff are responsible for the consolidation processes, certain coordination tasks, and for monitoring adherence with schedules and process instructions. These staff monitor system-technology controls, which are augmented by manual checks. The "two sets of eyes" principle is generally applied at every level. This minimises the risk arising from fraudulent actions. The entire accounting process is subject to certain approval processes. The internal controlling and risk management standards that are binding across the whole Group derived from this, and have been issued centrally as instructions, and implemented within the Group companies. The management teams within the Group companies are responsible for implementing and monitoring the internal controlling and risk management standards on a local basis.

It should generally be noted that an internal controlling system, irrespective of its structure, cannot provide absolute security that significant errors are avoided or discovered in the financial accounting. It nevertheless serves with sufficient security to avoid corporate risks exerting a significant effect.

CORPORATE MANAGEMENT STATEMENT

The corporate management statement pursuant to Section 289a of the German Commercial Code (HGB) can be viewed on the company's website within the Investor Relations area at http://www.derby-cycle.com

CORPORATE RISKS

Derby Cycle operates in a technologically demanding market of the future that entails both opportunities and risks. The company has adopted various measures in order to secure the Derby Cycle Group as a going concern, and to support the company's growth. One such important element is the risk management system, which is continuously integrated into all business processes of material importance. It helps the management to identify both opportunities and risks at an early juncture, and to respond ahead of time. As a consequence, the risk management system is not only an important safeguarding tool, but also helps to achieve the company's objectives. The risk management system undergoes continuous further development, and is based on recognised methods and instruments.

The principles of the Derby Cycle Group's risk policy set out in a risk handbook in which the risk management process is defined and described. This handbook is reviewed continuously, and is binding for Derby Cycle AG and its subsidiaries. The company's risk position is documented in the form of risk reports that are forwarded to the Management Board. The risk inventory, in which all identified risks are reported, also forms part of regular reporting. Risk management measures are also presented. Meaningful early-warning indicators are also defined for all individual risks where possible. This generates a constantly updated basis for practical risk-awareness within the company.

All decisions that might have an impact on the company's current and future position are subjected to detailed consideration of the related opportunities and risks. The current business position and the potential risks that might arise from it are discussed at regular meetings. Appropriate countermeasures are implemented where risks are defined. Recently identified risks are notified to the Management Board on an ad hoc basis. As a consequence, the established structures ensure that risks of relevant for business development are identified in good time.

Central risk responsibility lies with the Management Board. Derby Cycle AG is not currently aware of any risks that might jeopardise the company as a going concern. The following section describes individual risks that might have a significant effect on business trends, and the company's net assets, financing position and results of operations.

Risks related to the market and sector

Weak economic trends, or an economic downturn, particularly in Germany, may exert a negative impact on demand for Derby Cycle's products, leading to corresponding sales declines, and defaults on receivables due from Derby Cycle's customers.

Derby Cycle is exposed to intense competition. A further intensification of competition, or the market entry of new competitors, could result in a loss of market shares for Derby Cycle, and a significant increase in pricing pressure and corresponding margin reduction.

A weakening in the trend towards electric bikes, or in the quality awareness of customers, could have negative impacts on sales of Derby Cycle products.

Derby Cycle is dependent on manufacturing conditions in Germany. These could worsen, and, in particular, production costs could rise.

Risks related to the company

Derby Cycle is dependent on yearly trends in new bicycle models, and on how the market accepts them. Derby Cycle might not be able to foresee trends or technological innovations in the future, and to respond to them in good time.

The future growth of Derby Cycle AG will depend on its ability to maintain its market position and the degree of recognition of the brands that it utilises, and to successfully expand them.

Faulty products could damage the market acceptance of Derby Cycle products, bringing with them compensation claims against Derby Cycle.

Derby Cycle is exposed to significant currency exchange rate risks, as well as price fluctuations on the raw materials market. Currency exchange-rate risks arise primarily from the procurement of goods in Asia, where invoicing is principally in US dollars and Japanese yen. Each season's exchange rate is hedged on the basis of guidelines coordinated with the Supervisory Board, which set out certain hedging measures for particular times within the seasonal cycle. On the basis of demand planning, certain purchasing volumes are realised on particular dates utilising exclusively marketable instruments such as forward currency transactions. This entails hedge accounting consisting of underlying and hedging transactions. These comprise macro-hedges to hedge calculated purchasing prices. The hedged risk depends on the change in the exchange rate of the US dollar and the Japanese yen to the euro. The dollar offset method is applied to measure effectiveness. As of the balance sheet date, hedging transactions with a volume of EUR 20,145 thousand related to pending transactions in Japanese yen, and hedging transactions with a volume of EUR 37,320 thousand related to pending transactions in US dollars. In addition, hedging transactions were concluded for planned transactions in yen with a volume of EUR 18,906 thousand, and in US dollars with a volume of EUR 19,672 thousand. The net hedge presentation method was applied. The company counters potential receivable default risks through stringent receivables management, as well as through trade credit insurance and top-up insurance that covers most of the deductible of the trade credit insurance.

Derby Cycle is exposed to the risk of disruptions and interruptions to its operations.

Derby Cycle's growth strategy could fail, or develop more slowly than planned. In particular, Derby Cycle might be unable to continue to grow organically, or to acquire other companies or their assets, and integrate them successfully.

Derby Cycle might be unable to appropriately further develop its internal organisational, information, risk monitoring and risk management structures, as well as its financial accounting function, or to adjust them in line with growth.

Individual component suppliers enjoy a high degree of market power, and could implement disadvantageous contractual terms against Derby Cycle. Derby Cycles business could be disadvantaged if such suppliers were no longer available, or were supplies to be delayed.

Derby Cycle is dependent to a not inconsiderable degree on distributors; individual customers could amalgamate a not inconsiderable share of sales among themselves, the discontinuation of which would have a tangible impact on Derby Cycle's business.

Disruptions to warehousing and logistics could lead to problems concerning the punctual delivery of components, and deliveries to customers.

Derby Cycle's business activities are subject to seasonal fluctuations and weather conditions, which can have effects on its sales and earnings.

Derby Cycle has considerable need for financing, which could increase further in the future, and there is no guarantee that it can cover this requirement at all, or on appropriate terms. In particular, financing costs could rise significantly due to a higher level of interest rates.

Derby Cycle‘s existing insurance cover might prove insufficient.

The company‘s future success depends on recruiting and retaining managers and qualified staff.

Derby Cycle is exposed to environmental risks, particularly arising from the utilisation of chemicals.

Legal and tax risks

A change in the legal environment or other standards that would be disadvantageous for the bicycle market could have a negative impact on demand for bikes, and electric bikes in particular.

With the expansion of its international activities, Derby Cycle is exposed to risks due to the respective prevailing national conditions.

Derby Cycle is exposed to risks arising from competition law.

Derby Cycle‘s compliance system and monitoring options might prove insufficient to prevent infringements of the law, or to uncover infringements of the law have already occurred.

Derby Cycle might be unable to appropriately protect its intellectual property, particularly its brands.

Derby Cycle might infringe the intellectual property rights or personal rights of third parties, or confidentiality agreements.

Derby Cycle might have ineffectively acquired employee inventions, and might also not always acquire them effectively.

The legal relationships between Derby Cycle and its customers are structured through provisions designed for a large number of agreements. For this reason, individual errors in the structuring of these provisions might relate to a large number of legal relationships.

Derby Cycle might be exposed to tax arrears for past assessment periods.

General statement on the company‘s risk position

The Management Board regards the Group‘s overall risk position as appropriate, and as not jeopardising the company as a going concern. The market for bicycles and electric bikes is generally intact, and remains attractive due to the opportunities for growth that it offers. The Derby Cycle Group enjoys a positive brand and quality image, its production facilities are completely up to date, its capital backing is appropriate, and the production, sales and administration staff form a highly qualified and high-performing team. As a consequence, the Management Board regards the company as well positioned to address future market trends.

Despite the greatest care, it cannot be entirely excluded that significant risks that have been unidentified to date exert a negative impact on our business development. No going risks were identified, either during the 2010/11 fiscal year, nor when this annual report was prepared.

FUTURE DEVELOPMENT OPPORTUNITIES

Derby Cycle‘s strong growth over recent years is primarily based on three strategic initiatives: the concentration on specialist dealers, the internationalisation of the business, and the strong position in electric bikes. The company is endeavouring to grow further in these areas in the future.

The concentration on specialist dealers has largely been implemented. We will continue in the future to concentrate on this sales channel, which is gaining ever greater importance in the overall market.

We have consistently further internationalised our sales markets, and we are meanwhile active in more than 50 countries worldwide. We will continue to further pursue this internationalisation approach in the future – this year‘s founding of our sales company in Australia provides one such example.

The trend towards high-quality electric bikes remains unbroken. As a market leader in this product category in the important German bicycle market, we regard ourselves as well positioned to continue to benefit from this trend in the future.

OUTLOOK

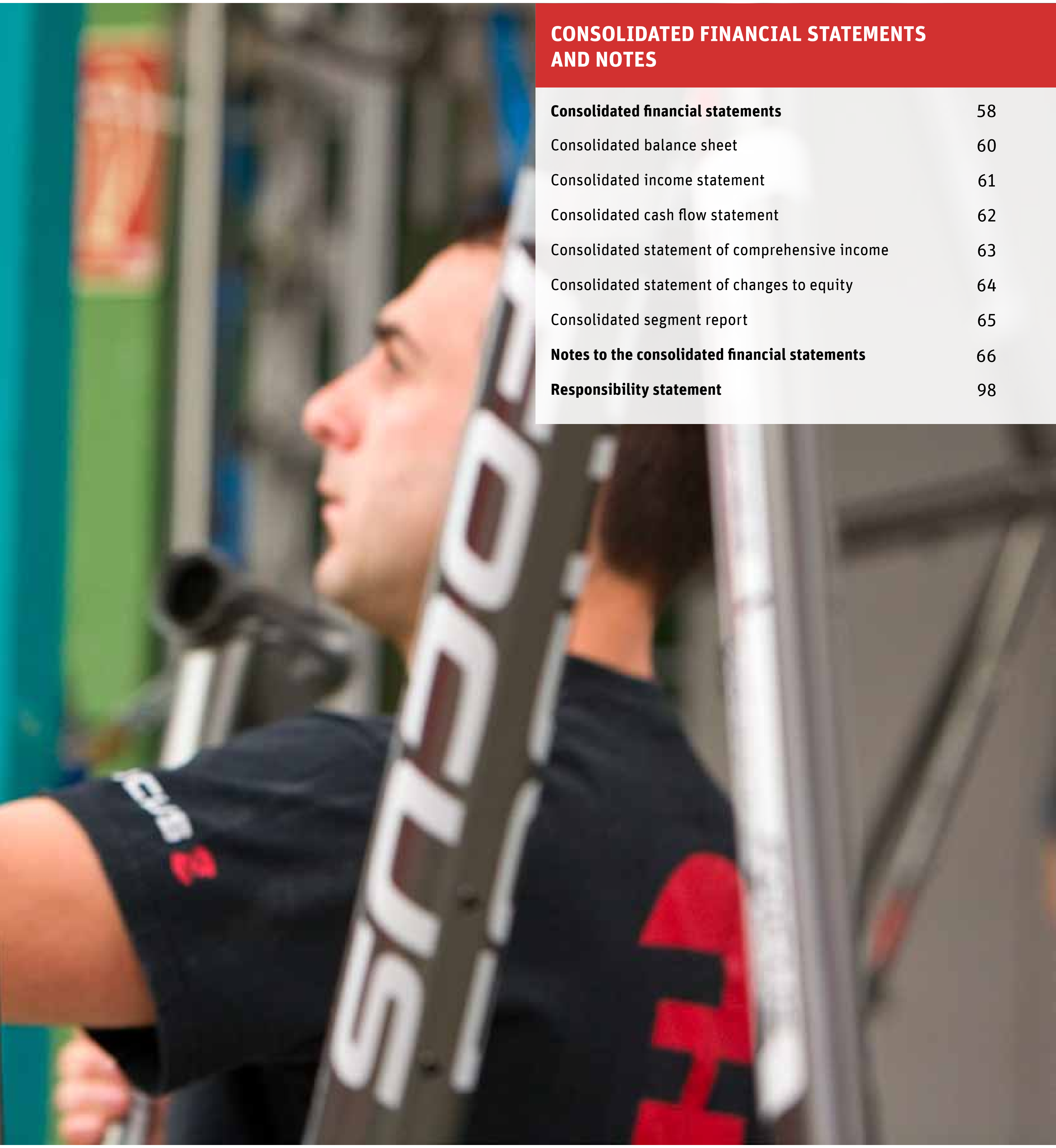
The company expects further sales growth in the 2011/12 fiscal year, driven particularly by the business's advancing internationalisation, and continued high demand for electric bikes. Pre-orders that we have received to date confirm us in this view.

