



**KTM INDUSTRIES AG  
ANNUAL FINANCIAL REPORT 2018**

# HIGHLIGHTS 2018

CONTINUATION OF STRONG GROWTH  
AND MARKET SHARE GAINS





## RECORD DRIVE CONTINUED IN BUSINESS YEAR 2018

- 261,454 motorcycles sold (+10% vs 2017)

## RECORD MOTORCYCLE REGISTRATIONS & MARKET SHARE INCREASE

- Registration Europe: +21.5% (YoY)
- Registration US: +8.5% (YoY)
- Market share Europe: 11.7% (+130 bps)
- Market share US: 8.9% (+90 bps)

## SUCCESSFUL LAUNCH

of KTM mid-class (2-cylinder 800 cm<sup>3</sup>) and HUSQVARNA Street (VITPILEN 401/701 and SVARTPILEN 401)

## SALE OF PANKL-GROUP

## SUCCESSFUL RACING SEASON

- 17th win of Rallye Dakar
- Supercross World Champion
- MX1 + MX2 World Champion
- Moto2 Vice World Champion
- First podium in MotoGP™

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# KEY FIGURES

<b>EARNINGS RATIOS</b>		2014	2015	2016	2017	2018	CHG. IN %
Revenue	in m€	1,086.3	1,223.6	1,343.0	1,533.0	1,559.6	2
EBITDA	in m€	148.1	178.4	198.4	218.9	252.5	15
EBIT	in m€	93.0	112.9	122.3	132.5	161.2	22
Earnings after taxes	in m€	57.0	65.0	89.0	83.9	114.2	36
EBITDA margin	in %	13.6%	14.6%	14.8%	14.3%	16.2%	
EBIT margin	in %	8.6%	9.2%	9.1%	8.6%	10.3%	
<b>BALANCE SHEET RATIOS</b>		12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	CHG. IN %
Balance sheet total	in m€	1,031.1	1,175.9	1,423.8	1,465.2	1,353.9	-8
Equity	in m€	370.9	386.6	454.9	528.6	550.8	4
Equity ratio	in %	36.0%	32.9%	32.0%	36.1%	40.7%	
Working capital employed <sup>1)</sup>	in m€	206.8	243.3	245.2	238.4	245.3	3
Net debt <sup>2)</sup>	in m€	315.1	387.4	364.6	375.0	323.3	-14
Gearing <sup>3)</sup>	in %	85.0%	100.2%	80.1%	70.9%	58.7%	
<b>CASH FLOW AND CAPEX</b>		2014	2015	2016	2017	2018	CHG. IN %
Cash-Flow from operating activities	in m€	82.4	106.9	167.8	161.3	85.5	-47
Cash-Flow from investing activities	in m€	-72.0	-110.1	-158.8	-154.0	-102.1	-34
Cash-Flow from financing activities	in m€	32.7	50.7	139.2	-118.0	-63.3	-46
Capital expenditure <sup>4)</sup>	in m€	108.4	133.0	144.4	178.6	183.6	3
<b>EMPLOYEES</b>		12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	
Number of employees as of balance sheet date <sup>5)</sup>	Number	4,182	4,553	5,069	5,887	4,303	
<b>VALUE CREATION</b>		12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	
ROCE (Return on Capital Employed) <sup>6)</sup>	in %	12.9%	14.2%	13.9%	13.9%	16.6%	
ROE (Return on Equity) <sup>7)</sup>	in %	16.8%	17.2%	21.2%	17.1%	21.2%	
ROIC (Return on Invested Capital) <sup>8)</sup>	in %	10.5%	11.0%	11.7%	10.4%	13.6%	
<b>STOCK EXCHANGE RATIOS<sup>9)</sup></b>		-	-	12/31/2016	12/31/2017	12/31/2018	CHG. IN %
Share price as of 31 Dec.; Börse SIX Swiss Exchange	in CHF			5.35 CHF	7.39 CHF	60.60 CHF	720
Number of shares issued	in m units			225.39	225.39	22.54	-
Market capitalization	in m CHF			1,205.82	1,665.61	1,365.84	-18
Earnings per share <sup>10)</sup>	in €			2.31	1.98	2.99	51
Book value per share <sup>11)</sup>	in €			20.18	23.45	24.44	4

1) Working capital = stock + trade receivables - trade payables

2) Net financial debt = financial liabilities (current, non-current) - cash

3) Gearing = net financial debt/equity

4) Additions from property, plant and equipment and intangible assets according to schedule of investments

5) Number of employees on the reporting date (including temporary staff), previous years include Pankl Racing Systems AG

6) ROCE = EBIT/average capital employed

Capital employed = property, plant and equipment + goodwill + intangible assets + working capital employed

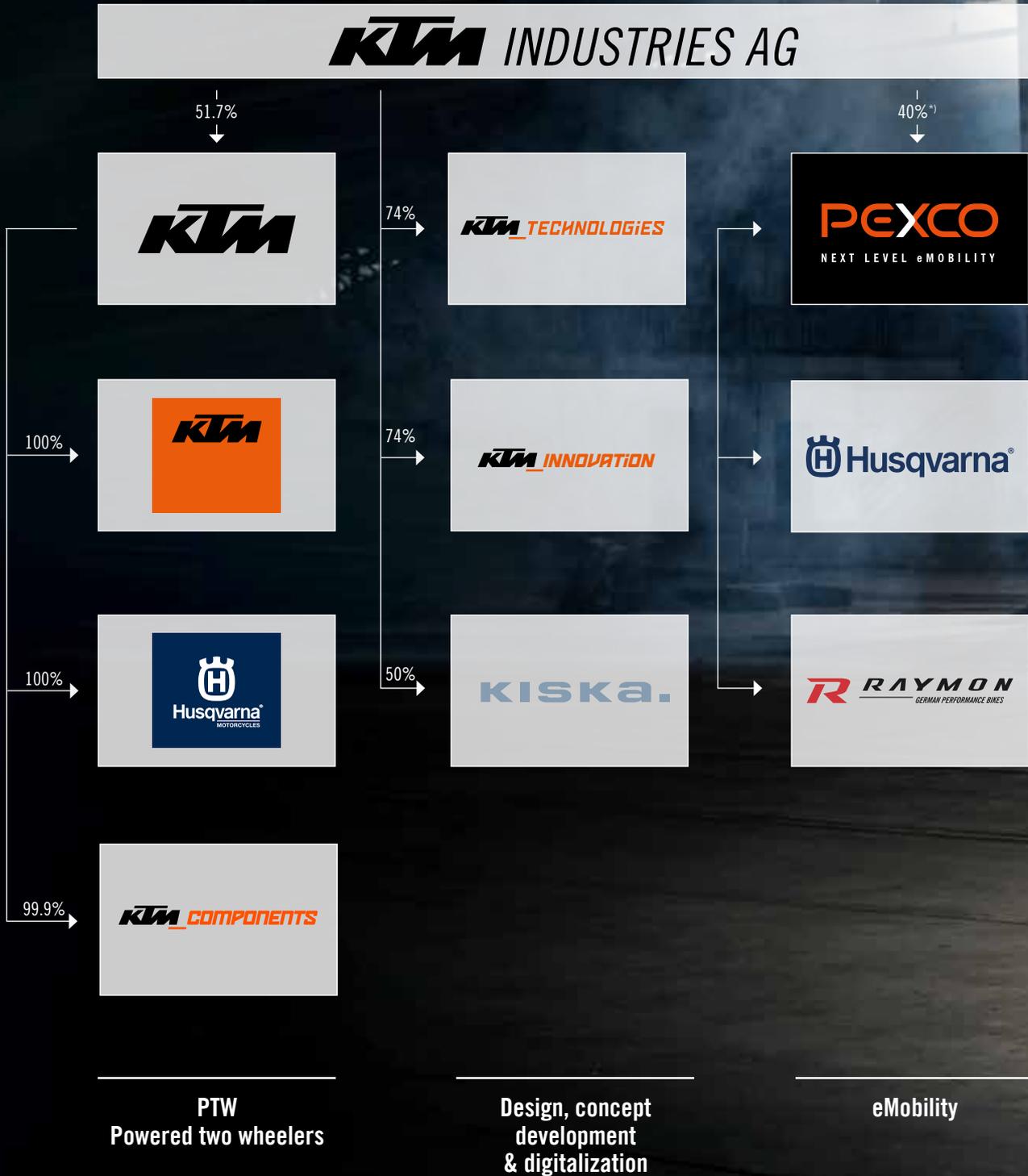
7) ROE = net result after tax/average equity

8) ROIC = NOPAT / average Capital Employed; NOPAT = EBIT - taxes

9) since Nov. 14, 2016 Listing on SIX Swiss Exchange

10) Previous year's calculation adjusted to the new number of shares.

11) Equity / Number of shares; Previous year's calculation adjusted to the new number of shares.



**Other shareholdings:**

PF Beteiligungsverwaltungs GmbH 100%  
 ACstyria Mobilitätscluster GmbH 12.3%

\*) PEXCO GmbH „at equity“; 40% are held by Platin 1483 GmbH (family Puello), 20% are held by Pierer Industrie AG

# GROUP STRUCTURE

as of 12/31/2018; simplified presentation



# INTRODUCTION BY THE EXECUTIVE BOARD

The KTM Industries Group can look back on a successful business year in 2018. For the eighth record year in a row, KTM was able to increase sales and revenue and make disproportionate gains in market shares in the major markets.

At the beginning of the year, the KTM Components Group was integrated into the KTM AG Group as the most important supplier for motorcycle production in order to realize potential synergies and secure further growth. The sale of the Pankl Group in June 2018 laid the strategic and financial foundation for the Group's even greater focus on the two-wheeler industry and further strengthened the balance sheet structure of the KTM Industries Group. The equity holding in KISKA Design was also increased to 50% in order to maintain the important role of the design studio in the future.

In addition to four series start-ups in the first half of the year – the successful market launches of the first model of the medium range (2-cylinder 800 cm<sup>3</sup>) at KTM and the Husqvarna road models Vitpilen/Svartpilen – the stabilization of the supplier structure was also challenging. The business year just ended was also shaped by the introduction of an extensive efficiency program, which will be continued consistently in the coming year.

The sensational successes in motorsport should also be highlighted. In addition to first place in the Dakar Rallye, Motocross World Championship titles and winning the American Supercross Series, the KTM MotoGP™ factory team also made impressive progress. An important step in the area of e-mobility was taken with the joint venture PEXCO, based in Schweinfurt/Germany, in the area of electric 2-wheelers. Thanks to the successful market entry with the "Husqvarna" and "Raymon" brands, PEXCO was able to generate revenue of around € 29 million with over 30,000 (electric) 2-wheelers sold in the very first financial year of 2018.

## COURSE OF BUSINESS

With the brands KTM, Husqvarna Motorcycles and WP, the Group ranks among the market leaders in its respective segment and was able to outperform the market in both Europe and North America last year. In Europe, the overall market grew by around 8% last year. In the same period, KTM increased its registrations by 21.5%, which corresponds to a market share of 11.7% at the end of 2018. Despite a declining overall US market (-2.3%) in 2018, KTM increased registrations by 8.5% and increased its market share to 8.9% by the end of 2018. As a result, significant increases in market share were achieved both in Europe and in the USA.



This success can also be attributed to the new launches of the KTM Duke 790 and the first HUSQVARNA road motorcycles (401 SVARTPILEN/VITPILEN, 701 VITPILEN). In the highly competitive US market, we are doing well with these next-generation models, which appeal to a much broader and younger target group, thanks to intelligent and industry-leading solutions. Our efforts have been recognized with an award at the US-BIZ AWARD 2019 in the Trendsetter category.

In the business year 2018, KTM Industries Group achieved record revenue of € 1,560 million (+2%) and continued its strong growth. KTM further extended its leading position as the largest European motorcycle manufacturer and achieved record sales of more than 261,454 motorcycles (+10%). The operating result (EBIT) increased to € 161.2 million (+22%) after € 132.5 million in the previous year and the net result after tax increased from € 83.9 million to € 114.2 million. The balance sheet total amounted to € 1,353.9 million as of December 31, with an equity ratio of 40.7% after € 1,465.2 million in the previous year.

#### EMPLOYEES

At the end of the business year, the KTM Industries Group employed 4,303 people, 3,625 of them in Austria (around 84%). Approximately 13.4% of the total workforce work in Research & Development. Since 2011, KTM has built up a total workforce of more than 2,200 employees and thus more than doubled the number of employees in Austria. KTM places an important focus on apprentice training and the further training and development of its employees (KTM Academy).

#### INVESTMENTS

In 2018, more than € 100 million were invested in product development and tools for the further growth of the company. The consistently high investments in series product development represent one of the key success factors of the KTM Industries Group.

After the expansion of the research and development center at the Mattighofen site (investment volume of approx. € 30 million), the completion of the "House of Brands" at the Munderfing site and the opening of the KTM Motohall in Mattighofen are planned for 2019. Due to the intensive program of investment in recent years in capacities and infrastructure and the shifting of the low-volume Husqvarna road models to the strategic partner Bajaj in 2019, the required production capacities in Austria are secured for the next few years.

#### STRATEGIC PARTNERSHIPS

Extending the cooperation to the Husqvarna Motorcycles brand has raised the partnership between Bajaj and KTM to the next level. The planned transfer of the production of Husqvarna road motorcycles (up to 400 cm<sup>3</sup>) to the strategic partner Bajaj in Q4/2019 will also give KTM the opportunity to produce entry-level motorcycles for the Husqvarna

brand at competitive production costs and thus further increase sales in the emerging markets. The joint venture in China founded at the beginning of 2018 with the longstanding partner CF Moto is progressing as planned. The production of mid-range motorcycles in the Chinese city of Hangzhou is planned from 2021 onward. The year under review also saw the start of radiator production at the Group's own WP Cooling Systems plant. The relocation of series production to Dalian (China) was largely completed by the end of the year.

#### OUTLOOK

KTM expects the European motorcycle market to consolidate in 2019. For the American market, we expect a further slight market decline. Due to the increasing levels of volatility in the global economic and political environment, KTM will focus next year on increasing efficiency and productivity. We see this as the basis for playing an important role in an expected consolidation of the industry. The goal is to maintain the EBIT margin and increase the free cash flow potential to 3 - 5% of revenue (p.a.).

The management expects positive business development to continue in 2019. For 2019, we anticipate revenue growth of between 1 and 5%. The objective is to further increase the market shares in the markets that are important to KTM and Husqvarna, despite a challenging market environment. The investment program in 2019 will continue to focus on the series development of new vehicle models. The stabilization of the supplier structure and the expansion of the dealer network are the other areas of focus in the new financial year. KTM Industries AG confirms its sales target of 400.000 motorcycles for the 2022 fiscal year.

Wels, March 2019



Stefan Pierer  
Chairman of the Executive Board

## BODIES OF THE COMPANY

# EXECUTIVE BOARD



**Friedrich Roithner** CFO  
Appointed until December 31, 2023



**Stefan Pierer** CEO  
Appointed until December 31, 2023



**Hubert Trunkenpolz** CSO  
Appointed until December 31, 2023



**Harald Plöckinger** COO  
Appointed until February 28, 2019



**Wolfgang Plasser**  
Appointed until June 28, 2018

## SUPERVISORY BOARD

**Josef Blazicek**  
Supervisory Board Chairman

Elected until the end of the Annual General Meeting deciding on the ratification of the 2020 financial year

**Ernst Chalupsky**  
Deputy Supervisory Board Chairman

Elected until the end of the Annual General Meeting deciding on the ratification of the 2020 financial year

**Alfred Hörtenhuber**  
Member

Elected until the end of the Annual General Meeting deciding on the ratification of the 2022 financial year

**Klaus Rinnerberger**  
Member

Elected until the end of the Annual General Meeting deciding on the ratification of the 2019 financial year

# REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Once again, KTM Industries AG can reflect on a successful business year. KTM was able to increase sales and revenue and make disproportionate gains in market shares in the major markets. KTM has outperformed the market both in Europe and in North America. The implementation of the global product strategy and the expansion into other Asian and South American markets was consistently pursued in the past year and the strategic alliance with the Indian partner Bajaj was further intensified. With the premature extension of the Executive Board contracts for a further five years, we are opting for continuity in order to ensure the consistent and long-term implementation of our strategic focus.

The Supervisory Board of KTM Industries AG fulfilled its duties required by law and under the articles of association and held intense discussions concerning the overall economic position and the future strategic development of the company and its Group companies as well as significant events. Within the context of its regular reporting, and on the basis of comprehensive reports submitted in all meetings, the Executive Board of KTM Industries AG regularly informed the Supervisory Board of the present business and the financial situation, the course of business and the position of the company including its Group companies during the 2018 financial year.

Additional information was supplied with regard to extraordinary developments. The Executive Board provided the Supervisory Board with all necessary information and documents required for decision-making. There were no grounds for special audit measures.

In the 2018 business year, the main areas of concern were focusing on the two-wheeler industry and the sale of the Pankl Racing Systems Group, the introduction of an extensive efficiency program, and the implementation of the EU General Data Protection Regulation. Between meetings of the Supervisory Board, the Chairman of the Supervisory Board was in constant contact with the Executive Board and was kept informed on an ongoing basis about current business developments, the status of projects and other important events and decisions – also in personal discussions.

Gerald Kiska resigned as a Member of the Supervisory Board of the Company with effect from the end of the 21st Annual General Meeting on 26 April, 2018 and Alfred Hörtenhuber was elected as a new Member of the Supervisory Board.



## FOCUS OF THE SUPERVISORY BOARD MEETINGS

The Supervisory Board held six meetings in the year under review. In addition, there were further coordination discussions by telephone and resolutions passed by electronic, telephone, or written means.

At its meetings, the Supervisory Board regularly discussed the monitoring of projects as well as the course of business and business planning, including non-financial performance indicators. The Supervisory Board also dealt with the corporate governance of the company and compliance management. A further focus of the Supervisory Board's activities was the discussion of new legislation.

At its first meeting on **March 19, 2018**, the Supervisory Board dealt primarily with the discussion and resolution on the audit and adoption of the 2017 annual financial statements and the 2017 consolidated financial statements, the agenda and the proposed resolutions for the Annual General Meeting as well as the corporate governance report and the sustainability report (non-financial report pursuant to Section 267a of the Austrian Commercial Code (UGB)). At the meeting of the Supervisory Board on **April 26, 2018**, the current business development and the business performance of the Group companies in the first quarter of 2018 were discussed. In addition, capital market issues and the financial status were reported on. At the extraordinary meeting on **June 4, 2018**, the offer of Pierer Industrie AG to acquire the shares in Pankl Racing Systems AG was discussed and submitted for resolution. Mr. Wolfgang Plasser resigned from the Executive Board of KTM Industries AG with effect from June 28, 2018 and joined the Executive Board of Pierer Industrie AG. The meeting on **July 26, 2018** focused on the course of business in the first half of 2018 and the outlook for the full year of the KTM Industries-Group, the reports of the Group companies, capital



2019 Dakar Rallye, Peru, Photo: Marcin Kin

market issues and the financial status. At the Supervisory Board meeting on **October 23, 2018**, the business development (Q1-Q3/2018) and the outlook for the full year of the KTM Industries-Group were reported on. Other topics included the increase in the equity holding in Kiska GmbH, and project financing. In addition, the Group companies and their financial status were reported on. The last meeting of the reporting year 2018 took place on **December 20, 2018** and dealt with the course of business after 11 months and the outlook for the 2018 business year as a whole. The 2019 budget was also presented and discussed. At the meeting, the Supervisory Board of KTM Industries AG prematurely extended the Executive Board contracts of Stefan Pierer (CEO), Friedrich Roithner (CFO), and Hubert Trunkenpolz (CSO), due to expire in spring 2020, by five years to December 31, 2023 in order to adjust the term of the Executive Board contracts to the term of the new medium-term planning. In addition, the Group companies and their financial status were reported on. At the subsequent conference call held on December 20, 2018 (afternoon), the budget was adopted and the Supervisory Board took note of the medium-term planning for 2020-2021.

Every member of the Supervisory Board attended at least half the meetings in the 2018 financial year.

#### AUDIT COMMITTEE

The Audit Committee monitors in particular the accounting process, the effectiveness of the internal control system and the risk management system, as well as the audit of the financial statements, the independence and qualification of the auditor and their services, including the commissioning of additional non-audit services. The Audit Committee consisted of three members in the financial year 2018. The Chairman of the Committee is the Member of the Supervisory Board Klaus Rinnerberger (financial expert). In addition, in the reporting year 2018

under review the Audit Committee included the Chairman of the Supervisory Board Josef Blazicek and the Deputy Chairman of the Supervisory Board Ernst Chalupsky. The Audit Committee held two meetings in the year under review. The Audit Committee dealt in detail with individual specialized issues and subsequently reported its findings to the Supervisory Board. The meeting in **March 2018** focused on the in-depth discussion of all topics in connection with the 2017 annual financial statements and consolidated financial statements. In addition, the appointment of the auditor for the 2018 annual financial statements and consolidated financial statements, which was initiated and submitted by the Supervisory Board - based on the recommendation of the Audit Committee - to the Annual General Meeting on April 26, 2018 as a proposal to be voted on. At the meeting in **December 2018**, the auditor provided an overview of the planned course of the audit as well as the focal points of the audit for the 2018 financial year.

Since the Supervisory Board consists of no more than six members, the tasks of the Remuneration and Nomination Committee are fulfilled by the entire Supervisory Board.

#### ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, ("KPMG") was appointed by the Annual General Meeting of KTM Industries AG on April 26, 2018 as auditor of the financial statements and consolidated financial statements for the 2018 financial year. The Audit Committee commissioned KPMG to conduct the audit. The annual financial statements and the management report for the 2018 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, together with the consolidated financial statements and the consolidated management report for the 2018 financial year. The audit did not give rise to any objections and the annual and consolidated financial statements for the 2018 financial year were granted an unqualified audit opinion.

The auditor confirmed that the company's annual financial statements as at December 31, 2018 are consistent with applicable laws, that they give a true and fair view in all material aspects of the net asset and financial position as at December 31, 2018, that the company's earnings position for the financial year ending on this reporting date is in accordance with the regulations under Austrian company law, and that the management report is consistent with the annual financial statements.

Furthermore, the auditor also certified that the consolidated financial statements are consistent with applicable laws and give a true and fair view in all material respects of the Group's net assets and financial position as at December 31, 2018, as well as of the earnings position and cash flows for the financial year ended in accordance with the International Financial Reporting Standards (IFRS), and that the

consolidated management report is consistent with the consolidated financial statements.

The documents relating to the financial statements and the auditor's reports (including the "Supplementary Report to the Audit Committee on the audit of the annual financial statements in accordance with Art. 11 of EU Regulation No. 537/2014 as at December 31, 2018") were discussed in detail with the auditors in the **Audit Committee meeting** held on **March 19, 2019** and presented to the Supervisory Board pursuant to Section 96 (1) of the Austrian Stock Corporation Act (AktG) together with the management reports drawn up by the Executive Board, the corporate governance report and the sustainability report (non-financial report) in its subsequent meeting. The auditor reported on the results of its audit to the Audit Committee meeting. Its explanations, in particular on the net assets, financial position and earnings position of the company and the Group, were discussed in detail. All questions from the Audit Committee were answered. In addition, the Audit Committee was able to satisfy itself that there were no circumstances of bias on the part of the auditor. The Audit Committee also exchanged information on other services provided by KPMG outside the scope of the audit. The Audit Committee discussed and reviewed the summarized "non-financial report". All questions relating to this were answered by the Executive Board. The non-financial report has not been externally audited.

The **Audit Committee** stated in its report to the Supervisory Board that it agreed with the result from the auditor, and, following its audit of the annual financial statements and management report, together with the consolidated financial statements, the consolidated management report, the corporate governance report and the sustainability report for the 2018 financial year, it concluded that the documents submitted for auditing are correct and in compliance with the law, that the Executive Board's decisions regarding accounting policy are cost-effective and appropriate, and there is no reason for any objections.

The **Supervisory Board** agrees with the report of the Audit Committee and thereby with the result of the final audit. In its assessment of the situation of the company and the Group, the Supervisory Board concurs with the assessment expressed by the Executive Board in the consolidated management report and the management report. All questions posed by the Supervisory Board were answered by the auditor and the Executive Board. The final result of the Supervisory Board's audit of the annual financial statements and the management report, as well as the consolidated financial statements, the consolidated management report, the corporate governance report and the sustainability report (non-financial report) for the 2018 financial year, also gives no reason for any objections. Having been accepted by the Supervisory Board, the 2018 annual financial statements can be deemed to have been approved pursuant to Art. 96 (4) of the Austrian Stock Corporation Law (AktG). The Supervisory Board acknowledged the consolidated financial statements and the consolidated management report for the 2018 financial year.

The Supervisory Board concurs with the Executive Board with regard to the proposal concerning the distribution of the net profit achieved during the 2018 financial year.

Moreover, following a proposal by the Audit Committee, a proposal for the election of the auditor for the 2019 financial year was prepared for the 22nd Annual General Meeting on Thursday, April 25, 2019. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, has been proposed as auditor for the financial year commencing on January 1, 2019 and ending on December 31, 2019.

## CORPORATE GOVERNANCE

In the 2018 financial year, the Executive Board and Supervisory Board again paid great attention to the further development of corporate governance at KTM Industries AG.

The Supervisory Board examined and approved the corporate governance report for the 2018 financial year.

The corporate governance report for the 2018 financial year was also evaluated by Oberhammer Rechtsanwälte GmbH with regard to KTM Industries AG's compliance with the corporate governance code. The evaluation showed that KTM Industries AG complied with the C rules of the ÖCGK in the version of January 2018 in the 2018 financial year with few exceptions. The evaluation report of Oberhammer Rechtsanwälte GmbH was discussed in detail by the Supervisory Board.

The Supervisory Board would like to thank the Executive Board, as well as all employees and the racing team, for their dedication and contribution to the pleasing results achieved during the last financial year. We would also like to convey our thanks to the shareholders, customers and partners who placed their trust in the company and who have therefore played a fundamental role in this success.

Wels, March 2019

Chairman of the Supervisory Board



Josef Blazicek

# KTM

## EUROPE'S LARGEST SPORTS-MOTORCYCLE PRODUCER

As a manufacturer of premium products, the KTM AG has set itself the goal of manufacturing products that are innovative, in line with market requirements, safe, and, most importantly, of high quality. As key components of the motorcycles, the engines are developed and manufactured by KTM AG and guarantee the identity of motorcycles with the KTM and Husqvarna Motorcycles brands. The impressive track record in racing is the best evidence of KTM's, Husqvarna's and WP's high product quality and high level of engineering competence.

Since its foundation in 1953, KTM has amassed over 6 decades of expertise in the two-wheeled world and maintains its position as Europe's largest motorcycle manufacturer.

The current trajectory of KTM AG as a whole bodes well for reaching a goal of **400,000 units** of annual production by **2022**. To achieve this, the strategy is to maximize the synergies and resources of the constituent brands, stakeholders and infrastructure within the group.

KTM AG's corporate success is grounded in **strengthening the core brand values** of the primary brands and communicating them appropriately. KTM has a distinct brand personality and bold presence in global competition. We don't just claim to be **READY TO RACE**, but lead by that example in all we do. This flows through our four core values of **ADVENTURE, PURITY, PERFORMANCE and EXTREME**. It is also this competitive vision which keeps us searching for global expansion opportunities to assert ourselves through – both through actions and through inspiring products that deliver on the implicit brand claim.

The growing global KTM brand presence, along with the brand's continued focus on racing and their impressive gains in the street, are all part of the **brand's steady world-wide expansion**.

KTM has dedicated more and more energy towards road racing, which is reflected in its successes in a number of prestigious podiums in 2018 in the Moto2 class, as well as in the highly-competitive **MotoGP™** class (final race in Valencia). These achievements highlight the global

ambitions in the street sector even more. From this, top-level success in **MotoGP™**, is the next ambitious goal in KTM's sights, which will greatly influence the global business and brand expansion objectives.

Central to the corporate strategy is taking successful racing technology and directly incorporating it into serial products. The brand's winning culture flows into the products and everything else they do. An essential element of KTM's long-term growth-planning strategy is to **further extend the product range**, opening up new niches and markets. Accordingly, the strategy focuses on research & development to keep the performance edge, at the same time, developing distribution networks through new strategic regional partnerships, investing heavily in the global brand growth.

Geared for the future, KTM AG successfully markets products that were developed with a great deal of craftsmanship. With a long history and strong interest in motorsport, KTM AG constantly strives to develop the overall product range and to increase its competitiveness and penetration into global markets. **Innovation and the highest development standards** are crucial to achieving this vision.

Additional company growth has stemmed from the successful launch of the new Husqvarna Motorcycles street range, which are available at the dealers since 2018. Targeted at a whole new consumer group, the sales of these bikes have brought a significant amount of new customers to the KTM AG family.

The construction of the **KTM sports car X-Bow** is an ongoing project, that proves KTM AG is capable of developing and evolving new product ranges outside of its traditional core motorcycle business. The experience gained in terms of lightweight vehicle construction is invaluable in developing new vehicle concepts.

KTM AG has taken a leading developmental role in electric powertrain innovation. The experience gained from the research project to develop an innovative high-power electric motorcycle in the form of the **KTM FREERIDE-E** proved the potential of electric powertrains. Building on this research, KTM AG is developing technology that supports alternative forms of mobility in urban settings for multiple applications. With the unveiling of the **KTM SX-E 5** and **Husqvarna EE-5** kids' electric



19th Rd. Motocross 2018 – Assen (NED), Photo: Ray Archer

motocross bikes, the next steps were shown. The bikes are aimed at developing and exposing a whole new generation of motorcyclists to riding by capitalizing on the added benefits of accessibility, ease-of-use, zero emissions and low noise.

KTM forged ahead in the field of innovative rider assistance systems by working together with a number of renowned partners.

**READY TO RACE**

# HUSQVARNA MOTORCYCLES

## THE PIONEER IN THE MOTORCYCLE WORLD

Husqvarna Motorcycles' ongoing vision is to be pioneers in the motorcycle world. A vision born out of the brand promise "**PIONEERING SINCE 1903**".

To deliver on the brand promise, the future goal is to build a complete motorcycle brand, elevating Husqvarna to the **third largest European manufacturer by 2022**. Every year since Husqvarna Motorcycles joined the KTM AG in 2013, it has achieved impressive annual growth and with it, exceptional success in a very short time. After just one year in KTM AG, Husqvarna Motorcycles achieved record offroad unit sales for their 111-year-long history in 2014, further improving on this with another record-breaking year after introducing new street-legal models.

With the brand values of PREMIUM, PIONEERING and SWEDISH ROOTS as a guiding compass, Husqvarna is committed to making enjoyable riding experiences more accessible. More importantly, these values let Husqvarna Motorcycles look beyond, and expose new users to the exhilaration and liberation of discovering the motorcycle lifestyle.

This **awareness** is a central part of the ongoing strategy, which will continue to be supported through expansion of the dealer network and consequent improved global sales. The continuous development of the dealer network is aligned to serve the growing awareness of and demand for the brand globally. With many untapped markets, areas and customer



Svartpilen 701 2019, Photo: Schedl R.

groups beyond the traditional offroad motorcycle user-base, this ever-expanding global network will open up access for the brand.

The brand has achieved renewed competitive success in recent years, including massive strides in the US market, where landmark championship titles in both supercross and motocross were achieved – Husqvarna Motorcycles so enjoyed some of the brand's most noteworthy successes. Despite these new milestones, Husqvarna Motorcycles now sets its sights towards ambitious new goals. A pioneer's work is never done, so this bold re-entry into the **street motorcycling segment** is merely the next concrete step, further proving and building the tradition of progressive and pioneering motorcycle development.

A strong focus on **innovation and progression** has brought about Husqvarna Motorcycles' deliberate return to the street – which is the second important aspect of the current brand strategy. Being a pioneer combines well with the accessible, understated and approachable brand personality, allowing Husqvarna Motorcycles to open up and tap into a much broader target audience beyond traditional street motorcyclists. The first bold step in this entirely new direction is evident in the **VITPILEN** and **SVARTPILEN 'real street'** range of production motorcycles. Important in the brand's strategy is to balance the street focus, and to consolidate and strengthen the brand's involvement and presence in the offroad world.

Husqvarna Motorcycles' future vision is to progress and expand the **brand's bold return to the street**. The concept is typically Husqvarna, where advanced engineering meets authentic, pure design to deliver a modern and uncompromised street riding experience. From the first showing of the concept bikes (VITPILEN 401 and SVARTPILEN 401) in 2014 to the subsequent unveiling of further concepts and production models in the years since, the response and interest shown in this new range is significant. The next chapter in the brand's story is about to begin with the new model series (VITPILEN/SVARTPILEN 401, VITPILEN 701), which are available at the dealers since 2018. It is a strong commitment to continuing the long tradition of progressive thinking and pioneering actions. The unmistakable concept of the new model VITPILEN 701 proves



Jason Anderson HQV FC 450 Las Vegas SX 2018- 053, Photo: Simon Cudby

it once more – This new model is a reminder of the brand’s unwavering commitment to looking ahead and always probing new directions.

Taking further important steps towards fulfilling their pioneering vision of street motorcycling, unveiled Husqvarna Motorcycles new concept models that are expertly crafted to combine minimalist styling with exceptional performance.

These new street production models will set Husqvarna Motorcycles on a trajectory to becoming Europe’s third-largest motorcycle producer by 2022.

## PREMIUM, PIONEERING UND SWEDISH ROOTS

# WP



## PERFORMANCE-DETERMINING COMPONENTS FOR THE MOTORCYCLE AND SPORTS CAR INDUSTRIES

WP is an established brand for high-performance motorcycle components and spring elements with the brand promise GET IN FRONT.

As part of the integration of the WP group into KTM AG the leading company "WP Performance Systems GmbH" was renamed "KTM Components GmbH". The WP brand remains intact. The aim is to increase the efficiency gains within the Group and to exploit potential synergies.

**Innovation & performance** are core points of focus at WP, with performance playing a particularly central role in brand activities. High-grade

components are employed to meet the demands of both racers and “regular” motorcyclists. To meet these demands, and to maintain its standing in a highly competitive market, WP takes great efforts in the areas of innovation and research and development. This is the only way to ensure that the brands build on their competitive edge in the market.

It is not only the performance on the race course, but also tests and improvements undertaken in the practical day-to-day sphere, that allow WP to transfer its racing-inspired expertise onto the onroad and offroad and provide **more intelligent and remarkable technologies** in the process.

The activities and investments have proven to be good. After numerous successes in the offroad sport, WP gains a foothold on the street motorcycling segment and in 2012 enters into the MotoGP™. The chassis manufacturer supports here the KTM factory teams in all classes and in 2015 and 2016 won the world championship title in Moto2 with Johann Zarco.

In Moto2, the chassis KTM developed in collaboration with WP exceeded all expectations in its debut season, especially towards the end of the year. In 2018, Miguel Oliveira from Portugal and Brad Binder from South Africa continued the success of the previous year and are on course to take their KTMs to podium finishes and victory as well as second and third in the overall standings.

Another great step forward for WP was the development of an Authorized Center Network that further streamlined customer service and accessibility.

2018 WP has built more than 75 Authorized Center of which 55 are in Europe alone. This represents a deliberate change in the business focus: WP wants to be more than a distribution chain and provide customers with an enhanced service offering that allows them to get the most out of their WP products. This is the result of intensive training at the Group’s headquarters that are intended to build upon the expertise and specialist knowledge of Authorized Center employees. For 2019, with regard to the new import companies in Brazil, Israel, South Korea and Australia, further expansion of this training offer is planned.

For 2019, WP has made this strong focus on **customer orientation** its most important target, followed closely by the aim of **strengthening market awareness** of its brand and trust in the brand itself. This also

## GET IN FRONT

involves boosting demand for WP PRO components as a sustainable, high-performance **aftermarket-solution for motorcycles**. This will be of central importance when it comes to achieving better segmentation of the overall product range and the creation of a complete and comprehensive product portfolio.

As a consequence, the business goal for 2019 will entail the expansion of the Authorized Center Network and product portfolio and providing better access to WP products and expert knowledge in the street segment. In 2019 this goal will be met with increased engagement in the IDM (International German Motorcycle Championship) series after 2018, three teams already received technical support. Within the next five years, the high-performance **PRO COMPONENT suspension** will enable every 20th customer to have the perfect driving experience in the relevant segments.





# RESEARCH & DEVELOPMENT

**For the KTM Group, as a technology-driven premium manufacturer in the sports motorcycle segment, Research & Development (R&D) is a department of particular focus. Consistent technological development creates innovative products that meet the high expectations of our customers and can thus open up new markets in the long term.**

In the R&D department of the KTM Group, we traditionally attach great importance to the early identification of trends in the motorcycle segment, to the further development of our products in respect of technical and functional aspects, as well as to the tracking and implementation of customer requirements in our products in order to be able to guarantee innovative and market-oriented development. The software tools used in the areas of design, calculation and simulation are subject to constant further development – as is the in-house machinery and equipment used for the production and assembly as well as the measurement and testing of newly developed prototypes. In addition to primary product and technology development, a cross-divisional project was launched last year to evaluate and further develop the development process landscape.

A large number of research and development projects were successfully advanced in the last financial year – above all the transition to series production of the first KTM model equipped with a two-cylinder in-line engine, the 790 Duke. Based on this engine and vehicle platform, the development of the 790 Adventure model series in the travel segment was continued in 2018 and officially unveiled at EICMA, the largest European trade fair in the motorcycle sector, in November 2018.

A further milestone was reached with the transition to series production of further HUSQVARNA road motorcycles. In addition to the two entry-level models 401 VITPILEN and 401 SVARTPILEN, delivery of the 701 VITPILEN models to customers around the world was also started. The models equipped with powerful single-cylinder engines expand the product range of the sister brand HUSQVARNA, which was integrated into the KTM Group in 2013, in the important street segment.