The ongoing state debt crisis, and its effects on the economic situation, remain topics of controversial discussion, including among experts. Such discussions also do not exclude a massive cooling of economic growth, with corresponding consequences for production and consumption. In the event that such an economic downturn should occur, Derby Cycle would also be unable to decouple from such trends.

On this basis, the company is assuming sales revenue of EUR 250 million to EUR 270 million for the current 2011/12 fiscal year, whereby the relative sales share of both segments outside Germany will rise. The company anticipates that its 2010/ 12 EBIT margin will lie between 8 and 9 %.

Derby Cycle believes that it will remain on its growth path in the coming 2012/13 fiscal year. In this case, the international share of sales will also tend to increase. The company will announce specific targets over the course of 2012 as soon as a better estimate is possible, particularly with regard to the trend in macroeconomic conditions.


FOCUS
FOCUS
SPORT SERIES
FOCUS



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// CONSOLIDATED BALANCE SHEET

EUR	Notes	30/09/2011	30/09/2010
Assets			
Intangible assets	(1)	3,985,789	3,622,224
Property, plant and equipment	(1)	4,634,903	3,822,138
Financial assets		1,000,000	255,681
Fixed assets		**9,620,692**	**7,700,043**
Inventories	(3)	73,281,713	45,837,406
Receivables and other investments	(4)	13,874,707	14,728,547
Other financial assets	(5)	6,180,872	3,500,726
Other tax claims	(6)	1,387,338	1,814,495
Cash and cash equivalents	(7)	12,642,815	2,469,246
Current assets		**107,367,446**	**68,350,420**
TOTAL ASSETS		**116,988,138**	**76,050,464**
Liabilities and shareholder's equity			
Subscribed capital		7,477,700	25,000
Capital reserves		16,979,379	3,715,646
Revenue reserves			
Other retained earnings		–	–
Profit / loss carry-forwards		25,620,934	21,647,379
Equity revaluation reserves		4,054,854	2,205,272
Net income		11,184,429	7,473,554
Reserves from currency differences		106,450	24,403
Equity	(8)	**65,423,746**	**35,091,255**
Non-current financial liabilities	(9)	5,000,000	5,328,500
Non-current reserves		–	–
Non-current liabilities		**5,000,000**	**5,328,500**
Deferred tax carried as liabilities	(2)	**2,238,449**	**623,898**
Trade liabilities and other liabilities	(10)	31,819,329	22,973,198
Other current financial liabilities	(11)	2,686,530	6,041,850
Current reserves	(12)	5,873,625	4,792,258
Tax liabilities	(13)	3,946,459	1,199,505
Current liabilities		**44,325,943**	**35,006,811**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**116,988,138**	**76.050.464**

// CONSOLIDATED INCOME STATEMENT

EUR	Notes	2010/2011	2009/2010
Sales revenues	(14)	235,462,578	173,191,756
Change in finished or unfinished goods	(15)	9,304,219	3,999,991
Aggregated operating performance		**244,766,797**	**177,191,747**
Material costs	(16)	169,998,688	120,591,953
Personnel expenses	(17)	29,487,082	23,933,484
Amortization / depreciation	(18)	1,174,134	1,003,405
Other incomes	(19)	2,760,122	1,942,998
Other expenses	(20)	27,246,522	21,469,511
Earnings before interest and taxes (EBIT)		**19,620,494**	**12,136,392**
Interest income		64,069	22,247
Interest costs		1,779,378	1,477,775
Financial result	(21)	**-1,715,309**	**-1,455,528**
Earnings before taxes (EBT)		**17,905,185**	**10,680,864**
Income tax expense	(22)	6,720,756	3,207,309
Consolidated result		**11,184,429**	**7,473,554**

// CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	**2010/2011**	2009/2010
Consolidated result	11,184	7,474
Depreciation and amortization expense (+)	1,174	1,107
Exchange rate profits (-)/losses (+)	-130	-31
Decrease (+)/increase (-) of inventories, trade receivables and other assets not attributable to financing or investment	-27,833	-17,080
Decrease (-)/increase (+) of trade liabilities and other liabilities not attributable to financing or investment	14,003	12,132
Decrease (-)/increase (+) of provisions	1,082	-142
Cash flow from operating activities	**-521**	**3,460**
Inflow from the disposal of fixed tangible assets and intangible assets	4	-4
Outflow from investments in fixed tangible assets and intangible assets	-2,357	-1,452
Outflow from the purchase of consolidated companies and other entities	-1,000	–
Cash flow from investment activities	**-3,353**	**-1,456**
Inflow from additional equity	18,750	–
Outflow from costs of equity procurement	-1,805	–
Outflow from share buy-back	-441	–
Outflow from the redemption of (financial) loans	-6,329	-3,420
Inflow from an increase in (financial) loans	8,000	49
Decrease (-)/increase (+) in liabilities towards shareholders	0	-5,069
Inflow/outflow from the guarantee sum for factoring	1,010	-353
Cash flow from financing activities	**19,185**	**-8,793**
Changes in financial funds recognized in profits or loss	15,311	-6,789
Financial funds at the beginning of the period	-3,268	3,521
Financial funds at the end of the period	**12,043**	**-3,268**

Composition of financial funds

EUR thousand	**2010/2011**	2009/2010
Cash and cash equivalents	12,043	859
Drawdown of revolving credits	0	-4,127
Financial funds at the end of the period	12,043	-3,268

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	01/10/2010 - 30/09/2011	01/10/2009 - 30/09/2010
I. Consolidated result	**11,184**	**7,473**
II. Other income		
+ / - Changes deriving from hedging transactions	2,610	5,868
Thereof changes in fair value recorded directly in equity	5,445	2,835
Thereof completed hedges recognized in profit or loss	-2,835	3,033
+ / - Differences as a result of currency conversion of economically independent entities abroad	81	32
+ / - Deferred tax effects from other comprehensive income*	-760	-1,656
Other comprehensive income after tax	**1,931**	**4,244**
III. Statement of comprehensive income (Total of I and II)	**13,115**	**11,717**

* Tax effects from other comprehensive income only concern “Changes to the value of hedges”

// CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

FROM OCTOBER 1, 2009 UP TO SEPTEMBER 30, 2011

EUR thousand	Subscribed Capital	Capital reserves	Revenue reserves	Equity revaluation reserves	Currency translation reserves	Net income	TOTAL
Balance as of 01/10/2009	25	3,716	—	-2,007	-6	21,647	23,375
= Adjusted Balance 01/10/2009	**25**	**3,716**	—	**-2,007**	**-6**	**21,647**	**23,375**
+ Consolidated comprehensive income 2009/2010	**0**	**0**	—	**4,212**	**32**	**7,473**	**11,717**
= Balance as of 30/09/2010	**25**	**3,716**	—	**2,205**	**26**	**29,120**	**35,092**
Balance as of 01/10/2010	25	3,716	—	2,205	26	29,120	35,092
= Adjusted Balance 01/10/2010	**25**	**3,716**	—	**2,205**	**26**	**29,120**	**35,092**
+ Increase in revenue reserves	—	—	3,500	—	—	3,500	—
+ Capital increase from company funds	5,975	-2,475	-3,500	—	—	—	0
+ Capital increase from IPO	1,500	17,250	—	—	—	—	18,750
- IPO-socts resulting from new share issue	—	-1,279	—	—	—	—	-1,279
- Capital decrease from share buy-back	-22	-419	—	—	—	—	-441
- Share-based payment organ	—	187	—	—	—	—	187
+ Consolidated comprehensive income 2010/2011	—	—	—	**1,850**	**81**	**11,184**	**13,115**
= Balance as of 30/09/2011	**7,478**	**16,980**	**0**	**4,055**	**107**	**36,804**	**65,424**

// CONSOLIDATED SEGMENT REPORT

Segment reporting 2010/11		**Germany 2010/11**	Germany 2009/10	**Rest of Europe 2010/11**	Rest of Europe 2009/10	**Rest of World 2010/11**	Rest of World 2009/10	**TOTAL 2010/11**	TOTAL 2009/10
Net sales	EUR thousand	157,453	125,692	68,690	43,130	9,320	4,370	235,463	173,192
Manufacturing costs	EUR thousand	123,035	98,499	53,865	33,635	7,742	3,532	184,642	135,666
Segment profit/loss (DE 1)	EUR thousand	34,418	27,193	14,825	9,495	1,578	838	50,821	37,526
	%	21.86	21.63	21.58	22.01	16.93	19.18	21.58	21.67
Financial result	EUR thousand	–	–	–	–	–	–	-1,715	-1,456
Other costs	EUR thousand	–	–	–	–	–	–	31,201	25,389
Consolidated earnings before taxes	EUR thousand	–	–	–	–	–	–	17,905	10,681
	%	–	–	–	–	–	–	7.60	6.17

// NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR FROM OCTOBER 1, 2010, TO SEPTEMBER 30, 2011

Derby Cycle ranks as the largest bicycle manufacturer on the German market in terms of sales, and one of Europe‘s leading producers, in the Management Board‘s assessment. The company‘s product range includes electric bikes, sports bikes for leisure and competition purposes, and comfort bikes for everyday and travel uses. These are sold under the Kalkhoff, FOCUS, Raleigh, Univega and Rixe brands. All models are developed and assembled at the company‘s headquarters in Cloppenburg. The products are sold through specialist dealers who offer their customers professional advice and extensive service.

ACCOUNTING PRINCIPLES

GENERAL INFORMATION

The consolidated financial statements of Derby Cycle AG, Cloppenburg, for the fiscal year from October 1, 2010 to September 30, 2011, are fully compliant with International Financial Reporting Standards (IFRS) for the 2010/11 fiscal year, and the interpretations of the International Reporting Interpretations Committee (IFRIC), as applicable in the European Union. All releases issued by the International Accounting Standards Board (IASB) that require mandatory application were taken into account, and convey a true and fair view of the net assets, financial position and results of operations of the Group (the Derby Cycle Group). When preparing the financial statements, the company‘s management proceeded on the basis of the assumption of the Group as a going concern.

The consolidated financial statements have been prepared in euros as of the balance sheet date of Derby Cycle AG, September 30, 2011. All amounts are in euros, unless otherwise stated. The balance sheet dates of the companies included apply the same balance sheet date. Valuation is based on cost, with the exception of available-for-sale financial assets that are measured at market value, and financial assets and liabilities that are measured at fair value through profit and loss. The consolidated financial statements have been prepared in accordance with the consolidation, accounting and measurement methods presented below. As an independent component of the consolidated statement of comprehensive income, the income statement is prepared according to the nature of expense method.

Individual income statement and balance sheet items have been aggregated in order to make them clearer and more meaningful, unless there is a prohibition on such netting of items. These items are reported and explained separately in the notes to the consolidated financial statements. The preparation of consolidated financial statements compliant with IFRS requires the use of estimates. The application of accounting and measurement methods across the Group also requires management appraisals. Areas that entail greater scope for discretion, and where assumptions and estimates are of critical importance, are covered under the remarks “Assumptions and estimates”.

Compared with the consolidated financial statements of Derby Cycle AG for the fiscal year from October 1, 2010, to September 30, 2011, the following standards and interpretations required mandatory first-time application in the fiscal year under review:

AMENDMENTS TO IAS 23 “BORROWING COSTS”

These amendments to IAS 23 were published on March 29, 2007, adopted into EU law on December 10, 2008, and require mandatory first-time application for fiscal years commencing on or after January 1, 2009. The amendments eliminate the option to directly expense borrowing costs as part of the acquisition or production of qualified assets. Such borrowing costs are to be included in the cost of qualified assets in the future. These amendments to IAS 23 are generally relevant for the Derby Cycle Group. There were no significant effects in the year under review.

AMENDMENTS TO IFRS 2 “SHARE-BASED PAYMENT: VESTING CONDITIONS AND CANCELLATIONS”

These amendments to IFRS 2 were published on January 17, 2008, adopted into EU law on December 16, 2008, and require mandatory first-time application for fiscal years commencing on or after January 1, 2009. This review aimed to more precisely define the terms “vesting conditions” and “cancellations”. Accordingly, vesting conditions should be restricted to service conditions and performance conditions. Other aspects of share-based payment do not represent a vesting condition, and should be included in the fair value of share-based payment as of the grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. These amendments to IFRS 2 are generally relevant for the Derby Cycle Group. There were no significant effects in the year under review.

AMENDMENTS TO IAS 1 “PRESENTATION OF FINANCIAL STATEMENTS: A REVISED PRESENTATION”

These amendments to IAS 1 were published on September 6, 2007, adopted into EU law on December 17, 2008, and require mandatory first-time application for fiscal years commencing on or after January 1, 2009. These amendments mainly relate to amended descriptions for the income statement, balance sheet and cash flow statement, the introduction of a statement of comprehensive income, and the requirement to publish an opening balance sheet for the first reported period affected by a retrospective accounting amendment. These amendments to IAS 1 are relevant for the Derby Cycle Group.

AMENDMENTS TO IAS 32 AND IAS 1 “PUTTABLE FINANCIAL INSTRUMENTS AND OBLIGATIONS ARISING ON LIQUIDATION”

These amendments to IFRS 32 and IAS 1 were published on February 14, 2008, adopted into EU law on January 21, 2009, and require mandatory first-time application for fiscal years commencing on or after January 1, 2009. As a result of these amendments, some financial instruments that previously satisfy the definition of a financial liability are to be classified as equity in the future, because they comprise the most subordinate claim on an entity‘s net assets. Detailed requirements must be satisfied for this purpose, however. These amendments to IAS 32 and IAS 1 are irrelevant for the Derby Cycle Group.

AMENDMENTS TO IFRS 1 AND IAS 27 “COST OF AN INVESTMENT IN A SUBSIDIARY, JOINTLY-CONTROLLED ENTITY OR ASSOCIATE”

These amendments to IFRS 1 and IAS 27 were published on May 22, 2008, adopted into EU law on January 23, 2009, and require mandatory first-time application for fiscal years commencing on or after December 31, 2008. These reviews were prompted by the fact that, when adopting IFRS for the first time, the retrospective determination of cost, and the application of the purchase method pursuant to IAS 27, could in many cases be achieved only with unreasonable costs. For this reason, some reliefs and exemptions were introduced for first-time adopters of IFRS, including relating to the measurement of the costs of investments in subsidiaries, joint ventures and associated companies. These amendments to IFRS 1 and IAS 27 are irrelevant for the Derby Cycle Group, however.

IFRIC 12 “SERVICE CONCESSION ARRANGEMENTS”

IFRIC 12 was published on November 13, 2006, and adopted into EU law on March 25, 2009. The mandatory date for first-time application was modified as the result of the EU endorsement from reporting periods that commence on or after January 1, 2008, to fiscal years that commence after March 28, 2009. Earlier application is permissible. This interpretation relates to the accounting treatment of service agreements, where a government or other public sector body contracts a private operator to offer public services. The regulations of IFRS 12 are irrelevant for the Derby Cycle Group, however.

IFRIC 15 “AGREEMENTS FOR THE CONSTRUCTION OF REAL ESTATE”

IFRIC 15 was published on July 3, 2008, adopted into EU law on July 22, 2009, and requires mandatory first-time application for fiscal years commencing on or after January 1, 2009. IFRIC 15 standardises accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units, such as apartments or houses, “off plan” – that is, before construction is complete. The regulations of IFRS 15 are irrelevant for the Derby Cycle Group.

IFRIC 16 “HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION”

IFRIC 16 was published on July 3, 2008, adopted into EU law on June 4, 2009, and requires mandatory first-time application for fiscal years commencing on or after June 30, 2009. This interpretation relates to IAS 21 “The Effects of Changes in Foreign Exchange Rates” and IAS 39 “Financial Instruments: Recognition and Measurement”, and covers the topic of hedging a net investment in a foreign operation. The regulations of IFRS 16 are irrelevant for the Derby Cycle Group.

AMENDMENT TO IFRS 7 “IMPROVING DISCLOSURES ABOUT FINANCIAL INSTRUMENTS”

This amendment, which was published on March 5, 2009, covers disclosures concerning fair value and liquidity risk. The amendment was adopted into EU law on November 27, 2009. When calculating fair values, disclosure requirements were expanded so that a tabular breakdown for each class of financial instrument must be presented. This is based on the three-level fair value hierarchy pursuant to US-GAAP SFAS 157. Liquidity risk disclosures were added to by requiring a classification of information about the contractual maturities of financial liabilities according to derivative and non-derivative liabilities. Qualitative disclosures concerning liquidity risk management were also reviewed. The regulations come into force retrospectively for fiscal years commencing on or after January 1, 2009. Earlier adoption is permissible. No comparable figures are required in the first year of adoption, however. These regulations are relevant for the Derby Cycle Group.

IFRIC 17 "DISTRIBUTION OF NON-CASH ASSETS TO OWNERS"

IFRIC 17 was published on November 27, 2008, adopted into EU law on November 26, 2009, and comes into force for fiscal years commencing on or after July 1, 2009, although earlier application is permissible. IFRIC 17 regulates how entities are required to measure non-cash assets that they have transferred to shareholders as a distribution of earnings. Accordingly, a dividend obligation must be recognised if the dividend was authorised by the relevant governing bodies, and is no longer at the discretion of the entity. The regulations of IFRS 17 are irrelevant for the Derby Cycle Group.

IFRIC 18 "TRANSFERS OF ASSETS FROM CUSTOMERS"

IFRIC 18 was published on January 29, 2009, adopted into EU law on November 27, 2009, and comes into force for fiscal years commencing on or after July 1, 2009, although earlier application is permissible under certain circumstances. IFRIC 18 contains additional instructions concerning accounting for the transfer of an asset by a customer. The regulations of IFRS 18 are irrelevant for the Derby Cycle Group.

REVISED IFRS 3 "BUSINESS COMBINATIONS" AND AMENDMENTS TO IAS 27 "CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS"

The amendment to IFRS 3 occurred together with an amendment to IAS 27 as part of the second phase of the Business Combinations project. This review of IFRS 3 and the amendments to IAS 27 were published on January 10, 2008, adopted into EU law on June 3, 2009, and require mandatory first-time application for fiscal years commencing on or after June 30, 2009. Accordingly, the scope of application is expanded to mergers of mutual entities, and mergers not involving consideration, such as by contract alone. Mergers of entities under joint control are excluded. In future, the costs for the issuing of debt and equity instruments that are connected with a merger are to be reported in accordance with IAS 39 and IAS 32. All other purchase-related costs are expensed. The option to apply the "full goodwill method" was also introduced whereby an entity can recognise 100% of the goodwill of the acquired company, and not only the purchaser's share, with a correspondingly higher recognition of the non-controlling interests in the acquired and remeasured net assets. In the case of step acquisitions, the determination of goodwill and the remeasurement of the net assets does not occur until the date when control is acquired. All subsequent transactions between the parent company and the non-controlling interests are treated as pure equity transactions. The regulations of IFRS 3 and IAS 27 are generally relevant for the Derby Cycle Group.

AMENDMENTS TO IAS 39 "FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT – ELIGIBLE HEDGED ITEMS"

These amendments to IAS 39 were published on July 31, 2008, and require mandatory first-time application for fiscal years commencing on or after July 1, 2009. These amendments were adopted into EU law on September 15, 2009. The underlying idea of the amendments was to provide additional application guidelines for the designation of hedging instruments, since there were divergent practices when treating a one-sided risk, and when taking into account inflation, within a hedging transaction. These amendments to IAS 39 are relevant for the Derby Cycle Group.

REVISED IFRS 1 “FIRST TIME ADOPTION OF IFRS”

The IASB published the revised version of IFRS 1 – First-time Adoption of International Financial Reporting Standards – on November 27, 2008. The revision was adopted into EU law on November 25, 2009. The revised IFRS 1 replaces the current IFRS 1, and is applicable for companies adopting IFRS for the first time from July 1, 2009. The changes relate exclusively to the formal structure of IFRS 1, whereas the contents remain unchanged. These amendments are irrelevant for the Derby Cycle Group.

OUTLOOK TO IFRS AMENDMENTS IN 2010 / 2011

The following IFRSs had been issued as of the balance sheet date, but do not require mandatory application until later reporting periods. In the case of standards and interpretations that do not require mandatory application until later reporting periods, the Derby Cycle Group has decided not to utilise the option to make early adoption.

- Amendment to IAS 32 “Classification of Rights Issues”
- Amendments to IFRS 2 “Group Cash-settled Share-based Payment Transactions”
- Improvements to IFRSs (issued April 2009)
- Amendments to IFRS 1 “Additional Exemptions for First-time Adopters”
- Amendments to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”
- Amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement”
- Revised IAS 24 “Related Party Disclosures”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”

GROUP OF CONSOLIDATED COMPANIES

The Derby Cycle Group develops, produces and sells bicycles for the German and international bicycle markets. The ultimate Group parent company of the Derby Cycle Group is Derby Cycle AG, which has its headquarters at Cloppenburg, Germany.

This company directly holds 100 % of the shares in each of its three German subsidiaries, and in one Swiss subsidiary, namely: Derby Holding (Deutschland) GmbH, Derby Cycle Werke GmbH, NW Sportgeräte Vertriebs-GmbH (all with headquarters in Cloppenburg, Germany), and swissbike Piero Zurino GmbH, whose headquarters are at Dierikon, Switzerland. In turn, Derby Holding (Deutschland) GmbH, is the sole shareholder of Raleigh Univega GmbH, which has its headquarters at Cloppenburg, Germany; Derby Cycle Werke GmbH is the sole shareholder of FOCUS Bicycles USA, Inc., which has its headquarters at Encinitas, California, USA.