Following the KTM brand motto “READY TO RACE”, the KTM and HUSQVARNA offroad models, which were victoriously tested as part of our global commitment to motorsport, were subjected to their final stress tests and, after successful transition to series production, delivery to our customers around the world began. A further milestone is represented by the SX-E 5 and the HUSQVARNA EC 5, zero-emission-models in the entry-level offroad segment, also unveiled at EICMA 2018.

Alongside the development of new models and technical accessories, the expansion of the R&D infrastructure at the Mattighofen site was also



Svartpilen 401 2018, Photo: Schedl R.

intensified. The **expansion of the research and development center** of the KTM Group at the headquarters in Mattighofen marks a milestone in the corporate history: The office and workshop areas covering a total area of around 3,900 m<sup>2</sup> were occupied back in the first quarter of 2018. At the beginning of the third quarter of 2018, the first three engine test benches were also put into operation, as were an acoustic roller testing facility and a significantly enlarged operational strength test field over a total area of around 5,000 m<sup>2</sup> in the fourth quarter.

The Research and Development center is a **location for innovation** (19,950 m<sup>2</sup> of useful space) in which market-leading powersports vehicles will be designed, developed, and produced. Work will be carried out continuously here to ensure that KTM AG sets new standards and introduces new, industry-leading technologies, concepts, and approaches to the market, proudly sees off the competition and offers end customers a thrilling and fulfilling experience.

The design, testing and series development of new concepts calls for a steadily growing interdisciplinary team of specialists, which is also reflected in the increase in the numbers of employees. In the 2018 financial year, we employed 678 people (+11.7% compared to the previous year, corresponding to 16% of the total workforce) in research and development. In operating terms, excluding the ancillary effect of capitalizing and amortizing development expenses, 7.2% of total revenue was invested in research and development.

# RESEARCH & DEVELOPMENT



2019 KTM 790 DUKE, Photo: Simon Cudby

During the 2018 financial year, numerous **R&D projects** were advanced at various stages from straight concept development to the start of series production and successfully completed:

- **Start of series production of the new KTM and HUSQVARNA Motocross platform**  
which, in terms of engine performance, vehicle weight and performance as well as their equipment and the resulting handling advantage, continue to define the state of the art in the motocross segment. This was also impressively demonstrated by the successes in the context of the international commitment to motorsport.
  - **Start of series production of the KTM 790 Duke**  
whose completely newly developed in-line two-cylinder engine lays the foundation for a new model platform in the mid-range segment. Through the consistent implementation of new design approaches in the engine and chassis area, in addition to the comprehensive equipment with safety and assistance systems, a class-leading overall concept has also been realized.
  - **Start of series production of the HUSQVARNA 701 Vitpilen and series development of the HUSQVARNA 701 Svartpilen**  
which, alongside the 701 Supermoto and Enduro models, make an important contribution to the consistent expansion of the HUSQVARNA range of road motorcycles. The HUSQVARNA models differ from the KTM models in particular through their design language and vehicle equipment.
  - **Series development of the KTM and HUSQVARNA Enduro platform 2020**  
whose development focus, similar to the full-size motocross platform
- presented in 2018, is on making further improvements to the vehicle handling by optimizing the chassis and PowerPack, but above all on further reducing exhaust and noise emissions.
  - **Series development of the KTM 790 Adventure and 790 Adventure R models**  
which are based on the newly developed R2 engine and vehicle platform. The models presented in November 2018 expand the range of Travel models in the mid-range segment. New design approaches in the area of the chassis and the multitude of safety and assistance systems made it possible to realize two models that are especially tailored to reflect the feedback and requirements of customers.
  - **Series development of purely electrically powered models in the entry-level offroad segment**  
In 2018, the testing of a purely electrically powered motorcycle in the entry-level offroad segment was also pursued further. This includes the development of a new drive, energy storage and battery management system as well as the fundamental overhaul of the vehicle chassis to meet user requirements.
  - **Further development of the KTM 690 SMC and 690 Enduro**  
The large-volume single-cylinder models, which have been particularly successful as the market leader in their segment, have undergone extensive further development thanks to technology and electronics updates. For example, a motorcycle stability control and traction control system are now available as standard, as are motor slip regulation and a quick shifter.
  - **Development of new models in the premium segment**  
In the past year, development work on the vehicle derivatives in the premium segment was stepped up – including the further development of the offroad platform on which the Adventure models are based and the development of a new chassis platform on which the “Superduke” Naked Bike will be based in the future.
  - **Development of new models in the mid-range segment**  
In 2018, the research year also saw the start and advancement of development work on new KTM and HUSQVARNA models based on the recently introduced mid-range platform. In addition to the straight further development of the platform, R&D activities also focused on the development of a version of the R2 unit with increased performance.



KTM 790 DUKE MY 2018, Photo: R. Schedl

- **Development of new models in the entry-level segment**

Since the market launch of the first KTM street model in the entry-level segment, the 125 Duke, in 2011, the models in the cubic capacity class up to 390 cm<sup>3</sup> have established themselves as an important part of the model range. In 2018, further progress was made in the development of new model derivatives and the further development of the existing models, particularly with regard to reducing exhaust emissions.

- **Development and advance development of new technologies for reducing emissions**

Testing of new strategies to reduce raw emissions and exhaust gas aftertreatment of the KTM and HUSQVARNA engine platforms to ensure that the model range continues to comply with future homologation regulations and emission standards.

- **Advance development of new technologies in the area of assistance systems**

Development of new safety, assistance, and comfort functions for motorcycle applications. These include the prototypes of an adaptive cruise control system and a blind spot warning system presented in 2018, as well as the further development of the semi-active chassis technology.

- **Development of new connectivity and HMI systems**

In the past year, the development of the KTM connectivity infrastructure was also advanced. In addition to a system that is able to automatically make an emergency call in the event of an accident, this also includes networking between vehicles of all manufacturers and infrastructure to further reduce the risk of accidents.

The current range of versatile and sophisticated engine and chassis platforms enables KTM Group to be better prepared to cater for future market trends and offer an attractive and suitable portfolio of contemporary powersport vehicles and products.



1290 Adventure S, Photo: Schedl R.

# KTM TECHNOLOGIES

## DRIVEN BY THE NEW

The concept developers at KTM Technologies spend their days seeking answers and solutions that will sustainably change life in the future. With our complete vehicle competence and our electronics and software expertise, not only are we co-designers, we are also a true driving force. This gives rise to innovative products that are suitable for serial production, regardless of whether they are for projects involving vehicles with two, three or four wheels.

Although the KTM-Group is our largest customer, we also count other, internationally renowned and up-and-coming companies among our clients. These include, in particular, OEMs from the automotive sector as well as well-known companies from other sectors, such as IT, aviation, medical technology, the energy industry, mechanical engineering and sporting goods.

Our **core business** lies in the field of concept development for electrically powered vehicles and platforms within the various product groups featuring two and four wheels. This includes electric bikes, electric scooters, electric motorcycles, and electric passenger cars, right through to self-driving vehicles. In the **lightweight construction sector**, we are working on numerous pioneering projects, including drones for transporting people and goods, lightweight data glasses for augmented and mixed reality, fast-moving mechanical engineering components, and high-end sports equipment, made exclusively for Adidas.

KTM Technologies is at the forefront of research and development and boasts an extremely powerful network, both within the KTM Industries-Group and with external partners. This enables us to use state-of-the-art technologies to develop solutions and future-oriented concepts that are not only highly functional, but also suitable for series production.

### ELECTROMOBILITY PIONEER

For a number of years now, KTM Technologies has counted itself among the pioneers and specialists in the design and development of complete vehicles with electric drives. Owing to the continued high demand in this area, the E/E segment, including software development, is still highly dynamic and is once again being viewed as a priority region in 2019.

For the development of complete vehicles with electric drives, battery systems and the electrical system. This also includes defining the architecture of the electrical system and establishing the signal processing

strategy, including the integration of all the control units and the layout of the wiring harness. Within the scope of the virtual pre-development of a drive system, the optimization of speed, power, torque, gear ratio, and range can, for example, be designed as part of the simulation, before subsequently being incorporated into the software for the motor controller and battery management. To allow us to test our development under realistic conditions, we construct and commission fully-functional proto types in our own workshops. Supported by a broad portfolio of test benches, sensors, data loggers and analysis tools, the proto types can be tuned, tested and validated.

### ELECTRICAL, ELECTRONIC AND SOFTWARE DEVELOPMENT

Nowadays, digitization forms a fundamental part of every modern vehicle and is a central area of expertise for KTM Technologies. As a result, in the “Connectivity” segment, hardware and software-based networking solutions are being developed with a view to establishing internet access for vehicles and products (connection of the on-board computer to the world of consumer electronics). We integrate HMI (Human Machine Interfaces) and protocols across the entire system to enable visualization on the display or on a smartphone. Other possibilities include the development of individual infotainment and content solutions, for which proto types can be very quickly implemented using hardware and software and subsequently tested. As an example, for two-wheeled vehicles, this enables the three-dimensional enhancement of navigation data with details concerning road conditions, weather data or safety information.

### LIGHTWEIGHT CONSTRUCTION AND MATERIAL EXPERTISE

KTM Technologies is one of the world's leading experts in the use of composite materials and the development of cost-effective composite solutions for lightweight construction. The priority in this regard is the



Hybrid CFRP 3D printed brake lever



KTM Skidplate

development and qualification of processes and solutions for industrial use and their implementation for specific applications.

This resulted in the development and patenting of hybrid material solutions, which offer huge potential for cost-effective lightweight construction. For example, just the main load paths can be manufactured using high-performance materials such as carbon fiber, while the main bulk of the component is made up of far cheaper standard materials, such as injection-molded thermoplastics. This makes it possible to achieve excellent mechanical performance, a high degree of integration and integrated functional elements in a highly cost-effective manner within a single process.

An example of a series-produced hybrid material solution is the skid plate for KTM off-road motorcycles, which was produced in 2018 (nominated for the 2019 Innovation Award, at the world's largest composite event, run by JEC).

#### OPTIMIZING COMPONENTS USING 3D PRINTING

Additive manufacturing, also known as 3D printing, is another key area of expertise. The technology has been in use for some time now for the manufacture of all kinds of proto types. Its main aim is to achieve reductions in development time and costs, as well as to increase performance. Such technologies are used for metals and plastics alike and form a strategic focus across the entire KTM Industries Group. In close cooperation with other companies belonging to the KTM-Group, we are working intensively on the further development and qualification of new

and existing materials, methods and processes. At KTM Technologies, the focus is on the development of a consistent simulation method to enable additive manufacturing to be used to its full potential. Software-based component optimization in particular offers a diverse range of exciting possibilities. An example of this is a **hybrid motorcycle brake lever**, which is based on extremely lightweight, bionic plastic structures, manufactured using a 3D printing process. The main load paths, which are placed under a great deal of stress, have been reinforced with wafer-thin carbon-fiber strips. This enabled a weight reduction of more than 50% to be achieved.

#### HIGH-END SIMULATION

One of KTM Technologies' great strengths lies in its expertise when it comes to extremely effective and complex simulations of a range of issues, such as crash, aerodynamic and thermodynamic simulations.

Developments can therefore be designed and assessed virtually at an earlier stage and without the use of hardware. This brings about reductions in development times, minimizes risk, improves product characteristics and reduces total costs. In addition, optimization tools represent an additional and significant component in all simulation disciplines and make it possible to develop structures with the highest level of lightweight construction. The KTM-Group has a central high-performance computing cluster capable of handling these CPU-intensive applications.

# EMPLOYEES



## SUCCESS FACTOR IN THE KTM INDUSTRIES-GROUP

### DEVELOPMENT OF EMPLOYMENT

In 2018, about 84% of the employees of the **KTM Industries-Group** were employed in Austria. Since 2011, KTM has built up a total workforce of more than 2,200 employees and thus more than doubled the number of employees in Austria. In the 2018 financial year, 109 employees were recruited. On December 31, 2018, the Group employed **4,303 employees**, 3,625 of them in Austria.

### (FURTHER) TRAINING

Every employee in the **KTM Industries-Group** forms part of the large team that drives the success of the company with dedication and enthusiasm. Attractive jobs and excellent opportunities for training and career progression give employees the chance to demonstrate and expand on their skills. For mutual respect and responsibility are assigned a great deal of importance from the outset. The aim is to recruit employees from the region and to retain them in the long term. Performance is thus safeguarded by continuous training and further training based on requirements and specific target groups. Firstly know-how is constantly updated and secondly strengths are developed further.

In addition to professional (further) training, in the KTM Industries Group the annual employee appraisals also play a key supportive role in ensuring that the company remains successful as an attractive employer.

To **support women in STEM professions**, KTM hosts a Girl's Day every year. On this day, girls who are interested can gain an insight into the technical training – roughly 3-5 girls take up a technical apprenticeship each training year. In addition, KTM endeavors to embark on **joint projects with universities and technical colleges**. In addition to addressing current issues such as sustainability, these activities also promote a closer working relationship with training institutions in order to combat the lack of skilled staff and introduce joint measures if necessary. The aim of open networking is to exchange experiences and get to know potential, well-trained employees.

#### APPRENTICES

**Apprentice training** forms an important aspect of HR strategy, as the employees make a significant contribution to the company's success. **KTM AG** now has more vocational training places than any other employer in the region. As at the reporting date of December 31, 2018, **139 apprentices** (previous year: 124) were employed and received training in 12 vocational training programs. It is a central aim of the company to continue to employ apprentices when they have completed their training. In 2018, all employees who had completed training were integrated into various specialized areas in KTM AG. This satisfies the company's requirement for specialized staff and at the same time helps enable young people to have a good start to their professional life.

The cornerstone of apprentice training is our **own apprentice workshop**. This is where the basic training in all technical apprenticeship trades and special training programs is delivered, and it enables our future technicians to familiarize themselves with the company as much as possible. Apprentices rotate through the various specialist departments in which they are trained. Great store is placed by the technical and teaching qualifications of those training the apprentices along with their social skills.

With the **Dual Academy** KTM has created a unique program for trainees in which it trains general high school graduates who are interested in starting their professional lives straight away and turns them into highly skilled employees. The training lasts 2.5 years and ends with a completed apprenticeship certificate. To improve their language, social and personal skills, every year up to 10 commercial and technical apprentices

are given the opportunity through the IFA (International Young Workers Exchange) association to do an **international internship** in which they can support small businesses locally with their specialist knowledge.

#### FAMILY AND WORK

Ensuring a proper work/life balance remains a key concern for KTM. This is why the company also tries to help employees to return to work after the birth of a child or after a period of parental leave. For example, educational care is provided in **two KTM daycare centers** for children (1-3 years old). In addition, employees are increasingly being allowed to take up parental part-time work and configure their own work schedule with more flexible working hours and part-time positions.

#### OCCUPATIONAL SAFETY AND EMPLOYEE HEALTH

The KTM Industries-Group is concerned with guaranteeing the safety of its employees at all times. To achieve continuous improvement in the area of health and safety, a range of preventative measures are taken regarding general workplace safety, fire prevention, safety of machinery, promotion of occupational health and measures for ensuring suitable workplaces (including lighting, height requirements, positioning of work equipment, use of tools or aids), to name a few.

#### DIVERSITY

The KTM Industries-Group regards it as particularly important for all employees to be treated with fairness and respect. In order to counteract the risk of unequal treatment, the company endeavors to create a working environment characterized by mutual trust, in which each individual is treated with dignity and respect, and in which people from diverse cultures and with different personal backgrounds are held in esteem. As an international Group, KTM values the diversity that is reflected in the origin, culture, language, and ideas of the employees.

KTM endeavors to actively take measures to ensure integration at all levels. To this end, a number of jobs are given to individuals with physical and/or mental disabilities. As of December 31, 2018, a total of 37 individuals with disabilities were employed within the KTM Industries Group.

# SUSTAINABILITY AT KTM INDUSTRIES

Our understanding of sustainability is based on the materiality analysis carried out in the 2017 business year, which was prepared with the assistance of selected employees of the subsidiaries. Subsequently these results also helped to identify the major topics for the sustainability report 2018. As part of this materiality analysis, we identified those topics relating to environmental, social and employee interests, observance of human rights and tackling of corruption that demonstrate the effects of our activities and are of relevance for our long-term business success. In business year 2018, the topics were reviewed again with the following result:

- Research & Development
- Business compliance and fairness in dealing with business partners (incl. suppliers)
- Product quality and safety
- Environmental Aspects Along the Product Life Cycle
- Occupational Safety and Employee Health
- (Further) Training of employees

A detailed description of the individual topics as well as corresponding activities and processes can be found in the non-financial section, which this year is published as a separate Sustainability Report and is available online at <https://www.ktm-industries.com/en/investor-relations/reports/>.

## OUR STAKEHOLDERS

Thanks to the growing presence of the KTM brand, we are confronted with various stakeholder groups in the global market. Communicating proactively and integrating relevant stakeholders are crucial for KTM Industries in allowing us to maintain our leading position in the market but also respond as promptly as possible to a rapidly changing world.

## VALUE CHAIN

As a motorcycle manufacturer for the off-road and street sector, KTM has extensive added value. This begins in research and development with product development and ranges from purchasing, production (partly also in our company) and sales to product use through motorbike rides for work, leisure or racing.

## OUR CONTRIBUTION TO THE SDGS

KTM Industries wants to help to achieve the global Sustainable Development Goals with its operating activities and ensure that its operating activities do not have any detrimental effects on the issues and objectives in question. For this purpose, those SDGs were selected which are in particular focus due to our current activities and which will also be dealt with in the future:



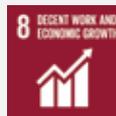
### SDG 3 – Good health and well-being

As a manufacturing company, the KTM Industries Group has a special responsibility to ensure the health and safety of its employees. By making continuous improvements in the area of occupational safety and adopting measures to promote good health, the KTM Industries Group contributes to SDG 3.



### SDG 4 – Quality education

With its initiatives focusing on the (further) training of potential and existing employees, the KTM Industries Group makes a valuable contribution to SDG 4, which aims to provide quality education and constant learning opportunities.



### SDG 8 – Decent work and economic growth

The KTM Industries Group as a technological pioneer in the motorcycle segment and one of the biggest employers in Upper Austria thus helps to deliver sustained economic growth and takes it for granted that it will support decent work.



### SDG 13 – Climate action

The KTM Industries Group is conscious of the contribution that its operating activities make to climate change and supports SDG 13 with measures to combat climate change.

An important aspect in the development of (road-approved = homologated) vehicles is the reduction of emissions such as exhaust and noise emissions from the combustion process and evaporation emissions from hydrocarbons (= fuel).



KTM FREERIDE E-XC MY 2018

## FOCUS OF SUSTAINABILITY ACTIVITIES IN 2018

### Research & Development:

- In addition to primary product and technology development, a cross-divisional project was launched last year to evaluate and further develop the development process landscape.
- Alongside the development of new models and technical accessories, the expansion of the R&D infrastructure at the Mattighofen site was also intensified.

### Environmental aspects along the Product Life Cycle:

- The aim in the development of new engines and vehicles in the high-performance segment is to use raw materials according to requirements, such as by using high-strength steels and composite materials in chassis - among other things for the reduction of the specific component weight.
- For example, the weight of the frame of one of our road models in the premium segment was reduced by 1.9 kg – equivalent to approx. 20% of the component weight – and at the same time the performance of the component was improved considerably in respect of its strength and flexibility. Another example is the further development of an offroad engine, whose overall weight is not less than around 1.6 kg lower than that of a comparable competitor - while at the same time delivering higher performance figures.

### Logistik & distribution:

- The motorcycle logistics system developed in-house by KTM based on reusable metal racks which will last for 10+ years is regarded as an innovative example for the whole industry. Each rack is used 11.5 times on average per year. A project to optimize the racks and reduce the weight and level of metal consumption is currently underway and the results are expected in 2019. We hope that this will reduce fuel

consumption for the trucks transporting them, and the amount of material that is required to produce them in the first place.

- We have made a voluntary pledge to award at least 95% of all consignments which are transported predominantly to companies that are also pursuing similar initiatives to create traceable and effective measures to reduce the impact on the environment. Our objective is to achieve a figure of 100% in the medium term.

### Product use:

- To take account of the increasing requirements to reduce pollutant emissions and fuel consumption, work began in 2016 to expand the testing center at the R&D site in Mattighofen. The first engine test benches, which in terms of their energy efficiency and measuring precision are among the most modern in their category, were successfully put into operation back in the third quarter of 2018. As part of the expansion of the test equipment capacities, consistent modernization and expansion of the exhaust emissions infrastructure was also pursued.
- The business segment of emission-free mobility will be expanded further in the future – for example, two further series production models of electric vehicles in the entry-level offroad segment were presented in November 2018 as part of Europe's most important trade fair for the motorcycle sector, EICMA in Milan. (KTM SX-E 5 and HUSQVARNA EE-5). The series production of both models will start in 2019.
- In the course of the EU-funded RESOLVE research project, at the same time as our developments, various solutions were developed for affordable and effective E-mobility of the future. The project started in May 2015 and lasted until April 2018.

# OUTLOOK & STRATEGIC INITIATIVES

## TARGETED SALES OF 400,000 MOTORCYCLES IN 2022 CONFIRMED

### OFFENSIVE MARKET STRATEGY IN EMERGING MARKETS

- Market launch of street models in India and emerging markets (HUSQVARNAQ3/2019)
- Launch additional KTM model – KTM ADVENTURE 390 (SOP 12/2019)

### CONTINUOUS MARKET SHARE GAINS IN DEVELOPED MARKETS

- KTM ADVENTURE 790

### FOCUS ON B2B BUSINESS

- Dealer Development

### PRODUCTION CAPACITY & SUPPLY CHAIN

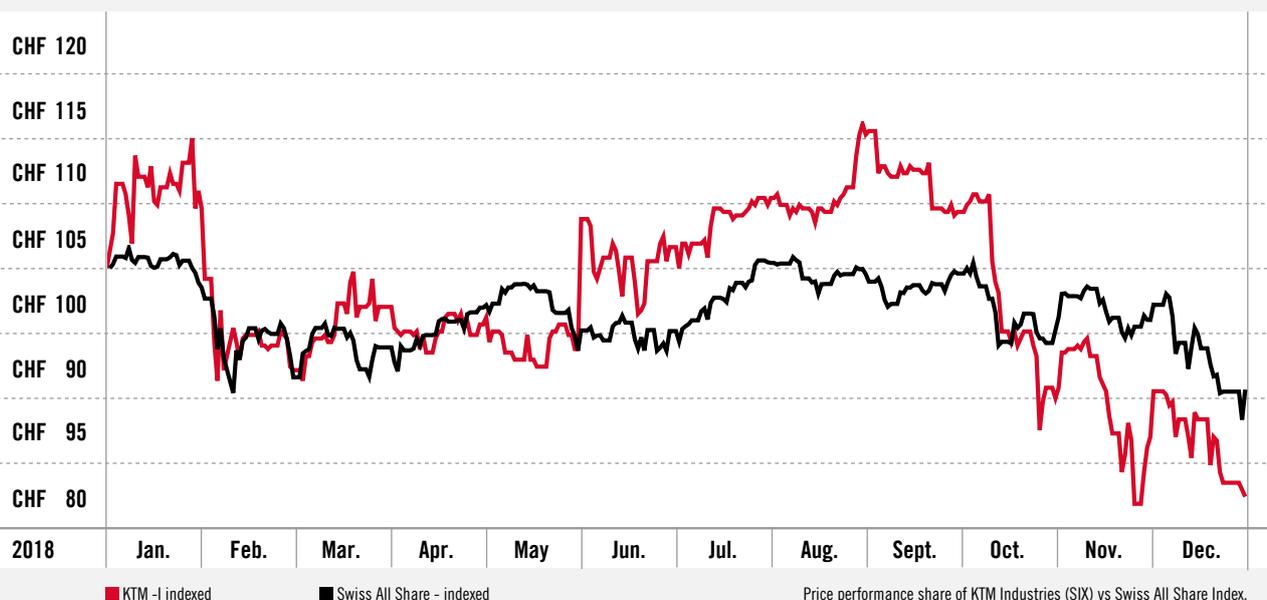
- Transfer of production of HUSQVARNA 401 model line to India (SOP 12/2019)
- Successful ramp-up of Philippine Joint-Venture
- Production process improvements

### CONTINUATION OF RUNNING EFFICIENCY PROGRAM

### STRONG FOCUS ON FREE CASH FLOW GENERATION



# SHARE & INVESTOR RELATIONS



The current share capital of € 22,538,674 is divided into 22,538,674 no-par value bearer shares with voting rights, where every ordinary share has an equal stake in the share capital. The shares of KTM Industries AG have had a primary listing in the International Reporting Standard of the SIX Swiss Exchange since November 14, 2016. The shares of KTM Industries AG were accepted into the Swiss Performance Index (SPI) of the SIX Swiss Exchange on March 29, 2017. The shares of KTM Industries AG remain listed on the Vienna Stock Exchange. Following their withdrawal from the prime market segment of the Vienna Stock Exchange, the shares of KTM Industries AG were initially traded in the “standard market” segment; the shares have been listed in the “standard market auction” segment since April 28, 2017.

## DEVELOPMENT OF THE KTM INDUSTRIES SHARE

KTM Industries shares began trading on the SIX Swiss Exchange on November 14, 2016 at an opening price of CHF 4.90. Since shares commenced trading on the Swiss stock exchange their price has risen very encouragingly. On the last day of trading for the year 2018 (28/12/2018) shares stood at CHF 6.06. The highest closing price on the SIX Swiss Exchange for the financial year 2018 was CHF 8.18, with the lowest coming in at CHF 6.02. Market capitalization as of 31/12/2018 stood at CHF 1.365,8 million.

## RESEARCH COVERAGE

The support provided to KTM Industries AG by investment banks is an important component of the comprehensive investor relations activities of the concern, and is of particular importance for investors' perception and estimation of KTM Industries shares. Bank Vontobel AG published its comprehensive initial analysis in February 2017 with the recommendation to “hold”. Since October 2017 Vontobel's Rating for KTM Industries AG is constantly set to “Buy”.

## INCREASE OF SHARE LIQUIDITY IN FEBRUARY 2018

In February 2018, Pierer Beteiligungs GmbH sold approximately 7.0% (at that time corresponding to 15,884,217 KTM Industries AG shares) of share capital to qualified investors as part of an international private placement without a prospectus, with a resulting increase in share liquidity. Additionally, around 1.0% of the company's share capital was sold by third parties. Bank Vontobel AG was once more commissioned to perform the international private placements without a prospectus. In financial year 2018 the free float increased to around 38.12%. Pierer Konzerngesellschaft mbH currently holds an equity holding of around 61.88% of the company's share capital.

## REVERSE STOCK SPLIT

In the annual General Meeting of KTM Industries AG held on April 26, 2018 the reduction of the ordinary share capital from € 225,386,740.00 by EUR 202,848,066.00 to € 22,538,674.00 through consolidation of shares (pursuant to § 175ss Austrian Stock Exchange Act) in a ratio of 10:1 and the corresponding amendment to the statute have been resolved.

The share consolidation led to the capital stock now being split into 22,538,674 no-par-value shares.

For 10 shares with the ISIN AT0000820659 the shareholders received 1 share with the new ISIN AT0000KTMIO2 (Swiss valor number: 41860974). For shareholders whose number of shares was not divisible by 10 during the conversion, a so-called "Spitzenausgleich" (settlement of fractions) has been enacted.

The last trading day of the shares with the ISIN AT0000820659 (Swiss valor number: 504289) was May 24, 2018. The converted bearer shares are trading on the stock exchange since May 25, 2018 under the new ISIN AT0000KTMIO2 (Swiss valor number: 41860974).

The capital reduction and share consolidation were pure accounting measures. The equity structure and the value of KTM Industries AG did not change. The aim of the measure was to secure and strengthen the dividend paying capability of KTM Industries AG.

## DIVIDEND

On Thursday, April 25, 2019 the Executive Board will propose to the Annual General Meeting the distribution of a dividend of € 0.30 per share. Given earnings per share of € 2.99, this means a distribution ratio of 10%. For 22,538,674 shares with dividend rights, an amount of around € 6.76 million will therefore be distributed.

## SHAREHOLDER STRUCTURE AS OF 12/31/2018

■ 61.88%	Pierer Industries AG
■ 38.12%	Streubesitz



## INVESTOR RELATIONS ACTIVITIES

The management of KTM Industries AG endeavors to practice a policy of transparent, swift and comprehensive information to and communication with capital market participants as well as the general public. At regular intervals information is therefore provided on the economic position as well as on the future development of the KTM Industries-Group. To ensure transparency, service and currency, all financial reports, press releases, ad-hoc announcements, voting rights communications and corporate presentations are published on the company's website [www.ktm-industries.com](http://www.ktm-industries.com), thus making them available to all shareholders at the same time.

## MORE INFORMATION ON THE KTM INDUSTRIES SHARE

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Website .....	<a href="http://www.ktm-industries.com">www.ktm-industries.com</a>
ISIN .....	AT0000KTMIO2
Valor number (Swiss) .....	41860974
Stock exchange code .....	KTMI
Reuters .....	KTMI:VI
Bloomberg .....	KTMI:AV
Share category .....	no-par value bearer shares



# CORPORATE GOVERNANCE 2018 IN ACCORDANCE WITH THE AUSTRIAN CODE OF CORPORATE GOVERNANCE (ÖCGK)

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## CORPORATE GOVERNANCE REPORT 2018

### 01 ADHERENCE TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE (ÖCGK)

The Austrian Code of Corporate Governance provides Austrian stock corporations with a framework for managing and monitoring their company. The Code aims to establish a system of management and control for companies and groups that is accountable and geared towards creating sustainable, long-term value. It is designed to provide a high degree of transparency for all stakeholders of a company.

The Code is based on the provisions of Austrian stock corporation, stock exchange, and capital market law, the EU recommendations regarding the responsibilities of members of Supervisory Boards and the compensation of company directors, as well as the OECD Principles of Corporate Governance. Since 2002, the Code has undergone a number of revisions. The present Corporate Governance Report is based on the most recent version of the Code, which was adopted in January 2018. The Code can be accessed by the public at [www.corporate-governance.at](http://www.corporate-governance.at) in its currently valid version.

KTM Industries AG is fully committed to the Austrian Code of Corporate Governance in its current version. This commitment by KTM Industries AG is voluntary and aims to boost shareholder confidence and to constantly optimize the high internal legal, behavioral and ethical standards of KTM Industries AG.

The Corporate Governance Report for the 2018 financial year is publicly available on the homepage of the company ([www.ktm-industries.com](http://www.ktm-industries.com)) in the section Investor Relations > Corporate Governance > Corporate Governance Report.

As a result of this commitment, KTM Industries AG has to comply with more than just the legal requirements ("L-Rules"). This voluntary self-imposed obligation means that it must explain non-compliance with the so-called C-Rules ("comply or explain") which go above and beyond the legal requirements. In accordance with this part of the Austrian Code of Corporate Governance, KTM Industries AG explains its nonconformity with C-Rules of the Code as follows:

"C-Rule 18": In light of the company's size, no separate internal audit department has been set up. However, the company has established an internal control and reporting system which enables the Executive Board to identify risks and quickly implement an appropriate response. The Supervisory Board, particularly the Audit Committee, is kept regularly informed about the internal control mechanisms and risk management in place across the group. Further information on risk management can be found in the notes to the consolidated financial statements as at December 31, 2018.

"C-Rules 27 and 30": The variable annual compensation components are unlimited in terms of their amount and are dependent on the performance indicators of companies of the KTM Industries Group. No details of the Executive Board remuneration, especially of the individual performance criteria of the variable compensation, will be published. In the company's opinion, the provision of this information in addition to the information provided in the Corporate Governance report, would not provide shareholders with any further relevant capital market information.

"C-Rule 36": The Supervisory Board strives to continually improve its organization, work procedures and efficiency. An explicit self-evaluation did not take place during the financial year under review.

"C-Rules 39, 41 and 43": As the Supervisory Board of KTM Industries consisted solely of four members during the 2018 financial year, a Remuneration and Nomination Committee, as well as a committee that is authorized to make decisions in urgent cases, has not been established, as it would not lead to an increase in the efficiency of the Supervisory Board's work. The tasks of the Remuneration and Nomination Committee are fulfilled by the entire Supervisory Board.

"C-Rule 49": The conclusion of contracts with members of the Supervisory Board, by means of which such members are committed to performing a service for the company outside of their activities on the Supervisory Board in return for remuneration not of minor value, shall legally require the consent of the Supervisory Board. However, these shall not be published by the company in view of the associated company and business secrets. In addition, the notes to the consolidated financial statements contain notes regarding "Explanations regarding related parties and the corporate bodies", which detail the remuneration of Supervisory Board members outside of their activities on the Supervisory Board.

In addition, KTM Industries AG also endeavors to comply, without exception, not only with the minimum requirements, but also with all of the Code's R-Rules (Recommendations).

The company is committed to the principle of transparency and the goal of providing a true and fair view for the benefit of all shareholders. All relevant information is published in our annual report, quarterly reports, on the corporate website and within the context of our ongoing press relations work. Reports are prepared in accordance with the international financial reporting standards (IFRS). KTM Industries AG also informs its shareholders of all issues and developments of relevance to the company by means of ad-hoc announcements and press releases. We will include important dates on the financial calendar. All information is published on the website within the “Investor Relations” or “Newsroom” sections. It is therefore available to all shareholders at the same time.

The company has issued a total of 22,538,674 ordinary shares. There are no preferential shares or restrictions on these ordinary shares. Accordingly, the principle of “one share – one vote” fully applies. The Austrian Takeover Act ensures that every shareholder will receive the same price for the shares in the event of a takeover bid (public tender offer). The shareholder structure at KTM Industries AG is depicted in the “Share & Investor Relations” section of the annual report.

## 02 MEMBERS OF THE CORPORATE BODIES AND THEIR REMUNERATION

The boards of KTM Industries AG consist of the Executive Board, the Supervisory Board and the Annual General Meeting. The Executive and Supervisory Board cooperate at regular intervals on the basis of open and transparent discussion.

### WORKING PROCEDURES OF THE EXECUTIVE BOARD:

The Executive Board of KTM Industries AG or the individual Executive Board members, respectively, act on the basis of the laws, the Articles of Association and the Executive Board’s rules of procedure, which have been laid down by the Supervisory Board and which govern the rules for cooperation between the Executive Board members as well as the allocation of the duties within the Executive Board.

Coordination within the Executive Board occurs during regular meetings, but also in the form of an informal exchange of information. Matters discussed at the Executive Board meetings include the current operations and the company strategy. Any current or outstanding management or leadership measures that are to be implemented by the Executive Board members responsible under the rules of procedure are also discussed.

The rules of procedure require the Executive Board or the individual Executive Board members to provide extensive information and reporting to the Supervisory Board and to define an extensive catalog of measures and legal transactions that require the approval of the Supervisory Board.

### COMPOSITION OF THE EXECUTIVE BOARD:

In the financial year 2018, the Executive Board of KTM Industries AG consisted of the following members (rule 16):

Name Year of Birth	Position	Initial Appointment	End of the current term of office	Areas of Responsibilities
<b>Stefan Pierer</b> born 1956	Member of the Executive Board (CEO)	June 2, 2015	December 31, 2023	<ul style="list-style-type: none"> <li>▪ strategic and operational overall management</li> <li>▪ strategic / operational management of KTM Group</li> </ul>
<b>Friedrich Roithner</b> born 1963	Member of the Executive Board (CFO)	June 2, 2015	December 31, 2023	<ul style="list-style-type: none"> <li>▪ finance</li> <li>▪ (Group)accounting</li> <li>▪ tax affairs</li> <li>▪ legal affairs</li> </ul>
<b>Hubert Trunkenpolz</b> born 1962	Member of the Executive Board	January 1, 2018	December 31, 2023	<ul style="list-style-type: none"> <li>▪ sales</li> <li>▪ marketing</li> <li>▪ customer service</li> </ul>

Name Year of Birth	Position	Initial Appointment	End of the current term of office	Areas of Responsibilities
<b>Harald Plöckinger</b> born 1961	Member of the Executive Board	January 1, 2018	February 28, 2019	<ul style="list-style-type: none"> <li>▪ production</li> <li>▪ purchase</li> <li>▪ logistics</li> <li>▪ business development</li> </ul>
<b>Wolfgang Plasser</b> born 1962	Member of the Executive Board	June 2, 2015	June 28, 2018	<ul style="list-style-type: none"> <li>▪ strategic and operational management of Pankl Group</li> </ul>

### STEFAN PIERER (CEO)

#### Professional Career

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

#### Further main functions within the Group:

- Chairman of the Executive Board of KTM AG
- Chairman of the Executive Board of Pierer Industrie AG

#### Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:

- Chairman of the Supervisory Board of Pankl Racing Systems AG
- Member of the Supervisory Board of SHW AG
- Member of the Supervisory Board of Pankl SHW Industries AG
- Member of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH
- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft
- Member of the Board of Directors of swisspartners Group AG
- Member of the Board of Directors of Pierer Swiss AG

### FRIEDRICH ROITHNER (CFO)

#### Professional Career

After graduating from the Johannes Kepler University of Linz (Business Administration), Friedrich Roithner started his career at Ernst & Young GmbH. After three years, he switched to Austria Metall AG, where worked until 2006 (he became a member of the Executive Board in 2002). Since the end of 2007, Friedrich Roithner has been part of the management team at the KTM Industries Group. From March 2008 until June 2010, Friedrich Roithner was a member of the Executive Board of Unternehmens Invest AG.

#### Further main functions within the Group:

- Member of the Executive Board of Pierer Industrie AG
- Chairman of the Supervisory Board of KTM AG
- Deputy Chairman of the Supervisory Board of KTM Components GmbH

#### Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:

- Member of the Supervisory Board of Pankl Racing Systems AG
- Member of the Supervisory Board of SHW AG
- Member of the Supervisory Board of Pankl SHW Industries AG
- Member of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft

## HUBERT TRUNKENPOLZ

### Professional Career

After graduating from the Johannes Kepler University Linz (Business Administration), Hubert Trunkenpolz started his career at ISA Audivisual Communication Corp. as marketing manager and subsequently at TRUMAG as sales manager / managing director. He has been at CROSS Group (now KTM Industries group) since 1992 and a member of the Executive Board of the KTM Group since 2004. Hubert Trunkenpolz also became a member of the Executive Board of KTM AG in 2007 and of KTM Industries AG in 2018.