The group of consolidated companies was expanded during the year under review to include Derby Cycle Australia PTY Limited. This sales company was founded on April 21, 2011, in New South Wales, Australia. The company‘s headquarters are located at Grange. Operating business commenced on June 17, 2011, with the following purchase of stocks and customer receivables from Green Apple Sports Limited.

On May 30, 2011, a 50 % interest in Daum Forschung & Entwicklung GmbH, Fürth, was acquired for EUR 1,000 thousand. Since the company can exercise neither sole control over the in the meaning of IAS 27.4 nor joint control in the meaning of IAS 31.3 with the 50 % interest Daum Forschung & Entwicklung GmbH, it was included for the first time in the consolidated financial statements as an at equity interest as of the balance sheet date. The earnings contribution from this interest is allocated to the “Germany” segment. The company‘s purpose is to research and develop technical products, particularly physical exercise equipment.

Comparability with the previous year has not lessened significantly as a result of the changes to the group of consolidated companies in the year under review.

The following companies are fully consolidated in the consolidated financial statements:

	Interest in %	Nominal capital on September 30, 2011	Equity September 30, 2011 [2]	Net profit / (loss) in the 2010 / 11 fiscal year[2]
Direct interests				
Derby Holding (Deutschland) GmbH	100	26 TEUR	8,473 TEUR	3,768 TEUR
Derby Cycle Werke GmbH	100	3,068 TEUR	61,727 TEUR	10,308 TEUR
swissbike Piero Zurino GmbH	100	300 TSFR	2,035 TSFR	663 TSFR
NW Sportgeräte Vertriebs- GmbH	100	26 TEUR	26 TEUR	441 TEUR[1]
Derby Cycle-Australia PTY Limited	100	100 AUD	117 AUD	(110) AUD
Indirect interests				
Raleigh Univega GmbH	100	30 TEUR	2,030 TEUR	3,873 TEUR[1]
FOCUS Bicycles USA, Inc.	100	100 USD	(1,903) TUSD	(799) TUSD

1) Before the transfer of profits / losses by the respective shareholder
2) Valuations on the basis of German Commercial Code (HGB) accounting

The company Daum Forschung & Entwicklung GmbH was also included at equity in the consolidated financial statements. The company's equity amounted to EUR 20 thousand as of the balance sheet date; its nominal equity stood at EUR 25 thousand as of the reporting date, and the net income for the fiscal year amounted to EUR 9 thousand.

CONSOLIDATION PRINCIPLES

Applying the relief provisions of IFRS 1, equity was consolidated until September 30, 2007, on the basis of the carrying amount method through offsetting acquisition costs with the proportional equity of the subsidiaries on the date when they were included for the first time in the consolidated financial statements. Differences that arose were offset directly with reserves on the date of first-time consolidation. The purchase method was applied for equity consolidation from October 1, 2007.

When consolidating liabilities, the receivables and liabilities of the consolidated companies were offset against each other.

There were no significant intragroup earnings in the exchange of supplies and services between the Group companies.

In the income statement, income from internal sales and intragroup income were offset with corresponding expenses.

Independent subsidiaries' annual financial statements denominated in foreign currencies were translated applying the cash mid-rate on the balance sheet date, or, to the extent that expenses and income were affected, at the year-average rate. Exchange-rate changes are carried directly to equity. All of the foreign subsidiaries invoice in their national currencies, and all of them operate locally as sales companies.

SEGMENT REPORTING

In accordance with IFRS 8, Derby Cycle AG, Cloppenburg, is required to include segment reporting in the notes to the consolidated financial statements. The nature of segmentation is dependent on what is termed the management approach. Segments are accordingly defined as a component of an entity for which separate financial information is available and regularly reviewed by the chief operating decision maker in connection with the allocation of resources and the assessment of performance. This applies at the highest level of reporting.

All segments‘ sales revenues primarily relate to the sale of high-quality branded bicycles. To a minor extent, there are also revenues arising from the sale of bicycle components.

Business activities are managed on a market-oriented basis due to the increasing internationalisation of the markets into which Derby Cycle Group products are sold. The management distinguishes between three sales regions, namely Germany, the rest of Europe and the rest of the world, and requires corresponding internal reports to be prepared. The “Rest of Europe” sales region comprises the following states:

Rest of Europe			
Belgium	Iceland	Sweden	Slovakia
Bulgaria	Italy	Switzerland	Slovenia
Denmark	Kazakhstan	Montenegro	Spain
Estonia	Croatia	Netherlands	Czech Republic
Finland	Latvia	Norway	Turkey
France	Liechtenstein	Austria	Ukraine
French Guiana	Lithuania	Poland	Hungary
Georgia	Luxembourg	Portugal	Belarus
Greece	Malta	Rumania	Cyprus
United Kingdom	Macedonia	Russia	
Ireland	Moldavia	Serbia	

The “Rest of World” sales region comprises the following states:

Rest of World			
Egypt	India	Mauritius	South Africa
Australia	Indonesia	Mexico	Taiwan
Bangladesh	Iran	New Zealand	Thailand
Brazil	Israel	Oman	Tokelau
Chile	Japan	Pakistan	Tunisia
China	Cambodia	Panama	United Arab Emirates
Costa Rica	Canada	Philippines	United States of America
Ecuador	Korea	Singapore	
Hong Kong	Malaysia	Sri Lanka	

Compared with the previous year, there has been no change in the segments to which mandatory reporting is applicable. In addition to net sales, the relevant manufacturing costs are likewise regarded as central management factors. The net sales achieved are regularly compared and reconciled against manufacturing costs. The difference calculated in this way approximately equates to the cost accounting concept of the profit margin. Sales revenues between segments are not reported internally. Income from external third parties is reported for management purposes in accordance with the same valuation principles as depicted in the consolidated income statement.

Segment reporting 2010/11		**Germany 2010/11**	Germany 2009/10	**Rest of Europe 2010/11**	Rest of Europe 2009/10	**Rest of World 2010/11**	Rest of World 2009/10	**TOTAL 2010/11**	TOTAL 2009/10
Net sales	EUR thousand	157,453	125,692	68,690	43,130	9,320	4,370	235,463	173,192
Manufacturing costs	EUR thousand	123,035	98,499	53,865	33,635	7,742	3,532	184,642	135,666
Segment profit/loss (DE 1)	EUR thousand	34,418	27,193	14,825	9,495	1,578	838	50,821	37,526
	%	21.86	21.63	21.58	22.01	16.93	19.18	21.58	21.67
Financial result	EUR thousand							-1,715	-1,456
Other costs	EUR thousand							31,201	25,389
Consolidated earnings before taxes	EUR thousand							17,905	10,681
	%							7.60	6.17

ACCOUNTING AND VALUATION METHODS

INTANGIBLE ASSETS

Pursuant to IAS 38, acquired software licenses are capitalised at cost plus the costs for rendering them ready for use. They are amortised on a straight line basis over an estimated useful economic life of between 3 and 7 years.

Pursuant to IAS 38, research and development costs are expensed as they are incurred, unless the preconditions for capitalisation have been satisfied. Costs that are incurred in direct connection with the production of identifiable individual intangible assets (software products, development projects), and which the Group controls, are recognised as intangible assets if it is likely that economic benefits will accrue to the company from these assets for more than one year, and that these benefits will exceed the costs incurred.

Directly attributable costs include, among other items, personnel costs for staff involved with the development, and other costs that are directly attributable to the software development.

Acquired industrial property rights are capitalised at cost pursuant to IAS 38. Scheduled amortisation is not applied to industrial property rights since their useful lives are indefinite, in the Management Board's assessment.

Impairment tests are applied to assets that are subject to scheduled amortisation, and to assets of indefinite useful life, if corresponding events or changes to circumstances indicate that their carrying amounts might no longer be achievable. Impairment charges are reported equivalent to the carrying amount that exceeds the recoverable amount. The recoverable amount is the higher of either the asset's fair value less costs to sell, and value in use. Impairment tests are also applied to assets of indefinite useful life as of the balance sheet date.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at cost less scheduled depreciation, and, if required, less corresponding impairment charges. Cost includes expenses directly attributable to the assets' purchase. Borrowing costs are not capitalised as part of cost. The Derby Cycle Group starts to depreciate property, plant and equipment as soon as the related asset is ready for operation.

Subsequent acquisition and production costs are only recognised as part of the asset's cost if it is likely that future economic benefit will accrue to the Group, and the asset's costs can be calculated reliably. All other repairs and maintenance charges are expensed in the fiscal year in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is performed exclusively using the straight-line method. Scheduled depreciation is based on the following useful lives that are applied across the Group on a uniform basis:

Buildings and constructions	10 to 50 years
External facilities	3 to 19 years
Technical plant and machinery	3 to 8 years
Business equipment	2 to 10 years

The residual carrying amounts and economic useful lives are reviewed on each balance sheet date, and adjusted if required. Impairment charges are applied to property, plant and equipment if there are indications of impairment, and the recoverable amount is less than the amortised cost. Corresponding reversals of impairment charges are applied if the reasons for the impairment no longer apply.

Gains and losses from asset disposals are calculated as the difference between disposal proceeds and the carrying amount, and are carried through profit and loss.

FINANCIAL ASSETS

Financial assets are generally divided into the following categories:

- Financial assets measured at fair value through profit and loss
- Loans and receivables
- Held-to-maturity financial assets
- Available-for-sale financial assets

Classification depends on the respective purpose for which the financial assets were acquired. The management determines the classification of the financial assets on first-time recognition, and reviews the classification on each accounting date:

- Financial assets measured at fair value through profit and loss

This category has two sub-categories: financial assets that are classified from the start as held for trading, and those that are classified from the start as "at fair value through profit and loss" applying the fair value option. A financial asset is allocated to this category if it is basically acquired with the intention of short-term resale, or this has been determined as such by the management. Derivatives are also categorised as held for trading unless they qualify as hedging transactions. Assets in this category are reported as current assets if they are either held for trading, or will be realised prospectively within the 12 months following the balance sheet date. The Derby Cycle Group currently attributes no financial instruments to this category. Derivatives qualifying as hedging transactions are measured at fair value.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, and which are not listed on an active market. They arise if the Group provides cash, goods or services directly to a debtor with no intention of trading in the related receivables. They count as current assets with the exception of those that do not fall due until 12 months after the balance sheet date. The latter are generally reported as non-current assets. Current receivables are carried in the balance sheet among trade accounts receivable and other current assets.

- Held-to-maturity financial assets

Held-to-maturity financial assets comprise non-derivative financial assets with fixed or determinable payments and fixed maturity dates where the Group management intends, and is able, to hold them to maturity. The Derby Cycle Group currently attributes no financial instruments to this category.

- Available-for-sale financial assets

Available-for-sale financial assets comprise non-derivative financial assets that are either allocated to this category, or cannot be allocated to any of the other categories presented above. They are allocated to non-current assets if the management does not intend to sell them within 12 months following the balance sheet date. The Derby Cycle Group currently attributes no financial instruments to this category.

All purchases and sales of financial assets are recognised as of the settlement date, in other words, as of the date on which the Group is obligated to purchase or sell the asset.

Financial assets that do not belong to the "at fair value through profit and loss" category are initially recognised at fair value less transaction costs. They are de-recognised if the rights to payments from the investment have lapsed, or are transferred, and the Group has essentially transferred all risks and opportunities arising from their ownership.