### Further main functions within the Group:

- Member of the Executive Board of KTM AG

### Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:

- None.

## HARALD PLÖCKINGER

### Professional Career

Harald Plöckinger completed his education at the University of Technology in Graz (mechanical engineering) and started his career with BMW-Group in the field of engine development. From 1990 to 2004 he served as authorized representative, production manager, strategic planning director, and subsequently as general manager of Bombardier-Rotax. Since 2004, Harald Plöckinger has been a member of the Executive Board of the KTM Group and, since 2007, a member of the Executive Board of KTM AG. Since 2018 he is also on the board of KTM Industries AG.

### Further main functions within the Group:

- Member of the Executive Board of KTM AG
- Chairman of the Supervisory Board of KTM Components GmbH

### Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:

- Member of the Supervisory Board of Pankl Racing Systems AG
- Member of the Supervisory Board of eww ag

## MAG. WOLFGANG PLASSER

### Professional Career

Wolfgang Plasser was born in Upper Austria in 1962 and studied business sciences at the Vienna University of Economics and Business. Important positions during his professional career include roles at KPMG, Investment Bank Austria, Vossen AG (as CFO) and Ocean Consulting GmbH. Wolfgang Plasser joined the Executive Board of Pankl Racing Systems AG in 2004 and took on the role of CEO in 2006. Wolfgang Plasser left the Executive Board of KTM Industries AG in June 2018.

### Further main functions within the Group:

- None.

### Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:

- Chairman of the Supervisory Board of Pankl Holdings, Inc. (USA)
- Chairman of the Supervisory Board of Pankl Aerospace Systems, Inc
- Chairman of the Supervisory Board of CP-Carrillo, LLC
- Chairman of the Supervisory Board of Pankl Systems Austria GmbH

## WORKING PROCEDURES OF THE SUPERVISORY BOARD:

During the 2018 financial year, the Supervisory Board diligently performed the duties and tasks incumbent upon it under Austrian law, the Articles of Association, the Austrian Code of Corporate Governance (ÖCGK), and the Rules of Procedure. All members of the Supervisory Board and its committees are free and independent according to the terms of the Austrian Code of Corporate Governance. The Supervisory Board held a total of six meetings during the 2018 financial year, therefore at least one per quarter (C-Rule 36 of the ÖCGK). The meetings lasted approximately two and a half hours on average. In addition, two Audit Committee meetings were held; the meetings lasted approximately one hour on average. In its meetings in the financial year 2018, the Supervisory Board dealt with project monitoring, business development and business planning (forecast, budget and multi-year planning), including non-financial performance indicators.

In addition, the Supervisory Board focused in its meetings on discussing and passing resolutions on the review and approval of the 2017 annual financial statements, the review of the 2017 consolidated financial statements, the agenda and the proposed resolutions for the 21st Annual General Meeting, the financial status and Executive Board matters. At the extraordinary meeting on June 4, 2018, the Supervisory Board dealt with Pierer Industrie AG's offer to acquire shares of Pankl Racing Systems AG. The report by the Supervisory Board on the financial year 2018 provides further details.

The Supervisory Board also dealt with compliance management and corporate governance of the company.

In accordance with the Articles of Association, the Supervisory Board has elected a Chairman and a Deputy Chairman and has appointed an Audit Committee in order to comply with legal requirements.

The Supervisory Board meetings were conducted by the Chairman, or, in the event that he was unable to attend, by his representative.

Members of the Supervisory Board receive the agenda that has been agreed with the Chairman 14 days before each meeting, together with comprehensive information concerning each point included on the agenda. In urgent cases, the Chairman of the Supervisory Board is permitted to shorten that period, provided he can provide evidence that all Members of the Supervisory Board have been informed of this. In the event that the above-mentioned period is shortened, and if not all Members of the Supervisory Board are present or represented, only those points on the agenda that resulted in the notice period being shortened shall be addressed.

A quorum of the Supervisory Board shall be present when all Members of the Supervisory Board have been duly invited and at least half of the elected members, but no fewer than three members, including the Chairman or his Deputy, participate in the meeting in person.

Supervisory Board decisions shall be made on the basis of a simple majority of the votes cast; in the event that votes are tied, the Chairman of the Supervisory Board shall cast the deciding vote.

The Supervisory Board shall be entitled to request written reports from the Executive Board at any time with regard to company affairs and management issues. As a general rule, the Executive Board shall also participate in meetings of the Supervisory Board and the Audit Committee, unless the Chairman of the Supervisory Board states otherwise. Members of the Executive Board do not possess any voting rights.

During the Supervisory Board meeting, the Members of the Executive Board will provide a comprehensive explanation of the course of business and the personal and financial development of the Group. Lengthy discussions take place between the Executive Board and the members. Resolutions concerning investments, acquisitions and other requests made in accordance with the rules of procedure of the Executive Board represent an additional focus for each Supervisory Board meeting.

The committees formed by the Supervisory Board shall carry out their tasks on behalf of the Supervisory Board. Each committee must comprise at least 2 members. For each committee formed, the Supervisory Board shall appoint a chairman from among the members of that committee. The rules of procedure of the Supervisory Board shall apply with regard to the notice period, the meetings and resolutions of a committee.

The Supervisory Board shall also be entitled to task an individual member with the supervision and auditing of individual business transactions. That member of the Supervisory Board must report to the Supervisory Board with regard to its activities.

No contracts requiring approval by the Supervisory Board were concluded between the company and members of the Supervisory Board (C-Rule 48 of the ÖCGK).

Furthermore, the Audit Committee monitored the financial reporting processes (including the preparation of the consolidated financial statements) and the work of the auditor (including the audit of the consolidated financial statements) as well as the effectiveness of the system of internal control, the risk management system and the audit system. The Audit Committee approved non-audit reviews by the auditor (auditor of the consolidated financial statements). Finally, the independence and the activities of the auditor (group financial auditor) was reviewed and monitored, with regard in particular to the additional services provided to the audited company.

For further information regarding the Supervisory Board's work methods, please refer to the Supervisory Board report.

## COMPOSITION OF THE SUPERVISORY BOARD:

In the financial year 2018, the Supervisory Board of the company consisted of the following members:

Name Year of Birth	Position	Initial Appointment	End of the current Term of Office	Further mandates on supervisory boards or similar functions in other foreign and domestic companies, listed on a stock exchange
<b>Josef Blazicek</b> born 1964	Chairman of the Supervisory Board	2008	Annual General Meeting which decides on the financial year 2020	<ul style="list-style-type: none"> <li>▪ Pankl Racing Systems AG</li> <li>▪ All for One Steeb AG (Germany)</li> <li>▪ SHW AG (Germany)</li> </ul>
<b>Ernst Chalupsky</b> born 1954	Deputy Chairman of the Supervisory Board	2014	Annual General Meeting which decides on the financial year 2020	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
<b>Klaus Rinnerberger</b> born 1964	Member of the Supervisory Board	2015	Annual General Meeting which decides on the financial year 2019	<ul style="list-style-type: none"> <li>▪ SHW AG (Germany)</li> </ul>
<b>Alfred Hörtenhuber</b> born 1955	Member of the Supervisory Board	2018	Annual General Meeting which decides on the financial year 2022	<ul style="list-style-type: none"> <li>▪ SHW AG (Germany)</li> <li>▪ Pankl Racing Systems AG</li> </ul>
<b>Gerald Kiska</b> born 1959	Member of the Supervisory Board	2014	April 26, 2018	<ul style="list-style-type: none"> <li>▪ None</li> </ul>

## COMMITTEES OF THE SUPERVISORY BOARD AND THEIR MEMBERS:

The Audit Committee of the company comprises three members and is composed as follows:

### Klaus Rinnerberger

- Chairman, financial expert

### Josef Blazicek

- Deputy Chairman

### Ernst Chalupsky

- Member

In accordance with the Stock Corporation Act, the Supervisory Board of KTM Industries AG established an Audit Committee to perform its scheduled supervisory and control functions.

The Audit Committee is responsible for the auditing and preparation for the establishment of the annual financial statements, the proposed distribution of net income and the management report, as well as the auditing of the consolidated financial statements and the corporate governance report. The Audit Committee makes a proposal for the selection of the auditor and presents the proposal of the Supervisory Board to the Annual General Meeting for voting. In line with C-Rule 81a of the ÖCGK, the Audit Committee must establish a mutual line of communication with the financial auditor in a meeting.

The Audit Committee of KTM Industries AG held two meetings during the 2018 financial year, in which a representative of the certified public accountant also participated.

Since the Supervisory Board consists of no more than six members, the tasks of the Remuneration and Nomination committee are fulfilled by the entire Supervisory Board.

## INDEPENDENCE OF THE SUPERVISORY BOARD:

A member of the Supervisory Board shall be deemed to be independent if said member does not have any business or personal relations with the company or its Executive Board that constitute a material conflict of interests and are therefore capable of influencing the behavior of the member.

Ernst Chalupsky is partner and general manager of Saxinger, Chalupsky & Partner Rechtsanwälte GmbH. The KTM Industries Group is advised by Saxinger, Chalupsky & Partner Rechtsanwälte GmbH on legal affairs. The advisory services are provided in accordance with standard market terms and conditions.

Consulting and other services were provided by Kiska GmbH, of which the managing shareholder is the Supervisory Board member Gerald Kiska, in accordance with standard market terms and conditions.

The independence of the Supervisory Board members is defined by the following guidelines:

- **Criterion 1:** The Supervisory Board member was not a member of the Executive Board or a top executive of KTM Industries AG or a subsidiary of the company during the previous five-year period.
- **Criterion 2:** The Supervisory Board member does not or did not maintain any business relationships with the company or a subsidiary of the company in the previous year of a scope which may be considered significant for the Supervisory Board member. This also applies to business relationships with companies in which the Supervisory Board member has a considerable economic interest, but not to performing roles on committees within the Group. Approval of individual transactions by the Supervisory Board pursuant to L-Rule 48 of the Austrian Code of Corporate Governance does not automatically disqualify the Supervisory Board member from being independent.
- **Criterion 3:** The Supervisory Board member was not an auditor of the company, a shareholder or employee of the auditing company during the previous three years.
- **Criterion 4:** The Supervisory Board member is not a member of the Executive Board of another company, in which a member of the Executive Board of KTM Industries AG serves on its Supervisory Board.
- **Criterion 5:** The Supervisory Board member has not been on the Supervisory Board of the company for more than 15 years. This does not apply to Supervisory Board members, who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.
- **Criterion 6:** The Supervisory Board member is not a close family member (direct descendant, spouse, common law spouse, parent, uncle, aunt, sibling, niece or nephew) of a member of the Executive Board of the company or of people who fulfill one of the other criteria described above.

According to C-Rule 54 of the Austrian Code of Corporate Governance, the Supervisory Board of the company shall include at least one independent member delegated by the shareholders who is not a shareholder with a share of more than 10% or who represents such a shareholder's interests. This requirement of C-Rule 54 has been met, since no member of the Supervisory Board is a shareholder with a share of more than 10% or who represents such a shareholder's interests.

According to C-Rule 53, the Supervisory Board member Gerald Kiska is not independent from the company and the Executive Board. The other members of the Supervisory Board of KTM Industries AG admit to the criteria of independence according to C-Rule 53 and declare themselves independent.

## REMUNERATION REPORT:

While establishing the total remuneration for members of the Executive Board, the Supervisory Board must ensure proportionality of the remuneration with the tasks assumed by, and performance delivered by, the individual member of the Executive Board, the situation of the company and the ordinary remuneration, and undertakes to take into account long-term incentives with regard to sustained corporate development.

Members of the Executive Board are remunerated in accordance with agreements under private law that have been concluded between the Member of the Executive Board and the company, represented by the Supervisory Board.

The remuneration of the members of the Executive Board of KTM Industries AG consists of both fixed and variable components. The variable components of the remuneration shall be established in advance in accordance with individual agreements and shall be linked to measurable, sustainable, long-term and multi-annual performance criteria and shall not encourage the taking of inappropriate risks. The variable components of the remuneration are unlimited in terms of their amount and, for the 2018 financial year, are based on the following performance indicators: EBIT, EBT and free cash flow<sup>1</sup> of the companies belonging to the KTM Industries Group. The variable components of the remuneration that have been established for each of the Members of the Executive Board by virtue of the individual agreements will each be based on different performance indicators (see table below on page 44). The weighting of the individual parameters for the variable components of the remuneration shall be discretionary and are to be established on a case-by-case basis by the company, the Supervisory Board and the Member of the Executive Board in question.

The remuneration policy is reviewed by the Supervisory Board each year. No external benchmarking takes place with regard to remuneration or the remuneration structure. The chairman of the Supervisory Board shall provide the Annual General Meeting with information concerning the principles of the remuneration system once per year.

The members of the Executive Board are eligible for a company car. Accident insurance provides insurance cover in the case of death or disability. Personal liability insurance covers the legal liability of the Executive Board members that results from personal injuries, material damage or financial losses suffered by third parties. Insurance cover exists for claims for damages due to financial losses suffered by third parties or the company as a result of breaches of duty committed by a member of executive bodies of the company. The company bears the cost of these insurance policies.

For group internal mandates and functions, no additional remuneration is granted.

In the case of premature termination without a compelling reason, the fixed salary shall be paid out for the contractual period.

The members of the Executive Board, except Stefan Pierer, render their services on the basis of employment contracts liable to income tax. The board activity of Stefan Pierer is regulated by a posting agreement with Pierer Konzerngesellschaft mbH. No further agreements with the Executive Board exist in respect of occupational retirement benefit plans. According to the contract, the Executive Board members are eligible for voluntary severance pay; however, as a general rule, they are submitted to the system of "Abfertigung Neu" (new severance pay).

No stock option plans or similar share-based remuneration systems exist. D&O insurance exists and it covers the Executive Board and Supervisory Board, as well as the management of the group companies.

The total remuneration paid to Executive Board Members, including the performance-related components, amounted to EUR 2.75 million during the 2018 financial year (previous year: EUR 4.29 million). The most important calculation parameter for the variable remuneration is – alongside the individually agreed performance-related target achievement – the development of individual performance indicators of the Group. During the 2018 financial year, no loans or advance payments were granted to Members of the Executive Board. As at the reporting date of December 31, 2018, no loans or advance payments to current or previous Executive Board members exist. During the 2018 financial year, no non-standard remuneration was paid to persons related to Members of the Executive Board and no loans were granted to such persons.

<sup>1</sup> The free cash flow value is calculated on the basis of the total Group cash flow from operating activities minus Group cash flow from investment activities.

Executive Board remuneration for the 2018 financial year (group level):

	FIXED in EUR	FIXED in %	VARIABLE in EUR	VARIABLE in %	TOTAL
Stefan Pierer	392,598	25	1,200,000 <sup>1)</sup>	75	1,592,598
Friedrich Roithner <sup>*)</sup>	175,434	21	666,667 <sup>2)</sup>	79	842,100
Wolfgang Plasser <sup>**) (Zeitraum 1. Halbjahr 2018)</sup>	205,179	66	105,375	34	310,555
<b>Total</b>	<b>773,211</b>	<b>28</b>	<b>1,972,042</b>	<b>72</b>	<b>2,745,253</b>

\*) Friedrich Roithner is charged to KTM Industries AG pursuant to a posting agreement.

\*\*) Wolfgang Plasser was a member of the Executive Board of the company until June 28, 2018. Wolfgang Plasser has been charged to KTM Industries AG pursuant to a posting agreement. Furthermore, he has been posted to Pankl Racing Systems AG pursuant to a posting agreement.

	FIXED in EUR	FIXED in %	VARIABLE in EUR	VARIABLE in %	TOTAL
Hubert Trunkenpolz <sup>***)</sup>	348,264	27	951,000 <sup>3)</sup>	73	1,299,264
Harald Plöckinger <sup>***)</sup>	320,784	25	951,000 <sup>3)</sup>	75	1,271,784

\*\*\*) The salary is paid by KTM AG.

1) The variable component of the remuneration is based on the EBT value and the free cash flow of the KTM Group.

2) The variable component of the remuneration is based on the EBIT value of the KTM Industries Group.

3) The variable component of the remuneration is based on the EBT value and the free cash flow of the KTM Group.

In addition, the Members of the Executive Board received income from previous periods amounting to TEUR 114. The service costs in accordance with IFRS (severance payments) amount to EUR 418,559 for Mr. Stefan Pierer, EUR 241,750 for Mr. Hubert Trunkenpolz, and EUR 239,500 for Mr. Harald Plöckinger.

The amount of the total remuneration of the Supervisory Board members is resolved within the framework of the Annual General Meeting for the respective preceding financial year of the Annual General Meeting. The proposed resolution is to be submitted by the Executive Board. As a general rule, discretion is to be applied when drawing up the proposed resolution and while passing the resolution at the Annual General Meeting; account is to be taken of responsibilities and the scope of activity, together with the economic position of the company. If members of the Supervisory Board are also shareholders in the company, they are not subject to a voting ban in the vote on the remuneration of Supervisory Board members in the Annual General Meeting.

As part of the 21<sup>st</sup> Annual General Meeting held on April 26, 2018, the total remuneration for the 2017 financial year for the Supervisory Board was resolved to be EUR 39,000. For the 2018 financial year, the total remuneration of the Supervisory Board (remuneration for meetings of the Supervisory Board and the Audit Committee) was recognized in the income statement in the amount of EUR 62,000. Members of the Supervisory Board that are elected to the Supervisory Board or leave during a financial year receive the remuneration commensurate with the duration of their actual affiliation with the Supervisory Board pro rata temporis.

The Executive Board will propose total remuneration of this amount to the 22<sup>nd</sup> Annual General Meeting for the 2018 financial year, which is scheduled to take place on April 25, 2019. The individual distribution should be divided as follows, subject to the approval of the Annual General Meeting:

MEMBER OF THE SUPERVISORY BOARD	Position	REMUNERATION in EUR
Josef Blazicek	<ul style="list-style-type: none"> <li>▪ Chairman of the Supervisory Board</li> <li>▪ Deputy chairman of the Audit Committee</li> </ul>	22,000
Ernst Chalupsky	<ul style="list-style-type: none"> <li>▪ Deputy chairman of the Supervisory Board</li> <li>▪ Member of the Audit Committee</li> </ul>	14,000
Gerald Kiska	<ul style="list-style-type: none"> <li>▪ Member of the Supervisory Board (until April, 26 2018)</li> </ul>	2,000
Klaus Rinnerberger	<ul style="list-style-type: none"> <li>▪ Member of the Supervisory Board</li> <li>▪ Chairman of the Audit Committee</li> </ul>	16,000
Alfred Hörtenhuber	<ul style="list-style-type: none"> <li>▪ Member of the Supervisory Board (since April, 26 2018)</li> </ul>	8,000
<b>Total</b>		<b>62,000</b>

In addition to the annual expenses allowance, the Supervisory Board members receive compensation for their cash expenses for the expenses that they actually incur. The Supervisory Board members are furthermore covered by the company's manager liability insurance up to a certain upper limit, which covers the personal liability of the Supervisory Board members in case of a negligent breach of duties in exercising their activity as a board of the company. During the 2018 financial year, no loans or advance payments were granted to members of the Supervisory Board. As at the reporting date of December 31, 2018, no loans or advance payments to current or previous Supervisory Board members exist. During the 2018 financial year, no non-standard remuneration was paid to persons related to members of the Supervisory Board and no loans were granted to such persons. In addition, in 2018 no (other) remuneration has been paid to members of the Supervisory Board. Other business relationships with Supervisory Board members did not exist.

## 03 MEASURES TO PROMOTE WOMEN

The company is convinced that diverse teams achieve better results, as well as greater effectiveness and innovation, than groups that are homogeneously equipped with genders. This principle applies also to the management and supervisory bodies of the company. The equal treatment of female and male employees as well as providing equal opportunities to both genders in the workplace, is a matter of course for KTM Industries AG.

KTM Industries AG supports and promotes the employment of women, especially in the technical field. The hurdle is that many leadership positions require technical training and, in many countries, still significantly fewer women than men take technical careers and complete technical studies.

To support women in "MINT" professions, the KTM Group has already taken measures that will be further expanded in the future. Also the increasing flexibility of work structure should enable the reconciliation of working life and family life in the future – which currently affects predominantly women – and thus the return and long-term commitment to the company.

## 04 DESCRIPTION OF THE DIVERSITY CONCEPT

As of December 31, 2018, the proportion of women in the total workforce stood at 23%. At present, there are no women on the Management Board or the Supervisory Board. In executive positions at KTM Industries AG, 1% are women.

When electing members of the Supervisory Board, the Annual General Meeting must pay attention to the technical and personal qualifications of the members as well as to a professionally balanced composition of the Supervisory Board with regard to the structure and the business area of the company. Furthermore, aspects of the diversity of the Supervisory Board with regard to the representation of both genders and the age structure as well as in listed companies also with regard to the internationality of the members must be adequately taken into account.

For the composition of the Executive Board and the Supervisory Board, the Supervisory Board has agreed a diversity concept pursuant to Section 243c (2) 2a UGB that provides for the following:

### COMPOSITION OF THE EXECUTIVE BOARD

#### Concept:

- Candidates for an Executive Board position are selected based on their specialist qualification for the role applied for, their leadership qualities and previous performance, as well as their knowledge of the company.
- The aim is to ensure that the Executive Board as a whole has many years of experience in the areas of development, production, sales and finances.
- A person's age and sex play no role in the decision to appoint members of the Executive Board; there is no preference or disadvantage in the selection process.
- At least two members of the Executive Board should have technical professional training.

**Objectives:**

The objective of the Diversity Concept is to fill the Executive Board with persons that complement each other based on their various professional and life experience. It should be ensured that the Executive Board as a whole has the highest level of experience and specialist training in order to successfully manage the KTM Industries Group and achieve the best results.

**Implementation:**

The Supervisory Board decides on the composition of the Executive Board roles using the criteria set out in the diversity concept, taking into account the interests of the company.

**Results in the reporting period:**

In the financial year 2018, Hubert Trunkenpolz and Harald Plöckinger were newly appointed as members of the Executive Board of KTM Industries AG; at the end of the 2018 financial year, the Management Board consists of 4 members. The new members of the Executive Board are also members of the Executive Board of KTM AG and fulfill all the requirements of the concept (professional qualification for the respective department, many years of internal experience in the areas of production, sales, marketing, customer service, purchasing, logistics and business development). Moreover, Mr. Harald Plöckinger also has a technical education.

**COMPOSITION OF THE SUPERVISORY BOARD****Concept:**

- The Supervisory Board includes specialist and personally trained personnel. In the process the structure and business activities and expert balanced composition of the KTM Industries Group must be considered. A minimum of one financial expert must hold a seat on the Supervisory Board.
- Wherever possible, the Supervisory Board should include a total of 2 members with international experience or special expertise in one or more of the markets outside Austria that are of importance to the KTM Industries Group.
- Wherever possible, the Supervisory Board should include a total of one member, who, by virtue of his / her prior experience, has a detailed knowledge of KTM Industries AG.
- Aspects relating to diversity within the Supervisory Board should be taken into account, with regard to the age structure and the representation of both genders on the Supervisory Board. Greater attention must be devoted to these criteria, the larger the membership of the Supervisory Board becomes.

**Objectives:**

The objective of the diversity concept is to populate the Supervisory Board with individuals that complement one another based on their differing professional and life experience. It is necessary to ensure that the Supervisory Board as a whole possesses the highest level of experience and specialist training in order to monitor the business activities of KTM Industries AG and that of the KTM Industries Group in a critical manner and from as many different angles as possible.

**Implementation:**

Nominations for election to the Supervisory Board that are submitted to the Annual General Meeting should take account of the criteria laid down in the Diversity Concept. The objectives of the Supervisory Board with regard to its membership will not restrict the voting freedom enjoyed by the Annual General Meeting.

**Results in the reporting period:**

With his resignation dated 01.03.2018, Supervisory Board member Gerald Kiska resigned as member of the Supervisory Board of the Company with effect from the end of the 21<sup>st</sup> Annual General Meeting of the Company, which took place on April 26, 2018. As a result of his resignation, a new member of the Supervisory Board of the company was elected at the 21<sup>st</sup> Ordinary General Meeting in order to regain the previous number of four shareholder representatives. The Annual General Meeting elected Mr. Alfred Hörtenhuber to the Supervisory Board, who knows KTM Industries AG in detail on the basis of his previous experience as a member of the Executive Board and who has the professional and personal qualifications for this mandate.

## 05 AUDITS AND EXTERNAL EVALUATION

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, FN 269725 f, Kudlichstraße 41, 4020 Linz, was appointed by the 21<sup>st</sup> Annual General Meeting to serve as the auditors of the consolidated financial statements and annual financial statements of the company for the financial year from January 1, 2018 until December 31, 2018. In addition to this function, KPMG and partner offices around the world also sporadically provide tax and financial consulting services on behalf of the Group. The auditor's expenses are made up as follows: Audit of the consolidated financial statements (including subgroups) EUR 213,000 (previous year: EURk 233), and audit of the annual financial statements of all individual companies EUR 242,700 (previous year: EURk 258). Other services amount to EUR 53,366. The figures relate to the continued business activities of the group (previous year's figures have been adjusted).

In accordance with C-Rule 62 of the Austrian Code of Corporate Governance, the company commissions an external evaluation of compliance with the C-Rules of the Code regularly, every three years. KTM Industries AG has commissioned Oberhammer Rechtsanwälte GmbH to evaluate the 2018 financial year. The evaluation has shown that KTM Industries AG has complied with the C-rules of the ÖCGK in the version of January 2018 in the financial year 2018 with few exceptions, insofar as these were covered by the declaration of commitment of KTM Industries AG. Some rules were not applicable to KTM Industries AG during the evaluation period. The complete report, including the results of the evaluation of the financial year 2018, is available on the Company's homepage ([www.ktm-industries.com](http://www.ktm-industries.com)) under Investor Relations > Corporate Governance > Evaluation.

The next external evaluation will be conducted in 2022 for the 2021 financial year.

## 06 CHANGES AFTER THE END OF THE REPORTING PERIOD

Harald Plöckinger left the Executive Board of KTM Industries AG by mutual agreement on February 28, 2019.

Wels, March 2019

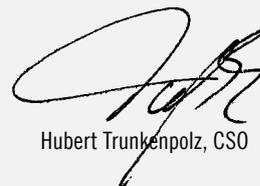
The Executive Board



Stefan Pierer, CEO



Friedrich Roithner, CFO



Hubert Trunkenpolz, CSO

## REPORT PURSUANT TO THE DIRECTIVE ON

**CORPORATE GOVERNANCE (DCG) OF THE SIX SWISS EXCHANGE**

As an Austrian company listed in Switzerland, KTM Industries AG is subject to the rules of the Directive on Information relating to Corporate Governance of the SIX Swiss Exchange (the “Swiss Directive on Corporate Governance”). The Swiss Directive on Corporate Governance is available at [https://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06\\_16-DCG\\_en.pdf](https://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06_16-DCG_en.pdf).

KTM Industries AG draws your attention to the fact that the company has been established under Austrian law and that the names, responsibilities and duties of organs of the company may therefore diverge from the rules applicable in Switzerland. In consequence, only Austrian legal terminology will be used in what follows. Companies that are not constituted in accordance with the Swiss Code of Obligations are required to fulfill the stipulations of the Swiss Directive on Corporate Governance, which are formulated with close reference to the Code of Obligations, in a manner analogous to Swiss companies. A short description of Austrian organizational structure therefore follows:

- **Executive Board:** The Executive Board is responsible for the general management and representation of the company; it is the sole organ of general management and representation. The Executive Board is not bound by any instructions from the shareholders or the Supervisory Board; rather, it acts under its own responsibility and without being under orders. Only when undertaking certain extraordinary transactions is the Executive Board required to obtain the consent of the Supervisory Board. Where the Swiss Directive on Corporate Governance requires details of the “management”, details regarding the Executive Board will be provided accordingly. However, the function of the Executive Board does not precisely match that of the “management” in a Swiss company.
- **Supervisory Board:** The Supervisory Board appoints, dismisses and oversees the Executive Board. Its consent is also required for certain legal transactions. Where the Swiss Directive on Corporate Governance requires details of the “board of directors”, details regarding the Supervisory Board will be provided accordingly. However, the function of the Supervisory Board does not precisely match that of the board of directors of a Swiss company.
- **Annual General Meeting:** The Annual General Meeting, as the highest board of the company, appoints and dismisses the members of the Supervisory Board and appoints the auditor. Where the Swiss Directive on Corporate Governance requires details of the “general meeting of shareholders”, details regarding the General Meeting will be provided accordingly. Differences exist between Austrian and Swiss law with respect to general meetings.

## 1. GROUP STRUCTURE AND SHAREHOLDER BASE

### 1.1. GROUP STRUCTURE

KTM Industries AG, with registered office in 4600 Wels, Edisonstraße 1, Austria, has had its primary listing on the SIX Swiss Exchange since November 14, 2016 (ISIN: AT0000820659, Security Number: 504.289). KTM Industries AG has a share capital of EUR 22,538,674, divided into 22,538,674 voting bearer shares of no par value. Every share has an equal stake in the share capital.

The object of KTM Industries AG is in particular to act as a holding company, with a particular focus on the acquisition and administration of industrial companies and holdings in such companies, the management of companies and holdings forming part of the KTM Industries Group and the performance of services for these companies (group services), as well as corporate advisory services in general. This corporate object of the company is laid down in Section 2 of the articles of association, which can be found on the KTM Industries AG website ([https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)).

Management of the KTM Industries Group is carried out by a management team that includes divisional managers who are responsible for managing a particular product group within the framework of the strategy set by the Executive Board. Divisional managers report directly to the Executive Board of KTM Industries AG.

KTM Industries AG is the parent company of the KTM Industries Group. The KTM Industries Group is Europe's largest manufacturer of motorcycles with a focus on highly innovative sports motorcycles and electric mobility. The KTM Industries Group is divided into the strategic core divisions of (i) Vehicle (powered two-wheelers) with its equity holding in the KTM Group, (ii) Design and Concept Development with the equity holdings in KTM Technologies GmbH, KTM Innovation GmbH, and Kiska GmbH, and (iii) eMobility with the equity holding in Pexco, which focuses on the development and sale of (electric) two-wheelers.

A description of the group structure and the operating segments of KTM Industries AG is included in the following sections of the notes to the Consolidated Financial Statements (I.1. Company Information) on pages 6 - 7 and in the Annual Report under "Group Structure" on page 92.

### **KTM AG Group**

KTM AG has its registered office in Mattighofen, Austria. The share capital of KTM AG is EUR 10,845,000. KTM Industries AG holds approximately 51.7% of KTM AG.

KTM AG owns KTM Sportmotorcycle GmbH, Husqvarna Motorcycles GmbH, W Verwaltungs AG, KTM Sportcar GmbH, KTM Immobilien GmbH, as well as the equity holdings in the sales subsidiaries of the KTM Group and the Husqvarna Group.

The KTM Group is a global manufacturer of Offroad and Street vehicles. The products of the KTM Group are sold under the "KTM" and "Husqvarna Motorcycles" brands. The KTM Group develops, manufactures and sells high-performance and competition-ready vehicles for the Offroad and Street segments. As well as Offroad and Street motorcycles, the product range includes mini-motorcycles, the KTM X-BOW and brand accessories (spare parts, technical accessories and apparel).

With more than 35 sales subsidiaries and joint ventures in Australia and the Philippines, the employees of KTM AG look after more than 2,800 independent dealers and importers for the two brands around the world.

The KTM Components Group develops, produces and sells the following chassis components for motorcycles and vehicles: (i) suspension components, (ii) frame construction and related welded-steel components, (iii) exhaust systems and (iv) cooling systems.

### **KTM Technologies/KTM Innovation/Kiska**

KTM Technologies GmbH operates in technology, product development and consulting, focusing on high-performance composites and lightweight construction. The combination of vehicle construction expertise and many years of experience in the field of composites development and production form the central focus of the Concern.

KTM Innovation GmbH focuses on digital transformation and innovation. This involves working in various technology fields, such as artificial intelligence, big data, blockchain and business modeling.

As Europe's largest independent and owner-operated design company, Kiska GmbH operates in the business segments of Consultancy in relation to marketing, brand and design, Transportation Design, Product Design and Environmental Design.

### **Pankl Racing Systems AG**

Pankl Racing Systems AG, the registered office of which is in Kapfenberg, Austria, is the parent company of the Pankl Group, which comprises 9 companies in total. It is essentially a holding company.

The share capital of Pankl Racing Systems AG is EUR 3,150,000. The company's shares were listed on the Official Market of the Vienna Stock Exchange (ISIN AT0000800800) until May 30, 2018. KTM Industries AG had a direct holding of approximately 94.5% (respectively at last 98.2%) in Pankl Racing Systems AG. As at the reporting date of May 30, 2018, which was the last trading day, Pankl Racing Systems AG had a market capitalization of approximately EUR 130.4 million.

In Austria, the Pankl Group operates as Pankl Aerospace Systems Europe GmbH and Pankl Systems Austria GmbH. In other countries, it is represented by its subsidiaries Pankl Racing Systems UK Limited, Pankl Holdings, Inc., Pankl Japan Inc., Pankl Automotive Slovakia s.r.o., Pankl Turbosystems GmbH and its subsidiaries.

The Pankl Group develops, produces, services and sells high-tech engine and drivetrain systems for global racing, luxury car and aerospace brands, especially helicopter and aircraft engine manufacturers. Pankl products are made from high-grade innovative materials designed to withstand extreme mechanical stress.

In June 2018, the Pankl-Group was sold for a purchase price of EUR 130.5 million. The sale of the Pankl Group provided the strategic and financial basis for the KTM Industries Group's even stronger focus on the two-wheel industry, in particular the development of electro-mobility, over the next few years.

#### **Aufstellung der aktiven nichtkотиerten Tochtergesellschaften**

List of the active non-listed subsidiaries

A detailed list of the active non-listed subsidiaries of KTM Industries AG can be found in the schedule of equity holdings (pages 156 - 158).

### **1.2. SIGNIFICANT SHAREHOLDERS**

The shareholder structure of KTM Industries AG as at Sunday, December 31, 2018 was as follows:

Pierer Group:	
▪ Pierer Konzerngesellschaft mbH	0%
▪ Pierer Industrie AG	61.88%
Free float	38.12%

As at the reporting date of December 31, 2018, the Pierer Group thus held approximately 62% of the share capital and voting rights of KTM Industries AG.

KTM Industries AG is not aware of any other shareholders holding over 3 percent of the company's voting rights, whether directly or indirectly.

Notifications of significant shareholders and shareholder groups made to KTM Industries AG and the Disclosure Office of SIX Swiss Exchange AG pursuant to Art.120 et seq. of the Financial Markets Infrastructure Act (FinfraG) can be viewed on the publications platform of the Disclosure Office at <https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html>.

### **1.3 CROSS-SHAREHOLDINGS**

There are no cross-shareholdings.

## **2. CAPITAL STRUCTURE**

### **2.1 CAPITAL**

As at the reporting date, the share capital of KTM Industries AG was EUR 22,538,674 and was fully paid-up. The share capital of KTM Industries AG is divided into 22,538,674 bearer shares of no par value, each of which represents an equal interest in the share capital.

The shares grant the rights that are due to stockholders under the Austrian Stock Corporation Act. These include in particular the right to payout of the dividend resolved upon at the Annual General Meeting as well as the right to vote at Annual General Meetings.

On the reporting date of December 31, 2018, KTM Industries AG held both, conditional capital and authorized capital.

## 2.2 AUTHORIZED AND CONDITIONAL CAPITAL IN PARTICULAR

### Authorized capital:

As at the reporting date, KTM Industries AG had an authorized capital<sup>1</sup>.

The following resolutions were adopted during the Annual General Meeting of April 26th 2018:

- a) The Executive Board shall be authorized in accordance with Section 169 of the Austrian Stock Corporation Act (AktG), for a period of no more than five years after the entry of the amendment to the articles of association has been made in the commercial register, to increase the share capital of the company from EUR 22,538,674.00 by up to EUR 11,269,337.00 to up to EUR 33,808,011.00 with the consent of the Supervisory Board by issuing, in several tranches if necessary, up to 11,269,337 no-par-value bearer shares in return for cash contributions and/or contributions in kind and to determine the initial offering price and the terms and conditions of the issue and the further details of implementing the capital increase in agreement with the Supervisory Board and if need be to offer the new shares to the shareholders for subscription by way of the indirect subscription right pursuant to Section 153 (6) of the Austrian Stock Corporation Act (AktG).
- b) The Executive Board shall be authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in full or in part
  - (i) if the capital increase takes place in return for cash contributions and in total the proportion of the company's share capital which can be apportioned to the shares issued in return for cash contributions with no subscription right does not exceed the limit of 10% (ten per cent) of the share capital of the company at the time of granting,
  - (ii) if the capital increase takes place in return for contributions in kind,
  - (iii) to take up an over-allotment (greenshoe) option, and/or
  - (iv) to compensate for fractional amounts.
- c) The Supervisory Board shall be authorized to pass amendments to the articles of association that may arise due to the issue of shares from the authorized capital.
- d) The corresponding amendment to the articles of association by amending Section 5 (Authorized capital), so that this provision is then worded as follows:

#### “§ 5 Authorized capital

The Executive Board is authorized in accordance with Section 169 of the Austrian Stock Corporation Act (AktG), for a period of no more than five years after the entry of this amendment to the articles of association has been made in the commercial register, to increase the share capital of the company from EUR 22,538,674.00 by up to EUR 11,269,337.00 to up to EUR 33,808,011.00 with the consent of the Supervisory Board by issuing, in several tranches if necessary, up to 11,269,337 no-par-value bearer shares in return for cash contributions and/or contributions in kind and to determine the initial offering price and the terms and conditions of the issue and the further details of implementing the capital increase in agreement with the Supervisory Board and if need be to offer the new shares to the shareholders for subscription by way of the indirect subscription right pursuant to Section 153 (6) of the Austrian Stock Corporation Act (AktG).

The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in full or in part

- (i) if the capital increase takes place in return for cash contributions and in total the proportion of the company's share capital which can be apportioned to the shares issued in return for cash contributions with no subscription right does not exceed the limit of 10 % (ten per cent) of the share capital of the company at the time of granting,
- (ii) if the capital increase takes place in return for contributions in kind,
- (iii) to take up an over-allotment (greenshoe) option, and/or (iv) to compensate for fractional amounts.

The Supervisory Board is authorized to pass amendments to the articles of association that may arise due to the issue of shares from the authorized capital.”

<sup>1</sup> Source: Articles of Association of KTM Industries AG, which is available to view on the website: [https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

**Conditional capital:**

As at the reporting date, KTM Industries AG had no conditional capital<sup>2</sup>.

The following resolutions were adopted during the Annual General Meeting of April 27, 2017:

- a) The authorization of the Executive Board, subject to the agreement of the Supervisory Board, to issue financial instruments in the sense of Section 174 of the Austrian Stock Corporations Act until April 1, 2022, particularly convertible bonds, participating bonds and special dividend rights, with a nominal total of EUR 150 million, which may also grant pre-emption rights and/or option of exchange on the acquisition of up to 25 million shares in the Company and/or are organized in such a way that they may be reported as equity, also in multiple tranches and in different combinations.
- b) The Executive Board may use the conditional capital and/or treasury shares to fulfil options of exchange and or pre-emption rights.
- c) The issue amount and issue conditions of the financial instruments are to be set by the Executive Board, subject to the agreement of the Supervisory Board, whereby the issue amount is to be determined according to recognized mathematical methods used in finance and the price of shares in the Company in a recognized pricing procedure.
- d) The Executive Board is authorized to exclude the pre-emption rights of shareholders to financial instruments in the sense of Section 174 AktG with the agreement of the Supervisory Board.
- e) The conditional increase of the Company share capital in accordance with Section 159, paragraph 2, no. 1 AktG by up to EUR 25 million by issuing up to 25 million no-par value bearer shares (ordinary shares) for issue to creditors of financial instruments in accordance with Section 174 AktG, which are issued using the authorization granted in this Annual General Meeting, in so far as the creditors of the financial instruments make use of their options of exchange and/or pre-emption rights on Company shares. The issue price and the conversion ratio shall be determined according to a recognized pricing procedure, following accepted financial mathematical methods and based on the company's share price. The newly issued shares of the conditional capital increase have the same dividend entitlement as the pre-existing shares of the Company. The Executive Board, subject to the approval of the Supervisory Board, is authorized to determine the further details of the execution of the conditional capital increase. The Supervisory Board is authorized to pass amendments to the articles of association that may arise due to the issue of shares from the conditional capital.

**2.3 CHANGES IN CAPITAL IN THE LAST THREE REPORTING PERIODS**

The consolidated equity of KTM Industries AG was EUR 454.9 million at December 31, 2016, EUR 528.6 million at December 31, 2017 and EUR 550.8 million at December 31, 2018. Information on changes in equity is set out in the consolidated statement of changes in equity in the Annual Report (pages 90 -91).

At the Annual General Meeting of KTM Industries AG on April 26, 2018, a share consolidation was resolved at a ratio of 10:1. In addition to the redemption of two shares in order to even out the existing share capital of the company, the shares were consolidated at a ratio of 10: 1. As a result, the number of issued shares decreased from 225,386,742 to 22,538,674. The share capital thus changed from EUR 225,386,742 to EUR 22,538,674.

**2.4/2.5 SHARES AND PARTICIPATION CERTIFICATES/DIVIDEND-RIGHT CERTIFICATES**

As at the reporting date, the share capital of KTM Industries AG was EUR 22,538,674 and was fully paid-up. The share capital of KTM Industries AG is divided into 22,538,674 bearer shares of no par value, each of which represents an equal interest in the share capital.

KTM Industries AG has issued no participation certificates or dividend-right certificates.

<sup>2</sup> Source: Articles of Association of KTM Industries AG, which is available to view on the website:  
[https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

The following rights attach to shares in KTM Industries AG:

#### **Rights over assets:**

##### Right to dividends / Right to participate in profit

Every shareholder has the right to the distribution of a dividend from the net profit disclosed in the annual financial statements. Under the Company's Articles of Association<sup>3</sup>, the Annual General Meeting of KTM Industries AG is entitled to exclude all or part of the balance sheet profit from distribution. Should the Annual General Meeting thus resolve to exclude the profit from distribution, the shareholder shall have no claim to it, even if the company has achieved a profit during the past financial year and disclosed it on its statement of financial position.

Each shareholder's share in the profit of the company is determined in proportion to his share of the share capital. There are no restrictions in this regard affecting non-local investors. Dividends that are not claimed within 30 years of the date of entitlement shall expire and shall be assigned to the company's unrestricted reserves. Resolutions concerning the distribution of dividends on the company's shares for any financial year shall be made at the Annual General Meeting for the following year, which shall rule on a proposal submitted by the Executive Board and Supervisory Board. Dividends may only be paid from retained earnings as disclosed in the (separate) annual financial statements of the company, as prepared in accordance with the Austrian Companies Code. The amount available for distribution shall be the profit for the year, plus or minus retained earnings/losses brought forward from the previous year, plus or minus transfers to/from reserves. By law, certain reserves must be formed which must be deducted from the retained earnings available for distribution.

Dividends passed by the Annual General Meeting shall be paid out in accordance with the rules of the relevant clearing system, as the shares entitled to dividends are held in a clearing system.

##### Pre-emption rights regarding subscription offers for shares of the same category

In the event of a capital increase, every shareholder may request to be allotted a number of shares in proportion to his current holding. This pre-emption right serves firstly to allow the shareholder to maintain his current interest (antidilution) and secondly to preserve the value of his current interest (asset protection). Pre-emption rights may be overridden by a resolution adopted at the General Meeting, subject to a qualified majority of three quarters of the share capital represented. A valid reason for overriding the pre-emption right must exist.

##### Right to a share of the balance in the event of liquidation

In the event of a winding-up (liquidation), every shareholder has a claim to the assets remaining after all debts have been settled (liquidation proceeds). The shareholder will thus become a creditor of the company, with a claim that may be enforced in court. Liquidation proceeds are to be distributed among the shareholders in proportion to their shareholdings. They need not be in cash; they may also be distributed in the form of other assets.

Dissolution of the company shall be in accordance with the Austrian Stock Corporation Act.

#### **Rights in relation to Annual General Meetings:**

##### Right to attend

Every shareholder has the right to attend the Annual General Meetings, as shareholders exercise their rights at General Meetings. Shareholders are entitled to attend Annual General Meetings insofar as they hold shares on the evidence date, that is, at the end of the tenth day before the day of the General Meeting in question. A securities account confirmation as per § 10a of the Austrian Stock Corporation Act suffices as evidence of a shareholding; this must be supplied to the company no later than the third working day before the Annual General Meeting. Shareholders do not need to attend the Annual General Meeting in person; they may also appoint a proxy to represent them or issue a voting instruction.

<sup>3</sup> The Articles of Association are available to view on the KTM Industries AG website:  
[https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

#### Right of petition

Pursuant to § 109 of the Austrian Stock Corporation Act, shareholders whose cumulative holdings reach 5% of the share capital may demand in writing that certain points be placed on the agenda of the Annual General Meeting and announced. Each agenda point thus moved must include a proposal for a resolution and provide grounds. The petitioning shareholders must have held the shares for at least three months before the petition is submitted. The shareholders' demand must reach the company no later than the 21st day before an Annual General Meeting, or no later than the 19th day before any other General Meeting (§ 109, paragraph 2 of the Austrian Stock Corporation Act).

Pursuant to § 110 of the Austrian Stock Corporation Act, shareholders whose cumulative holdings reach 1% of the share capital may submit proposed resolutions on each point of the agenda to the company in text form and demand that said proposals be made available on the company's website together with the names of the shareholders concerned, the grounds for the proposal and the opinion, if any, of the Executive or Supervisory Board. The demand shall be valid if it reaches the company no later than on the seventh working day before the Annual General Meeting. Where the proposal is for the election of a member of the Supervisory Board, the declaration of the nominee as per § 87(2) of the Austrian Stock Corporation Act shall be submitted in place of the grounds for the proposal.

Pursuant to § 119 of the Austrian Stock Corporation Act, every shareholder has the right to propose a motion on any point on the agenda at an Annual General Meeting. Where a motion is proposed at the Annual General Meeting itself, there is no requirement to provide grounds.

#### Right to information / Right of inquiry

Pursuant to § 118 of the Austrian Stock Corporation Act, information on matters concerning the company is to be given to every shareholder on demand at the Annual General Meeting, insofar as such information is necessary for the factual assessment of a point on the agenda. The right to information allows information to be obtained on the company's position and serves as a basis for the company's decision-making.

In principle, the obligation to provide information is incumbent on the Executive Board only, not on the Supervisory Board, except as regards matters that concern the Supervisory Board alone.

Information need not be provided if, according to reasonable commercial judgment, it is of a nature that may cause substantial harm to the company or an affiliated company, or if providing it would be a criminal offense. Further, information need not be provided where it has been constantly available in question-and-answer form on the company's website for at least seven days before the start of the Annual General Meeting.

#### Right to speak

Every shareholder has the right to express his opinion at the Annual General Meeting. The Annual General Meeting is the shareholders' forum for information and discussion. The chairman of the Meeting may restrict the right to speak from the start of the meeting or as required. The right to speak as such may not be set aside entirely.

#### Voting rights

Every shareholder has a right to vote at the Annual General Meeting in proportion to his shareholding. The Articles of Association<sup>4</sup> cannot generally grant a shareholder more votes than he has shares; however, it is permissible to restrict voting rights for equity holdings inter alia exceeding a certain size. Shareholders may exercise their voting right in three ways: they may vote for a motion, vote against the motion, or abstain. Voting rights in respect of specific resolutions are suspended in certain cases of a shareholder's conflict of interest.

Where the law does not prescribe a different majority, the Annual General Meeting shall pass resolutions by simple majority of the votes cast and, in those cases where a majority of the capital is required, by simple majority of the share capital represented.

<sup>4</sup> The Articles of Association are available to view on the KTM Industries AG website:  
[https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

### Right of objection

At various points, the Austrian Stock Corporation Act lays down the option or duty of a shareholder to raise objections in order to safeguard or exercise his rights (e.g. objection to the issue of dividend warrants, objection to the minutes of the Annual General Meeting, objection to a resolution to convert the company to another legal form).

### Right of avoidance

Every shareholder has the right to have resolutions adopted at the General Meeting declared void, whereby avoidance can entail the rescission of a validly passed resolution. All resolutions may be contested that contravene the law or the Articles of Association<sup>5</sup> but are not void ab initio. Shareholders must have their objections minuted in order to have a right to avoidance.

## 2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

KTM Industries AG has only bearer shares in issue. There are no limitations on transferability or company rules on nominee registrations.

## 2.7 CONVERTIBLE BONDS AND OPTIONS

KTM Industries AG has issued no convertible bonds or options.

## 3. SUPERVISORY BOARD

### 3.1 / 3.2 / 3.3 / 3.4 MEMBERS OF THE SUPERVISORY BOARD, OTHER ACTIVITIES AND VESTED INTERESTS, CROSS-INTERESTS, ELECTION AND TERM OF OFFICE

The Supervisory Board is made up of at least three members who are separately elected by the Annual General Meeting, plus as many employee representatives as are required pursuant to § 110(1) of the Austrian Labor Relations Act. The members of the Supervisory Board are elected by the Annual General Meeting, for a term that shall not go beyond the end of the General Meeting resolving on the discharge of the Executive Board for the fourth financial year following the election; in determining what constitutes the fourth financial year, the financial year in which the member is elected is excluded.

Members of the Supervisory Board of an Austrian Aktiengesellschaft are non-executive directors in Swiss legal terminology.

In the financial year 2018, the Supervisory Board of KTM Industries AG consisted of four members, as below:

Name Year of Birth	Position at KTM Industries AG	Initial Appointment	End of the current term of office	Management tasks for a group company of KTM Industries AG
<b>Josef Blazicek</b> born 1964	Chairman of the Supervisory Board	2008	Annual General Meeting which decides on the financial year 2020	<ul style="list-style-type: none"> <li>▪ Pierer Industrie AG (Austria) (Deputy Chairman of the Supervisory Board)</li> </ul>
<b>Ernst Chalupsky</b> born 1954	Deputy Chairman of the Supervisory Board	2014	Annual General Meeting which decides on the financial year 2020	<ul style="list-style-type: none"> <li>▪ Pierer Industrie AG (Austria) (Chairman of the Supervisory Board)</li> <li>▪ KTM AG (Austria) (Member of the Supervisory Board)</li> </ul>
<b>Klaus Rinnerberger</b> born 1964	Member of the Supervisory Board	2015	Annual General Meeting which decides on the financial year 2019	<ul style="list-style-type: none"> <li>▪ Pierer Industrie AG (Austria) (Member of the Executive Board)</li> </ul>
<b>Alfred Hörtenhuber</b> born 1955	Member of the Supervisory Board	2018 (April 26, 2018)	Annual General Meeting which decides on the financial year 2022	<ul style="list-style-type: none"> <li>▪ Pierer Industrie AG (Austria) (Member of the Executive Board)</li> </ul>
<b>Gerald Kiska</b> born 1959	Member of the Supervisory Board	2014	April 26, 2018	<ul style="list-style-type: none"> <li>▪ Pierer Industrie AG (Austria) (Member of the Supervisory Board)</li> <li>▪ Kiska GmbH (Austria) (Managing Director)</li> </ul>

<sup>5</sup> The Articles of Association are available to view on the KTM Industries AG website:  
[https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

**Josef Blazicek** (born 1964), Austrian citizen, has been active in business since completing high school. He began his career in the International Sales division of GIRO Credit Bank der Österreichischen Sparkassen AG. From 1989, he was head of the trading department at ERSTE BANK AG, before taking up the same position at INVESTMENTBANK AUSTRIA AG in 1991, where he was inter alia a director of Bank Austria Securities Ltd. in New York. From 1997 to 2000, he was Head of Syndications at ICE Securities Ltd. in London. Subsequently, until 2003, he was managing shareholder at OCEAN Equities Ltd. Since 2000 he has worked in various leading positions within the QINO Group.

Josef Blazicek has been a member of the Supervisory Board since 2008. He currently serves as Chairman of the Supervisory Board of KTM Industries AG. His term of office will expire at the end of the Annual General Meeting ruling upon the financial year 2020.

**Dr. Ernst Chalupsky** (born 1954), Austrian citizen, is an attorney and partner in the international law firm of SCWP Schindhelm. Ernst Chalupsky studied at the Johannes Kepler Universität, Linz and trained as an attorney at a highly reputed partnership in Upper Austria. He has been a practicing attorney in Wels since 1982. He was a partner in the firm of Chalupsky & Gumpoldsberger, which merged in 2000 with Saxinger & Baumann to form SCWP. Ernst Chalupsky completed a master's degree in European and International Commercial Law at the Universität St. Gallen in 1996 - 97.

Ernst Chalupsky has been a member of the Supervisory Board since 2014. He currently serves as Deputy Chairman of the Supervisory Board of KTM Industries AG. His term of office will expire at the end of the Annual General Meeting ruling upon the financial year 2020.

Ernst Chalupsky is partner and general manager of Saxinger, Chalupsky & Partner Rechtsanwälte GmbH. The KTM Industries Group is advised by Saxinger, Chalupsky & Partner Rechtsanwälte GmbH on legal affairs. The advisory services are provided in accordance with standard market terms and conditions.

**Klaus Rinnerberger** (born 1964), Austrian citizen, studied law in Vienna and began his career in 1987 as an auditor and consultant at Arthur Andersen & Co. He subsequently performed a variety of management roles in the automotive industry, including serving on the Executive Boards of Magna Automobiltechnik AG and Magna Steyr AG. In 2009, he joined the Executive Board of Polytec Holding AG, serving as CEO of the Peguform Group after its separation from Polytec until 2011.

Klaus Rinnerberger has been a member of the Supervisory Board since 2015. His term of office will expire at the end of the Annual General Meeting ruling upon the financial year 2019.

**Alfred Hörtenhuber** (born 1955), Austrian citizen, graduated from high school in 1975 and began his career as an assistant salesman at K. Rosenbauer KG in Leonding, later rising to be Head of Exports for Western Europe. He completed his management training at the MZSG St. Gallen and the IMD Lausanne. In 1985, he joined the Miba Group, initially as a marketing manager. In 1990, he became a member of the Executive Board at Miba Sintermetall AG, with responsibility for marketing, research and development. In 1998, he became CEO of the Miba Friction Group and a member of the Executive Board of Miba AG Holding. Alfred Hörtenhuber has been a member of the management team of the KTM Industries Group since February 6, 2008. Alfred Hörtenhuber was a member of the Executive Board of KTM Industries AG from June 2, 2015 to December 31, 2017. Since January 2, 2018, he is member of the Executive Board of Pierer Industrie AG.

Since April 26, 2018, Alfred Hörtenhuber is member of the Supervisory Board of the company. His term of office will expire at the end of the Annual General Meeting ruling upon the financial year 2022.

**Gerald Kiska** (born 1959), Austrian citizen, studied at the Linz School of Design and subsequently worked at various design bureaus and agencies in Austria and abroad, including Interform Design in Wolfsburg, Form Orange in Götzis, Agentur Idea in Stuttgart and Porsche Design in Zell am See. He established his own design business in Anif, Salzburg, in 1990. From 1994 to 1995, Mr. Kiska taught as a guest professor at the Offenbach am Main School of Design. From 1995 to 2002 he acted as founder and lecturer at the School of Industrial Design in Graz. He also held a guest professorship at the Linz University of Design until 2003.

Gerald Kiska was a member of the Supervisory Board from 2014 until April 26, 2018.

Consulting and other services are provided by Kiska GmbH, of which the managing shareholder is the Supervisory Board member Gerald Kiska, in accordance with standard market terms and conditions.

The table below shows the names of businesses and companies - insofar as known to the Company - in which the current members of the Supervisory Board of KTM Industries AG have been partners or members of a management, executive or supervisory board during the last three reporting periods. The column headed "Still serving" indicates whether the partnership or membership of a management, executive or supervisory board is still current.

SUPERVISORY BOARD	COMPANY	POSITION	STILL SERVING
<b>Josef Blazicek</b>			
	KTM Industries AG	Chairman of Supervisory Board	Yes
	KTM AG	Chairman of Supervisory Board	No
	All for One Steeb AG	Chairman of Supervisory Board	Yes
	Pierer Industrie AG	Member / deputy chairman of Supervisory Board	Yes
	Pankl Racing Systems AG	Member / deputy chairman of Supervisory Board	Yes
	QINO Group Holding AG (formerly Swissburg AG)	Member of Board of Directors	No
	QINO AG (formerly QINO CAPITAL PARTNERS AG)	Member of Board of Directors	No
	QINO JB LTD	Managing Shareholder	Yes
	QINO PIPE ONE LTD	Executive Director	Yes
	QCP Swiss AG	Member of Board of Directors	No
	Triplan AG	Member of Board of Directors	No
	BF HOLDING AG	Member of Board of Directors	No
	KTM Immobilien GmbH (formerly KTM Motorrad AG)	Member of Board of Directors	No
	W Verwaltungs AG	Chairman of Supervisory Board	No
	OCEAN Advisory GmbH (company dissolved)	General Manager	No
	OCEAN Consulting GmbH	Shareholder	Yes
	Qino Asset Management & Advisory Ltd.	Executive Director	No
	BEKO Engineering & Informatik GmbH	Member of Board of Directors	Yes
	Pankl SHW Industries AG	Member / deputy chairman of Supervisory Board	Yes
	Pankl Vermögensverwaltung AG (company dissolved)	Member of Board of Directors	No
<b>Ernst Chalupsky</b>			
	KTM Industries AG	Member / deputy chairman of Supervisory Board	Yes
	Pierer Industrie AG	Chairman of Supervisory Board	Yes
	KTM AG	Member of Board of Directors	Yes
	Wirtschaftspark Wels Errichtungs- und Betriebsaktiengesellschaft	Member of Board of Directors	Yes
	TGW Logistics Group GmbH	Member of Board of Directors	Yes
	MCGA Beteiligungs- und verwaltungs-GmbH	Shareholder/General Manager	Yes
	Saxinger, Chalupsky & Partner Rechtsanwälte GmbH	Shareholder/General Manager	Yes
	W Verwaltungs AG	Member / deputy chairman of Supervisory Board	No
	Beteiligungsverwaltungsgesellschaft mbH	Shareholder	No
	Privatstiftung Herman Greiner	Member of Executive Board	Yes
	TGW Future Privatstiftung	Member of Executive Board	Yes
	MAGELLAN - Privatstiftung	Chairman of Executive Board	Yes
	GIRASOL Privatstiftung	Member of Executive Board	Yes
	Pankl SHW Industries AG	Member of Supervisory Board	Yes

SUPERVISORY BOARD	COMPANY	POSITION	STILL SERVING
<b>Klaus Rinnerberger</b>			
	KTM Industries AG	Member of Supervisory Board	Yes
	CROSS Industries AG (now KTM Industries AG)	Member of Executive Board	No
	Pierer Industrie AG	Member of Executive Board	Yes
	W Verwaltungs AG	Member of Supervisory Board	No
	PF Beteiligungsverwaltungs GmbH	General Manager	Yes
	Pankl SHW Industries GmbH (now Pankl SHW Industries AG)	General Manager Member of Executive Board	No Yes
	SHW AG	Chairman of Supervisory Board	Yes
	Schwäbische Hüttenwerke Automotive GmbH	Chairman of Supervisory Board	Yes
	Schachinger Logistik Holding GmbH	Chairman of Advisory Board	Yes
<b>Alfred Hörtenhuber</b>			
	KTM Industries AG	Member of Supervisory Board Member of Executive Board	Yes No
	Pierer Industrie AG (Österreich)	Member of Executive Board	Yes
	SHW AG (Deutschland)	Member / deputy chairman of Supervisory Board	Yes
	Schwäbische Hüttenwerke Automotive GmbH	Member / deputy chairman of Supervisory Board	Yes
	WP Components GmbH	General Manager	No
	KinderPalliativNetzwerk GmbH	General Manager	Yes
	KTM Components GmbH	General Manager	No
	WP Immobilien GmbH	General Manager	No
	W Verwaltungs AG	General Manager/Member of Executive Board	No
	Pankl Vermögensverwaltung AG (company dissolved)	Member of Supervisory Board	No
	Pankl Racing Systems AG	Member of Supervisory Board	Yes
<b>Gerald Kiska</b>			
	KTM Industries AG	Member of Supervisory Board	No
	Kiska GmbH	Shareholder/General Manager	No / Yes
	Kiska Beteiligungs GmbH	Shareholder/General Manager	Yes
	Kiska Holding GmbH	Shareholder/General Manager	Yes
	Österreichische DESIGN Privatstiftung (company dissolved)	Member of Executive Board	No
	KTM Technologies GmbH	General Manager	Yes
	Pierer Industrie AG	Member of Supervisory Board	Yes
	KTM Innovation GmbH	General Manager	Yes
	W Verwaltungs AG (formerly WP AG)	Member of Supervisory Board	No

The members of the Supervisory Board have no other material activities, vested interests or cross-interests.

### 3.5 INTERNAL ORGANIZATIONAL STRUCTURE

#### 3.5.1 Allocation of tasks within the Supervisory Board

Please refer to the Report under the Austrian Corporate Governance Code (Composition of the Supervisory Board, page 41 ).

### 3.5.2 Members list, tasks and area of responsibility for each committee of the Supervisory Board

The Supervisory Board has established an Audit Committee from among its members. For reasons of efficiency, since the Supervisory Board of KTM Industries AG is made up of no more than 6 members, the tasks of a compensation committee and appointments committee are fulfilled by the full Supervisory Board.

Please refer to the Report under the Austrian Corporate Governance Code (Committees of the Supervisory Board, pages 41 - 42).

### 3.5.3 Working methods of the Supervisory Board and its committees

Please refer to the Report under the Austrian Corporate Governance Code (Working Methods of the Supervisory Board, pages 40 - 41).

## 3.6 DEFINITION OF AREAS OF RESPONSIBILITY

Responsibility for the management of an Austrian Aktiengesellschaft lies with the Executive Board. Neither the Supervisory Board nor the Annual General Meeting has a right to issue instructions to the Executive Board. However, under the Austrian Stock Corporation Act, the Executive Board is required to obtain the consent of the Supervisory Board before entering into certain extraordinary transactions. The Executive Board consults with the Supervisory Board on the strategic direction of the company and discusses the implementation status of the strategy with the Supervisory Board at regular intervals.

The duty of the Supervisory Board is to appoint and dismiss the Executive Board and in particular to review the ongoing activities of the Executive Board. To this end, the Executive Board informs the Supervisory Board of its activities on a regular basis.

In total, the Supervisory Board met on six occasions during 2018, thus at least once per quarter. The meetings lasted approximately two and a half hours on average. Two meetings of the Audit Committee also took place; these meetings lasted approximately one hour on average (see also the Report under the Austrian Corporate Governance Code, Working methods of the Supervisory Board, pages 40 - 41).

## 3.7 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE EXECUTIVE BOARD

KTM Industries AG does not have its own risk management system. In light of the company's size, no separate internal audit department has been set up. However, the company has established an internal control and reporting system which enables the Executive Board to identify risks and quickly implement an appropriate response. The Supervisory Board, particularly the Audit Committee, is kept regularly informed about the internal control mechanisms and risk management in place across the group.

Under the internal control and reporting system, identifiable risks in numerous areas of the business are captured and evaluated on an ongoing basis; material results are assessed by the Executive Board and brought to the attention of the Supervisory Board. Further information on risk management can be found in the notes to the consolidated financial statements as at December 31, 2018.

The company's management information system collates a large number of performance indicators from various areas of the KTM Industries Group, as well as comprehensive financial information. The system makes this data available electronically to the company's management in a predesigned format. The Supervisory Board receives monthly and quarterly reports based on information in the management information system.

## 4. EXECUTIVE BOARD

### 4.1 / 4.2 MEMBERS OF THE EXECUTIVE BOARD, OTHER ACTIVITIES AND VESTED INTERESTS

Unless otherwise stated below, the members of the Executive Board have no further disclosable activities or vested interests.

The Executive Board of KTM Industries AG consisted in the financial year 2018 of the following members:

Name Year of Birth	Position	Initial Appointment	End of the current term of office	Areas of Responsibilities
<b>Stefan Pierer</b> born 1956	Member of the Executive Board (CEO)	June 2, 2015	December 31, 2023	<ul style="list-style-type: none"> <li>■ strategic and operational overall management</li> <li>■ strategic/operational management of KTM Group</li> </ul>
<b>Friedrich Roithner</b> born 1963	Member of the Executive Board (CFO)	June 2, 2015	December 31, 2023	<ul style="list-style-type: none"> <li>■ finance</li> <li>■ (Group)accounting</li> <li>■ tax affairs</li> <li>■ legal affairs</li> </ul>
<b>Hubert Trunkenpolz</b> born 1962	Member of the Executive Board	January 1, 2018	December 31, 2023	<ul style="list-style-type: none"> <li>■ sales</li> <li>■ marketing</li> <li>■ customer service</li> </ul>
<b>Harald Plöckinger</b> born 1961	Member of the Executive Board	January 1, 2018	February 28, 2019	<ul style="list-style-type: none"> <li>■ production</li> <li>■ purchase</li> <li>■ logistics</li> <li>■ business development</li> </ul>
<b>Wolfgang Plasser</b> born 1962	Member of the Executive Board	June 2, 2015	June 28, 2018	<ul style="list-style-type: none"> <li>■ strategic and operational management of Pankl Group</li> </ul>

**STEFAN PIERER** (born 1956), Austrian citizen, began his career in 1982 at HOVAL GmbH, Marchtrenk, after graduating in business and energy economics from the Montanuniversität Leoben. Initially a sales assistant, he rose to become Head of Sales for Upper Austria and an authorized signatory of the company. He founded what is now the KTM Industries Group in 1987. The KTM Industries Group is an Austrian industrial holdings group with a strategic and operational focus on the motorcycle and motor vehicle sector. Stefan Pierer is Chairman of the Executive Board of KTM Industries AG.

#### Further main functions within the Group:

- Chairman of the Executive Board of KTM AG
- Chairman of the Executive Board of Pierer Industrie AG
- Chairman of the Supervisory Board of W Verwaltungs AG

#### Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:

- Chairman of the Supervisory Board of Pankl Racing Systems AG
- Member of the Supervisory Board of SHW AG
- Member of the Supervisory Board of Pankl SHW Industries AG
- Member of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH
- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft
- Member of the Board of Directors of swisspartners Group AG
- Member of the Board of Directors of Pierer Swiss AG

**FRIEDRICH ROITHNER** (born 1963), Austrian citizen, graduated in business studies from the University of Linz and subsequently worked as an assistant auditor, with a focus on auditing and tax, at an international accountancy firm. From 1992 onwards, he was employed by Austria Metall AG, where he was a member of the Executive Board from 2002 to 2006. Since the end of 2007, Friedrich Roithner has been part of the management team at the KTM Industries Group. Friedrich Roithner is Deputy Chairman and Chief Financial Officer of the KTM Industries AG.

#### Further main functions within the Group:

- Member of the Executive Board of Pierer Industrie AG
- Chairman of the Supervisory Board of KTM AG
- Deputy Chairman of the Supervisory Board of W Verwaltung AG
- Deputy Chairman of the Supervisory Board of KTM Components GmbH

**Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:**

- Member of the Supervisory Board of Pankl Racing Systems AG
- Member of the Supervisory Board of SHW AG
- Member of the Supervisory Board of Pankl SHW Industries AG
- Member of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft

**HUBERT TRUNKENPOLZ** (born 1962), Austrian citizen, started his career after graduating from the Johannes Kepler University Linz (Business Administration) at ISA Audivisual Communication Corp. as marketing manager and subsequently at TRUMAG as sales manager/managing director. He has been at CROSS Group (now KTM Industries group) since 1992 and a member of the Executive Board of the KTM Group since 2004. Hubert Trunkenpolz also became a member of the Executive Board of KTM AG in 2007 and of KTM Industries AG in 2018.

**Further main functions within the Group:**

- Member of the Executive Board of KTM AG
- Managing Director of KTM Sportmotorcycle GmbH
- Managing Director of Husqvarna Motorcycles GmbH
- Member of the Supervisory Board of W Verwaltungs AG

**Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:**

- None

**HARALD PLÖCKINGER** (born 1961), Austrian citizen, completed his education at the University of Technology in Graz (mechanical engineering) and started his career with BMW-Group in the field of engine development. From 1990 to 2004 he served as authorized representative, production manager, strategic planning director, and subsequently as general manager of Bombardier-Rotax. Since 2004, Harald Plöckinger has been a member of the Executive Board of the KTM Group and, since 2007, a member of the Executive Board of KTM AG. Since 2018 he is also on the board of KTM Industries AG. On February 28, 2019, Harald Plöckinger left the Executive Board of KTM Industries AG.

**Further main functions within the Group:**

- Member of the Executive Board of KTM AG
- Member of the Executive Board of W Verwaltungs AG
- Chairman of the Supervisory Board of KTM Components GmbH

**Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:**

- Member of the Supervisory Board of Pankl Racing Systems AG
- Member of the Supervisory Board of eww ag

**WOLFGANG PLASSER** (born 1962), Austrian citizen, studied business sciences at the Vienna University of Economics and Business. Important positions during his professional career include roles at KPMG, Investment Bank Austria, Vossen AG (as CFO) and Ocean Consulting GmbH. Wolfgang Plasser joined the Executive Board of Pankl Racing Systems AG in 2004 and took on the role of Chairman of the Executive Board in 2006. Wolfgang Plasser is a member of the Executive Board of the Company. Wolfgang Plasser left the Executive Board of KTM Industries AG on June 28, 2018.

**Further main functions within the Group:**

- None.

**Membership of supervisory boards or comparable functions in other foreign and domestic companies, excluding companies included in the consolidated financial statements:**

- Chairman of the Executive Board of Pankl Racing Systems AG
- Chairman of the Supervisory Board of Pankl Systems Austria GmbH
- Chairman of the Supervisory Board of Pankl Holdings, Inc. (CA)
- Member of the Supervisory Board of Pankl Aerospace Systems, Inc.
- Member of the Supervisory Board of CP-Carrillo, Inc.
- Member of the Executive Board of Pierer Industries AG

The table below shows the names of businesses and companies - insofar as known to the Company - in which the current members of the Executive Board have been partners or members of a management, executive or supervisory board during the last five reporting periods. The column headed "Still serving" indicates whether the partnership or membership of a management, executive or supervisory board is still current.

EXECUTIVE BOARD	COMPANY	POSITION	STILL SERVING
<b>Stefan Pierer</b>			
	KTM Industries AG	Member of Executive Board	Yes
		Chairman of Supervisory Board	No
	W Verwaltungs AG	Chairman of Supervisory Board	Yes
	Pierer Konzerngesellschaft mbH	Shareholder / General Manager	Yes
	KTM AG	Chairman of Executive Board	Yes
	KTM Immobilien GmbH (formerly KTM Motorrad AG)	Chairman of Executive Board	No
	Pierer Industrie AG	Member of Executive Board	Yes
	Pierer Beteiligungs GmbH	General Manager	Yes
	K KraftFahrZeug Holding GmbH	General Manager	Yes
	PF Beteiligungsverwaltungs GmbH	General Manager	Yes
	PIERER Immobilien GmbH	General Manager	Yes
	PS GmbH (company dissolved)	General Manager	No
	Pierer Immobilien GmbH & Co KG	General Manager of the general partner company Pierer Immobilien GmbH; Member of the Executive Board of the limited partner Pierer Industrie AG	Yes
	Pierer Invest Beteiligungs GmbH (company dissolved)	General Manager	No
	UIAG Beteiligungs GmbH (formerly RK Invest Holding GmbH)	General Manager	No
	SP GmbH (company dissolved)	General Manager	No
	Wohnbau-west Bauträger Gesellschaft m.b.H.	General Manager	Yes
	ATHOS Immobilien Aktiengesellschaft	Member of Supervisory Board	No
	BF HOLDING AG	Chairman of Supervisory Board	No
	Pankl Racing Systems AG	Chairman of Supervisory Board	Yes
	Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft	Chairman of Supervisory Board	Yes
	Privatstiftung Christina	Chairman of Executive Board	Yes
	Österreichische DESIGN Privatstiftung (company dissolved)	Chairman of Executive Board	No
	Stossier Privatstiftung	Chairman of Executive Board	Yes
	Swisspartners AG	Member of Board of Directors	Yes
	Pierer Swiss AG	Member of Board of Directors	Yes
	QINO AG (formerly QINO CAPITAL PARTNERS AG)	Member of Board of Directors	Yes
	QCP Swiss AG	Member of Board of Directors	No
	WP Immobilien GmbH (formerly CROSS Immobilien AG)	Chairman of Executive Board, Chairman of Supervisory Board	No
	KTM Logistikzentrum GmbH (formerly Oberbank Mattigtal Immobilienleasing GmbH)	General Manager	No
	Pierer Finanzierungsgesellschaft m.b.H. (company dissolved)	General Manager	No
	Seestern Holding GmbH (This company merged, as the assuming company, with Pierer Industrie AG (registered in Austria, company no. 290677 t) by way of a merger agreement dated 07/23/2013)	General Manager	No

EXECUTIVE BOARD	COMPANY	POSITION	STILL SERVING
	WP Performance Systems GmbH (now KTM Components GmbH)	Member of Supervisory Board / deputy chairman of Supervisory Board	No
	Pierer Liegenschaft GmbH	Shareholder / General Manager	Yes / Yes
	PIERER IMMOREAL GmbH	Shareholder / General Manager	No / Yes
	Pankl Vermögensverwaltung AG (company dissolved)	Chairman of Supervisory Board	No
	P Immobilienverwaltung GmbH	General Manager	Yes
	SHW AG	Member of Supervisory Board	Yes
	Pankl SHW Industries GmbH (formerly SHW Beteiligungs GmbH)	General Manager	No
	Pankl SHW Industries AG (formerly Pankl SHW Industries GmbH)	Chairman of Supervisory Board	Yes
	Schwäbische Hüttenwerke Automotive GmbH	Member of Supervisory Board	Yes
	PB Gastro GmbH	General Manager	Yes
	KTM Components GmbH	Member of Supervisory Board	No
<b>Friedrich Roithner</b>			
	KTM Industries AG	Member of Executive Board Member of Supervisory Board	Yes No
	W Verwaltungs AG (formerly WP AG, formerly CROSS Motorsport Systems GmbH)	Member / deputy chairman of Supervisory Board Member of Executive Board General Manager	Yes No No
	KTM AG	Chairman of Supervisory Board Member of Executive Board	Yes No
	Pierer Industrie AG	Member of Executive Board	Yes
	Pierer Beteiligungs GmbH	General Manager	Yes
	K KraftFahrZeug Holding GmbH	General Manager	Yes
	Durmont Teppichbodenfabrik GmbH (now AGM Durmont Austria GmbH)	General Manager	No
	PF Beteiligungsverwaltungs GmbH	General Manager	Yes
	Pankl Racing Systems AG	Member of Supervisory Board	Yes
	BF HOLDING AG	Member of Supervisory Board	No
	Wirtschaftspark Wels Errichtungs- und Betriebs-Aktiengesellschaft	Member of Supervisory Board	Yes
	WP Immobilien GmbH (formerly CROSS Immobilien AG)	Chairman of Executive Board, General Manager	No
	CROSS Automotive Beteiligungs GmbH (company dissolved)	General Manager	No
	CROSS Automotive Holding GmbH (company dissolved)	General Manager	No
	CROSS Lightweight Technologies Holding GmbH (company dissolved)	General Manager	No
	KTM Immobilien GmbH (company dissolved)	General Manager	No
	Oberbank Mattigtal Immobilienleasing GmbH (now KTM Logistikzentrum GmbH)	General Manager	No
	Seestern Holding GmbH	General Manager	No
	Pierer Invest Beteiligungs GmbH (company dissolved)	General Manager	No
	WP Performance Systems GmbH (now KTM Components GmbH)	Member of Supervisory Board	Yes
	PIERER IMMOREAL GmbH (formerly Pierer Anlagenbau GmbH)	General Manager	Yes
	SHW AG	Member of Supervisory Board	Yes
	Pankl SHW Industries AG (formerly SHW Beteiligungs GmbH)	General Manager	No

EXECUTIVE BOARD	COMPANY	POSITION	STILL SERVING
	Pankl SHW Industries AG (formerly Pankl SHW Industries GmbH)	Member of Supervisory Board	Yes
	Abatec group GmbH	Chairman of Supervisory Board	Yes
<b>Hubert Trunkenpolz</b>			
	KTM Industries AG	Member of Executive Board	Yes
	KTM AG	Member of Executive Board	Yes
	Husqvarna Motorcycles GmbH	General Manager	Yes
	KTM Sportcar GmbH	General Manager	Yes
	KTM Sportmotorcycle GmbH	General Manager	Yes
	KTM Österreich GmbH	General Manager	No
	TRUE Management & Investment GmbH	General Manager / Shareholder	Yes
	KTM Immobilien GmbH	Member of Executive Board	No
	W Verwaltungs AG	Member of Supervisory Board	Yes
	Trodat Trotec Holding GmbH	Chairman of Executive Board	No
<b>Harald Plöckinger</b>			
	KTM Industries AG	Member of Executive Board	Yes
	KTM AG	Member of Executive Board	Yes
	W Verwaltungs AG	Member of Executive Board	Yes
		Chairman of Supervisory Board	No
	KTM Immobilien GmbH (formerly KTM Motorrad AG, formerly KTM-Sportmotorcycle AG)	General Manager	No
		Member of Executive Board	No
	KTM Logistikzentrum GmbH	General Manager	No
	KTM Components GmbH	Chairman of Supervisory Board	Yes
	Pankl Racing Systems AG	Member of Supervisory Board	Yes
	eww ag	Member of Supervisory Board	Yes
	Wels Strom AG	Member of Supervisory Board	No
	KTM Sportcar GmbH	General Manager	No
<b>Wolfgang Plasser</b>			
	KTM Industries AG	Member of Executive Board	No
	Pankl Racing Systems AG	Chairman of Executive Board	Yes
	CROSS Motorsport Systems AG (now W Verwaltungs AG)	Member of Executive Board	No
	CROSS Motorsport Systems GmbH (now W Verwaltungs AG)	General Manager	No
	OCEAN Advisory GmbH (company dissolved)	General Manager	No
	OCEAN Consulting GmbH	Shareholder / General Manager	Yes
	Pankl Holdings, Inc. (CA)	Chairman of Supervisory Board	Yes
	Pankl Aerospace Systems, Inc	Member of Supervisory Board	Yes
	CP-Carrillo, Inc	Member of Supervisory Board	Yes
	Pankl Holdings, Inc. (NV)	Chairman of Supervisory Board	No
	CP-Carrillo, LLC	Member of Supervisory Board	No
	Performance Equipment Company, LLC	Member of Supervisory Board	No
	Pankl Systems Austria GmbH	Chairman of Supervisory Board	Yes
	Pankl Vermögensverwaltung AG (company dissolved)	Member of Executive Board	No
	Pankl Engine Systems, Inc	Member of Supervisory Board	No
	Pierer Industrie AG	Member of Executive Board	Yes
	SHW AG	Chairman of Executive Board	Yes

#### 4.3 MANAGEMENT CONTRACTS

There are no management contracts.