Loans and receivables are carried at amortised cost applying the effective interest method. If there are doubts concerning their collectability, receivables are recognised at their lower fair value (present value of their expected cash inflows). Along with requisite specific impairment charges, the impairment risk for groups of receivables is considered where there is no differentiation according to credit risks (flat-rate specific impairment charge pursuant to IAS 39. When calculating the inventory of risky receivables, receivables that are credit insured, including their related VAT, are deducted.

On each balance sheet date, a review is conducted as to whether there are objective indications that a financial asset, or a group of financial assets, is impaired.

FINANCIAL RISK FACTORS

The Derby Cycle Group is exposed to various financial risks as a result of its business activities:

- Foreign-currency risk
- Credit risk
- Interest-rate risk

FOREIGN-CURRENCY RISK

On the sales side, the Derby Cycle Group's business activities are concentrated on the Eurozone. No business is conducted with customers in hyperinflationary economies. Foreign-currency risks on the procurement side are hedged through hedging transactions. Supplies are procured primarily from the Eurozone and the Asian region. Invoicing occurs almost exclusively in either euros or US dollars.

CREDIT RISK

Credit information or historical data from previous business relationships is utilised in order to avoid payment defaults. Appropriate impairment losses for receivables are formed in the case of identifiable risks. Significant portions of default risk are also covered by good credit insurance.

Liquid funds are deposited with major banks. There is no significant default risk.

INTEREST-RATE RISK

The Group holds no interest-bearing assets, as a consequence of which consolidated earnings and operating cash flow are largely independent of changes in market interest rates.

Fixed margin agreements exist for the credit lines, and the interest rate is based on EURIBOR for the respective interest period.

The interest-rate risk has no impact on the balance sheet since financial liabilities are carried at amortised cost.

LEASES

Leases are classified as operating leases when a significant proportion of the risks and opportunities that are connected with ownership of the leasing object remain with the lessor. Payments rendered in connection with an operating lease are reported in the income statement on a straight-line basis over the lease's duration. Finance leases exist within the Derby Cycle Group to only a minor extent.

INVENTORIES

Inventories are recognised at the lower of cost and net realisable value. Along with the specific costs, which are generally recognised on the basis of a moving average value, production costs include materials and general manufacturing overhead costs. Risks to inventories deriving from the lower net realisable value, duration of warehousing, wastage etc are reflected through impairment charges. Impairment charges are reversed if the reasons that led to the inventory impairment no longer exist.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and sight deposits.

DEFERRED TAX

Deferred tax is calculated in accordance with the IAS 12 (revised 2000). This entails reflecting in the balance sheet tax reliefs and tax charges that are likely to occur in the future for temporary differences between carrying amounts recognised in the consolidated financial statements, and the tax valuations of assets and liabilities. Deferred tax is measured applying the tax rates (and tax regulations) prevailing on the balance sheet date, or which have been essentially approved in statutory terms, and which are expected to be valid on the date when the deferred tax claim is realised, or when the deferred tax liability is settled. Deferred tax claims are recognised to the extent that it is likely that taxable earnings will be available against which the temporary difference can be applied.

CURRENT TAX CLAIMS / LIABILITIES

Current tax claims / liabilities include claims and obligations arising from current tax.

OTHER PROVISIONS

Other provisions reflect current obligations to third parties based on past events that are likely to lead to a future outflow of resources, and whose level can be assessed reliably. Provisions are recognised at their settlement amount. Non-current provisions are recognised at their settlement amount, discounted to the balance sheet date. Provisions are not offset with recourse claims.

LIABILITIES

Non-current liabilities are carried at amortised cost in the balance sheet.

Current liabilities are recognised at their repayment or settlement amount.

FOREIGN CURRENCIES

Receivables and liabilities denominated in foreign currencies are measured applying the rate prevailing on the date of the business transaction. Gains and losses arising from changes to exchange rates are recognised on the balance sheet date.

REVENUE AND EXPENSE REALISATION

Sales and other operating income are generally not reported until the services have been rendered, or the goods or products have been supplied, and the risks have consequently been transferred.

Operating expenses are carried through the income statement on the date when the service is rendered, or on the date when they were incurred.

Interest expenses and income are carried through the income statement.

ASSUMPTIONS AND ESTIMATES

When applying IFRS / IFRIC accounting methods, forward-looking estimates and assumptions must be made, which by their nature do not always correspond to events as they actually occur later. All estimates and assumptions on which the accounting is based are constantly reviewed.

When preparing the consolidated financial statements, assumptions are made, and estimates are applied, which have impacts on the reporting and level of the recognised assets, liabilities, income, expenses, and contingent liabilities.

These assumptions and estimates relate primarily to the impairment testing of intangible assets, the standardised Group determination of useful lives, the impairment testing of inventories, the collectability of receivables, and the recognition and measurement of warranty and guarantee provisions.

These assumptions and estimates are based on premisses that reflect the respective current status of information available when the financial statements were prepared. In individual cases, actual values may diverge from the assumptions and estimates that have been made. In addition, regarding the expected future business trend, the future development of the economic environment in the sector in which the Derby Cycle Group operates, and which is regarded as currently realistic to impute, was taken into account. Changes are reflected through the income statement on the date when better information becomes available.

These consolidated financial statements were prepared in euros, whereby all amounts are presented in thousands of euros unless otherwise stated. As a consequence, rounding differences may arise within the individual components of the consolidated financial statements, and in the disclosures in the notes to the consolidated financial statements. All reported amounts correspond to commercially rounded amounts. The figures reported for the previous year were calculated applying the same accounting and valuation principles in order to ensure that the published figures can be compared.

NOTES TO THE IFRS BALANCE SHEET

(1) Property, plant and equipment, intangible assets, and financial assets

The changes to, and composition of, property, plant and equipment, intangible assets, and financial assets is as followed compared with the previous year:

	Cost					Depreciation / amortisation					Carrying amounts	
	As of 01/10/10	Inflow	Outflow	Changes	**As of 30/09/11**	As of 01/10/10	Inflow	Outflow	Changes	**As of 30/09/11**	As of 01/10/10	**As of 30/09/11**
I. Intangible												
1. IT software	1,820	276	0	244	2,340	1,543	119	0	0	1,662	277	678
2. Industrial property rights	6,648	252	0	753	7,653	4,300	46	0	0	4,346	2,348	3,307
3. Prepayments rendered	997	0	0	-997	0	0	0	0	0	0	997	0
II. Property, plant and equipment												
1. Land and buildings	5,209	362	0		5,571	3,762	165	0	0	3,927	1,447	1,644
2. Technical plant and machines	3,828	368	0	28	4,224	3,561	179	0	0	3,740	267	484
3. other operating and office equipment	6,592	988	10		7,570	4,511	666	4	0	5,173	2,081	2,397
4. Prepayments rendered and plant under construction	28	111	0	-28	111	0	0	0	0	0	28	111
III. Financial assets												
1. Participating interests	0	1,000	0		1,000	0	0	0	0	0	0	1,000
	25,122	**3,357**	**10**	**0**	**28,469**	**17,677**	**1,175**	**4**	**0**	**18,848**	**7,444**	**9,621**

	Cost					Depreciation / amortisation					Carrying amounts	
	As of 01/10/09	Inflow	Outflow	Changes	As of 30/09/10	As of 01/10/09	Inflow	Outflow	Changes	As of 30/09/10	As of 01/10/09	As of 30/09/10
I. Intangible												
1. IT software	1,730	90	0	0	1,820	1,439	104	0	0	1,543	291	277
2. Industrial property rights	6,648	0	0	0	6,648	4,300	0	0	0	4,300	2,348	2,348
3. Prepayments rendered	197	800	0	0	997	0	0	0	0	0	197	997
II. Property, plant and equipment												
1. Land and buildings	5,188	29	8	0	5,209	3,605	165	8	0	3,762	1,583	1,447
2. Technical plant and machines	3,760	68	0	0	3,828	3,426	135	0	0	3,561	334	267
3. other operating and office equipment	6,161	437	6	0	6,592	3,918	599	6	0	4,511	2,243	2,081
4. Prepayments rendered and plant under construction	41	28	41	0	28	0	0	0	0	0	41	28
III. Financial assets												
1. Participating interests	0	0	0	0	0	0	0	0	0	0	0	0
	23,726	**1,452**	**55**	**0**	**25,122**	**16,688**	**1,003**	**14**	**0**	**17,677**	**7,038**	**7,444**

Trademark rights of indefinite useful life with a carrying amount of EUR 2,348 thousand (previous year: EUR 2,348 thousand) are carried among the industrial property rights that are reported among intangible assets.

The “Kalkhoff”, “FOCUS”, “Rixe” und “Univega” brands form the main component of intangible assets. The brands are protected as national word marks in Germany and numerous other EU member states, and as distributor‘s brands within the entire EU. The “FOCUS” word mark is also protected as a national trademark or as a so-called International Registration (IR) trademark in a large number of further states internationally. The “Univega” mark is additionally protected in various states outside Europe. The “Kalkhoff” mark has a tradition extending over ninety years. The “FOCUS” international brand has existed already since 1992, and enjoys a high degree of recognition among the professional and amateur sports target group due to its strong brand strategy, and the sponsoring of various teams. The “Rixe” Mark was founded in 1992, and has been utilised by Derby Cycle since 1989. The “Univega” mark arose in 1970 in the USA, and is primarily utilised for mountain bikes, racing bikes and trekking bikes.

Useful economic lives cannot be determined due to the brands‘ long traditions and lasting nature. These brands have been characterised by consistent sales growth over recent years.

A cash flow forecast has been applied on the basis of a three-year budget, assuming a 5 % annual average sales growth based on recent years‘ sales trends. The cash flow forecast reflects a potential licensing of the brands based on a third-party comparison. This was based on a 3 % licensing fee. Growth of 0 % was assumed beyond the budgeted period. A 5.71 % discount rate was applied to calculate the value in use. No requirement for an impairment loss arose as a result of comparing the carrying amount and the value in use.

(2) Deferred tax

EUR thousands	**30 / 09 / 2011**	30 / 09 / 2010
Deferred tax assets	22	830
Deferred tax liabilities	-2,260	-1,454
Deferred tax	**-2,238**	**-624**

Deferred taxes in 2010 / 2011 are attributable to the following items:

	30 / 09 / 2011		30 / 09 / 2010	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	516	0	361
Inventories	0	56	0	187
Other financial assets	22	1,688	0	906
Other current financial liabilities	0	0		0
Tax loss carryforwards	0	0	830	0
Deferred tax before offsetting	**22**	**2,260**	**830**	**1,454**
Deferred tax after offsetting		**2,238**		**624**

The deferred tax liabilities of EUR 2,238 thousand (September 30, 2010: EUR 624 thousand) arise from the reporting of derivatives at fair values, and from differences between the IFRS consolidated balance sheet and tax values.

A detrimental investment acquisition pursuant to Section 8c of the German Corporation Tax Act (KöStG) exists after the balance sheet date due to the majority purchase after the balance sheet date of voting rights in Derby Cycle AG by PON Holding Germany GmbH. The change of control occurred at the latest as of October 13, 2011. Please refer to the related remarks contained in section 26. All tax loss carryforwards lapsed in their entirety as a result of the change of control in October 2011. As a consequence, an impairment loss was required as of the balance sheet date for the EUR 830 thousand of tax benefits that were reported in the previous year in this context.