## 5. COMPENSATION, SHAREHOLDINGS AND LOANS

### 5.1 CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND THE SHAREHOLDING PROGRAMS

Please refer to the Report under the Austrian Corporate Governance Code (Compensation Report, pages 43 - 45).

There are no programs that enable employees at any level or members of the company's boards to acquire equity interests in the company.

### 5.2 COMPENSATION REPORT AS PER ART. 14-16 OF THE ORDINANCE AGAINST EXCESSIVE COMPENSATION IN LISTED COMPANIES (OAEK)

Please refer to the Report under the Austrian Corporate Governance Code (Compensation Report, pages 43 - 45). No compensation was paid and no non-cash benefits were granted to former members of the Supervisory or Executive Boards in the 2018 reporting year.

The members of the Executive and Supervisory Boards of KTM Industries AG held shares in the company as at the reporting date:

PERSON	DIRECT SHAREHOLDING	INDIRECT SHAREHOLDING	NUMBER OF SHARES	VOTING RIGHTS IN %*
Stefan Pierer	No	Yes**	13,945,805	61.88%
Friedrich Roithner	Yes	No	139,748	0.62%
Harald Plöckinger	No	No	0	0
Hubert Trunkenpolz	Yes	No	112,700	0.50%
Klaus Rinnerberger	Yes	No	139,748	0.62%
Josef Blazicek	Yes	Yes	145,000	0.64%
Ernst Chalupsky	Yes	No	26,463	0.12%
Alfred Hörtenhuber	Yes	No	40,300	0.17%

\* rounded

\*\* via Pierer Konzerngesellschaft mbH and Pierer Industries AG

## 6. SHAREHOLDERS' PARTICIPATION RIGHTS

### 6.1 VOTING RIGHTS RESTRICTIONS AND REPRESENTATION

KTM Industries AG has 22,538,674 shares of no par value in issue. Each share confers one vote. There are no shares with preferential rights and no restrictions on the shares in issue. The principle of "one share – one vote" thus applies. Voting rights may be exercised by proxy. Proxy authorization must be granted in text form to a specific person and forwarded to KTM Industries AG, which must retain or traceably record it.

There are thus no restrictions on voting rights in the articles of association, no group clauses and no rules on granting exceptions.

### 6.2 QUORUMS REQUIRED BY THE ARTICLES OF ASSOCIATION

Where the law does not prescribe a different majority, the Annual General Meeting shall pass resolutions by simple majority of the votes cast and, in those cases where a majority of the capital is required, by simple majority of the share capital represented.

The Articles of Association of KTM Industries AG<sup>6</sup> do not set more stringent voting requirements than those set by the Austrian Stock Corporation Act.

<sup>6</sup> The Articles of Association are available to view on the KTM Industries AG website: [https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

### 6.3 / 6.4 CONVOCATION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS, INCLUSION OF ITEMS ON THE AGENDA

The provisions regarding the convocation of the Annual General Meeting do not diverge from the provisions of the Austrian Stock Corporation Act<sup>7</sup>.

Convocation should be issued no later than the 28th day before an Annual General Meeting, and no later than the 21st day before any other General Meeting. Convocations are published in the “Wiener Zeitung”, made known via a European dissemination system and made available on the website of KTM Industries AG.

Annual General Meetings are normally convoked by the Executive Board of the company.

The Executive Board is also obliged to convoke a General Meeting if shareholders holding at least 5% of the share capital submit a written demand for convocation, stating the grounds for the demand and presenting an agenda and a proposed resolution for each point thereon. The articles of association may modify this statutory requirement by relaxing the formal requirements or reducing the minimum size of the shareholding required to demand convocation of a General Meeting. The Articles of Association of KTM Industries AG currently contain no such provisions that deviate from the statutory requirements<sup>8</sup>. The petitioning shareholders must have held their shares for at least three months before submitting the petition and retain them until a decision on the petition is made. If the convocation is not issued by the Executive Board, the Executive Board is obliged to assist as necessary with the proper convocation of and preparation for the General Meeting.

### 6.5 SHARE REGISTER

KTM Industries AG has only bearer shares in issue. It therefore does not maintain a share register.

## 7. CHANGES OF CONTROL AND DEFENSE MEASURES

### 7.1 DUTY TO MAKE AN OFFER

The shares of KTM Industries AG are admitted for trading on the Official Market of the Vienna Stock Exchange. The company is therefore subject to the provisions of the Austrian Takeovers Act. The Austrian Takeovers Act provides for both mandatory and voluntary takeover bids.

#### Mandatory offers

If a bidder (acting alone or in concert with other legal entities) obtains a controlling interest in a listed Austrian company, it is obliged under the Takeover Act to make a mandatory offer to the remaining shareholders. Anyone who controls, directly or indirectly, 30% or more of the permanent voting shares of the listed company is deemed to have a controlling interest.

The obligation to make an offer for all equity shares in a target company is also triggered if a shareholder who has a controlling interest but does not hold more than 50% of the voting shares acquires an additional 2% or more of the voting rights in the company within a twelve-month period (“creeping in”).

If a control-relevant threshold is reached, this must be notified to the Takeover Commission without delay. The offer document must be submitted to the Takeover Commission within 20 stock-market working days from the date control is attained.

A control-relevant threshold may be reached by a single shareholder or by two or more legal entities acting in concert. It follows that the duty of notification and mandatory offer may be triggered by the conclusion of a syndicate agreement or other agreements. Shareholders acting in concert need not be related parties for company law purposes.

When calculating a control-relevant threshold, treasury shares whose votes are suspended are disregarded.

<sup>7</sup> Please refer to the Articles of Association of KTM Industries AG in this regard:  
[https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

<sup>8</sup> The Articles of Association are available to view on the KTM Industries AG website:  
[https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018\\_SATZUNG-KTM-Industries-AG\\_finaleVersion.pdf](https://www.ktm-industries.com/wp-content/uploads/2018/10/26.04.2018_SATZUNG-KTM-Industries-AG_finaleVersion.pdf)

The Takeover Act provides for various exceptions to the rules regarding mandatory offers. In such cases, the matter must merely be notified to the Takeover Commission.

In order to protect the interests of shareholders, the Takeover Act sets a twofold lower limit to the offer price in the event of a mandatory offer. First, the offer price must not be less than the highest amount of consideration offered by the bidder (or a legal entity acting in concert with the bidder) for shares in the target company during the twelve months before the takeover offer. Second, the offer price must not be less than the average stock-exchange price of shares in the target company, weighted according to trading volumes, over the last six months.

#### **Voluntary offer to achieve control**

Such a bid may be issued by a bidder who does not have, but wishes to obtain, a controlling interest in the target company. The rules regarding mandatory offers, including those concerning the minimum price, must be applied accordingly.

Where an offer would enable a bidder to obtain a controlling interest, the bidder must, by law, receive declarations of acceptance relating to over 50% of the permanent voting shares that are the object of the offer.

#### **Voluntary offer**

A voluntary offer is an offer that is neither required by law nor a means to bring about a change of control. In practice, voluntary offers are frequently used by existing controlling shareholders to reduce the free float. Bidders making voluntary offers are not subject to statutory rules regarding the offer price, which they can set freely.

### **7.2 CLAUSES ON CHANGE OF CONTROL**

As at the balance sheet date, the management of the company (Executive Board and Supervisory Board) has not made any special contractual agreements to protect itself against a hostile takeover.

## **8. AUDITORS**

### **8.1 DURATION OF MANDATE AND TERM OF OFFICE OF THE LEAD AUDIT PARTNER**

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, was appointed by the 21<sup>st</sup> Annual General Meeting to serve as the auditor of the consolidated financial statements and separate financial statements of the company for the 2018 financial year. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was first appointed as group and company auditor for the short accounting period from 10/01/2014 to 12/31/2014.

The lead audit partner is Ernst Pichler, who first fulfilled this role for the short accounting period from 10/1/2014 to 12/31/2014.

### **8.2 AUDIT FEE**

Please refer to the Report under the Austrian Corporate Governance Code (Audit and External Evaluation, page 47).

### **8.3 ADDITIONAL FEES**

Please refer to the Report under the Austrian Corporate Governance Code (Audit and External Evaluation, page 47).

#### 8.4 INFORMATION AND CONTROL INSTRUMENTS PERTAINING TO THE AUDITOR OF THE FINANCIAL STATEMENTS

During the reporting year, the auditor attended two meetings of the Supervisory Board and two meetings of the Audit Committee. The auditor is monitored and evaluated at regular intervals by the Audit Committee of the Supervisory Board.

The Audit Committee makes a proposal for the selection of the auditor and presents the proposal of the Supervisory Board to the Annual General Meeting for voting. The Audit Committee must also meet with the auditor to establish a mutual line of communication. The Audit Committee must also approve non-audit reviews by the auditor (auditor of the consolidated financial statements). Finally, the independence and activities of the auditor are reviewed and monitored, particularly with regard to the additional services provided to the audited company.

The compensation paid to the auditor is reviewed regularly for conformity to market terms and conditions. The lead audit partner for the company rotates every 7 years (internal rotation). By virtue of the implementation of Regulation (EU) No. 537/2014 of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities, KTM Industries must change its auditor by the 2024 financial year at the latest (external rotation).

### 9. INFORMATION POLICY

The company maintains an investor relations area on its website at <https://www.ktm-industries.com/en/investor-relations/overview/>. This is freely accessible and serves as a permanent information source. All important information can be obtained here, as well as documents on the course of business and the share price (price data, shareholder structure, reports, financial calendar, AGM documents).

With effect from May 2, 2017, the shares of the company moved to the standard market auction segment in the Official Market of the Vienna Stock Exchange. As a result, only annual and half-yearly financial reports need to be compiled and published.

As the company's shares are listed in the standard market auction segment of the Official Market of the Vienna Stock Exchange, KTM Industries AG prepared and published annual financial reports and half-yearly financial reports in both German and English in the 2018 financial year.

The annual financial report must be published and made available on the internet (<https://www.ktm-industries.com/en/investor-relations/reports/>) no later than four months after the end of the reporting period. The half-yearly reports must cover the first six months of the financial year and must be published and made available on the internet (<https://www.ktm-industries.com/en/investor-relations/reports/>) no later than two months after the end of the reporting period. Annual reports can also be provided in printed copies or obtained from the website of the Oesterreichische Kontrollbank <http://issuerinfo.oekb.at/startpage.html>.

The company is required to maintain a connection to a suitable Europe-wide electronic information dissemination system and to disseminate via said system, in German and English, the inside information and reports on directors' dealings that must be published under Article 17 of Regulation (EU) No 596/2014. Price-relevant events are publicized promptly via the media and on the website. Inside information concerning KTM Industries AG is available on the websites <https://www.ktm-industries.com/en/newsroom/news/> and <http://issuerinfo.oekb.at/startpage.html> and can also be obtained at <https://www.ktm-industries.com/en/investor-relations/ir-contact/> (Investor Relations email subscription).

The financial calendar of KTM Industries AG, showing key dates in the current financial year, is available at <https://www.ktm-industries.com/en/investor-relations/financial-calendar/>.

Information on the corporate governance of KTM Industries AG (independence requirements for Supervisory Board members, compliance guideline, corporate governance reports, directors' dealings and notices regarding voting rights) is available from the website at <https://www.ktm-industries.com/en/investor-relations/corporate-governance/>.

The company's contact details can be found in the imprint notice at the end of this annual report.



## CONSOLIDATED MANAGEMENT REPORT

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# MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

## AS OF 12/31/2018 OF KTM INDUSTRIES AG, WELS

### 1. SIGNIFICANT EVENTS IN THE 2018 FINANCIAL YEAR

The KTM Industries-Group can look back on a successful financial year in 2018. For the eighth record year in a row, KTM was able to increase sales and revenue and make disproportionate gains in market shares in the major markets. KTM has outperformed the market both in Europe and in North America. In addition, there are further milestones that have had a lasting positive impact on the corporate history: among others, the transitions to series production of 7 new models and the outstanding successes in motorsport. In addition to four series start-ups in the first half of the year – the successful market launches of the first model of the medium range (2-cylinder 800 cm<sup>3</sup>) at KTM and the Husqvarna road models Vitpilen/Svartpilen – the stabilization of the supplier structure was also challenging. The financial year just ended was also shaped by the introduction of an extensive efficiency program, which will be continued consistently in the coming year.

Its globally recognized brands KTM, Husqvarna Motorcycles, and WP make the KTM Industries-Group a technology and market leader in its respective segments. In the 2018 financial year, KTM Industries AG was able to continue its **strong growth** and achieved record revenue of € 1,559.6 million. This corresponds to an increase of € 26.6 million. The KTM Industries-Group thus further expanded its position as the largest European motorcycle manufacturer in the 2018 financial year and, taking into account the motorcycles sold by KTM partner Bajaj in India, achieved record sales of more than 261,454 motorcycles (+10% on the previous year), specifically 212,899 KTM motorcycles sold and 48,555 Husqvarna motorcycles already sold.

At the beginning of 2018, the WP Group as the most important supplier for motorcycle production in Mattighofen was fully integrated into KTM AG in order to secure the further growth of the KTM Industries Group and realize synergy potential. As part of this integration, the lead company “WP Performance Systems GmbH” was renamed “**KTM Components GmbH**”, while keeping the WP brand name for products in the field of suspension. At KTM Components, the **expansion** and development of the Group’s own radiator production site in Dalian, China was largely completed and series production successfully started in the 2018 financial year.

The **implementation of the global product strategy** and the expansion into other Asian and South American markets were consistently pursued in the past financial year and the strategic alliance with the Indian partner Bajaj was further intensified. With the decision to roll out the Husqvarna Motorcycles brand globally and relocate the production of Husqvarna road motorcycles (up to 400 cm<sup>3</sup>) to Pune, India in Q4 2019, KTM will have the opportunity to further increase sales in the emerging markets, especially in the Indian market that is so important for KTM.

The **joint venture** in China founded at the beginning of 2018 with the longstanding partner CF Moto is progressing as planned. The production of mid-range motorcycles in the Chinese city of Hangzhou is planned from 2021 onward.

Since around 95% of **Pankl Racing Systems AG** was already part of the KTM Industries Group, the Executive Board of KTM Industries AG decided at the beginning of 2018 to make an offer to the remaining free float shareholders of Pankl Racing Systems to acquire the shares and to delist the company from the stock exchange. The last trading day for the Pankl shares on the Vienna Stock Exchange was May 30, 2018.

The **sale of the Pankl Group** to the Pierer Industrie Group for € 130.5 million in June 2018 laid the strategic and financial foundation for the KTM Industries Group’s even stronger focus on the two-wheeler industry and strengthened the balance sheet structure of the KTM Industries Group. Wolfgang Plasser, CEO of Pankl Racing Systems AG and Member of the Executive Board of KTM Industries AG, stepped down from the Executive Board of KTM Industries AG during the course of the sale.

An important step in the area of **e-mobility** was taken with the joint venture PEXCO in the area of electric 2-wheelers. Thanks to the successful market entry with the „Husqvarna“ and „Raymon“ brands, the KTM joint venture PEXCO was able to generate revenue of around € 29 million with over 30,000 (electric) 2-wheelers sold in the very first financial year of 2018. The aim is to become a technology leader in the field of zero emissions for lightweight vehicles.

KTM Innovation GmbH was established in March 2018 in order to underpin and strengthen the KTM Industries Group’s expertise in the area of “**digitization**”. This involves working in various technology fields, such as artificial intelligence, big data, blockchain and business modeling, focusing on digital products and services for the core product.

**KTM Technologies** focuses on the development of innovative product concepts and new technologies for sports motorcycles and promising mobility solutions. The development competencies of the company are broadly diversified and, in addition to all-round vehicle expertise, is designed to develop

holistic vehicle and product concepts with groundbreaking technology. Due to the pre-development of the products for the KTM Group, KTM is the largest customer, but also selected external companies are among the customers.

**KISKA Design**, Europe's largest independent design studio, contributes significantly to the company's success. In order to safeguard this important function in the future, the equity holding was increased from 26% to 50% at the turn of the year.

In 2018, around **€ 106 million** was invested in **product development** (incl. tools) for further growth and around € 78 million was invested in plant and infrastructure. **Investments** in plant and infrastructure focused, among other things, on the expansion of the research and development center at the Mattighofen site with an investment volume of approx. € 30 million. Due to the intensive program of investment in recent years in capacities and infrastructure, the required production capacities in Austria are secured for the next few years.

In order to ensure the continuation of the steps taken in the efficiency program and to adjust the term of the Executive Board contracts to reflect the current medium-term planning, the Supervisory Board of KTM Industries AG and KTM AG has prematurely extended the **Executive Board contracts** of Stefan Pierer (CEO), Friedrich Roithner (CFO), Hubert Trunkenpolz (CSO), and Viktor Sigl (CFO of KTM AG), due to expire in spring 2020, by five years until December 31, 2023.

The sensational **successes in motorsport**, which in 2018 represent another milestone in the history of KTM AG, should also be highlighted.

The Red Bull KTM factory rider Matthias Walkner celebrated first place in the **Dakar Rallye** with his KTM 450 RALLY and thus achieved the 17th consecutive victory in the infamous race for KTM. After joining **MotoGP™** in 2017, 2018 was another year of learning for the KTM MotoGP factory team. Impressive progress was made in the past racing season, culminating in the first podium finish for the KTM RC16 ridden by Pol Espargaró in the season finale in Valencia. In the Motocross World Championship, the KTM factory riders secured the title in the MX1 and MX2 series. **U.S. motorsport** also had an exciting year. The Rockstar Energy Husqvarna Factory Racing Team and Jason Anderson made history by securing the AMA Supercross World Championship for the first time. After three World Championship titles in a row, Marvin Musquin and the Red Bull KTM factory team finished the season as runner-up in the World Championship.

## 2. ECONOMY AND MARKET DEVELOPMENT

According to the assessment by the International Monetary Fund (IMF) of January 2019, global economic output will grow by 3.5% in 2019. It forecasts growth of 2.0% for this year and 1.7% for next year in industrialized nations. For the euro area, a development of 1.6% is expected for 2019. For 2020, the IMF anticipates global economic growth of 3.6%, with growth of 1.7% for the euro area.

For emerging markets and developing economies, a growth in economic output of 4.5% and 4.9% is expected for 2019 and 2020, respectively. For China, a growth rate of 6.2% is forecast for 2019 and for 2020. The IMF expects the highest growth rate for India, with a 7.5% increase in economic output for this year and 7.7% for next year. In the USA, growth of 2.5% is expected to remain almost unchanged in 2019, while at 1.8% growth is expected to be lower in 2020.

### MOTORCYCLE MARKET

Compared to the previous year, the **European markets**<sup>1</sup> recorded an increase of 8.1% with around 529,000 registered vehicles. This growth is primarily attributable to developments in the French (+ 12.1%), Italian (+ 13.0%), Spanish (+ 12.9%), and German (+ 7.6%) markets.

KTM and Husqvarna increased their market share of motorcycles registered for road use in Europe to 11.7% (+ 1.3 percentage points year-on-year). Spain (+ 22.6%), the United Kingdom (+ 17.3%), and Germany (+ 13.8%) in particular recorded significant growth in market shares.

<sup>1</sup> Motorcycles >= 120 cm<sup>3</sup> without Motocross, Scooters and ATVs, incl. electric motorcycles in the markets DE, FR, IT, UK, ES, NL, AT, CH, FI

In a difficult market environment, **KTM** brand vehicles were able to increase their market shares in key markets such as Germany (+ 1.2 percentage points year-on-year), the United Kingdom (+ 0.7 percentage points year-on-year), and Spain (+ 1.2 percentage points year-on-year). KTM has a share of 9.4% of the overall European market (previous year: 8.7%).

**Husqvarna Motorcycles** increased its market shares significantly in Germany (+ 0.6 percentage points year-on-year), the United Kingdom (+ 0.9 percentage points year-on-year), France (+ 0.5 percentage points year-on-year), Italy (+ 0.6 percentage points year-on-year), and Spain (+ 0.8 percentage points year-on-year). Husqvarna has a share of 2.2% of the overall European market (previous year: 1.4%).

The number of new registrations in the **overall U.S. market**<sup>2</sup> fell slightly to around 383,000 vehicles in the 2018 financial year (previous year: 391,000 vehicles). KTM and Husqvarna were able to significantly expand their market share in the USA despite the shrinking overall market.

KTM was able to increase its market shares in the overall U.S. market to 6.6%, an increase of 0.5 percentage points compared to the previous year.

Husqvarna increased its market shares in the overall U.S. market by 0.4 percentage points to 2.3%.

Strong growth was also recorded in Australia and Canada. In Australia, KTM and Husqvarna achieved a market share of 14.0% (+ 0.4 percentage points compared to the previous year). In the Canadian market, an 11.2% share (+ 0.6 percentage points compared to the previous year) was achieved.

#### SALES BY REGION

Accounting for 20.2% of sales in the 2018 financial year, the USA remained the largest single market for the KTM Group. Europe accounted for 51.0% of sales, with Germany (11.2%), France (6.9%), the UK (6.1%), Italy (5.8%), Australia (5.1%) and Spain (4.4%) being the strongest sales markets in terms of Group sales. Overall, 68.7% of total sales were generated in the ten most important countries worldwide.

## 3. FINANCIAL PERFORMANCE INDICATORS

EARNINGS RATIOS		2018	2017	CHANGE IN %
Revenue	in € million	1,559.6	1,533.0	2%
EBITDA	in € million	252.5	218.9	15%
EBITDA margin	in %	16.2%	14.3%	
Result from operating activities (EBIT)	in € million	161.2	132.5	22%
EBIT margin	in %	10.3%	8.6%	
Net result after tax	in € million	114.2	83.9	36%
Result after minority interests	in € million	67.5	44.7	51%

STATEMENT OF FINANCIAL POSITION RATIOS		12/31/2018	12/31/2017	CHANGE IN %
Balance sheet total	in € million	1,353.9	1,465.2	-8%
Equity	in € million	550.8	528.6	4%
Equity ratio	in %	40.7%	36.1%	
Working Capital Employed <sup>1)</sup>	in € million	245.3	238.4	3%
Net financial debt <sup>2)</sup>	in € million	323.3	375.0	-14%
Gearing <sup>3)</sup>	in %	58.7%	70.9%	

CASH FLOW AND INVESTMENTS		2018	2017	CHANGE IN %
Cash flow from operations	in € million	85.5	161.3	-47%
Cash flow from investing activity	in € million	-102.1	-154.0	-34%
Cash flow from financing activity	in € million	-63.3	-118.0	-46%
Investments <sup>4)</sup>	in € million	183.6	178.6	3%

<sup>2</sup> Motorcycles >= 120 cm<sup>3</sup> including Motocross, excluding scooters and ATVs, including electric motorcycles

EMPLOYEES		12/31/2018	12/31/2017	CHANGE IN %
Employees <sup>5)</sup>	Number	4,303	5,887	-27%
VALUE CREATION		12/31/2018	12/31/2017	
ROCE (Return on Capital Employed) <sup>6)</sup>	in %	16.6%	13.9%	
ROE (Return on Equity) <sup>7)</sup>	in %	21.2%	17.1%	

1) Working capital = inventory + trade receivables - trade liabilities

2) Net financial debt = financial liabilities (current, non-current) - cash

3) Gearing = net financial debt / equity

4) Additions from property, plant and equipment and intangible assets according to schedule of investments

5) Number of employees on the reporting date (including temporary staff)

6) ROCE: EBIT / average capital employed

Capital employed = property, plant and equipment + goodwill + intangible assets + working capital employed

7) ROE = net result after tax / average equity

## BUSINESS DEVELOPMENT AND ANALYSIS OF THE EARNINGS RATIOS

During the 2018 financial year, the **KTM Industries-Group** achieved revenue of € 1,559.6 million (previous year: € 1,533 million), and a result from operating activities (EBIT) of € 161.2 million, which equates to an increase of around 22% compared with the same period of the previous year (previous year: € 132.5 million). The EBIT margin improved from 8.6% to 10.3% due to the earnings effect of around € 26.2 million arising from the sale of the Pankl Group. The sale of the Pankl Group to the Pierer Industrie Group for a purchase price of € 130.5 million in June 2018 further strengthened the balance sheet structure and reduced net financial debt.

The Group's continuing operations generated revenue of € 1,462.2 million (previous year: € 1,354.1 million) and an EBIT of € 128.7 million (previous year: € 121.9 million). At 8.8%, the EBIT margin from continuing operations was slightly down on the previous year at 9.0%. The decline is mainly due to four series start-ups in the current financial year.

Net result after tax increased from € 83.9 million to € 114.2 million. The continuing operations accounted for € 85.2 million (previous year: € 79.1 million).

As a result of the disposal of the Pankl Group at the end of June 2018 and the integration of the KTM Components Group (formerly: WP Group) into KTM AG, KTM AG as a continuing division of the Group is now the main division of the KTM Industries Group. Due to the integration of the KTM Components Group into KTM AG, the reporting of the KTM Components Group no longer takes place separately, but is included in the figures of KTM AG as of 2018. The previous year's figures have been adjusted to improve comparability.

### KTM AG

The 2018 financial year for KTM AG will go down as another record year in KTM's history. By consistently implementing the global product strategy and expanding into all continents, KTM yet again successfully increased both revenue and sales figures, thereby also achieving new record levels in 2018. KTM has been among the world's fastest growing motorcycle brands for a number of years.

In the 2018 financial year, net revenue rose by 7.7% to € 1,454.7 million (previous year: € 1,351.1 million). This is attributable to the increase in sales volume (+10.6% compared to previous year). Approximately 96% of revenues were earned outside Austria. Thanks to the growth in sales and revenues compared with the previous year, EBIT rose by € 7.7 million to € 129.2 million (previous year: € 121.5 million).

2018 was characterized by four series start-ups. The market launch of the first KTM model of the mid-class series (2-cylinder 800 cm<sup>3</sup>) as well as the HUSQVARNA road models started successfully. The KTM RC 390 was provided with a sports version (RC 390 R). The new KTM-SX generation was presented in May. Furthermore, the revised and improved KTM EXC series of model year 2019 was presented. At the beginning of October, KTM unveiled the tougher, stronger and even more sophisticated new version of its premium sports tourer for the 2019 season, while the KTM 1290 SUPER DUKE R is now available in two new designs. The highly anticipated KTM 790 ADVENTURE and KTM 790 ADVENTURE R followed in November. The completely new series 2 cylinder in this adventure bike was developed together with KTM's Dakar-winning bike (KTM 450 RALLY) and it forms the link between

the Enduros and KTM's 2019 street model series. In addition, the KTM 690 Enduro R and the KTM 690 SMC R of the 2019 model year as well as the new and electrically powered KTM SX-E 5 were presented. Husqvarna Motorcycles heralded the coming model year with three new bikes (Naked Bike Svartpilen 701, Concept Bike Vitpilen Aero, Electric Minicycle EE-5).

#### DISCONTINUED OPERATION

Up until the deconsolidation at the end of June 2018, the **Pankl Group** was able to further increase its revenue and achieved record revenue of € 110.2 million (of which external revenues accounted for € 97.3 million) for the first six months of the current financial year. This corresponds to growth of 9.8% compared with the same period of the previous year. In the previous year (12 months), the Pankl Group achieved revenue of € 195.4 million (including external revenues of € 178.9 million).

In addition to the operating result of the Pankl Group in the first six months of 2018 amounting to € 6.3 million (12 months of previous year: € 10.6 million) and the deconsolidation profit amounting to € 26.2 million (including foreign currency effects of € 1.4 million, which were reclassified from the statement of comprehensive income to the income statement), the discontinued operation achieved an EBIT of € 32.4 million in 2018.

#### STATEMENT OF FINANCIAL POSITION ANALYSIS

The structure of the statement of financial position of the KTM Industries-Group is as follows:

	2018		2017	
	€ million	in %	€ million	in %
Non-current assets	744.6	55.0%	782.1	53.4%
Current assets	609.3	45.0%	683.0	46.6%
<b>Assets</b>	<b>1,353.9</b>	<b>100.0%</b>	<b>1,465.2</b>	<b>100.0%</b>
Equity	550.8	40.7%	528.6	36.1%
Non-current liabilities	434.8	32.1%	461.5	31.5%
Current liabilities	368.3	27.2%	475.1	32.4%
<b>Equity and liabilities</b>	<b>1,353.9</b>	<b>100.0%</b>	<b>1,465.2</b>	<b>100.0%</b>

The balance sheet total of the KTM Industries-Group reduced by € 111.3 million or -8% to € 1,353.9 million compared to the previous year.

The non-current assets decreased in 2018 mainly as a result of the disposal of Pankl by around 16%. When taking account of the level of investment in the remaining company divisions, which continues to exceed amortizations, the non-current assets decreased in total by around 5%.

The current assets increased on the one hand due to the growth-related rise in inventory, trade receivables and the realized cash addition resulting from the sale of the Pankl Group. On the other hand, the disposal of Pankl reduced the current assets. Overall, the current assets decreased by around 11%.

The non-current liabilities decreased on the one hand due to the deconsolidation of the Pankl Group by around 19%, and on the other hand the non-current liabilities increased due to the promissory note loan successfully placed by KTM AG in 2018 with an issue volume of €135.0 million and a term of seven and ten years, respectively. The non-current liabilities decreased around 6%.

The current liabilities were reduced overall by around -22%. The Pankl effect amounts to approximately -9%, the remaining reduction is mainly due to the scheduled redemption of a bond (ISIN: AT0000A0WQ66) in KTM Industries AG in the amount of € -57.8 million.

The equity increased during the financial year by € 22.2 million from € 528.6 million to € 550.8 million. On the one hand, equity was boosted by the net result for the period of € 114.2 million, while on the other hand dividend payments of € 18.6 million and the return of the perpetual bond of € 60.0 million recognized in equity resulted in a reduction of equity. In addition, the acquisition of additional shares in subsidiaries amounting to € 6.2 million and the disposal of minority interests of € 2.2 million as part of the deconsolidation of the Pankl Group reduced equity in the current financial year. The equity ratio increased significantly from 36.1% to 40.7% as a result of the very good earnings position and the optimized balance sheet structure.

## LIQUIDITY ANALYSIS

Cash flow from operating activities amounted to € 85.5 million in the 2018 financial year, down from € 161.3 million in the previous year, due in particular to the increase in net current assets of € 82.8 million. This increase was very largely due to one-off effects from unplanned changes in the production program and will again return to a normal level in the coming year.

The cash outflow due to investments was € -102.1 million. Payments received from the sale of the Pankl Group of € 58.5 million (including disposed cash of the Pankl Group of € 9.1 million) and the planned sale of the remaining shares in the Wethje Group worth € 3.7 million had a positive effect on the investment cash flow.

After taking into account the cash flow from financing activities amounting to € -63.3 million, cash and cash equivalents decreased by € 79.7 million (including foreign currency effects of € 0.3 million) to € 89.3 million compared to the previous year. The financing cash flow was characterized on the one hand by the placement of a new promissory note loan less transaction costs in the amount of € 134.6 million at KTM AG. On the other hand, the KTM Industries Group redeemed promissory note loans totaling € 45.0 million and other long-term interest-bearing liabilities totaling € 84.4 million. In addition, the bond in KTM Industries AG in the amount of € 57.8 million was redeemed as scheduled.

## INVESTMENTS

In the past financial year, **total investments** of € 183.6 million (previous year: € 178.6 million) were made in the KTM Industries Group, of which € 105.8 million related to development projects (including tools), € 65 million to property, plant and equipment, and € 12.5 million to intangible assets.

At **KTM AG**, the expansion of the research and development center at the Mattighofen site with an investment volume of approx. € 30 million was completed in the course of the financial year. The construction of the “House of Brands” for marketing and sales of the Group brands KTM, Husqvarna Motorcycles, and WP at the Munderfing site is progressing rapidly. The work is scheduled to be completed in the 2019 financial year. The new KTM Motohall, a digital experience exploring the history of the KTM brand in a central location in Mattighofen, is expected to open its doors in the second quarter of 2019.

The Pankl Group's investments in the first half of 2018 amounted to around € 16 million.

# 4. NON-FINANCIAL REPORT

The company drew up a consolidated non-financial report for the KTM Industries-Group in accordance with Section 267a of the Austrian Commercial Code (UGB) for the 2018 financial year, which contains information on concepts, non-financial risks, due diligence processes, and results and performance indicators relating to environmental, social and employee interests, observance of human rights, and the tackling of corruption and bribery. This report was audited by the Supervisory Board in accordance with Section 96 of the Austrian Stock Corporations Act and is available online at <https://www.ktm-industries.com/en/investor-relations/reports/>.

## RESEARCH AND DEVELOPMENT

In the 2018 financial year, the expenses for research and development (before capitalization of development costs) in the **KTM Industries Group** was € 134.9 million (previous year: € 127.8 million). Continuing business operations account for € 126.4 million (previous year: € 112.5 million). The products of all group companies are associated with a very high performance level; customers therefore have expectations of continuous (further) development. The product life cycle is very different for each customer.

In the Research and Development department, **KTM AG** employed an average of 555 employees in the 2018 financial year (previous year: 540 employees), representing 13.4% of the total workforce. Around 8.3% of total revenues were invested in research and development (unchanged from the previous year).

The financial year just ended saw a multitude of different projects in the off-road and street segments in operative KTM. First and foremost is the transition to series production of the first KTM model equipped with a two-cylinder in-line engine, the 790 Duke. On the basis of this engine and vehicle platform, the development of the 790 Adventure model series in the travel segment was continued in 2018.

Another milestone was reached with the transition to series production of three new models of Husqvarna street motorcycles. The models equipped with powerful single-cylinder engines expand the product range of the sister brand Husqvarna, which was integrated into the KTM Group in 2013, in the important street segment.

Following the KTM brand motto "READY TO RACE", the KTM and Husqvarna Offroad models, which were victoriously tested as part of the global commitment to motorsport, were subjected to their final stress tests and, after successful transition to series production, delivery to customers around the world began. The zero-emission models, the SX-E 5 and the Husqvarna EC 5, are particularly noteworthy in the offroad entry-level segment.

During the 2018 financial year, numerous R&D projects were advanced at various stages from straight concept development to the start of series production and successfully completed.

The tighter integration of **KTM Components GmbH** with the KTM Group, which began in 2016 and was intensified in the following years, has resulted in close collaboration in the field of research and development. New developments and improvements to the existing product range are constantly being made, in conjunction with KTM, in the chassis, radiator, frame and exhaust product segments.