Deferred tax liabilities of EUR 1,666 thousand (previous year: EUR 906 thousand) that are connected with hedge accounting impacted equity, and not the profit and loss.

(3) Inventories

EUR thousands	30/09/2011	30/09/2010
Raw materials and supplies	41,491	24,835
Unfinished products	6,638	3,303
Finished products	25,153	17,699
Inventories	**73,282**	**45,837**

Inventories of raw materials and supplies are generally appraised through constant stocktaking. Stocktaking as of the balance sheet date was performed for the unfinished and finished products.

Impairment losses of EUR 1,932 thousand (September 30, 2010: EUR 1,457 thousand) were applied to raw materials and supplies due to obsolescence and a lack of marketability.

Raw materials and supplies include EUR 4,594 thousand of goods afloat (September 30, 2010: EUR 1,509 thousand).

Impairment losses of EUR 1,946 thousand were applied to unfinished and finished products (September 30, 2010: EUR 2,600 thousand).

(4) Trade and other receivables

EUR thousands	30/09/2011	30/09/2010
Inventory of receivables	13,875	14,729

Specific impairment charges totalling EUR 1,022 thousand (September 30, 2010: EUR 846 thousand), and receivables sales as part of factoring of EUR 17,092 thousand (previous year: EUR 10,000 thousand), were applied to trade receivables.

Specific impairment charges changed as follows:

EUR thousands	2010/11	2009/10
Specific impairment losses as of October 1	**846**	**991**
– Reversal of specific impairment losses	-709	-832
+ Addition of specific impairment losses	885	687
Specific impairment losses as of September 30	**1,022**	**846**

As soon as a specific risk becomes identifiable that a payment may be defaulted upon (such as through exceeding a payment target by a specific quantity), a specific impairment charge is applied to the respective receivable. Goods credit insurance provided by Euler Hermes Kreditversicherung is utilised to cover default risks. In this context, the maximum default risk amounts to a 10 % credit limit in the case of named receivables, and to 20 % in the case of un-named receivables. In addition, there is also top-up insurance from Trade Credit Re Insurance, which provides additional 80 % insurance cover in the instance of a loss for any amount exceeding the credit limit granted by Euler Hermes.

All default risks that exist in the Management Board's assessment are fully reflected through the formation of specific impairment charges. As a consequence, the maximum default risk on trade receivables stood at EUR 1,022 thousand as of the balance sheet date.

A master agreement dated January 4, 2011 was concluded for the sale of receivables with Norddeutsche Landesbank Luxembourg S.A. This agreement was originally to have ended on November 23, 2011. The agreement's term was nevertheless extended until December 31, 2011, with the First Supplementary Agreement dated November 15, 2011. A new master agreement with Norddeutsche Landesbank Luxembourg S.A. was signed dated December 21, 2011. This agreement ends on July 31, 2015, after which it can be extended by mutual agreement. There is no obligation for either party in this context.

In the master agreement existing as of the balance sheet date, along with the supplementary agreement in the new master agreement, Derby Cycle Werke GmbH, NW Sportgeräte Vertriebs-GmbH and Raleigh Univega GmbH sell receivables due from EU-based customers. Derby Cycle AG acts as guarantor in all instances.

The maximum utilisation amounts to EUR 40 million in the master agreement existing as of the balance sheet date. Due to the seasonal course of business, the following upper limits have been agreed for the respective months:

- EUR 30.0 million for the months June to November for each year.
- EUR 40.0 million for the months December to May for each year.

In this connection, a risk discount (first loss piece) to offset any losses arising from the purchase of receivables by Norddeutsche Landesbank Luxembourg was paid in an amount of 3 % of the seasonal limit, and to an account that is not freely available to the Group. The credit carries normal market interest rates. These amounted to EUR 600 thousand as of the balance sheet date (previous year: EUR 1,600 thousand). Trade receivables that had already been sold to Norddeutsche Landesbank Luxembourg as of the balance sheet date continued to be carried at the same amount.

The carrying amounts of trade and other receivables correspond to their fair values.

The residual terms of all trade receivables amount to less than one year as of the balance sheet date. The residual terms of all trade receivables also amounted to less than one year as of the previous year's balance sheet date.

(5) Other financial assets

EUR thousands	30/09/2011	30/09/2010
Other financial assets	**6,181**	3,501

An amount of EUR 5,796 thousand (previous year: EUR 3,394 thousand) relates to the fair values of financial derivatives deployed for hedging purposes. All financial derivatives measured at fair value were calculated according to Level 2 of the hierarchy according to IFRS 7 27A.

(6) Other tax claims

EUR thousands	30/09/2011	30/09/2010
Claims due from the tax authorities	**1,387**	1,814

These relate to tax claims due from the tax authorities arising from current business activities, due to a surplus of input tax in the invoicing period.

As of the balance sheet date, the claims due from the tax authorities had a residual duration of less than one year. As of the previous year‘s balance sheet date, the claims due from the tax authorities also had a residual duration of less than one year.

(7) Cash and cash equivalents

EUR thousands	**30/09/2011**	30/09/2010
Bank accounts in credit	12,036	849
Risk discount for fixed-term deposit (please refer to 4)	600	1,610
Cash on hand	7	10
Cash and cash equivalents	**12,643**	**2,469**

All of the bank accounts in credit were held as sight deposits at various banks as of the balance sheet date.

The cash flow statement, which is calculated using the indirect method, comprised as financial resources cash on hand and short-term bank accounts in credit in an amount of EUR 12,043 thousand (previous year: EUR 859 thousand).

(8) Equity

Capital management is performed taking into account the accounting equity items of the companies acting on the market and of the fiscal units, and is oriented to maintaining a good equity ratio. This is correspondingly restricted to the consolidated balance sheet items reported as equity.

Derby Cycle Beteiligungs GmbH, Cloppenburg, was transformed into a public stock corporation by way of a transformation resolution and notary deed of December 10, 2010. Directly before the passing of resolution concerning the change of corporate form, a resolution was passed to increase the company‘s share capital from company funds, from EUR 25,000.00 by EUR 5,975,000.00 to EUR 6,000,000.00, with a notary deed dated December 10, 2010. The company‘s increased share capital became the public stock corporation‘s share capital. As part of the Extraordinary Shareholders‘ General Meeting of Derby Cycle AG of January 20, 2011, the share capital was increased by EUR 1,500,000.00 to EUR 7,500,000.00 through issuing 1,500,000 new bearer shares against cash contributions. On the basis of the authorisation of the Extraordinary Shareholders‘ General Meeting of January 20, 2011, the Management Board performed the share repurchase for an employee share programme of 22,300 shares in the period between August 29 and September 29, 2011, for a purchase price of EUR 441 thousand. Shares were to be offered on favourable terms to employees as part of this programme. Members of the expanded management team were also to be given the opportunity to receive part of their fixed salary paid in shares issued on reduced terms. In addition, the Management Board team receives some of its bonus in the form of shares. There were no plans to utilise the shares for purposes beyond these. The attributable amount of the share capital stands at EUR 22 thousand.

The aforementioned employee share programme was waived due to the takeover by Pon that occurred after the balance sheet date. Please refer to the remarks under section 26 (Events after the reporting period) for more information about the takeover by Pon. Only the compensation component for the Management

Board has not yet been modified. The shares will be transferred to the Management Board after the four-year waiting period, calculated from the due date of the bonus. Please refer to the remarks contained under section 28 (Management Board) for details concerning Management Board compensation.

Subscribed capital / capital shares

EUR thousands	**30/09/2011**	30/09/2010
Subscribed capital / capital shares	7,478	25

The share capital is split into 7,500,000 no par value registered shares (no par shares). There are no differing share classes. All shares are fully voting and dividend entitled, with one share granting one vote at the Shareholders' General Meeting. The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares. There are no shares with special rights granting controlling authority.

The Management Board is authorised by a resolution passed by the Shareholders' General Meeting of January 20, 2011, to increase the share capital, with Supervisory Board assent, once or on several occasions during the period until January 15, 2016, by up to a total of EUR 3,000,000 through issuing up to 3,000,000 new ordinary shares against cash or non-cash capital contributions. Ordinary shares and / or preference shares without voting rights can be issued in each instance. The Management Board is also authorised, with Supervisory Board assent, to exclude shareholders' subscription rights.

With a resolution of the Shareholders' General Meeting of January 20, 2011, the Management Board was authorised to acquire treasury shares in the scope of up to 10 % of the current share capital (600,000 shares). Such a purchase may be effected only through the stock market on the basis of a public share offer to all shareholders.

Capital reserve

EUR thousands	**30/09/2011**	30/09/2010
Capital reserve	16,979	3,716

The capital reserve includes payments received from shareholders connected with the purchase of the Derby operating companies. As part of the Extraordinary Shareholders' General Meeting of Derby Cycle Beteiligungs GmbH of December 10, 2011, a resolution was passed to convert a partial amount of EUR 2,475 thousand of the company's capital reserve reported in the balance sheet into share capital. Gross issue proceeds of EUR 18,750 thousand were achieved as part of the IPO in February 2011. Of this amount, EUR 17,250 thousand was transferred to the capital reserve, and EUR 1,500 thousand to share capital. The IPO costs were deducted proportionally as equity procurement costs of EUR 1,279 thousand directly from the gross issue proceeds that had been added. The purchase price, reduced to reflect the share capital amount of EUR 419 thousand, was offset directly with equity.

(9) Non-current financial liabilities

EUR thousands	30/09/2011	30/09/2010
Bank borrowings	5,000	5,239

The amounts reported as non-current bank borrowings as of September 30, 2011, relate to the non-current portion of amortising loans whose interest rates are based on EURIBOR plus an agreed fixed margin. Their carrying amounts correspond to their market values as of the reporting date. The total amounts are presented in greater detail in the table below.

EUR thousands	30/09/2011	30/09/2010	Due date of the next repayment amount
Tranche A	0	0	30/06/2012
Tranche B	0	1,329	30/06/2013
Tranche C		4,000	30/06/2014
Tranche A (new)	5,000		30/12/2014
	5,000	5,329	

The credit financing is based on a syndicated loan agreement concluded on December 8, 2010, and in its amended and reworded form of December 20, 2010. The banking syndicate, which is managed by HSH Nordbank AG, also includes Nord LB and Commerzbank AG. Credit lines totalling EUR 53.5 million are available for seasonal and working capital requirements, guarantees and derivatives. Loans of EUR 8.0 million were also granted as of the balance sheet date. The credit lines were made jointly and severally available to Derby Cycle Beteiligungs GmbH (Derby Cycle AG following its change of corporate form), and to its subsidiaries Derby Holding (Deutschland) GmbH, Derby Cycle Werke GmbH, Raleigh Univega GmbH and NW Sportgeräte Vertriebs- GmbH.

The following collateral was provided for this purpose:

- Presentation of a senior land charge of EUR 6.5 million
- Collateral transfer of fixed assets and inventory
- Assignment of trade receivables
- Assignment of claims arising from insurance agreements
- Assignment of patents, marks and industrial property rights

The working capital line was granted until October 30, 2012, and the seasonal working capital line until October 30, 2012.

Financial covenants with the lending banks were agreed as part of the syndicated loan agreement. The banks are entitled to cancel the loan without notice if the financial covenants are not complied with. These primarily relate to certain ratios concerning interest cover and the equity ratio. Compliance with the financial covenants is monitored as part of risk management, and confirmed annually by our auditors as of September 30. Reporting to the banks occurs on a regular basis.