Alongside the development of new models and technical accessories, the expansion of the R&D infrastructure at the Mattighofen site was also intensified. The expansion of the research and development center of the KTM Group at the headquarters in Mattighofen marks a milestone in the corporate history. The office and workshop areas covering a total area of around 3,900 m<sup>2</sup> were occupied back in the second quarter of 2018. At the beginning of the third quarter of 2018, the first three engine test benches were also put into operation, as were an acoustic roller testing facility and a significantly enlarged operational strength test field over a total area of around 5,000 m<sup>2</sup> in the fourth quarter.

## 5. RISK REPORT AND FINANCIAL INSTRUMENTS

Regarding the risk report and the internal controlling and risk management system relating to the financial reporting process as well as financial instruments, please refer to the explanations in the notes to the consolidated financial statements (Chapters VII and VIII) of KTM Industries AG.

## 6. DECLARATION PURSUANT TO SECTION 243A (PARA. 1) OF THE AUSTRIAN COMMERCIAL CODE (UGB)

1. The share capital is EUR 22,538,674, and is divided into 22,538,674 bearer shares with voting rights, where every ordinary share has an equal stake in the share capital. The shares grant the rights that are usually due to stockholders under the Austrian Stock Corporation Act. These include the right to payout of the dividend resolved upon at the Annual General Meeting as well as the right to vote at the Annual General Meeting. All the company's shares are admitted for trading on the Vienna Stock Exchange. The company's shares have also been listed on the SIX SWISS EXCHANGE (Zurich, Switzerland) since November 14<sup>th</sup> 2016.
2. The Executive Board is not aware of any restrictions in respect to voting rights or the transfer of shares.
3. As far as the company is aware, the following had a direct or indirect equity holding of at least 10% in the share capital of KTM Industries AG as at December 31<sup>st</sup> 2018:

Pierer Industries AG: 61.88%

4. There are no shares with special control rights.
5. There is currently no employee participation scheme in place.
6. There are no additional provisions with respect to members of the Executive and Supervisory Boards above and beyond what is required by the law.
7. Authorizations to issue or repurchase shares:

The following resolutions were adopted during the Annual General Meeting of April 27, 2017:

- a) The authorization of the Executive Board, subject to the agreement of the Supervisory Board, until April 1<sup>st</sup> 2022 to issue financial instruments in the sense of Section 174 of the Austrian Stock Corporations Act, particularly convertible bonds, participating bonds and special dividend rights, with a nominal total of EUR 150 million, which may also grant pre-emption rights and/or the option of exchange on the acquisition of up to a total of 25 million shares in the company and/or are organized in such a way that they may be reported as equity, also in multiple tranches and in different combinations.
- b) The Executive Board may use the conditional capital and/or treasury shares to fulfill options of exchange and or pre-emption rights.
- c) The issue amount and issue conditions of the financial instruments are to be set by the Executive Board, subject to the agreement of the Supervisory Board, whereby the issue amount is to be determined according to recognized mathematical methods used in finance and the price of shares in the company in a recognized pricing procedure.
- d) The Executive Board is authorized to exclude the pre-emption rights of shareholders to financial instruments in the sense of Section 174 AktG with the agreement of the Supervisory Board.
- e) The conditional increase of the company share capital in accordance with Section 159, paragraph 2, no. 1 AktG by up to EUR 25 million by issuing up to 25 million no-par value bearer shares (ordinary shares) for issue to creditors of financial instruments in accordance with Section 174 AktG, which are issued using the company's authorization granted in this Annual General Meeting, in so far as the creditors of the financial instruments make use of their options of exchange and/or pre-emption rights on company shares. The issue price and the conversion ratio shall be determined according to a recognized pricing procedure, following accepted financial mathematical methods and based on the company's share price. The newly issued shares of the conditional capital increase have the same dividend entitlement as the pre-existing shares of the company. The Executive Board, subject to the approval of the Supervisory Board, is authorized to determine the further details of the execution of the conditional capital increase. The Supervisory Board is authorized to pass amendments to the articles of association that may arise due to the issue of shares from the conditional capital.
- f) The Executive Board shall be authorized in accordance with Section 65, paragraph 1, no. 8 and paragraphs 1a and 1b AktG to acquire bearer shares of the company equal to no more than 10% of the company share capital during a validity period of 30 months from the date of the resolution, both via and outside of the stock market, whereby the lowest equivalent value must not be more than 20% below and the highest equivalent value more than 10% above the average closing price in the last 3 trading days before acquisition of the shares. The trade in treasury shares is excluded as the purpose of the acquisition. The authorization may be exercised wholly or partially, or in multiple smaller amounts and for the pursuit of one or more purposes, by the company, by subsidiaries or for the account of the company by third parties.
- g) The Executive Board may decide to acquire via the stock market, but the Supervisory Board must be informed of this decision later. Acquisition outside of the stock market requires the prior agreement of the Supervisory Board.
- h) The Executive Board shall be authorized for five years from the date of resolution in accordance with Section 65, paragraph 1b AktG, subject to the agreement of the Supervisory Board, to decide on a different type of disposal to that via the stock market or via public offering for the disposal and use of treasury shares, subject to proper application of the rules on overriding the pre-emption rights of shareholders, and to set the conditions of disposal. The authorization may be exercised wholly or partially, or in multiple smaller amounts and for the pursuit of one or more purposes, by the company, by a subsidiary or for the account of the company by third parties, particularly as consideration in the acquisition of companies, businesses, parts of businesses or shares in one or more companies within Austria or in other countries.

- i) The Executive Board shall also be authorized, subject to agreement of the Supervisory Board, to reduce the share capital if necessary by redeeming these treasury shares without a further resolution adopted at the General Meeting in accordance with Section 65, paragraph 1, no. 8, last sentence in conjunction with Section 122 AktG. The Supervisory Board is authorized to pass amendments to the Articles of Association that may arise due to the redemption of shares.

The following resolutions were adopted during the Annual General Meeting of April 26<sup>th</sup> 2018:

- a) The Executive Board is authorized in accordance with Section 169 of the Austrian Stock Corporation Act (AktG), until April 26, 2023, to increase the share capital of the company from EUR 22,538,674.00 by up to EUR 11,269,337.00 to up to EUR 33,808,011.00 with the consent of the Supervisory Board by issuing, in several tranches if necessary, up to 11,269,337 no-par-value bearer shares in return for cash contributions and/or contributions in kind and to determine the initial offering price and the terms and conditions of the issue and the further details of implementing the capital increase in agreement with the Supervisory Board and if need be to offer the new shares to the shareholders for subscription by way of the indirect subscription right pursuant to Section 153 (6) of the Austrian Stock Corporation Act (AktG).
- b) The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in full or in part
- (i) if the capital increase takes place in return for cash contributions and in total the proportion of the company's share capital which can be apportioned to the shares issued in return for cash contributions with no subscription right does not exceed the limit of 10% (ten per cent) of the share capital of the company at the time of granting,
  - (ii) if the capital increase takes place in return for contributions in kind,
  - (iii) to take up an over-allotment (greenshoe) option, and/or
  - (iv) to compensate for fractional amounts.
8. Any agreements on the part of the company which would take effect, change or cease to apply in the case of a change in the controlling interest in the company as a result of a public takeover offer, or the effects thereof, will not be disclosed by the company due to the fact that it would considerably harm the company.
9. There are no compensation agreements between the company and its Executive Board and Supervisory Board members or employees in the case of a public takeover bid.

## 7. OUTLOOK

### BUSINESS DEVELOPMENT

KTM expects the European motorcycle market to consolidate in 2019. A further market decline is expected for the American market. Despite a still volatile and very challenging market environment, the development strategy of the **KTM Industries Group** continues to focus on organic growth. Among other things, this will be achieved by expanding the existing dealer network and introducing new products. The efficiency program launched in 2018 will be systematically continued in 2019. The goal is to maintain the EBIT margin and increase the free cash flow potential to 3-5% of revenue (p.a.).

With the transfer of the production of Husqvarna road motorcycles up to 400 cm<sup>3</sup> to the strategic partner Bajaj planned in Q4 2019, KTM expects a continuation of its growth course. This will enable Husqvarna brand entry-level motorcycles to be produced with competitive production costs, further increasing sales in the emerging markets. The relocation to India also creates additional free production capacities in Mattighofen. The new KTM model – KTM ADVENTURE 390 – is also expected to generate additional growth in the emerging markets; series production at Bajaj will also start in Q4 2019.

KTM expects the highest relative growth rates above all in the ASEAN region and in India. A representative office in Malaysia and the Philippines is planned to strengthen the market presence in this region.

In addition to the pre-development of the products for the KTM Group, KTM Technologies has for many years focused on the design and development of complete vehicles with electric drive. This area continues to develop very dynamically and will again be a focal point in 2019.

KTM Industries AG confirms its sales target of 400,000 motorcycles for 2022. In addition, KTM has set itself the goal of developing Husqvarna Motorcycles into the third largest European motorcycle manufacturer.

## MOTORSPORT

KTM will again be heavily involved in motorsport in 2019. Alongside the well-known racing series in the offroad segment and the Dakar Rallye, the focus will be on our third season of MotoGP. In 2019, the Red Bull KTM factory team with riders Pol Espargaró and Johann Zarco will compete in the MotoGP racing series. In addition, a satellite team in the form of the Red Bull KTM Tech 3 team will be equipped for the first time, so that a total of four KTM motorcycles will participate in the MotoGP. With the Moto2 and Moto3 series, KTM will therefore be represented in all three racing series. KTM also continued its incredible success story in the infamous Dakar Rallye race. In January 2019, Red Bull KTM factory rider Toby Price secured an incredible 18th consecutive victory with his new KTM 450 RALLY.

## INVESTMENTS

The investment focus for 2019 will be on new series development projects in particular. Investments in research & development will remain at the high level of previous years. The completion of the "House of Brands" for the marketing and sales of the Group brands KTM, Husqvarna Motorcycles and WP at the Munderfing site and the opening of the KTM Motohall are planned for the 2019 financial year.

Due to the intensive program of investment in recent years in capacities and infrastructure and the shifting of the low-volume Husqvarna road models to the strategic partner Bajaj in 2019, the required production capacities in Austria are secured for the next few years. As a result, the investment budget for 2019 will be below the level of the previous year.

## ORDER AND FINANCIAL SITUATION

Based on the current order situation, in its assessment the management expects a continuing positive development of business performance in the 2019 financial year. As in recent years, markets will also develop differently across the different continents in the future. For that reason, importance is attached to the continuous review and critical evaluation of the market, productivity and cost situation to allow implementation of any necessary immediate measures to stabilize the target earnings position. Another focus in 2019 will be the stabilization of the supply structure.

Overall, a positive outlook can be provided for the 2019 financial year for all business divisions of the KTM Industries Group, with revenue growth of 1-5% expected in 2019.

Wels, March 7, 2019

The Executive Board of KTM Industries AG



Stefan Pierer  
CEO



Friedrich Roithner  
CFO



Hubert Trunkenpolz  
CSO

# CONSOLIDATED FINANCIAL REPORT

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# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR FROM 1/1/2018 THROUGH 12/31/2018

EURK	NOTES NO.
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Production costs of the services provided to generate the revenue	9
<b>Gross profit from sales</b>	
Selling and racing expenses	10
Research and development expenses	11
Administration expenses	12
Other operating expenses	13
Other operating income	14
Earnings from at-equity holdings	15
<b>Result from operating activities</b>	
Interest income	16
Interest expenses	16
Other financial and investment income (expenses)	16
<b>Result before taxes</b>	
Income taxes	17
<b>Profit or loss for the financial year</b>	
thereof owners of the parent company	
thereof non-controlling shareholders	
<b>Undiluted (=diluted) earnings per share (EUR)</b>	18

Presentation of income statement in accordance with IAS 1

	2018				2017			
	Continued operation of the Group	Discontinued operation (IFRS 5)		Total	Continued operation of the Group	Discontinued operation (IFRS 5)		Total
		Operating activities	Result from the sale			Operating activities	Result from the sale	
	1,462,231	97,342	0	1,559,573	1,354,056	178,942	0	1,532,998
	-1,029,308	-66,018	0	-1,095,326	-944,748	-122,747	0	-1,067,495
	<b>432,923</b>	<b>31,324</b>	<b>0</b>	<b>464,247</b>	<b>409,308</b>	<b>56,195</b>	<b>0</b>	<b>465,503</b>
	-171,827	-6,335	0	-178,162	-164,997	-11,638	0	-176,635
	-27,105	-8,067	0	-35,172	-34,196	-13,554	0	-47,750
	-71,047	-12,704	0	-83,751	-60,401	-22,566	0	-82,967
	-29,659	-122	0	-29,781	-31,783	-113	0	-31,896
	370	2,194	26,150	28,714	3,943	2,270	0	6,213
	-4,925	0	0	-4,925	69	0	0	69
	<b>128,730</b>	<b>6,290</b>	<b>26,150</b>	<b>161,170</b>	<b>121,943</b>	<b>10,594</b>	<b>0</b>	<b>132,537</b>
	3,443	32	0	3,475	2,155	72	0	2,227
	-18,495	-885	0	-19,380	-12,672	-1,941	0	-14,613
	-1,363	-437	0	-1,800	-2,170	-930	0	-3,100
	<b>112,315</b>	<b>5,000</b>	<b>26,150</b>	<b>143,465</b>	<b>109,256</b>	<b>7,795</b>	<b>0</b>	<b>117,051</b>
	-27,132	352	-2,500	-29,280	-30,189	-2,960	0	-33,149
	<b>85,183</b>	<b>5,352</b>	<b>23,650</b>	<b>114,185</b>	<b>79,067</b>	<b>4,835</b>	<b>0</b>	<b>83,902</b>
	41,097	5,334	21,037	67,468	39,798	4,888	0	44,686
	44,086	18	2,613	46,717	39,269	-53	0	39,216
	1.82	0.24	0.93	2.99	1.77	0.22	0.00	1.98

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR FROM 1/1/2018 THROUGH 12/31/2018

EURK	NOTES NO.
<b>Profit or loss for the financial year</b>	
<b>Items reclassified to profit or loss or which can be subsequently reclassified</b>	
Foreign currency translation re foreign subsidiaries	31
Foreign currency translation re investments accounted for using the equity method	24,31
Foreign currency translation re net investments in foreign operations	31
Deferred tax on foreign currency translation re net investments in foreign operations	31
Valuation of cash flow hedges	31
Deferred tax on valuation of cash flow hedges	31
<b>Items not reclassified to profit or loss</b>	
Revaluation of net debt from defined benefit plans	31, 33
Tax effect	
<b>Other net result after tax</b>	
<b>Total comprehensive income</b>	
thereof owners of the parent company	
thereof non-controlling shareholders	

Presentation of comprehensive income statement in accordance with IAS 1

	2018				2017			
	Continued operation of the Group	Discontinued operation (IFRS 5)		Total	Continued operation of the Group	Discontinued operation (IFRS 5)		Total
		Operating activities	Result from the sale			Operating activities	Result from the sale	
	<b>85,183</b>	<b>5,352</b>	<b>23,650</b>	<b>114,185</b>	<b>79,067</b>	<b>4,835</b>	<b>0</b>	<b>83,902</b>
	631	644	-1,371	-96	-2,880	-2,387	0	-5,267
	-121	0	0	-121	-141	0	0	-141
	0	0	0	0	-803	-371	0	-1,174
	0	0	0	0	201	0	0	201
	-2,847	0	0	-2,847	8,692	0	0	8,692
	712	0	0	712	-2,173	0	0	-2,173
	<b>-1,625</b>	<b>644</b>	<b>-1,371</b>	<b>-2,352</b>	<b>2,896</b>	<b>-2,758</b>	<b>0</b>	<b>138</b>
	-1,126	0	0	-1,126	361	1	0	363
	282	0	0	282	-90	0	0	-91
	<b>-845</b>	<b>0</b>	<b>0</b>	<b>-845</b>	<b>271</b>	<b>1</b>	<b>0</b>	<b>272</b>
	<b>-2,470</b>	<b>644</b>	<b>-1,371</b>	<b>-3,197</b>	<b>3,167</b>	<b>-2,757</b>	<b>0</b>	<b>410</b>
	<b>82,713</b>	<b>5,996</b>	<b>22,279</b>	<b>110,988</b>	<b>82,234</b>	<b>2,078</b>	<b>0</b>	<b>84,312</b>
	39,845	5,983	23,561	69,389	41,456	2,282	0	43,738
	42,868	13	-1,282	41,599	40,778	-204	0	40,574

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

EURK	NOTES NO.	12/31/2018	12/31/2017
<b>Assets:</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	21	283,353	357,324
Goodwill	23	96,172	117,125
Intangible assets	22	326,561	279,589
Investments accounted for using the equity method	24	26,138	15,050
Deferred tax assets	25	3,026	7,483
Other non-current assets	26	9,354	5,554
		<b>744,604</b>	<b>782,125</b>
<b>Current assets:</b>			
Inventories	27	286,530	296,950
Trade receivables	28	149,357	120,305
Receivables and other assets	29	70,539	95,255
Tax refund claims		13,499	1,450
Cash and cash equivalents	30	89,347	169,068
		<b>609,272</b>	<b>683,028</b>
		<b>1,353,876</b>	<b>1,465,153</b>

EURK	NOTES NO.	12/31/2018	12/31/2017
<b>Equity and liabilities:</b>			
<b>Equity:</b>			
Share capital	31	22,539	225,387
Capital reserves	31	9,949	9,949
Perpetual bond	31	0	69,453
Other reserves including retained earnings	31	264,933	13,176
<b>Equity of the owners of the parent company</b>		<b>297,421</b>	<b>317,965</b>
Non-controlling interests	31	253,355	210,614
		<b>550,776</b>	<b>528,579</b>
<b>Non-current liabilities:</b>			
Financial liabilities	32	339,449	372,541
Liabilities for employee benefits	33	25,036	24,001
Deferred tax liabilities	25	63,039	53,455
Other non-current liabilities	34	7,303	11,479
		<b>434,827</b>	<b>461,476</b>
<b>Current liabilities:</b>			
Financial liabilities	32	73,163	171,494
Trade payables		190,611	178,464
Provisions	35	14,731	11,996
Tax liabilities		2,864	14,153
Other current liabilities	34	86,904	98,991
		<b>368,273</b>	<b>475,098</b>
		<b>1,353,876</b>	<b>1,465,153</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR FROM 01/01/2018 THROUGH 12/31/2018

EURK	NOTES NO.	2018	2017
<b>Operations</b>			
<b>Profit or loss for the financial year</b>		<b>114,185</b>	<b>83,902</b>
+ (-) Interest expenses / interest income	16	15,905	12,386
+ Tax expenses	17	29,280	33,149
+ Depreciation/amortization of property, plant and equipment and intangible assets	21,22	91,317	86,400
+ (-) Addition (reversal) of non-current liabilities for employee benefits		1,194	554
(-) + Profit (loss) from equity consolidation	15	4,925	-69
(-) + Profit (loss) from the sale of fixed assets		-215	-83
+ (-) Other non-cash expenses (income)	VI	-37,950	-8,290
+ Interest received		3,476	2,204
- Interest payments		-18,508	-15,378
- Tax payments		-35,623	-10,260
+ Dividends received		234	156
<b>Gross cash flow</b>		<b>168,220</b>	<b>184,671</b>
- (+) Increase (decrease) in inventories		-57,552	-35,665
- (+) Increase (decrease) in trade receivables, advance payments, other current and non-current assets		-26,068	-43,883
+ (-) Increase (decrease) in trade payables, advance payments and other current and non-current liabilities		858	56,152
<b>Increase (decrease) in the net current assets</b>		<b>-82,762</b>	<b>-23,396</b>
<b>Cash flow from operations</b>		<b>85,458</b>	<b>161,275</b>
of which discontinued operation		-7,853	9,283

EURK	NOTES NO.	2018	2017
<b>Investing activity</b>			
- Payments for the acquisition of intangible assets and property, plant and equipment	21, 22	-158,292	-172,991
- Payments for the acquisition of financial assets	24	-8,671	-9,481
+ Receipts from the sale of intangible assets and property, plant and equipment		9,727	2,144
+ Receipts from the disposal of financial assets	24, 26, 29	3,680	25,064
+ Dividends received		0	183
+ (-) Changes to the scope of consolidation	7	57,056	1,070
+ (-) Payments / receipts from other assets		-5,618	0
<b>Cash flow from investing activity</b>		<b>-102,118</b>	<b>-154,011</b>
of which discontinued operation		42,636	-35,302
<b>Free cash flow</b>		<b>-16,660</b>	<b>7,264</b>
<b>Financing activity</b>			
- Dividend payments to third parties		-18,569	-20,489
+ (-) Disposal / acquisition of non-controlling interests	31	-6,195	-151
+ Taking out a promissory note loan	32	134,595	0
+ Taking out a perpetual bond	49	0	10,000
+ Taking out non-current interest-bearing liabilities	VI	32,147	49,969
+ Receipt from repayment of own bond	VI	0	1,900
- Repayment of bond	VI	-57,800	-95,000
- Repayment of promissory note loan	VI	-45,000	-32,000
- Repayment of research loan	VI	-18,750	-13,125
- Repayment of non-current interest-bearing liabilities	VI	-65,633	-17,922
- Repayment of finance lease liability	VI	-2,606	-833
+ (-) Change in other current financial liabilities	VI	-15,444	1,488
+ (-) Decrease from other financing activities		-81	-1,792
<b>Cash flow from financing activity</b>		<b>-63,336</b>	<b>-117,955</b>
of which discontinued operation		14,356	26,210
<b>Total cash flow</b>		<b>-79,996</b>	<b>-110,691</b>
+ Opening balance of liquid funds within the Group		169,068	283,578
+ (-) Effect of foreign currency fluctuations		275	-3,819
<b>Closing balance of liquid funds within the Group</b>	<b>VI</b>	<b>89,347</b>	<b>169,068</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EURK	NOTES NO.
<b>Balance as of January 1, 2018</b>	
Amendments due to the initial application of IFRS 15	
Amendments due to the initial application of IFRS 9	
<b>Balance as of January 1, 2018 after amendments</b>	
Profit or loss for the financial year	
Other comprehensive income	31
<b>Total comprehensive income</b>	
<b>Transactions with shareholders</b>	
Dividends to third parties	
Perpetual bond	31
Acquisition / disposal of shares to subsidiaries	31
Capital measures	31
Deconsolidation of Pankl Racing Systems AG	7
Miscellaneous	
<b>Balance as of December 31, 2018</b>	

EURK	NOTES NO.
<b>Balance as of January 1, 2017</b>	
Profit or loss for the financial year	
Other comprehensive income	31
<b>Total comprehensive income</b>	
<b>Transactions with shareholders</b>	
Dividends to third parties	
Perpetual bond	31
Acquisition / disposal of shares to subsidiaries	31
Miscellaneous	
<b>Balance as of December 31, 2017</b>	

EQUITY OF THE OWNERS OF THE PARENT COMPANY							Total	Shares of non-controlling shareholders	Total consolidated equity
Share capital	Capital reserves	Perpetual bond	Reserves including total earnings	Reserve in accordance with IFRS 9	Adjustment items currency translation				
<b>225,387</b>	<b>9,949</b>	<b>69,453</b>	<b>15,166</b>	<b>1,769</b>	<b>-3,759</b>	<b>317,965</b>	<b>210,614</b>	<b>528,579</b>	
0	0	0	597	0	0	597	53	650	
0	0	0	57	0	0	57	-16	41	
<b>225,387</b>	<b>9,949</b>	<b>69,453</b>	<b>15,820</b>	<b>1,769</b>	<b>-3,759</b>	<b>318,619</b>	<b>210,651</b>	<b>529,270</b>	
0	0	0	67,468	0	0	67,468	46,717	114,185	
0	0	0	-446	-1,070	3,437	1,921	-5,118	-3,197	
<b>0</b>	<b>0</b>	<b>0</b>	<b>67,022</b>	<b>-1,070</b>	<b>3,437</b>	<b>69,389</b>	<b>41,599</b>	<b>110,988</b>	
0	0	0	-6,762	0	0	-6,762	-11,807	-18,569	
0	0	-60,000	-2,877	0	0	-62,877	0	-62,877	
0	0	0	-21,078	0	0	-21,078	14,883	-6,195	
-202,848	0	0	202,848	0	0	0	0	0	
0	0	-9,453	9,453	0	0	0	-2,242	-2,242	
0	0	0	131	0	0	131	271	402	
<b>22,539</b>	<b>9,949</b>	<b>0</b>	<b>264,556</b>	<b>699</b>	<b>-322</b>	<b>297,421</b>	<b>253,355</b>	<b>550,776</b>	

EQUITY OF THE OWNERS OF THE PARENT COMPANY							Total	Shares of non-controlling shareholders	Total consolidated equity
Share capital	Capital reserves	Perpetual bond	Reserves including total earnings	Reserve in accordance with IAS 39	Adjustment items currency translation				
<b>225,387</b>	<b>9,949</b>	<b>60,000</b>	<b>-20,182</b>	<b>-1,588</b>	<b>721</b>	<b>274,287</b>	<b>180,651</b>	<b>454,938</b>	
0	0	0	44,686	0	0	44,686	39,216	83,902	
0	0	0	175	3,357	-4,480	-948	1,358	410	
<b>0</b>	<b>0</b>	<b>0</b>	<b>44,861</b>	<b>3,357</b>	<b>-4,480</b>	<b>43,738</b>	<b>40,574</b>	<b>84,312</b>	
0	0	0	-9,762	0	0	-9,762	-10,727	-20,489	
0	0	9,453	0	0	0	9,453	547	10,000	
0	0	0	-110	0	0	-110	-41	-151	
0	0	0	359	0	0	359	-390	-31	
<b>225,387</b>	<b>9,949</b>	<b>69,453</b>	<b>15,166</b>	<b>1,769</b>	<b>-3,759</b>	<b>317,965</b>	<b>210,614</b>	<b>528,579</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE 2018 FINANCIAL YEAR

### I. GENERAL INFORMATION

#### 1. COMPANY INFORMATION

The KTM Industries Group is Europe's largest manufacturer of motorcycles with a focus on highly innovative sports motorcycles and electric mobility. Its globally recognized brands KTM, Husqvarna Motorcycles, and WP make it a technology and market leader in its respective segments.

KTM Industries AG has its headquarters at Edisonstrasse 1, 4600 Wels, and is registered in the commercial register at the Provincial as Commercial Court of Wels, under the registration number FN 78112 x. The company is part of the same group as Pierer Konzerngesellschaft mbH, Wels (ultimate group parent company) and its affiliates, and is included within the consolidated financial statements of that group. These consolidated financial statements are filed with the Provincial Court of Wels in its capacity as Commercial Court under file number FN 134766 k and are the consolidated financial statements for the largest scope of consolidation.

The stocks of KTM Industries AG are listed on the "Swiss Performance Index (SPI)" of the SIX Swiss Exchange in Zurich and on the Vienna Stock Exchange in the "standard market auction" segment.

#### 2. PRINCIPLES OF FINANCIAL REPORTING

The consolidated financial statements for the period from January 1 to December 31<sup>st</sup> 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), insofar as they are applied within the European Union. The additional requirements stipulated by sec. 245a para. 1 of the Austrian Commercial Code (UGB) were also met in this context.

The financial reporting of the entities included within the consolidated financial statements is based on uniform financial reporting rules. These principles were applied by all consolidated entities. The consolidated entities prepared their annual financial statements as at the consolidated balance sheet reporting date of December 31<sup>st</sup>.

In the 2018 financial year, the disclosure of expenses in connection with a sales promotion program in North America was analyzed and amended as follows. In addition to a service component, the total expenses of the program also include a financing component. The financing portion in the amount of EUR 5,865k (previous year: EUR 3,267k) was therefore reported under interest expenses in the 2018 financial year. In the previous year, this appeared under production costs.

The financial statements of all major domestic and foreign entities included in the company's financial statements by full consolidation for which an audit is required by national regulations or was performed voluntarily were audited by independent certified public accountants, and unqualified audit opinions were issued on them.

The figures in the consolidated financial statements are reported in the functional currency of the group parent, the euro. Unless specifically indicated, all amounts are rounded to the nearest 1,000 euros (EUR k), which may give rise to rounding differences. The use of automated calculating tools may result in rounding differences with accumulation of rounded figures and with percentages.

### 3. NEWLY APPLIED STANDARDS AND INTERPRETATIONS

The table below shows the standards and interpretations mandatorily applied for the first time that had also already been endorsed by the European Commission as of December 31<sup>st</sup> 2018:

First-time application	New standards and interpretations	Published by the IASB
January 1 <sup>st</sup> 2018		
	IFRS 15 Revenue from Contracts with Customers	May 28 <sup>th</sup> 2014
	IFRS 9 Financial Instruments	July 24 <sup>th</sup> 2014
	Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 12 <sup>th</sup> 2016
	Amendments to IFRS 15: Clarification of IFRS 15 Revenue from Contracts with Customers	April 12 <sup>th</sup> 2016
	Annual Improvements to IFRS 2014–2016: Amendments to IFRS 1 and IAS 28	December 8 <sup>th</sup> 2016
	Amendments to IAS 40: Amended by Transfers of Investment Property	December 8 <sup>th</sup> 2016
	Amendments to IFRS 2: Classification and measurement of share based payment transactions	June 20 <sup>th</sup> 2016
	IFRIC 22: Foreign Currency Transactions and Advance Consideration	December 8 <sup>th</sup> 2016

The application for the first time of the standards **IFRS 9 and IFRS 15** has **effects** on the consolidated financial statements of KTM Industries AG. The table below contains a summary of the effects on accounting of the two standards **as of January 1<sup>st</sup> 2018**:

Group statement of financial position EURk	12/31/2017 Reported	Amendments in accordance with		01/01/2018 Adjusted
		IFRS 9	IFRS 15	
Inventories	296,950	0	-1,811	295,139
Trade receivables	120,305	13	2,677	122,995
Miscellaneous	265,773	0	0	265,773
<b>Currents assets</b>	<b>683,028</b>	<b>13</b>	<b>866</b>	<b>683,907</b>
Deferred tax assets	7,483	34	-121	7,396
Miscellaneous	774,642	0	0	774,642
<b>Non-current assets</b>	<b>782,125</b>	<b>34</b>	<b>-121</b>	<b>782,038</b>
<b>ASSETS</b>	<b>1,465,153</b>	<b>47</b>	<b>745</b>	<b>1,465,945</b>
<b>Current liabilities</b>	<b>475,098</b>	<b>0</b>	<b>0</b>	<b>475,098</b>
Deferred tax liabilities	53,455	6	95	53,556
Miscellaneous	408,021	0	0	408,021
<b>Non-current liabilities</b>	<b>461,476</b>	<b>6</b>	<b>95</b>	<b>461,577</b>
<b>Equity</b>	<b>528,579</b>	<b>41</b>	<b>650</b>	<b>529,270</b>
<b>EQUITY AND LIABILITIES</b>	<b>1,465,153</b>	<b>47</b>	<b>745</b>	<b>1,465,945</b>

The two standards IFRS 9 and IFRS 15, which must be applied in the EU with effect from January 1<sup>st</sup> 2018, and their effects on the consolidated financial statements of KTM Industries AG are described below:

#### ▪ IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 (Revenue from Contracts with Customers) was applied in the KTM Industries Group for the first time in the financial year commencing on January 1<sup>st</sup> 2018. This results in retrospective restatements for the consolidated financial statements which have been reflected in the equity in accordance with the transitional regulations as of January 1<sup>st</sup> 2018. Accordingly, there was no adjustment of the comparison periods shown.

Essentially the initial application of IFRS 15 resulted in an adjustment to the time for revenue realization in the area of make-to-order production. Revenues are now recorded for a specific period (during product manufacture) if for the Group there is no alternative option for utilizing these products and at the same time there is a legal entitlement to receive payment for the services that have already been provided. At the time of initial application, this related primarily to services of the KTM Components Group and the Pankl Group.

The table below contains a summary of the effects on accounting at the time of initial application:

EURk	Effects as of January 1 <sup>st</sup> 2018
<b>Assets</b>	
Inventories	-1,811
Trade receivables (Contract assets)	2,677
Deferred tax assets	-121
	<b>745</b>
<b>Equity and liabilities</b>	
Deferred tax liabilities	95
Equity	650
	<b>745</b>

The “Contract assets” item is included in the balance sheet item “Trade receivables”. The contract assets are essentially services rendered under which the customer has obtained control of the goods during their manufacture.

#### ▪ IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 (Financial Instruments) was applied in the KTM Industries Group for the first time in the financial year commencing on January 1<sup>st</sup> 2018. This results in retrospective restatements for the consolidated financial statements which have been reflected in the equity in accordance with the transitional regulations as of January 1<sup>st</sup> 2018. Accordingly, there was no adjustment of the comparison periods shown. IFRS 9 is applied for hedge accounting in the KTM Industries Group. IFRS 9 did not produce any effects in the area of financial liabilities.

Overall this only results in minor changes in the KTM Industries Group as a result of the measurement categories for financial instruments. The review of the business model and the interest and principal payment flows (SPPI criterion) revealed that the financial assets correspond largely to the measurement categories that already applied under IAS 39 (Financial Instruments: Recognition and Measurement).

Financial assets which do not meet the SPPI criterion were reclassified to the recorded in the income statement at fair value (FVPL) category. This relates to the portion of the trade receivables which are part of the ABS program (see point 43.). However, the maturity of these receivables meant that there were no effects on their carrying amounts.

In addition, the KTM Industries Group makes use of the option to categorize other non-current assets as recorded at fair value without affecting income statement (FVOCI option). At the time of first application, the carrying amounts of these assets were EUR 166k and they involve two minority interests held for strategic purposes.

The applications of the new impairment requirements of IFRS 9 (expected credit loss) result overall in an only minor increase in trade receivables in the KTM Industries Group of EUR 13k. The expected credit losses were calculated on the basis of historical default rates (KTM Group) or external ratings of the most important customers (Pankl Group), taking into account particular geographic situations.

The tables below show the retrospective restatements, in accordance with the transitional regulations from IAS 39 to IFRS 9 at the time of first application:

EURk	Classification under IAS 39	Classification under IFRS 9	Carrying amount in accordance with IAS 39 12/31/2017	Carrying amount in accordance with IFRS 9 1/1/2018
<b>FINANCIAL ASSETS</b>				
<b>Financial assets measured at fair value</b>				
Other current assets - Derivatives with positive market value that have already been assigned to receivables	Fair value - hedging instruments	Fair value - hedging instruments	4,173	4,173
Other current assets - Derivatives with positive market value (cash flow hedge)	Fair value - hedging instruments	Fair value - hedging instruments	7,452	7,452
Trade receivables	Loans and receivables	Fair value through profit and loss (FVPL)	6,863	6,863
Other non-current financial assets (equity instruments)	Available for sale (afs)	Fair value through other comprehensive income (FVOCI) (without recycling)	166	166
<b>Financial assets not measured at fair value</b>				
Cash and cash equivalents	Loans and receivables	Amortized cost (AC)	169,068	169,068
Trade receivables	Loans and receivables	Amortized cost (AC)	113,442	113,455
Other financial assets	Loans and receivables	Amortized cost (AC)	43,671	43,671
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities measured at fair value</b>				
Other financial liabilities - Derivatives with negative market value that have already been assigned to receivables	Fair value - hedging instruments	Fair value - Hedging Instruments	92	92
Other financial liabilities - derivatives with negative market value (cash flow hedge)	Fair value - hedging instruments	Fair value - Hedging Instruments	2,340	2,340
<b>Financial liabilities not measured at fair value</b>				
Interest-bearing liabilities	Other liabilities	Amortized cost (AC)	483,204	483,204
Bonds	Other liabilities	Amortized cost (AC)	57,737	57,737
Liabilities from finance leases	Other liabilities	Amortized cost (AC)	3,094	3,094
Trade payables	Other liabilities	Amortized cost (AC)	178,464	178,464
Other financial liabilities (current and non-current)	Other liabilities	Amortized cost (AC)	56,407	56,407

The tables below show the effects of the IFRS 9 and IFRS 15 standards (which are now mandatory from 2018) on the statement of financial position, with the effect on the annual financial statements of the KTM Industries Group as at December 31<sup>st</sup> 2018:

Group statement of financial position EURk	12/31/2018 Reported	Amendments in accordance with		12/31/2018 without appli- cation IFRS 9 & IFRS 15
		IFRS 9	IFRS 15	
Inventories	286,530	0	-784	287,314
Trade receivables	149,357	-98	917	148,538
Miscellaneous	173,385	0	0	173,385
<b>Currents assets</b>	<b>609,272</b>	<b>-98</b>	<b>133</b>	<b>609,237</b>
Deferred tax assets	3,026	0	0	3,026
Miscellaneous	741,578	0	0	741,578
<b>Non-current assets</b>	<b>744,604</b>	<b>0</b>	<b>0</b>	<b>744,604</b>
<b>ASSETS</b>	<b>1,353,876</b>	<b>-98</b>	<b>133</b>	<b>1,353,841</b>
<b>Current liabilities</b>	<b>368,273</b>	<b>0</b>	<b>0</b>	<b>368,273</b>
Deferred tax liabilities	63,039	-25	33	63,031
Miscellaneous	371,788	0	0	371,788
<b>Non-current liabilities</b>	<b>434,827</b>	<b>-25</b>	<b>33</b>	<b>434,819</b>
<b>Equity</b>	<b>550,776</b>	<b>-73</b>	<b>100</b>	<b>550,749</b>
<b>EQUITY AND LIABILITIES</b>	<b>1,353,876</b>	<b>-98</b>	<b>133</b>	<b>1,353,841</b>

Consolidated income statement (Continued operation) EURk	01/01 until 12/31/2018	Amendments in accordance with		01/01 until 12/31/2018 without appli- cation IFRS 9 & IFRS 15
		IFRS 9	IFRS 15	
Revenue	1,462,231	0	-503	1,462,734
Production costs of the services provided to generate the revenue	-1,029,308	0	273	-1,029,581
<b>Gross profit from sales</b>	<b>432,923</b>	<b>0</b>	<b>-230</b>	<b>433,153</b>
Selling expenses	-171,827	-42	0	-171,785
Research and development expenses	-27,105	0	0	-27,105
Administration expenses	-71,047	0	0	-71,047
Other operating expenses	-29,659	0	0	-29,659
Other operating income	370	0	0	370
Earnings from at-equity holdings	-4,925	0	0	-4,925
<b>Result from operating activities</b>	<b>128,730</b>	<b>-42</b>	<b>-230</b>	<b>129,002</b>
Financial result	-16,415	0	0	-16,415
<b>Result before taxes</b>	<b>112,315</b>	<b>-42</b>	<b>-230</b>	<b>112,587</b>
Income taxes	-27,133	11	58	-27,202
<b>Profit or loss for the financial year</b>	<b>85,183</b>	<b>-31</b>	<b>-172</b>	<b>85,386</b>

There were no material effects on the consolidated statement of cash flows for the 2018 financial year.

#### 4. STANDARDS AND INTERPRETATIONS TO BE APPLIED IN THE FUTURE

The table below shows the changes to standards and interpretations which have already been **endorsed by the European Commission**, but the application of which was not yet mandatory as of the reporting date and which were also not applied ahead of schedule:

First-time application	New or amended standards and interpretations	Published by the IASB
January 1 <sup>st</sup> 2019		
	Amendments to IFRS 9: Financial assets with Negative Compensation	October 12 <sup>th</sup> 2017
	IFRIC 23: Uncertainty over Income Tax Treatments	June 7 <sup>th</sup> 2017
	IFRS 16 Leases	January 13 <sup>th</sup> 2016

The IASB and the IFRIC have passed further standards and interpretations, application of which was not mandatory during the 2018 financial year and/or which have **not yet been endorsed by the European Commission**. These are the following standards and interpretations:

New or amended standards and interpretations	Date of application of IASB	Published by the IASB	EU Endorsement?
Annual Improvements to IFRS 2015–2017: Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23:	January 1 <sup>st</sup> 2019	December 12 <sup>th</sup> 2017	No
IFRS 17 Insurance Contracts	January 1 <sup>st</sup> 2021	May 18 <sup>th</sup> 2017	No
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1 <sup>st</sup> 2019	February 7 <sup>th</sup> 2018	No
Amendments to IFRS 3 – Definitions of a Business	January 1 <sup>st</sup> 2020	October 22 <sup>nd</sup> 2018	No
Amendments to IAS 1 and IAS 8 – Definitions of Materiality	January 1 <sup>st</sup> 2020	October 31 <sup>st</sup> 2018	No
Amendments to the references to the conceptual framework for financial reporting	January 1 <sup>st</sup> 2020	March 29 <sup>th</sup> 2018	No
IFRS 14 Regulatory Deferral Accounts	January 1 <sup>st</sup> 2016	January 30 <sup>th</sup> 2014	Not envisaged
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	September 11 <sup>th</sup> 2014	No
Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures	January 1 <sup>st</sup> 2019	October 12 <sup>th</sup> 2017	No

The estimated effects of the initial application of **IFRS 16** are explained in detail below. All other amended standards and interpretations are either irrelevant to the KTM Industries Group or have no material impact.

##### ▪ IFRS 16 LEASES

IFRS 16 governs the identification, recognition, measurement, reporting, and disclosure requirements for leasing agreements. The standard specifies a single accounting treatment for lessees. This model requires the lessee to record all assets and liabilities under lease arrangements in the statement of financial position, except where the lease is for a term of twelve months or fewer or the asset is of low value (in which cases application is optional).

For the consolidated financial statements of KTM Industries AG, IFRS 16 is accounted for from January 1<sup>st</sup> 2019 using modified retrospective recognition. The use of modified retrospective recognition enables the following concessions to be applied:

All leases that expire within 12 months from the date of initial application (i.e. by December 31<sup>st</sup> 2019) can be accounted for as short-term leases. This option can be applied to each individual lease. This option is applied to the consolidated financial statements of KTM Industries AG.

The marginal borrowed capital interest rate as at January 1<sup>st</sup> 2019 is used to determine leasing liabilities. The following options for determining the right of use asset are exercised for leases. The right of use asset is capitalized in the amount of the leasing liability to ensure that the leasing liability as at January 1<sup>st</sup> 2019 corresponds to the right of use asset, meaning that no equity amendments are required.

As at December 31<sup>st</sup> 2018, the Group has payment obligations associated with irredeemable operating leases that amount to € 72.0 million. These agreements largely fall under the definition of a leasing agreement under IFRS 16. The Group must therefore account for the corresponding right of use assets and leasing liabilities under the application of IFRS 16. The Group will generally use the exemptions for short-term leases, low-value assets and a uniform interest rate for similar contracts. The irredeemable term of the lease was used to determine the present value of the lease payments. Termination options were taken into account if the lessee is sufficiently certain to exercise this option. The capitalization of leases is expected to lead to an increase in the carrying amounts of non-current assets and to an increase in financial liabilities of € 38.6 million as of January 1<sup>st</sup> 2019. In addition, the lease expenses which have previously been recorded will be replaced by an amortization of the right of use and interest expenses of the leasing liability. It is also expected that EBITDA, EBIT and cash flow from operations will improve on account of the amended presentation requirements.

Lease obligations exist in the following areas in particular: Vehicle-fleet leasing, rental of business premises and offices, and rental of motor vehicles.

## 5. ESTIMATES AND UNCERTAINTIES IN JUDGMENTS AND ASSUMPTIONS

In the consolidated financial statements, certain **estimates** and assumptions have to be made that affect the recognized assets and liabilities, the disclosure of contingent liabilities as at the reporting date and the presentation of income and expenses for the financial year. These estimates are based on the past experience of the Executive Board. The amounts actually arising may differ from the estimates if assumed parameters develop contrary to expectations. If new conditions become known, they are duly taken into account and previous assumptions are revised.

- In particular, assumptions are made to assess the recoverability of goodwill and intangible assets of indeterminate useful life. Goodwill of EUR 96,172k (previous year: EUR 117,125k) was recognized at the reporting date, along with the “KTM” brand, which is valued at EUR 61,103k (previous year: EUR 61,103k). For further information on the impairment tests, see Note 23 “Goodwill”.
- Deferred tax assets on tax loss carryforwards not subject to expiration are recognized based on the assumption that sufficient taxable income will be generated in the future to allow them to be utilized. Suitable allowances are made in the event of uncertainties in the assumptions. As of December 31<sup>st</sup> 2018, deferred tax assets on loss carryforwards of EUR 2,845k (previous year: EUR 5,316k) were capitalized. Based on current tax planning, the management expects that the loss carryforwards recognized as of December 31<sup>st</sup> 2018 will be utilized over the next five years. For further details on deferred taxes, see the explanations in Note 25 “Deferred tax assets”.
- In cash flow hedge accounting, assessments are made regarding the occurrence of future cash flows. The planning of future cash flows is derived from sales planning and order volume planning, reviewed against actual figures on a monthly basis and checked for plausibility based on past experience. In line with the internal guideline on currency hedges, foreign currency hedges are generally entered into on a rolling basis and cover a period of up to eighteen months. The hedge ratio of the individual currencies is determined based on uncertainty in the planning for the relevant market, on the volatility of the currency and on the hedging costs. Currencies are aggregated by type based on their significance (volume, relevance to results) and different methods are applied accordingly. However, the hedge ratio per currency must not exceed 80% of the foreign currency exposure. For details on sensitivities to currency and interest rate risks, please refer to the explanations provided in Note 40 of the risk report “Financial risks”.
- Furthermore, estimation uncertainty exists with the recognition and measurement of liabilities for employee benefits. Assumptions are made concerning the following factors: Empirical values and demographic assumptions such as the retirement age of women / men and staff turnover, as well as financial assumptions such as the discount rate and future wage and salary trends. Liabilities for employee benefits of EUR 25,036k (previous year: EUR 24,001k) were recorded as at the reporting date. For further explanations, see Note 33 “Liabilities for employee benefits”.
- Regarding provisions, estimates have been made in order to assess probabilities and determine the expected amount for measuring the obligation. These assumptions essentially concern provisions relating to guarantees and warranties. Based on past experience, a direct relationship has been established for each product group between revenues and the guarantee and warranty expenses incurred. On the basis of longstanding experience, the Executive Board expects this relationship to remain stable. The average percentage value of guarantee and warranty expenses in terms of revenue is checked several times a year and adjusted if necessary. The amount recognized as a provision is calculated from the average percentage of revenue accounted for by guarantee and warranty expenses over a three-year observation period. As at December 31<sup>st</sup> 2018 provisions relating to guarantees and warranties of EUR 11,996k (previous year: EUR 11,173k) were recorded. For movements in the provisions, see Note 35 “Provisions”.

The following **judgments** were made in respect of the application of accounting policies within the KTM Industries Group:

- Finance leases

Evaluations were made with respect to the criteria for classification as a finance lease. Further details are provided under Note 21, “Property, plant, and equipment” and Note 47, “Finance leases”.

- Derecognition of receivables in connection with ABS agreements

Evaluations were made with respect to the conditions for derecognition under IFRS 9 (previous year: IAS 39). For further details, see Chapter VIII “Financial instruments and capital management”.

- Investment property

The KTM logistics center is predominantly used by the KTM Group itself. A small portion is let to third parties outside the group. These subleases to non-group tenants concern companies which have long-term relationships with the KTM Group for the supply of goods or services, and represent an outsourced part of the KTM value chain. As the subleasing does not serve the purpose of earning rental income, but is instead carried out in the interests of the operating business, the section that is let to non-group third parties is disclosed under property, plant and equipment and is not regarded as investment property.

- Supplier finance

Assessments were made regarding the disclosure of liabilities in relation to the supplier finance program. The KTM Group has entered into a supplier finance program (a revolving facility for the financing of trade payables) with an Austrian credit institution. Under this program, the credit institution offers suppliers the option to have their accounts receivable from the KTM Group discounted at the credit institution and paid out in advance of the due date. As the financing costs are based on the good creditworthiness rating of the KTM Group, the program offers participating suppliers a low-cost way to obtain early settlement of their KTM Group receivables and thus optimize their working capital. KTM AG and KTM Components GmbH settle the liability on the due date by paying the invoiced amount to the credit institution.

The program has been reviewed for compliance with civil law and with the stipulations of IFRS 9 (and IAS 39 in the previous year). The KTM Group remains legally bound by the original obligation as, from its point of view, only the identity of the creditor changes while the content of the obligation remains unaltered. Furthermore, the program does not cause any new (additional) obligation to arise on the part of KTM AG to the credit institution. Since the program does not lead to any significant changes in the terms of the contract, either quantitatively or qualitatively, the non-Group liabilities in question are disclosed under trade payables and the cash flows are disclosed under cash flow from operating activities.

In addition to suppliers outside the Group, KTM AG has also entered into such a program with its subsidiary KTM Components GmbH. From the point of view of the KTM Group, no exchange of services took place; it merely made use of external financing, which is reported under current financial liabilities. Cash flows are reported under cash flow from financing activities.

As of December 31<sup>st</sup> 2018, the liabilities from this program totaled EUR 87,753k (previous year: EUR 82,569k), of which as of December 31<sup>st</sup> 2018 in the consolidated financial statements of KTM AG the dealings between group companies amounting to EUR 36,906k (previous year: EUR 51,954k) are presented as current financial liabilities.

## II. SCOPE OF CONSOLIDATION

### 6. CONSOLIDATION PRINCIPLES AND METHODS

All subsidiaries are included in the consolidated financial statements of KTM Industries AG by way of **full consolidation**. Subsidiaries are companies controlled by the group. The financial statements of subsidiaries are included in the consolidated financial statements from the moment control begins until the moment control ends.

Initial consolidation takes place under IFRS 3 using the acquisition method. This means that at the acquisition date, i.e. the date when the power to exercise control is obtained, the remeasured identifiable assets and liabilities of the acquired business entity are compared with the consideration paid and, if applicable, with the amount reported for the non-controlling interests and the fair value of the interests already held at the acquisition date. Any positive balance is capitalized as goodwill; any negative balance is recognized as an income item ("Gain on a bargain purchase") in the income statement after reassessing the values reported. Any acquisition-related costs are recognized as an expense. Unless otherwise stated, the amount for the noncontrolling interests is recognized with the pro rata net assets of the acquired company without goodwill.

The interests of KTM Industries Group in holdings accounted for using the **equity method** including interests in associates. An associate is an entity over which the group has significant influence. With the equity method, the interests in associates are recognized in the consolidated statement of financial position at their cost of acquisition plus any changes in the group's portion of the net assets of the associate after the acquisition. The goodwill related to an entity measured by the equity method is contained within the carrying amount of the investment and is not amortized separately.

The **reporting currency** of the KTM Industries Group is the euro. The subsidiaries and the holdings accounted for using the equity method prepare the annual financial statements in their functional currency. This means that assets and liabilities shown in the financial statements to be consolidated are translated at the mean rate of exchange valid on the reporting date and items in the income statement are translated using the average exchange rate for the financial year. Any foreign exchange gains or losses resulting from such currency translation are recognized in other comprehensive income. Foreign exchange differences arising on non-current financial receivables that represent net investments in foreign operations are recognized in other comprehensive income. The following exchange rates of significance to the KTM Industries Group were used for the currency translation into the reporting currency:

	Closing rate		Average rate	
	12/31/2018	12/31/2017	2018	2017
US dollar	1.1450	1.1993	1.1793	1.1293
UK pound sterling	0.8945	0.8872	0.8860	0.8761
Swiss franc	1.1269	1.1702	1.1516	1.1115
Japanese yen	125.8500	135.0100	130.0058	126.6546
South African rand	16.4594	14.8054	15.6166	15.0434
Mexican peso	22.4921	23.6612	22.6526	21.3278
Chinese renminbi	7.8751	7.8044	7.8156	7.6264

## 7. CHANGES IN THE SCOPE OF CONSOLIDATION

All subsidiaries that are either legally or de facto under the control of KTM Industries AG are included in the present consolidated financial statements as at December 31<sup>st</sup> 2018.

The number of entities in the scope of consolidation changed as follows in the 2018 financial year:

	Fully consolidated companies	At-equity companies
Balance as of 12/31/2017	62	10
Additions to the scope of consolidation	3	1
Eliminations from the scope of consolidation	-11	0
Eliminations due to mergers	-1	0
<b>Balance as of 12/31/2018</b>	<b>53</b>	<b>11</b>
thereof foreign companies	36	6

KTM Industries AG – as the parent company of the KTM Industries Group – was not taken into account in this list.

The entities included in the consolidated financial statements and the time of their initial consolidation are listed in Chapter XII “Group companies (schedule of equity holdings)”.

### ▪ DISCONTINUED OPERATION (IFRS 5) – SALE OF PANKL RACING SYSTEMS AG

In June 2018, KTM Industries AG sold all its shares in Pankl Racing Systems AG for a purchase price of € 130.5 million to the Pierer Industrie Group. The sale of the Pankl Group laid the strategic and financial basis for an even greater focus in the KTM Industries Group on the two-wheel industry, particularly the development of e-mobility, over the next few years. In the course of the sale, 10 fully consolidated companies of the Pankl Group were disposed of.

The Pankl Group represented a significant definable line of business for the Group and was therefore listed in the consolidated financial statements as a discontinued operation in accordance with IFRS 5.

As part of the subdivision of the consolidated income statement and consolidated statement of comprehensive income into continuing and discontinued operations, the continuing operation of the KTM Industries Group was shown as it will continue to exist in the long term. The following material points emerged as part of the subdivision into continuing and discontinued operations in the KTM Industries Group:

- The profit from the sale transaction is included in the other operating income of the discontinued operation in the EBIT.
- Tax burdens and tax reliefs incurred in connection with the discontinued operation and its sale or triggered by it are assigned to the discontinued operation.
- As the Pankl Group acts as a supplier of purchased parts for the KTM Group, the intra-group expenses for the first half of the year in the KTM Group were increased by € 12.1 million (previous year: € 15.4 million) owing to the relationship in the continuing area which is set to continue as expected. On the other hand, the expenses were reduced accordingly in the discontinued area.

In the consolidated statement of cash flows of the KTM Industries Group, the details for the discontinued operation were specified with an “of which” note. The material issue of assignment arose for the specification of the cash flow from the sale of the Pankl Group. The cash receipt was assigned to the discontinued operation and is included in the “of which” note for the investment cash flow amounting to € 58.5 million.

The following assets and liabilities were disposed of:

EUR k	6/30/2018
Property, plant and equipment	-106,526
Goodwill	-22,152
Intangible assets	-3,511
Deferred tax assets	-3,712
Other non-current assets	-1,583
<b>Non-current assets</b>	<b>-137,484</b>
Inventories	-66,981
Trade receivables	-23,491
Receivables and other assets	-11,208
Cash and cash equivalents	-9,142
<b>Current assets</b>	<b>-110,822</b>
<b>Assets</b>	<b>-248,306</b>
Financial liabilities	97,702
Liabilities for employee benefits	1,865
Deferred tax liabilities	658
Other non-current liabilities	3,327
<b>Non-current liabilities</b>	<b>103,552</b>
Financial liabilities	15,301
Trade payables	12,489
Provisions	274
Other current liabilities	8,711
<b>Current liabilities</b>	<b>36,775</b>
<b>Liabilities</b>	<b>140,327</b>
<b>Non-controlling interests</b>	<b>2,242</b>
<b>Net assets disposed of</b>	<b>-105,737</b>
Sale price	130,517
<b>Deconsolidation profit<sup>1</sup></b>	<b>24,780</b>

The cash inflow resulting from the sale was as follows:

EUR k	6/30/2018
Sale price	130,517
Cash disposed of	-9,142
Settlement of perpetual bonds including interest	-62,877
<b>Net cash inflow from the sale</b>	<b>58,498</b>

#### ▪ OTHER CHANGES IN THE FULLY CONSOLIDATED ENTITIES

The equity holding in Fuhrmann Erodier Technik GmbH was fully acquired by WP Performance Systems GmbH (now: KTM Components GmbH) with legal effect from January 2<sup>nd</sup> 2018. The purchase price amounted to EUR 1,980k. The company specializes in wire EDM and starter EDM services.

<sup>1</sup> Including the reclassification of the foreign currency differences from the statement of comprehensive income to the income statement amounting to EUR 1,371k, this produces an overall effect before tax of EUR 26,150k.

The fair values of the identifiable assets and liabilities at the acquisition date were as follows:

EUR k	
Non-current assets	798
Current assets	1,115
Net assets	414
Non-current liabilities	592
Current liabilities	907
Customer relations	613
Deferred tax liabilities	153
Goodwill	1,106
Consideration	-1,980
Acquired cash and cash equivalent	654
<b>Net cash outflow on acquisition</b>	<b>-1,326</b>

The fair value of the identified customer relationships was determined using the multi-period excess earnings approach (residual value method). This method takes into account the present value of the expected net cash flows generated by the customer relationships, excluding all cash flows associated with contributory asset charges. The identified customer relationships are amortized over a period of ten years.

With the purchase and assignment agreement dated May 23<sup>rd</sup> 2018, the shares in KTM Southeast Europe S.A. held by KTM Sportmotorcycle GmbH were fully sold with retroactive effect to January 1<sup>st</sup> 2018. The company was deconsolidated as of January 1<sup>st</sup> 2018:

The following assets and liabilities were deconsolidated:

EUR k	
Fixed assets	156
Cash and other current assets	1,722
Trade receivables	469
<b>Deconsolidated assets</b>	<b>2,347</b>
Employee benefits	167
Trade payables	40
Other current liabilities	2,146
<b>Deconsolidated liabilities</b>	<b>2,353</b>
<b>Deconsolidated net assets</b>	<b>-6</b>

The values cited correspond to the carrying amounts at the time of deconsolidation. The consideration received as a result of the disposal of shares amounted to EUR 1. This resulted in a capital gain on disposal of EUR 6k, which is recognized under other operating income.

The net cash outflow on disposal is recognized in the cash flow from investing activity and breaks down as follows:

EUR k	
Fees received	0
Inventory of cash and cash equivalents disposed of	-116
<b>Net cash outflow on the disposal of subsidiaries</b>	<b>-116</b>

Furthermore, KTM Innovation GmbH, Wels and KTM Beteiligungs GmbH, Mattighofen were newly founded and consolidated for the first time in the 2018 financial year. K KraftFahrZeug Holding GmbH was also merged with KTM Industries AG.

#### ■ CHANGES IN ENTITIES ACCOUNTED FOR AT EQUITY

The KTM joint venture in China with the partner CF Moto was established in the 2018 financial year under the name “Zhejiang CFMOTO-KTMR2R Motorcycles Co., Ltd.”. The company is not yet operational. The production of mid-range motorcycles in the Chinese city of Hangzhou is planned from 2021 onward.

In December 2018, KTM Industries AG increased its stake in Kiska GmbH from 26% to 50%. In addition, the equity holding in PEXCO GmbH was also reduced from 49.9% to 40.0% in December 2018.

### III. SEGMENT REPORTING

The business activities of KTM Industries AG are coordinated according to the individual groups (KTM Group, PANKL Group up until disposal). The individual groups are managed separately and report to KTM Industries AG in accordance with the IFRS accounting rules. The main decision-maker for the segment report is the Executive Board of KTM Industries AG. The segment reporting is made with the segments KTM, PANKL (up until disposal) and others, according to the internal reporting.

#### **KTM:**

The KTM Group engages in the development, production, and distribution of motorized vehicles for recreational purposes (power sports), in particular under the “KTM”, “Husqvarna Motorcycles”, and “WP” brands. As of December 31<sup>st</sup> 2018, the KTM Group includes in its consolidated financial statements 49 subsidiaries, located in Austria, the United States, Japan, South Africa, Mexico, India, Brazil, and China, as well as in various other European and Asian countries. Furthermore, the KTM Group has equity holdings in general importers and assembly companies based in important distribution markets (Australia and the Philippines), as well as in various flagship stores in Austria and Germany. In the previous year, the WP Group (now: KTM Components Group) was run as an independent segment. In order to boost efficiency increases within the KTM Industries Group and to realize synergy potential, the KTM Components Group was fully integrated into KTM AG in January 2018 in its position as the most important supplier to motorcycle production in Mattighofen. Due to the integration of the KTM Components Group into KTM AG, the reporting of the KTM Components Group no longer takes place separately, but is included in KTM AG as of 2018. To make it easier to compare the figures, the previous year's figures in the income statement were adapted.

#### **PANKL (DISCONTINUED):**

The Pankl Group is a global leader in the production of mechanical systems in the high tech sector for dynamic components in the global niche markets of the racing, luxury car and aerospace industries. In order to be able to react more effectively to the challenges of these markets, Pankl places particular importance on, above all, technology development but also product improvement and testing. Through broad diversification in its sites, Pankl is able to serve its customers optimally using its global network of companies. The sites are spread across Austria, Germany, the UK, Slovakia, Japan and the USA. The Pankl Group was deconsolidated in June 2018. Consequently, earnings ratios are still retained in the first half of the year, and carrying amounts were disposed of on June 30<sup>th</sup> 2018. The deconsolidation profit resulting from the sale of the Pankl Group is included in the segment reporting in the “Pankl (discontinued)” section.

#### **OTHERS:**

The “Others” segment represents KTM Industries AG, KTM Technologies GmbH, KTM Innovation GmbH, and PF Beteiligungsverwaltungs GmbH.

None of the segments are reliant on external customers as defined in IFRS 8.34. Trade between the segments takes place under the usual market conditions.

The segment key performance indicator EBIT represents operating earnings before financial results and income taxes. The investments relate to additions from property, plant and equipment and intangible assets. The earnings accounted for using the equity method are included in the EBIT pursuant to the structure of the consolidated income statement.

Segment information for the financial year 2018 and financial year 2017 can be divided into the described segments as follows:

<b>2018 EURk</b>	<b>KTM</b>	<b>PANKL<sup>1)</sup> (discontinued)</b>	<b>Other</b>	<b>Consolidation</b>	<b>Total</b>
Revenues (including revenues within the segments)	1,454,745	110,163	27,906	-33,241	<b>1,559,573</b>
External revenues	1,454,263	97,342	7,968	0	<b>1,559,573</b>
Result from operating activities	129,193	32,440	-117	-346	<b>161,170</b>
Investments	166,795	16,002	793	0	<b>183,590</b>
Depreciation and amortization	81,712	9,085	520	0	<b>91,317</b>
Share in the result of companies accounted for using the equity method	-4,706	0	0	-219	<b>-4,925</b>
Balance sheet total	1,301,854	0	290,191	-238,169	<b>1,353,876</b>
Equity	550,707	0	233,037	-232,968	<b>550,776</b>

1) 01/01/2018 until 06/30/2018 (6 months)

<b>2017 TEUR</b>	<b>KTM</b>	<b>PANKL (discontinued)</b>	<b>Other</b>	<b>Consolidation</b>	<b>Total</b>
Revenues (including revenues within the segments)	1,351,142	195,388	13,703	-27,235	<b>1,532,998</b>
External revenues	1,351,097	178,942	2,959	0	<b>1,532,998</b>
Result from operating activities	121,493	10,594	2,138	-1,688	<b>132,537</b>
Investments	142,474	35,687	405	0	<b>178,566</b>
Depreciation and amortization	70,998	15,249	153	0	<b>86,400</b>
Share in the result of companies accounted for using the equity method	164	0	0	-95	<b>69</b>
Balance sheet total	1,091,928	219,232	718,331	-564,339	<b>1,465,153</b>
Equity	487,966	89,600	443,761	-492,749	<b>528,579</b>

## IV. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement is prepared according to the cost of sales method.

### 8. REVENUE

IFRS 15 Revenue from Contracts with Customers defines when and at what amount revenues should be recognized. In addition, preparers of financial statements must provide recipients of financial statements with more informative and more relevant details than before. It replaces the previous standards IAS 18 Revenue and IAS 11 Construction Contracts.

The obligations for variable considerations are reported as contractual obligations within the meaning of IFRS 15. These will be shown, unchanged, on the statement of financial position under other current financial liabilities and explained in the notes. The contractual obligations for variable considerations in respect of price discounts, sales bonuses and cash discounts amounted to € 23.5 million as at December 31<sup>st</sup> 2018 (December 31<sup>st</sup> 2017: € 23.4 million).

The KTM Industries Group generated total revenue of EUR 1,559,573k (previous year: EUR 1,532,998k). The Group's continuing operations generated revenue of EUR 1,462,231k (previous year: EUR 1,354,056k) and the discontinued operation generated revenue of EUR 97,342k (previous year: EUR 178,942k).

The breakdown of external revenue by geographical region is based on the location of the customers. The revenues by geographical region for the Group's continuing operations are made up as follows:

EURk	2018	2017
Europe	819,222	716,370
North America	366,847	383,772
Other	276,162	253,914
	<b>1,462,231</b>	<b>1,354,056</b>

Revenues, minus cash discounts, customer bonuses, and rebates, are generally recorded upon the passing of the risk as per the terms of the transaction (Incoterms) or, as the case may be, at the time when performance was rendered.

## 9. COST OF SALES

The production costs total EUR 1,095,326k (previous year: EUR 1,067,495k). Continuing operations account for EUR 1,029,308k (previous year: EUR 944,748k) and discontinued operation accounts for EUR 66,018k (previous year: EUR 122,747k).

The production costs of the Group's continuing operations are made up as follows:

EURk	2018	2017
Cost of materials and purchased services	847,101	777,291
Personnel expenses	112,138	102,589
Amortization charged to capitalized development costs	32,558	28,520
Depreciation / amortization of property, plant and equipment and other intangible assets	25,275	23,618
Other operating expenses	12,236	12,730
	<b>1,029,308</b>	<b>944,748</b>

## 10. SELLING AND RACING EXPENSES

The selling and racing expenses total EUR 178,162k (previous year: EUR 176,635k). Continuing operations account for EUR 171,827k (previous year: EUR 164,997k) and discontinued operation accounts for EUR 6,335k (previous year: EUR 11,638k).

The selling and racing expenses of the Group's continuing operations are made up as follows:

EURk	2018	2017
Cost of materials and purchased services	32,048	37,977
Personnel expenses	66,291	65,698
Depreciation / amortization of property, plant and equipment and intangible assets	5,466	4,640
Other operating expenses	100,701	84,733
Sponsorship money and other operating income	-32,679	-28,051
	<b>171,827</b>	<b>164,997</b>

## 11. RESEARCH AND DEVELOPMENT EXPENSES

The research and development expenses total EUR 35,172k (previous year: EUR 47,750k). Continuing operations account for EUR 27,105k (previous year: EUR 34,196k) and discontinued operation accounts for EUR 8,067k (previous year: EUR 13,554k).

The research and development expenses of the Group's continuing operations are made up as follows:

EURk	2018	2017
Cost of materials and purchased services	5,585	7,315
Personnel expenses	22,168	17,347
Depreciation / amortization of property, plant and equipment and intangible assets	4,951	3,745
Other operating expenses	12,916	19,132
Subsidies and other operating income	-18,515	-13,343
	<b>27,105</b>	<b>34,196</b>

The expenses disclosed under research and development expenses for continuing operations comprise research costs and non-capitalizable development costs. Personnel expenses before the effects of capitalizing development costs were EUR 54,733k (previous year: EUR 47,254k).

The research and development expenses (before capitalizing development costs) for continuing operations totaled EUR 126,446k (previous year: EUR 112,484k) and therefore around 8.6% (previous year: 8.3%) of revenue.

## 12. ADMINISTRATION EXPENSES

The administration expenses total EUR 83,751k (previous year: EUR 82,967k). Continuing operations account for EUR 71,047k (previous year: EUR 60,401k) and discontinued operation accounts for EUR 12,704k (previous year: EUR 22,566k).

The administration expenses of the Group's continuing operations are made up as follows:

EURk	2018	2017
Cost of materials and purchased services	4,208	2,374
Personnel expenses	26,839	24,492
Depreciation / amortization of property, plant and equipment and intangible assets	12,572	10,048
Other operating expenses	29,098	25,320
Other operating income	-1,670	-1,833
	<b>71,047</b>	<b>60,401</b>

## 13. OTHER OPERATING EXPENSES

The other operating expenses total EUR 29,781k (previous year: EUR 31,896k). Continuing operations account for EUR 29,659k (previous year: EUR 31,783k) and discontinued operation accounts for EUR 122k (previous year: EUR 113k).

The other operating expenses for the Group's continuing operations involve customer service, guarantee and warranty expenses, which include amortizations amounting to EUR 1,410k (previous year: EUR 580k).

## 14. OTHER OPERATING INCOME

Other operating income is realized when economic benefit is likely to arise from the underlying contract and a reliable determination of the income has been made.

The other operating income totals EUR 28,714k (previous year: EUR 6,213k). Continuing operations account for EUR 370k (previous year: EUR 3,943k) and discontinued operation accounts for EUR 28,344k (previous year: EUR 2,270k). The other operating income for the discontinued operation includes the deconsolidation profit resulting from the sale of the Pankl Group amounting to EUR 26,150k (including foreign currency effects of EUR 1,371k, which were reclassified from the statement of comprehensive income to the income statement).

The other operating income of the Group's continuing operations are made up as follows:

EURk	2018	2017
Revenue from disposal of assets	234	240
Initial consolidations	6	941
Other remaining income	130	2,762
	<b>370</b>	<b>3,943</b>

## 15. EARNINGS FROM AT-EQUITY HOLDINGS

In the income statement, the share of the profit or loss of associates accounted for using the equity method has been disclosed as a separate line item in the result from operating activities. This essentially involves equity holdings that are integrated into the operating activities of the KTM Industries Group as material suppliers or customers.

The earnings from the companies accounted for using the equity method are made up as follows:

EURk	2018	2017
Kiska GmbH	271	640
KTM New Zealand Ltd.	0	39
KTM Asia Motorcycle Manufacturing Inc.	-302	-221
Motorcycle Distributors Australia Pty Ltd.	-3,289	352
PEXCO GmbH	-490	-679
China Zhejiang CFMOTO-KTMR2R Motorcycles Co., Ltd.	-969	0
KTM Motohall GmbH	-118	0
Four flagship stores and miscellaneous	-28	-62
	<b>-4,925</b>	<b>69</b>

## 16. FINANCIAL AND INVESTMENT EARNINGS

The financial and investment earnings total EUR 17,705k (previous year: EUR 15,486k). Continuing operations account for EUR 16,415k (previous year: EUR 12,687k) and discontinued operation accounts for EUR 1,290k (previous year: EUR 2,799k).

The financial and investment earnings of the Group's continuing operations are made up as follows:

EURk	2018	2017
Interest income	3,443	2,155
Interest expenses	-18,495	-12,672
Other financial and investment income (expenses)	-1,363	-2,170
	<b>-16,415</b>	<b>-12,687</b>

The increase in interest expenses for the Group's continuing operations is mainly attributable to a change in the presentation of expenses in connection with a sales promotion program in North America. The financing portion of these expenses will be shown under interest expenses from the 2018 financial year onwards. In the previous year, this appeared under production costs.

The other financial and investment income (expenses) of the Group's continuing operations are made up as follows:

EURk	2018	2017
Foreign exchange valuation of bank deposits	-1,260	-969
Cost of hedging	-202	0
Proceeds from the disposal of securities	0	258
Impairment of non-current financial assets	0	-1,015
Gain / Loss from the disposal of non-consolidated subsidiaries	99	-444
	<b>-1,363</b>	<b>-2,170</b>

## 17. INCOME TAXES

The income taxes total EUR 29,280k (previous year: EUR 33,149k). Continuing operations account for EUR 27,132k (previous year: EUR 30,189k) and discontinued operation accounts for EUR 2,148k (previous year: EUR 2,960k).

The income tax expense and income tax income for the Group's continuing operations are attributable to current taxes and deferred taxes as follows:

EURk	2018	2017
Current tax	-14,541	-20,503
Deferred tax	-12,591	-9,686
	<b>-27,132</b>	<b>-30,189</b>

The income taxes shown are the taxes on income and earnings paid and/or owed in the individual countries as well as the deferred taxes. The Austrian companies of the KTM Industries Group are subject to a corporate income tax rate of 25.0%. The calculation of foreign income taxes is based on the laws and regulations that are in force or have been adopted in the individual countries. The income tax rates applicable to foreign entities vary from 9.0 % to 35.0%.

The expected tax expense for the financial year (derived from applying the group tax rate of 25.0% to the profit before tax) and the actual tax expense disclosed are reconciled as follows for the Group's continuing operations:

EURk	2018	2017
Profit before income taxes	112,315	109,256
Expected tax expenses / income	-28,079	-27,314
Non-temporary differences and other tax additions	-2,081	2,179
Recognition / allowances / utilization of loss carryforwards	203	-3,102
Consolidation changes	-222	0
Taxes in relation to prior periods	-1,030	-2,276
Effects of foreign tax rates	-271	-1,211
Changes to the tax rate	0	-374
Earnings from equity holdings	-407	17
Investment benefits	4,588	3,161
Miscellaneous	167	-1,269
	<b>-27,132</b>	<b>-30,189</b>

## 18. EARNINGS PER SHARE AND PROPOSAL ON THE APPROPRIATION OF EARNINGS

In addition to the redemption of 2 shares to streamline the existing share capital, a share consolidation took place in the ratio 10:1. This reduced the number of shares issued from 225,386,742 to 22,538,674. The earnings per share totaled EUR 2.99 in the current financial year 2018 (previous year: EUR 1.98). Continuing operations account for EUR 1.82 (previous year: EUR 1.77) and discontinued operation accounts for EUR 1.17 (previous year: EUR 0.22). The calculation of the previous year's figures has been adapted to the new number of shares to make it easier to compare them.

The earnings per share for the Group's continuing operations are calculated as follows:

	2018	2017
Earnings - owner of parent company (EURk)	41,097	39,798
Total number of shares (units)	22,538,674	22,538,674
Deducting treasury shares (units)	0	0
	22,538,674	22,538,674
<b>Undiluted (=diluted) earnings per share (EUR)</b>	<b>1,82</b>	<b>1,77</b>

According to the Austrian Stock Corporation Act, the separate financial statement issued by KTM Industries AG in accordance with the Austrian accounting regulations on December 31<sup>st</sup> 2018 forms the basis for the payment of dividends.

For the financial year 2018, it is proposed that from the net profit of KTM Industries AG amounting to EUR 77,123k, a dividend of EUR 0.3 per share (in total EUR 6,762k) is paid out and the remaining carried forward. A dividend of EUR 6,762k was also paid from the net profit in 2017.

## 19. EXPENSES FOR THE AUDITOR OF THE FINANCIAL STATEMENTS

The expenses attributable to the reporting period for the auditor of the financial statements, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, are composed for continuing operations as follows:

EURk	2018	2017
Annual audit for each individual company	243	258
Consolidate audit	213	233
Other assurance services	16	20
Other services	37	128
	<b>509</b>	<b>639</b>

## 20. EMPLOYEES

Employee numbers as stated include agency and external staff:

Balance as of 01/01/2018	5,887
Changes continued operation	109
Changes discontinued operation	107
Disposal Pankl Group	-1,800
<b>Balance as of 12/31/2018</b>	<b>4,303</b>

As at December 31<sup>st</sup> 2018, 2,109 white-collar workers (previous year: 2,649) and 2,194 manual workers (previous year: 3,238) were employed.

As at December 31<sup>st</sup> 2018, 3,625 employees (previous year: 4,568) are employed in Austria and 678 (previous year: 1,319) abroad.

During the 2018 financial year, total personnel expenses before the effects of capitalizing development costs were EUR 309,976k (previous year: EUR 323,458k). The Group's continuing operations account for EUR 265,834k (previous year: EUR 245,368k) and discontinued operation accounts for EUR 44,142k (previous year: EUR 78,090k).

## V. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 21. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost less depreciation. Amortization is determined by the straight line method and is based on the following expected useful lives:

Useful life	in years
Buildings	10 - 50
Technical plant and machinery	2 - 10
Fixtures and fittings, tools and equipment	2 - 10

The production costs of self-constructed property, plant and equipment represent the direct costs, including an allocation of production overheads (indirect materials and indirect labor). Financing costs resulting from the direct attribution of borrowings and/or from the application of an average capitalization rate to the expenses incurred are capitalized pursuant to IAS 23 (in the current financial year there was no capitalization due to a lack of qualifying assets).