All covenants have been complied with since the syndicated loan agreement was concluded.

Lending meetings concerning the extension and level of the lines are conducted annually with the syndicate banks.

Discussions with the banking consortium have been launched in order to secure sufficient financing for the high growth of the operating business. As a consequence, the German members of the Derby Cycle Group concluded a new loan agreement for a total financing volume of EUR 98.5 million. Under the terms of this syndicated agreement, the Derby Cycle Group will have access to a syndicated loan in the amount of EUR 15.0 million, a working capital credit facility in the amount of up to EUR 20.0 million, a seasonal working capital facility in the amount of up to EUR 60.0 million, and a guarantee facility in the amount of up to EUR 3.5 million. The seasonal working capital credit facility can be utilised only during certain months of the bicycle season. With the exception of a partial amount of the syndicated loan, the syndicated loan agreement carries a fixed term of up to December 2014 for all financing components.

A further partial amount of the syndicated loan also carries a fixed term until December 2016. The financing banks are entitled to cancel the syndicated loan agreement without notice if a person or company acquires direct or indirect control over Derby Cycle AG, for example, through acquiring 30 % of the voting rights in Derby Cycle AG. The takeover that Pon realised after the balance sheet date is exempt from this regulation. Please refer to the remarks about events after the reporting date in section 26. On the basis of the company's budgets, a one percentage point in the interest rate for the loans and the utilisation of working capital lines would be to a EUR 404 thousand increase in interest expenses in the 2011 / 12 fiscal year.

(10) Trade accounts payable and other liabilities

Along with the trade payables, this item also contains so-called accruals:

EUR thousands	**30 / 09 / 2011**	30 / 09 / 2010
Trade accounts payable	30,729	22,108
Wage and salary liabilities	327	280
Prepayments received	698	536
Social security liabilities	65	49
Miscellaneous	0	0
	31,819	**22,973**

The carrying amounts of trade payables and other liabilities correspond to their market values. They are due within one year. Trade payables and other liabilities as of September 30, 2011, were also due within one year.

(11) Other current financial liabilities

EUR thousands	**30 / 09 / 2011**	30 / 09 / 2010
Bank borrowings	2,000	4,127
Borrowings from Skandifinanz Bank	0	1,632
Borrowings from Norddeutsche Landesbank Luxembourg	612	0
Miscellaneous	75	283
	2,687	**6,042**

The bank borrowings relate to the current portion of borrowings from the banking syndicate. Please refer to the remarks contained under (9) non-current liabilities.

The borrowings from Skandifinanz Bank and Norddeutsche Landesbank Luxembourg relate to borrowings connected with the Group's continuing involvement as part of the sale of receivables. Please refer to the remarks contained under (4) trade and other receivables.

The carrying amounts of other current financial liabilities correspond to their market values.

(12) Current provisions

The current provisions are composed as follows:

EUR thousands	As of 01/10/2010	Utilisation	Release	Additions	As of 30/09/2011
Guarantees	1,120	1,120	0	1,256	1,256
Bonuses	633	35	211	605	992
Remaining vacation	819	819	0	994	994
Profit-sharing bonuses	389	217	171	459	460
Christmas bonuses	427	427	0	450	450
Receivables: lump-sum impairment losses	528	0	0	149	677
Outstanding invoices	342	330	0	278	290
Commercial/travelling representatives	114	92	0	223	245
Settlements	35	35	0	0	0
Others	385	354	30	508	509
Total	**4,792**	**3,429**	**412**	**4,922**	**5,873**

The provision for guarantees amounts to 0.8 % of sales carrying guarantees. The provision for bonuses is based on contractual agreements with customers. This is mainly based on bonuses dependent on sales, and advertising costs subsidies, which are paid out, or offset, in the subsequent fiscal year.

(13) Tax liabilities

The current tax liabilities are composed as follows:

EUR thousands	30/09/2011	30/09/2010
Trade tax	2,325	727
Corporation tax	1,128	141
Solidarity Surcharge	62	8
Wage tax	413	236
VAT	18	88
	3,946	**1,200**

These tax liabilities are due within one year. In the previous year, too, the tax liabilities were due within one year.

NOTES TO THE INCOME STATEMENT

(14) Sales revenues

The sales revenues are composed as follows:

EUR thousands	2010/11	2009/10
Germany	157,453	125,692
Abroad	78,010	47,500
	235,463	**173,192**

(15) Increase or decrease in finished and unfinished products

EUR thousands	2010/11	2009/10
Finished products	(5,977)	(3,193)
Unfinished products	(3,327)	(807)
	(9,304)	**(4,000)**

Compared with the previous year, the inventories of finished and unfinished products contained in the September 30, 2011 annual financial statements were higher due to the early commencement of the production of new models.

(16) Cost of materials

The cost of materials is composed as follows:

EUR thousands	2010/11	2009/10
Expenses for raw materials and supplies, and procured goods	169,078	119,608
Expenses for procured services	921	984
	169,999	**120,592**

(17) Personnel costs

The personnel costs are composed as follows:

EUR thousands	2010/11	2009/10
Wages and salaries	24,764	19,918
Social contributions, and pension and benefit payments	4,723	4,016
	29,487	**23,934**

The number of employees within the Group underwent the following changes:

	Annual average		Year-end number	
	2010/11	2009/10	**30/09/11**	30/09/10
Industrial workers	**451**	389	**489**	374
Salaried employees	**179**	162	**186**	169
	630	**551**	**675**	**543**

(18) Depreciation / amortisation

The expense for scheduled depreciation and amortisation is composed as follows:

EUR thousands	2010/11	2009/10
Scheduled amortisation of intangible assets and scheduled depreciation of property, plant and equipment	1.174	1.003

(19) Other income

Other income is composed as follows:

EUR thousands	2010/11	2009/10
Income from the reversal of specific impairment losses	384	606
Payments received for derecognised receivables	38	126
Income from the release of provisions	413	675
Participation in supplier sponsoring	356	110
Supplier reclamations	382	218
Income from currency translation	306	128
Income from marketing services	577	0
Miscellaneous	304	80
	2,760	**1,943**

(20) Other expenses

Other expenses relate to the following:

EUR thousands	2010/11	2009/10
Sales expenses	14,064	11,022
Operating expenses	5,616	5,426
Administrative expenses	7,470	4,951
Miscellaneous other expenses	97	71
	27,247	**21,470**

Sales expenses primarily comprise outgoing freight expenses and transportation costs, and costs for advertising, exhibitions and sponsoring, as well as commissions for commercial representatives. The year-on-year increase is primarily attributable to expenses for advertising, exhibitions and sponsoring, as well as a higher level of outgoing freight expenses.

Operating expenditure comprises, in particular, warehousing costs, repairs, maintenance, servicing, rents, and leasing and energy costs.

The administrative expenditure mainly comprises expenditures for losses incurred on receivables, additions to valuation adjustments, auditing, legal and consultancy expenses, and expenses for insurance premiums. The year-on-year increase in administrative expenditure primarily arises from legal advisory costs, and production process optimisation.

(21) Financial result and income from participating interests

The financial result and income from participating interests changed as follows:

EUR thousands	**2010/11**	2009/10
Interest income	64	22
Interests payments arising from financial obligations		
Shareholder loans	0	(249)
Acquisition loans	0	(257)
Factoring	(583)	(315)
Current financing	(1,189)	(656)
Other	(7)	0
	(1,715)	**(1,455)**

(22) Tax charges

The tax charge comprises deferred tax, and income tax expenses arising from paid or liable taxes on income and earnings. Of the expenditure for deferred tax, an amount of EUR 830 thousand relates to the cancellation of deferred tax assets on tax loss carryforwards. On the expenses, EUR 550 thousand is attributable to temporary differences.

EUR thousands	**2010/11**	2009/10
Deferred tax	1,380	1,472
Trade tax	2,680	1,038
Corporation tax	2,527	666
Solidarity Surcharge	134	31
	6,721	**3,207**

The reconciliation between the nominal tax rate and the effective tax rate for the Derby Cycle Group is as follows:

EUR thousands	2010/11	2009/10
Earnings before tax (EBT)	17,905	10,681
Applicable tax rate	29.1	29.1
Expected tax expense	5,210	3,108
Non-deductible expenses	573	354
Loss carryforwards	831	0
Other effects / tax rate changes	107	-255
Actual tax expense	**6,721**	**3,207**
Effective tax rate in %	**37.5**	**30.0**

%	2010/11	2009/10
Taxable base	100.0	100.0
Average trade tax rate	13.3	13.3
Corporation tax at 15 %	15.0	15.0
Solidarity Surcharge at 5.5 % of corporation tax	0.8	0.8
Corresponding to a tax rate of	**29.1**	**29.1**

The corporation and trade tax loss carryforwards have lapsed entirely (please refer to note 2).

(23) Earnings per share

Earnings per share amount to EUR 1.49. Earnings per share are derived by dividing consolidated net income by the weighted average number of shares in issue during the fiscal year. An average of 7,497,212.5 no par ordinary shares were in issue in the year under review due to the purchase of treasury shares. There were no shares that could dilute earnings as of the reporting date.

OTHER NOTES

(24) Other financial obligations and contingent liabilities

The following other financial obligations and contingent liabilities exist within the Derby Cycle Group:

Future minimum rental and lease payments (operating leases):

2011/12	2012/13	2013/14	2014/15
TEUR 912	TEUR 686	TEUR 544	TEUR 413

The total of future rental and lease obligations between 1 and 5 years amounts to EUR 1,643 thousand. The rental and lease agreements primarily relate to future payment obligations for the utilisation of buildings, and of operating and office equipment.

(25) Research & development expenses

An amount of EUR 1,457 thousand was reported as expenditure for research and development in the year under review.

(26) Events after the reporting period

On October 21, 2011, Pon Holdings Germany GmbH submitted a voluntary public takeover offer to all Derby Cycle AG shareholders. The acceptance period for this offer ended on November 18, 2011, and the extended acceptance period ended on December 7, 2011. Pon Holding Germany announced on December 12 that it held a 91.96 % interest in Derby Cycle AG. This new constellation has had no impact to date on the business activities of Derby Cycle AG and its subsidiaries. Please refer to the remarks under section 2 (deferred tax) and section 9 (non-current liabilities).

In December 2011, the German member companies of the Derby Cycle Group concluded a new loan agreement with an expanded consortium of banks for a total financing volume of EUR 98.5 million. Under the terms of this syndicated agreement, the Derby Cycle Group will have access to a syndicated loan in the amount of EUR 15.0 million, a working capital credit facility in the amount of up to EUR 20.0 million, a seasonal working capital facility in the amount of up to EUR 60.0 million, and a guarantee facility in the amount of up to EUR 3.5 million. The seasonal working capital credit facility can be utilised only during certain months of the bicycle season. With the exception of a partial amount of the syndicated loan, the syndicated loan agreement carries a fixed term of up to December 2014 for all financing components. A further partial amount of the syndicated loan also carries a fixed term until December 2016. The financing banks are entitled to cancel the syndicated loan agreement without notice if a person or company acquires direct or indirect control over Derby Cycle AG, for example, through acquiring 30 % of the voting rights in Derby Cycle AG. The takeover that Pon has already realised is exempt from this regulation.

Also in December 2011, Derby Cycle Werke GmbH, NW Sportgeräte Vertriebs-GmbH and Raleigh Univega GmbH, as well as Derby Cycle AG and Derby Holding (Deutschland) GmbH as guarantors, concluded a new master factoring agreement with a member company of the Nord LB Group. This agreement has a term until July 31, 2015, and comprises payment based on EURIBOR plus both a margin and a handling fee. This new factoring master agreement has a programme limit of EUR 40.0 million during the months December until May, and of EUR 30.0 million from June to November.

There were no other business transactions of significance following the balance sheet date.

(27) Related parties disclosures

Individuals and companies that can exercise controlling or significant influence over the company are regarded as related parties in the meaning of IAS 24.

Total compensation for key management amounted to EUR 1,051 thousand for the fiscal year from October 1, 2010 until September 30, 2011 (previous year: EUR 382 thousand).

Key management consisted of the following individuals:

- Mr. Mathias Seidler (Management Board member of Derby Cycle AG)
- Mr. Uwe Bögershausen (Management Board member of Derby Cycle AG)

Total compensation for the Management Board amounted to EUR 1,051 thousand for the fiscal year from October 1, 2010 until September 30, 2011.

This compensation includes 16,529 shares. These shares were worth EUR 207 thousand on a fair value basis when granted.

At the Extraordinary Shareholders' General Meeting of December 10, 2011, the following members were appointed to the first Supervisory Board:

Fritz-Wilhelm-Krüger, Managing Director of MBB Palfinger GmbH, Ganderkesee, (Supervisory Board Chairman)
Mr. Fritz-Wilhelm Krüger worked as a managing shareholder and managing director in various medium-sized companies. He is currently CEO of MBB Palfinger GmbH, Ganderkesee, and Managing Director of Krüger Leasing GmbH & Co. KG, Königstein, and of Krüger Beteiligungs GmbH, Eschborn. Mr. Krüger is also a member of the parliament of the German federal state of Hesse.

Further supervisory board and advisory board mandates:

Honorary Supervisory Board member of STEG (Städtebauliche Entwicklungsgesellschaft mbH, Eschborn); Advisory Board Chairman of Schwinn Holding GmbH, Ober-Ramstadt; Advisory Board member of Bärbel Drexel GmbH, Baar; member of different Advisory Boards of the Finatem group, Frankfurt am Main, and member of Advisory Board of Eltec AG, Mainz (until January 11, 2012).

Dr. Robert Hennigs, Managing Director of Finatem Fonds Management Verwaltungs GmbH, Frankfurt am Main
(stepped down on September 16, 2011)

After holding various professional posts in the private equity area, Dr. Robert Hennigs has been Managing Director and Partner at Finatem Fonds Management Verwaltungs GmbH, Frankfurt am Main, since 2004.

Further supervisory board and advisory board mandates:

Advisory Board member of Deutsche Notrufzentralen und Sicherheitsdienste Holding GmbH, Bielefeld.

Felix Sulzberger, CEO of Calida AG, CH-Sursee
After holding various positions in the consumer goods industry, Mr. Felix Sulzberger has been CEO of CALIDA AG, Oberkirch, Switzerland, since 2001.

Further supervisory board and advisory board mandates:

Advisory Board member of Finatem Beteiligungs GmbH, Frankfurt am Main; member of the Board of Directors of Lafuma SA, Anneyron, France.

Gerold Heinen, Certified Public Auditor and tax consultant, Heinen und Renken, Oldenburg.
Mr Heinen has been an auditor and tax advisor in the firm of Heinen & Renken, Oldenburg, since 1994, and additionally at Knollenborg & Partner, Lingen, since 1995, as well as at Fokuhl & Partner, Oldenburg, since 2008. Mr. Heinen is also Managing Director at FIDAUDIT GmbH Wirtschaftsprüfungsgesellschaft, Berlin, and at buda Steuerberatungsgesellschaft mbH, Stralsund.

Further supervisory board and advisory board mandates:

ASTORIA Wohnungsbaugenossenschaft eG, Oldenburg; Norddeutsche Boden AG, Oldenburg, Ecentis AG, Bremen

The Supervisory Board received fixed compensation of EUR 80 thousand in the year under review.

(28) Management Board

The Management Board of Derby Cycle AG comprised the following members in the fiscal year from October 1, 2010 until September 30, 2011:

Mathias Seidler, Hamburg

Uwe Bögershausen, Oldenburg.

If several Management Board members are appointed, the company is represented by two Management Board members, or by one Management Board member together with one authorised representative. The Management Board members Mr. Mathias Seidler and Mr. Uwe Bögershausen are sole authorised signatories, and exempt from the restrictions of Section 181 of the German Civil Code (BGB).

(29) Hedge accounting

Hedging transactions with durations extending beyond the balance sheet date were concluded to hedge foreign currency risks:

	30/09/2011	30/09/2010
Currency derivatives – cash flow hedging	TEUR 5,721	TEUR 3,111

The fair values of the currency derivatives were calculated according to the mark-to-market method. The retrospective effectiveness calculation was performed according to the dollar offset method. The expected underlying transactions, and the underlying transactions that have already been realised, and for which the currency derivatives were applied, have been fully settled.

The following changes occurred to equity due to the hedging:

EUR thousands	**2010/11**	2009/10
Valuation as of October 1	3,111	-2,757
Change in equity (excluding deferred tax)	2,610	5,868
Valuation as of September 30	5,721	3,111

The following currency transactions, all of which become effective during the next 12 months, existed as of the balance sheet date:

Currency	Currency	Contract volume	Market value
FX Forwards	USD	TEUR 56,992	TEUR 1,985
FX Forwards	JPY	TEUR 39,051	TEUR 3,736

(30) Financial instruments – tabular overview

EUR thousands	Measurement category as per IAS 39	Carrying amount 30/09/2011	Fair value 30/09/2011
Assets			
Trade receivables and other receivables	LAR	13,875	13,875
Other financial assets (EUR 6,181 thousand in balance sheet)	Derivatives with documented hedging relationship	5,796	5,796
	LAR	385	385
Cash and cash equivalents	LAR	12,643	12,643
Liabilities			
Non-current financial liabilities	FLAC	5,000	5,000
Trade accounts payable and other liabilities	FLAC	31,819	31,819
Other current financial liabilities	FLAC	2,687	2,687
Of which aggregated according to measurement categories pursuant to IAS 39:			
Loans and Receivables (LAR)		26,903	
Derivatives with documented hedging relationship		5,796	
Financial Liabilities at Amortised Cost (FLAC)		39,506	

EUR thousands	Measurement category as per IAS 39	Carrying amount 30/09/2011	Fair value 30/09/2011
Assets			
Trade receivables and other receivables	LAR	14,729	14,729
Other financial assets (EUR 3,501 thousand in balance sheet)	Derivatives with documented hedging relationship	3,111	3,111
	LAR	390	390
Cash and cash equivalents	LAR	2,469	2,469
Liabilities			
Non-current financial liabilities	FLAC	5,329	5,329
Trade accounts payable and other liabilities	FLAC	22,973	22,973
Other current financial liabilities	FLAC	6,041	6,041
Of which aggregated according to measurement categories pursuant to IAS 39:			
Loans and Receivables (LAR)		17,588	
Derivatives with documented hedging relationship		3,111	
Financial Liabilities at Amortised Cost (FLAC)		34,343	

(31) Total auditor's fees

The total fee invoiced by the auditor in the 2010 / 11 fiscal year stood at EUR 138 thousand; This fee breaks down as follows:

a) Financial statements audit services: TEUR 85

b) Other advisory services: TEUR 9.5

c) Other services: TEUR 43.3

(32) Utilisation of statutory exemptions by consolidated companies

The following companies, which were included according to full consolidation regulations, utilise the publication exemption pursuant to Section 264 (3), Clause 1:

Derby Cycle Werke GmbH, Cloppenburg

Raleigh Univega GmbH, Cloppenburg

Derby Holding (Deutschland) GmbH, Cloppenburg

NW Sportgeräte Vertriebs-GmbH, Cloppenburg

(33) Statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

On January 19, 2012, the Management and Supervisory boards issued the statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the company's website

http://www.derby-cycle.com/de/investor-relations/corporate-governance/entsprechenserklaerung.html

The statement of compliance is also reproduced in the "Corporate Governance Report" chapter in the annual report.

(34) Release of the consolidated financial statements

The Management Board prepared these consolidated financial statements on December 22, 2011, and will present them to the Supervisory Board on January 19, 2012, for its approval.

// RESPONSIBILITY STATEMENT

According to the best of our knowledge, we assure that, pursuant to the applicable accounting principles for annual financial reporting, the consolidated annual financial statements convey a true and fair view of the Group's net assets, financial position and results of operations, and that the progression of business, including the business result, and the Group's position, are presented in the Group management report in such a way that a true and fair view is conveyed, and that the significant opportunities and risks pertaining to the Group's prospective development in the remainder of the 2011 / 12 fiscal year are described.

Cloppenburg, January 20, 2012

Mathias Seidler

Uwe Bögershausen

// AUDIT CERTIFICATE

We have audited the consolidated financial statements prepared by Derby Cycle AG, Cloppenburg – consisting of the balance sheet, statement of comprehensive income, income statement, statement of changes in equity, cash flow statements and notes to the consolidated financial statements – and the Group management report for the fiscal year from October 1, 2010, until September 30, 2011. The company's legal representatives are responsible for preparing the consolidated financial statements and Group management report pursuant to IFRS, as applicable in the EU, and on the basis of the supplementary German commercial law regulations pursuant to Section 315a (1) of the German Commercial Code (HGB). Our task is to issue an assessment of the consolidated financial statements and Group management report on the basis of the audit we conduct. We were also mandated to appraise whether the consolidated financial statements comply with IFRS in overall terms.

We conducted our audit of the consolidated financial statements pursuant to Section 317 of the German Commercial Code (HGB) in compliance with the German principles of proper auditing as determined by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit is to be planned and performed so that misstatements and infringements that have a significant impact on the presentation of the consolidated financial statements in compliance with the applicable accounting regulations, and on the view of the net assets, financial position and results of operations conveyed by the Group management report, are identified with sufficient certainty. Knowledge concerning the Group's business activities, and about its economic and legal environment, as well as expectations concerning potential errors, were taken into account when determining the audit actions. The effectiveness of the accounting-related internal controlling system, and evidence for the disclosures contained in the consolidated financial statements and Group management report, were primarily assessed on the basis of random samples as part of the audit. The audit comprises an assessment of the single-entity annual financial statements of the companies included in the consolidated financial statements, the demarcation of the scope of consolidation, the accounting and consolidation principles applied, significant estimates on the part of the legal representatives, and an appraisal of the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit forms a sufficiently secure basis for our appraisal.

Our audit led to no objections.

According to our assessment based on information gained as part of the audit, the consolidated financial statements comply with IFRS, as applicable in the EU, the supplementary German commercial law regulations applicable pursuant to Section 315a (1) of the German Commercial Code (HGB), and IFRS in overall terms, and they convey a true and fair view of the Group's net assets, financial position and results of operations in compliance with these regulations. The Group management report accords with the consolidated financial statements, conveys a true and fair view of the Group's position in overall terms, and appropriately presents the opportunities and risks relating to future trends.

Hanover, January 20, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

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FORWARD LOOKING STATEMENTS, OUTLOOK AND INFORMATION

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that may not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that may be expressed or implied by such statements. Such factors include those discussed in the Risk Report from page 54 to 56. We do not assume any obligation to update the forward-looking statements contained in this report. In addition, we would like to point out that rounding differences can result from the use of rounded amounts and percentages in accordance with the commercial rounding practices. Basis for the calculation of the percentage changes are in thousands rounded amounts.

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