Property, plant, and equipment held under leasing contracts in which the material opportunities and risks devolve to the lessee are recognized as finance leases. Such assets are recognized at the lower of the fair value or present value of the future expected minimum lease payments. Amortization is charged on a straight line basis over the useful economic life, or over the term of the lease if shorter. Lease payments are divided into interest and repayment components. They are reported under property, plant, and equipment; the corresponding payment obligations are reported under financial liabilities. The interest component of the lease obligation is recognized directly in the consolidated income statement.

The tables below provide a breakdown of property, plant, and equipment along with movements during the 2018 and 2017 financial years:

EURk	Real estate	Buildings	Technical plant and machinery	Operational and business equipment	Advance payments and investments in construction	Total
<b>Acquisition and production costs:</b>						
<b>Balance as of 01/01/2018</b>	23,918	216,960	339,108	103,141	29,626	<b>712,753</b>
Additions	740	12,383	39,787	19,018	18,194	<b>90,122</b>
Disposals	-3,713	-7,534	-10,347	-9,107	-321	<b>-31,022</b>
Changes in the scope of consolidation	-4,180	-50,457	-154,221	-22,391	-7,951	<b>-239,200</b>
Currency translation	4	483	453	545	78	<b>1,563</b>
Transfers	676	11,698	12,095	1,395	-25,887	<b>-23</b>
<b>Balance as of 12/31/2018</b>	<b>17,445</b>	<b>183,533</b>	<b>226,875</b>	<b>92,601</b>	<b>13,739</b>	<b>534,193</b>

EURk	Real estate	Buildings	Technical plant and machinery	Operational and business equipment	Advance payments and investments in construction	Total
<b>Accumulated depreciation and amortization:</b>						
<b>Balance as of 01/01/2018</b>	64	55,947	231,839	67,579	0	<b>355,429</b>
Additions	0	6,773	28,866	12,054	0	<b>47,693</b>
Disposals	0	-2,278	-9,971	-7,761	0	<b>-20,010</b>
Changes in the scope of consolidation	-44	-21,363	-95,741	-16,145	0	<b>-133,293</b>
Currency translation	0	201	382	438	0	<b>1,021</b>
Transfers	0	-5	0	5	0	<b>0</b>
<b>Balance as of 12/31/2018</b>	<b>20</b>	<b>39,275</b>	<b>155,375</b>	<b>56,170</b>	<b>0</b>	<b>250,840</b>
<b>Carrying amount:</b>						
<b>Balance as of 12/31/2018</b>	<b>17,425</b>	<b>144,258</b>	<b>71,500</b>	<b>36,431</b>	<b>13,739</b>	<b>283,353</b>
Balance as of 12/31/2017	23,854	161,013	107,269	35,562	29,626	<b>357,324</b>
EURk	Real estate	Buildings	Technical plant and machinery	Operational and business equipment	Advance payments and investments in construction	Total
<b>Acquisition and production costs:</b>						
<b>Balance as of 01/01/2017</b>	22,375	196,154	294,589	91,261	21,285	<b>625,664</b>
Additions	1,692	18,511	28,426	16,125	39,963	<b>104,717</b>
Disposals	-135	-150	-8,010	-4,948	-1,526	<b>-14,769</b>
Changes in the scope of consolidation	0	0	1,218	1,591	50	<b>2,859</b>
Currency translation	-14	-1,338	-2,130	-2,090	-110	<b>-5,682</b>
Transfers	0	3,783	25,015	1,202	-30,036	<b>-36</b>
<b>Balance as of 12/31/2017</b>	<b>23,918</b>	<b>216,960</b>	<b>339,108</b>	<b>103,141</b>	<b>29,626</b>	<b>712,753</b>
<b>Accumulated depreciation and amortization:</b>						
<b>Balance as of 01/01/2017</b>	66	48,929	211,886	61,566	0	<b>322,447</b>
Additions	0	7,648	28,888	11,436	0	<b>47,972</b>
Disposals	0	-71	-7,710	-4,700	0	<b>-12,481</b>
Changes in the scope of consolidation	0	0	575	901	0	<b>1,476</b>
Currency translation	-2	-559	-1,800	-1,624	0	<b>-3,985</b>
Transfers	0	0	0	0	0	<b>0</b>
<b>Balance as of 12/31/2017</b>	<b>64</b>	<b>55,947</b>	<b>231,839</b>	<b>67,579</b>	<b>0</b>	<b>355,429</b>
<b>Carrying amount:</b>						
<b>Balance as of 12/31/2017</b>	<b>23,854</b>	<b>161,013</b>	<b>107,269</b>	<b>35,562</b>	<b>29,626</b>	<b>357,324</b>
Balance as of 12/31/2016	22,309	147,225	82,703	29,695	21,285	<b>303,217</b>

Additions to technical plant and machinery as well as fixtures and fittings, tools and equipment include investments of EUR 18,529k (previous year: EUR 2,286k in additions to technical plant and machinery) as additions from finance leases, which were non-cash on the reporting date. For more details, please refer to Note 47, "Finance leases".

Other plant additions include investments amounting to EUR 0k (previous year: EUR 3,289k), which had no cash flow effect as at the end of the reporting period.

As of the reporting date, property, plant and equipment amounting to EUR 58,700k (previous year: EUR 92,563k) were secured by pledge agreements recorded in the land register and duly filed, above all for liabilities owed to credit institutions.

For the purchase of property, plant and equipment, there are future payment obligations amounting to EUR 0k (previous year: EUR 11,279k).

## 22. INTANGIBLE ASSETS

Similarly to property, plant and equipment, intangible assets are capitalized at cost and measured at cost less amortization. Amortization is determined by the straight line method and is based on the following expected useful lives:

Useful life	in years
Software	2 - 5
Intangible assets generated internally	5

For intangible assets generated internally, the production period is subdivided into research, development, and model update phases. Costs incurred during the research and model update phases are immediately recognized in profit or loss. Expenditure incurred during the development phase is capitalized as an intangible asset if the developed product or process meets certain requirements confirming the future benefit of such expenditure, i.e. primarily if technical feasibility and marketability have been achieved. Intangible assets generated internally are measured at production costs less amortization and impairments. The amortization of capitalized development costs that are clearly attributable to projects starts upon the commencement of series production.

In the 2018 financial year, development costs of EUR 81,049k (previous year: EUR 64,971k) were capitalized and a total of EUR 32,558k (previous year: EUR 28,520k) were amortized. As of December 31<sup>st</sup> 2018, development costs with a carrying amount of EUR 230,228k (previous year: EUR 181,737k) are included in intangible assets.

Intangible assets of indeterminate useful life, such as the "KTM" brand (recognized at a value of EUR 61,103k in the course of the initial purchase price allocation), are not amortized but are instead subjected to an annual impairment test. Any impairment is accounted for in profit and loss. The Executive Board assumes an indeterminate useful life for the "KTM" brand because the rights are not subject to any restrictions as to time, in law or by contract in the relevant markets and because the sustained public awareness of the brand indicates that there has been no loss of economic value. The "KTM" brand is attributed to the "KTM" cash-generating unit. Brand measurement is based on fair value less costs of disposal. Measurement is performed in accordance with the relief from royalty approach. The royalty rate of 1.5% of revenue, which forms the basis for measurement, has been derived from comparable publicly available license agreements.

The fair value less costs of disposal as of December 31<sup>st</sup> 2018 was calculated on the basis of the current three-year planning figures (previous year: four-year planning figures). As the discount rate, the asset-specific costs of capital in the amount of 11.6% (previous year: 12.9%), which comprised the input tax for WACC of 8.6% (previous year: 9.9%) and a risk premium for the brand in the amount of 3.0% (previous year: 3.0%), were used. The risk premium was derived on the basis of the WACC-to-WARA concept. The parameters that are material to the measurement of the "KTM" brand are the discount rate, royalty, and budgeted revenues. A sensitivity analysis regarding these parameters shows that, all other conditions being equal, barely sufficient coverage is provided for the carrying amount if a consolidated input tax for WACC of 28.3% (previous year: 24.2%) is applied and, all other conditions being equal, at a royalty of 0.5% (previous year: 0.7%). All other conditions being equal, sufficient coverage is provided for the carrying amount in the event of a decline in the budgeted future revenues by up to 65.5% (previous year: 55.8 %).

The breakdown of intangible assets and the development of that item over the 2018 financial year as well as over the 2017 financial year are shown in the following tables:

EURk	Concessions, industrial property rights and similar rights and benefits as well as resulting licenses	Customers, Brand values, Development cost	Advance payments	Total
<b>Acquisition and production costs:</b>				
<b>Balance as of 01/01/2018</b>	59,129	317,358	5,184	<b>381,671</b>
Additions	8,259	81,049	4,160	<b>93,468</b>
Disposals	-8,279	0	0	<b>-8,279</b>
Changes in the scope of consolidation	-6,667	-17,096	0	<b>-23,763</b>
Currency translation	32	1	0	<b>33</b>
Transfers	5,081	0	-5,057	<b>24</b>
<b>Balance as of 12/31/2018</b>	<b>57,555</b>	<b>381,312</b>	<b>4,287</b>	<b>443,154</b>
<b>Accumulated depreciation and amortization:</b>				
<b>Balance as of 01/01/2018</b>	29,471	72,611	0	<b>102,082</b>
Additions	10,576	33,048	0	<b>43,624</b>
Disposals	-8,239	0	0	<b>-8,239</b>
Changes in the scope of consolidation	-4,648	-16,230	0	<b>-20,878</b>
Currency translation	3	1	0	<b>4</b>
Transfers	0	0	0	<b>0</b>
<b>Balance as of 12/31/2018</b>	<b>27,163</b>	<b>89,430</b>	<b>0</b>	<b>116,593</b>
<b>Carrying amount:</b>				
<b>Balance as of 12/31/2018</b>	<b>30,392</b>	<b>291,882</b>	<b>4,287</b>	<b>326,561</b>
Balance as of 12/31/2017	29,658	244,747	5,184	<b>279,589</b>
<b>Acquisition and production costs:</b>				
<b>Balance as of 01/01/2017</b>	54,610	254,770	1,444	<b>310,824</b>
Additions	5,052	64,971	3,826	<b>73,849</b>
Disposals	-690	-2,369	0	<b>-3,059</b>
Changes in the scope of consolidation	373	0	0	<b>373</b>
Currency translation	-338	-14	0	<b>-352</b>
Transfers	122	0	-86	<b>36</b>
<b>Balance as of 12/31/2017</b>	<b>59,129</b>	<b>317,358</b>	<b>5,184</b>	<b>381,671</b>
<b>Accumulated depreciation and amortization:</b>				
<b>Balance as of 01/01/2017</b>	21,052	45,498	0	<b>66,550</b>
Additions	8,932	29,496	0	<b>38,428</b>
Disposals	-673	-2,369	0	<b>-3,042</b>
Changes in the scope of consolidation	350	0	0	<b>350</b>
Currency translation	-190	-14	0	<b>-204</b>
Transfers	0	0	0	<b>0</b>
<b>Balance as of 12/31/2017</b>	<b>29,471</b>	<b>72,611</b>	<b>0</b>	<b>102,082</b>
<b>Carrying amount:</b>				
<b>Balance as of 12/31/2017</b>	<b>29,658</b>	<b>244,747</b>	<b>5,184</b>	<b>279,589</b>
Balance as of 12/31/2016	33,558	209,272	1,444	<b>244,274</b>

By means of an assignment agreement dated September 17<sup>th</sup> 2013, KTM AG acquired the license right for the use of the Husqvarna brand from Pierer Industrie AG for EUR 10,000k. The license right is being amortized over its remaining useful life of 10 years.

In the previous year, an impairment charge of EUR 1,650k was recorded against development costs in relation to an asset which was not available for use, due to the termination of the project. In addition, in the previous year one project available for use was subjected to an impairment charge of EUR 15k owing to changes in the assumptions made regarding future sales and the resultant impairment to value.

Additions to intangible assets include investments of EUR 7,096k that had no cash flow effect as of the end of the reporting period (previous year: EUR 0k).

## 23. GOODWILL

Goodwill is not amortized but subjected to an annual impairment test. If necessary, a write-down is recognized in profit or loss. When carrying out impairment tests, goodwill is allocated to “cash-generating units (CGUs)”. The impairment loss of the CGUs is calculated by comparing the hitherto carrying amount (including allocated goodwill) and the recoverable amount. The Group determines the recoverable amount fundamentally on the basis of the value in use, which represents the present value of the expected future cash flows before tax. If the recoverable amount falls below the carrying amount, value adjustments in the amount of the difference must be made to the goodwill. Any further need for a write-down is allocated to the other assets in the CGUs in proportion to their carrying amount.

The cash flows used in the impairment test are based on the most recent medium-term planning figures, which entail a planning horizon of three years (previous year: four years). Beyond the detailed planning horizon, cash flows for the final financial period planned in detail are used as the basis for calculating a perpetuity value. The assumption is made that the business will be a going concern and no growth discount is applied. The determination of the discount rate (WACC) takes place on the basis of externally available capital market data. Medium-term planning is based on internal assumptions concerning the future development of sales, prices, and costs, the future development of new markets and the composition of the product mix. The assumptions are based mainly on the wealth of experience gained over many years and management assessments.

The calculation was based on the application of the following discount rates before tax for the respective CGUs:

	12/31/2018	12/31/2017
KTM	9.4%	11.0%
PANKL	-	10.4%
WP	-	11.1%

All other conditions being equal, any increase in input tax for WACC or decline in budgeted future EBIT by up to the extent below would mean that the carrying amount of the CGU corresponds to the recoverable amount.

	Increase in WACC		Decline in EBIT	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
KTM	14.2%	16.9%	-34.2%	-35.1%
PANKL	-	11.8%	-	-12.4%
WP	-	18.4%	-	-39.8%

The breakdown of goodwill and its development and division between the respective CGUs is as follows:

EURk	2018	2017
<b>Acquisition and production costs:</b>		
<b>Balance as of 01/01</b>	<b>140,171</b>	<b>140,770</b>
Changes in the scope of consolidation	-24,124	0
Currency translation	94	-599
<b>Balance as of 12/31</b>	<b>116,141</b>	<b>140,171</b>
<b>Accumulated depreciation and amortization:</b>		
<b>Balance as of 01/01</b>	<b>23,046</b>	<b>23,038</b>
Changes in the scope of consolidation	-3,078	0
Currency translation	1	8
<b>Balance as of 12/31</b>	<b>0</b>	<b>0</b>
	<b>19,969</b>	<b>23,046</b>
<b>Carrying amount as of 12/31</b>	<b>96,172</b>	<b>117,125</b>
KTM	96,172	94,118
PANKL	0	22,047
WP	0	960

The integration of the WP Group (now: KTM Components Group) into KTM AG means that the internal reporting has also been adjusted so that the KTM Components Group is now reported on together with KTM AG. For this reason, the previous goodwill of WP will in future be monitored at the level of the KTM CGU by management. The goodwill of the Pankl Group was disposed of as part of the sale of Pankl Racing Systems AG in 2018 from the KTM Industries Group.

## 24. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The investments in associates accounted for under the equity method are regarded individually as immaterial. The most important investments accounted for using the equity method are Motorcycle Distributors Australia Pty Ltd., Kiska GmbH, PEXCO GmbH, KTM MOTOHALL GmbH, KTM Asia Motorcycle Manufacturing Inc., and CFMOTO-KTMR2R Motorcycles Co., Ltd.

At the beginning of July 2017, KTM Sportmotorcycle GmbH acquired an equity holding of 26% in Motorcycle Distributors Australia Pty Ltd. KTM and Husqvarna products will be imported into the Australian market via this company. The reporting date of Motorcycle Distributors Australia Pty Ltd. is June 30. This was set when the company was founded or before the equity holdings were acquired by KTM. A change in the end of the reporting period is not sought on account of materiality considerations. For the purposes of accounting under the equity method, unaudited interim financial statements as at December 31 were used.

Kiska GmbH is a design business that provides development and design services. The reporting date of Kiska GmbH is March 31, which was set before the acquisition of the equity holding. A change in the end of the reporting period is not sought on account of materiality considerations. For the purposes of accounting under the equity method, unaudited interim financial statements as at December 31 were used.

In September 2017, KTM Industries AG entered into a strategic partnership with PEXCO GmbH, which was established in July 2017 by the German entrepreneurial family Puello and focuses on e-mobility. In the 2018 financial year, the stake of KTM Industries AG in PEXCO GmbH was diluted from 49.9% to 40.0%.

The equity holding in KTM MOTOHALL GmbH amounting to EUR 7,132k (previous year: EUR 2,349k), owing to its function purely as a project company (for the construction of KTM-Motohall), makes no operating profit or loss.

KTM Asia Motorcycle Manufacturing Inc. was jointly founded in June 2016 in partnership with Ayala Corp. The company began assembling KTM motorcycles in the Philippines from CKD (completely knocked down) kits in mid-2017.

During the 2017 financial year, the holdings in four flagship stores and in Cero Design Studio S.L. were taken into account for the first time using the equity method; these had previously been accounted for as other non-current assets and have therefore been reclassified from other non-current assets to companies accounted for using the equity method.

The KTM joint venture in China with its partner CF Moto was established in early 2018 under the name “Zhejiang CFMOTO-KTMR2R Motorcycles Co., Ltd”. The company is not yet operational. The production of mid-range motorcycles in the Chinese city of Hangzhou is planned from 2021 onward.

Movements in the carrying amounts of the investments accounted for using the equity method were as follows:

EURk	2018	2017
Book value of investments on 1/1	15,050	6,312
Acquisition of holdings	16,091	8,765
Consolidation changes	0	372
Disposal of holdings	0	-171
Proportionate net income	-4,925	69
Foreign currency translation in other comprehensive income	-121	-141
Dividend	-221	-156
Other	264	0
<b>Book value of investments on 12/31</b>	<b>26,138</b>	<b>15,050</b>

## 25. DEFERRED TAX ASSETS

Deferred tax items are included to account for future tax effects expected to result from business transactions that have already been recorded either in the consolidated financial statements or in the tax accounts (temporary differences). Deferred tax assets relating to tax loss carryforwards are recognized insofar as they can be realized within a reasonable period. Deferred tax assets and deferred tax liabilities are reported on a net basis if they are subject to the same tax jurisdiction and are of a similar duration. Deferred tax items for differences between the tax base of fully consolidated interests or interests measured at equity and the corresponding consolidated equity are recognized only if realization is probable within the foreseeable future. The calculation is based on the income tax rate customary in the relevant country at the time when the difference in value is expected to reverse.

On December 22<sup>nd</sup>, 2017, the “H.R. 1 – Tax Cuts and Jobs Act” was signed in the USA. This had an impact on the way in which taxes are accounted for in consolidated financial statements. IAS 12.47 stipulates that deferred taxes are to be measured using the tax rate that is valid or anticipated at the end of the reporting period. The new regulations, which provide for an adjustment of the federal corporate income tax rate from 35% to 21%, have therefore already been taken into account within the scope of accounting as at December 31<sup>st</sup>, 2017. The calculation of deferred tax assets therefore resulted in the previous year in a deferred tax expense of EUR 1,256k as a result of the changes to the tax rate.

Total deferred tax assets and liabilities were calculated from the following statement of financial position items:

EURk	12/31/2018	12/31/2017
<b>Deferred tax assets:</b>		
Current assets		
Receivables and other assets	0	4
Inventories	7,353	5,558
Non-current assets:		
Fixed assets	373	1,380
Loss carryforwards	2,845	5,316
Employee benefits	3,603	4,380
Provisions	2,237	2,709
Liabilities	837	1,262
Other	0	132
	<b>17,248</b>	<b>20,741</b>
Offsetting:	-14,222	-13,258
	<b>3,026</b>	<b>7,483</b>
<b>Deferred tax liabilities:</b>		
Current assets	-743	-2,471
Non-current assets		
Intangible assets	-75,423	-62,651
Property, plant, and equipment	-1,049	-1,520
Other	-46	-71
	<b>-77,261</b>	<b>-66,713</b>
Offsetting:	14,222	13,258
	<b>-63,039</b>	<b>-53,455</b>

Deferred tax assets in relation to non-current assets include EUR 1,609k (previous year: EUR 2,177k) in relation to the remaining sevenths of write-downs of equity holdings to going concern value pursuant to sec. 12 para. 3 no. 2 of the Austrian Corporate Tax Act (KStG). Temporary differences in the item "Intangible assets" result mainly from the development costs that cannot be capitalized for tax purposes and from quasi-permanent differences that result from the recognition of the "KTM" brand as an asset.

As at December 31<sup>st</sup> 2018 (as at the previous year end), it was to be assumed either that under current tax regulations the differences between the value for tax purposes of the carrying amount of investments and the proportion of equity in consolidated subsidiaries recognized in the IFRS financial statements (outside-basis differences), which arise largely from retained profits/uncovered losses, will remain untaxed in the foreseeable future, or that their reversal can be controlled by the Group.

It was also to be assumed either that the differences between the value for tax purposes of the carrying amount of investments in holdings accounted for using the equity method and the carrying value of those holdings (outside-basis differences) will remain untaxed in the foreseeable future, or that their reversal can be controlled by the Group.

In accordance with IAS 12.39, no deferred tax was recognized in connection with the taxable temporary differences of EUR 314,280k (previous year: EUR 288,237k) arising in connection with holdings in subsidiaries and financial investments accounted for using the equity method.

Movements in deferred taxes during the financial year were as follows:

EURk	2018	2017
Deferred tax (net) at 01/01	-45,972	-32,905
Change in scope of consolidation	-3,807	0
Deferred taxes recognized in the income statement	-11,276	-10,642
Deferred taxes recognized in other comprehensive income	994	-2,063
Foreign currency	48	-362
<b>Deferred tax (net) at 12/31</b>	<b>-60,013</b>	<b>-45,972</b>

The tax loss carryforwards that exist in the KTM Industries Group and have been capitalized can be summed up as follows:

EURk	Loss carryforward 12/31/2018	Allowance 12/31/2018	Remaining loss carry- forward 12/31/2018	Deferred tax asset 12/31/2018
KTM Industries AG	65,964	-65,964	0	0
PF Beteiligungsverwaltungs GmbH	10,835	-10,835	0	0
KTM-Gruppe	4,542	-1,697	2,845	2,845
	<b>81,341</b>	<b>-78,496</b>	<b>2,845</b>	<b>2,845</b>

EURk	Loss carryforward 12/31/2017	Allowance 12/31/2017	Remaining loss carry- forward 12/31/2017	Deferred tax asset 12/31/2017
KTM Industries AG	107,078	-107,078	0	0
PF Beteiligungsverwaltungs GmbH	9,855	-9,855	0	0
KTM-Gruppe	5,398	-1,984	3,414	3,414
Pankl-Gruppe	7,720	0	7,720	1,902
	<b>130,051</b>	<b>-118,917</b>	<b>11,134</b>	<b>5,316</b>

For better comparability, the previous year's table has been adapted to reflect the current Group structure.

The deferred tax assets of the KTM Group (previous year: WP Group) amounting to EUR 2,845k (previous year: EUR 3,414k) resulted from a future tax advantage resulting from the liquidation loss of WP Suspension B.V. This can be claimed over seven years as from the point of liquidation.

Deductible temporary differences and unused tax losses (including outstanding sevenths of write-downs to going concern value) for which deferred tax assets were not capitalized amount to EUR 86,478k (previous year: EUR 133,118k). Value adjustment to loss carry-forwards and temporary differences have been carried out to the extent to which a medium-term realization of deferred tax assets cannot be assumed with sufficient certainty from today's perspective.

## 26. OTHER NON-CURRENT ASSETS

EURk	12/31/2018	12/31/2017
Non-consolidated subsidiaries and financial investments not accounted for using the equity method	215	166
Lendings	0	1,606
Other non-current assets	9,139	3,782
	<b>9,354</b>	<b>5,554</b>

The other non-current assets mainly relate to receivables arising from financing activities amounting to EUR 9,127k (previous year: EUR 3,514k).

## 27. INVENTORIES

Inventories are measured at the lower of cost or net realizable value on the reporting date. Net realizable value is the estimated proceeds less estimated selling costs. Inventories are then measured using the average cost method. In addition, if the use of inventories is restricted, a write-down based on an analysis of coverage is recorded, using an analysis of coverage with write-down if use is restricted. The economic value of existing inventories is also reviewed on a case-by-case basis and additional allowances are made as required for slow-moving items or items with limited possibilities of sale.

Costs of acquisition include all costs that were incurred in order to bring the object to its required condition and to the relevant location. Costs of conversion comprise direct material and production costs based on normal capacity usage, plus appropriate portions of materials and production overheads. Administrative overheads and selling costs, on the other hand, do not form part of the production costs. Interest on borrowings is not capitalized, as the Group's inventories do not constitute qualifying assets as defined in IAS 23.

Inventories are represented as follows:

EURk	12/31/2018	12/31/2017
Raw materials, auxiliary materials and operating materials	71,573	84,990
Unfinished products	21,947	38,301
Finished products and goods	193,010	173,659
	<b>286,530</b>	<b>296,950</b>

EURk	12/31/2018	12/31/2017
Gross inventory level	309,680	323,917
- Allowances	-23,150	-26,967
<b>Net inventory level</b>	<b>286,530</b>	<b>296,950</b>

The carrying amount of inventories recognized at the lower net realizable value amounts to EUR 57,926k (previous year: EUR 62,713k). As at the reporting date, inventories amounting to EUR 0k (previous year: EUR 1,543k) are pledged or otherwise restricted in availability.

## 28. TRADE RECEIVABLES

The gross value of third-party trade receivables is stated net of individual allowances of EUR 1,741k (previous year: EUR 2,878k).

Movements in allowances on receivables were as follows:

EURk	Trade receivables
<b>Balance as of 01/01/2017</b>	<b>4,178</b>
Currency translation	-108
Additions	565
Utilization	-277
Reversals	-1,480
<b>Balance as of 12/31/2017 = 01/01/2018</b>	<b>2,878</b>

EURk	Trade receivables
Adjustment from first-time application of IFRS 9	-13
Change in scope of consolidation	-472
Currency translation	-6
Additions to specific valuation allowance	558
Additions to expected loss allowance	42
Utilization	-303
Reversals	-943
<b>Balance as of 12/31/2018</b>	<b>1,741</b>

Expenses for the complete derecognition of trade receivables amounted to EUR 75k (previous year: EUR 133k).

Contract assets are recorded in the KTM Industries Group in the trade receivables and can be carried over as follows:

Contract Assets	EURk
<b>Balance as of 01/01/2018</b>	<b>2,677</b>
Transfers to customer receivables	-2,677
Additions of new contract assets	3,012
Eliminations from the scope of consolidation	-1,680
<b>Balance as of 12/31/2018</b>	<b>1,332</b>

## 29. CURRENT RECEIVABLES AND OTHER ASSETS

Government grants are taken into account as soon as there is assurance that they will be received by the KTM Industries Group and that the group can comply with the requirements that are imposed.

EURk	12/31/2018	12/31/2017
Receivables from derivative financial instruments	3,653	11,625
ABS (asset backed securities) financing	6,564	6,258
Wethje purchase price claim	0	3,680
Receivables from related company shareholders	173	18,727
Other	7,887	9,618
<b>Other current financial assets</b>	<b>18,277</b>	<b>49,908</b>
Subsidies	27,630	19,309
Receivables due from tax offices	1,543	12,869
Receivables from value added taxes (from tax group settlement with Pierer Industrie AG)	5,704	0
Advance payments on inventory and other prepayments	17,351	9,145
Other	34	4,024
<b>Other current non-financial assets</b>	<b>52,262</b>	<b>45,347</b>
<b>Other current assets</b>	<b>70,539</b>	<b>95,255</b>

## 30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks, checks, and time deposits with a fixed term of not more than three months (calculated from date of acquisition) and are measured at their fair value as of the reporting date.

For further details on changes in the cash status please see the information on the cash flow statement in Chapter VI of the Notes to the Consolidated Financial Statements.

### 31. CONSOLIDATED EQUITY

Movements in the consolidated equity in the 2018 and 2017 financial years are presented on pages 90 -91.

During the 21<sup>st</sup> Annual General Meeting held on April 26<sup>th</sup> 2018, the decision was taken in relation to the simplified capital reduction of the company's **share capital** by EUR 2.00 through redemption of two treasury shares from EUR 225,386,742 to EUR 225,386,740. This reduction was made through the redemption of two no-par-value bearer shares with a proportional amount of the share capital of EUR 1.00 per bearer share. This capital reduction served the sole purpose of creating a share capital figure. Furthermore, the proper reduction of the company's share capital from EUR 225,386,740 to EUR 22,538,674 by combining shares at a ratio of 10:1 for the purpose of transferring EUR 202,848,066 to an unappropriated reserve was resolved. After implementing these resolutions, the company's share capital amounts to EUR 22,538,674 and is divided into 22,538,674 bearer shares of no par value, each of which represents an equal interest in the share capital. The shares grant the rights that are usually due to stockholders under the Austrian Stock Corporation Act. These include the right to payout of the dividend resolved upon at the Annual General Meeting as well as the right to vote at the Annual General Meeting. All shares have been paid up in full. The share capital shown in the consolidated financial statements is equal to the figure reported in the separate financial statements of KTM Industries AG.

The reserve pursuant to IAS 39 comprises the **cash flow hedge reserve**. The cash flow hedge reserve comprises the effective portion of the cumulative net changes in the fair value of hedging instruments used to hedge cash flows until their subsequent recognition in profit or loss or direct recognition in the costs of acquisition or carrying amount of a non-financial asset or non-financial liability.

The **hedging costs reserve** shows gains and losses on the portion excluded from the designated hedge that relates to the forward element of the forward currency transaction. These are initially recognized as other comprehensive income and accounted for in the same way as gains and losses in the hedging reserve.

The development of the cash flow hedge reserve and the reserve for hedging costs is explained in Note 45 Hedging.

The **reserves relating to exchange differences** comprise all exchange rate differences resulting from the currency translation of the annual financial statements of consolidated subsidiaries that had been drawn up in foreign currency.

The **interests held by non-controlling shareholders** include the interests of third parties in the equity of the consolidated subsidiaries.

2018 EURk	KTM AG (inclusive WP)	Pankl Racing Systems AG (until sale in Juni 2018)	Other	Total
Percentage of non-controlling interests on reporting date	48.31%	1.77%		
Revenue	1,454,745	110,163	-5,335	1,559,573
Profit	89,770	5,352	19,063	114,185
Other comprehensive income	-2,470	644	-1,371	-3,197
Total comprehensive income	87,300	5,996	17,692	110,988
<b>Profit assigned to non-controlling interests</b>	<b>43,663</b>	<b>18</b>	<b>3,036</b>	<b>46,717</b>
<b>Other comprehensive income assigned to non-controlling interests</b>	<b>-1,185</b>	<b>-5</b>	<b>-3,928</b>	<b>-5,118</b>
Non-current assets	702,313	0	42,291	744,604
Current assets	570,199	0	39,073	609,272
Non-current liabilities	-392,592	0	-42,235	-434,827
Current liabilities	-357,007	0	-11,266	-368,273
Net assets	522,913	0	27,863	550,776
<b>Carrying amount of non-controlling interests</b>	<b>252,644</b>	<b>0</b>	<b>711</b>	<b>253,355</b>

2018 EURk	KTM AG (inclusive WP)	Pankl Racing Systems AG (until sale in Juni 2018)	Other	Total
Cash flow from operating activities	73,415	2,806	9,237	85,458
Cash flow from investing activity	-179,637	-15,862	93,381	-102,118
Cash flow from financing activity	25,240	12,499	-101,075	-63,336
<b>Cash change</b>	<b>-80,982</b>	<b>-557</b>	<b>1,543</b>	<b>-79,996</b>
<b>Dividends from non-controlling interests</b>	<b>11,774</b>	<b>33</b>	<b>0</b>	<b>11,807</b>

2017 EURk	KTM AG	WP Performance Systems GmbH	Pankl Racing Systems AG	Other	Total
Percentage of non-controlling interests on reporting date	48.32%	11.74%	5.47%		
Revenue	1,331,717	179,738	195,388	-173,845	1,532,998
Profit	78,963	7,680	4,835	-7,576	83,902
Other comprehensive income	3,062	135	-2,757	-30	410
Total comprehensive income	82,025	7,815	2,078	-7,606	84,312
<b>Profit assigned to non-controlling interests</b>	<b>38,215</b>	<b>932</b>	<b>-53</b>	<b>122</b>	<b>39,216</b>
<b>Other comprehensive income assigned to non-controlling interests</b>	<b>1,481</b>	<b>28</b>	<b>-151</b>	<b>0</b>	<b>1,358</b>
Non-current assets	511,233	58,323	114,894	97,675	782,125
Current assets	502,149	53,012	103,626	24,241	683,028
Non-current liabilities	-267,863	-22,074	-86,961	-84,578	-461,476
Current liabilities	-336,239	-35,897	-41,958	-61,004	-475,098
Net assets	409,280	53,364	89,601	-23,667	528,579
<b>Carrying amount of non-controlling interests</b>	<b>198,020</b>	<b>6,945</b>	<b>5,527</b>	<b>122</b>	<b>210,614</b>
Cash flow from operating activities	166,388	15,579	13,024	-33,716	161,275
Cash flow from investing activity	-127,126	-6,150	-35,229	14,494	-154,011
Cash flow from financing activity	-129,355	2,785	22,397	-13,782	-117,955
<b>Cash change</b>	<b>-90,093</b>	<b>12,214</b>	<b>192</b>	<b>-33,004</b>	<b>-110,691</b>
<b>Dividends from non-controlling interests</b>	<b>10,620</b>	<b>4</b>	<b>103</b>	<b>0</b>	<b>10,727</b>

The effects of the transactions with non-controlling interests and the change in the proportion of the equity attributable to the shareholders during the financial year are as follows:

EURk	12/31/2018	12/31/2017
Carrying amount acquired (-) or disposed of (+) for non-controlling interests	-14,883	41
Purchase price received from (+) or paid (-) to non-controlling shareholders	-6,195	-151
<b>Difference recorded in equity</b>	<b>-21,078</b>	<b>-110</b>

In the previous year, KTM Industries AG increased its share in KTM AG from 51.67% to 51.68% and in 2018 by a further 0.01% to 51.69%.

Owing to the intra-Group sale of the KTM Components Group to KTM AG, there was a shift between the equity of the owners of the parent company and the non-controlling interests amounting to EUR 19,307k. As at the reporting date of December 31st 2018, KTM Industries indirectly held a 51.62% stake in the KTM Components Group (previous year: directly and indirectly 88.26%).

Up until the sale of the Pankl Group at the end of June 2018, the KTM Industries Group increased its stake in Pankl Racing Systems AG from 94.5% to 98.2%.

Movements in **other earnings** after tax within consolidated equity were as follows:

EURk	Provision as per IFRS 9 (Previous Year: IAS 39)	Reserves including total earnings	Foreign currency translation reserve	Total	Interests non- controlling shareholders	Total consoli- dated equity
<b>2018</b>						
Currency translation differences	0	0	3,437	<b>3,437</b>	-3,654	<b>-217</b>
Cash flow hedge	-1,070	0	0	<b>-1,070</b>	-1,065	<b>-2,135</b>
Revaluation of net debt from defined benefit plans	0	-446	0	<b>-446</b>	-399	<b>-845</b>
	<b>-1,070</b>	<b>-446</b>	<b>3,437</b>	<b>1,921</b>	<b>-5,118</b>	<b>-3,197</b>
<b>2017</b>						
Currency translation differences	0	0	-4,480	<b>-4,480</b>	-1,901	<b>-6,381</b>
Cash flow hedge	3,357	0	0	<b>3,357</b>	3,162	<b>6,519</b>
Revaluation of net debt from defined benefit plans	0	175	0	<b>175</b>	97	<b>272</b>
	<b>3,357</b>	<b>175</b>	<b>-4,480</b>	<b>-948</b>	<b>1,358</b>	<b>410</b>

## 32. FINANCIAL LIABILITIES

EURk	12/31/2018		12/31/2018	
	Nominal	Carrying amount	Term < 1 year	Term > 1 year
Promissory note loans	234,500	233,871	0	233,871
Registered bond	30,000	30,000	0	30,000
Liabilities owed to credit institutions	90,426	90,426	28,955	61,471
Liabilities from supplier finance program between group companies	36,906	36,906	36,906	0
Leasing liabilities	19,016	19,016	4,909	14,107
Other interest-bearing liabilities	2,393	2,393	2,393	0
<b>Total financial liabilities</b>	<b>413,241</b>	<b>412,612</b>	<b>73,163</b>	<b>339,449</b>

EURk	12/31/2017		12/31/2017	
	Nominal	Carrying amount	Term < 1 year	Term > 1 year
KTM Industries AG bond	57,800	57,737	57,737	0
Promissory note loans	144,500	144,069	0	144,069
Registered bond	30,000	30,000	0	30,000
Liabilities owed to credit institutions	253,279	253,279	58,318	194,961
Liabilities from supplier finance program between group companies	51,954	51,954	51,954	0
Leasing liabilities	3,094	3,094	1,013	2,081
Other interest-bearing liabilities	3,902	3,902	2,472	1,430
<b>Total financial liabilities</b>	<b>544,529</b>	<b>544,035</b>	<b>171,494</b>	<b>372,541</b>

#### ▪ BONDS:

In October 2012, KTM Industries AG issued a bond with a value of EUR 75,000k, a term of six years and an interest rate of 4.625% (ISIN: AT0000A0WQ66). The bond was reduced by EUR 17,200k in the 2016 financial year. When the term ended, the bond amounting to EUR 57,800k was paid off in full on October 5<sup>th</sup> 2018.

#### ▪ PROMISSORY NOTE LOAN:

In July 2015, KTM Industries AG issued a promissory note loan with a value of EUR 56.500k and a term of five and seven years. In January 2017, a part of the promissory note loan in the amount of EUR 32,000k, EUR 25.500k of which with a term of five years and EUR 6,500k of which with a term of seven years, was repaid early. A part of the promissory note loan totaling EUR 12,500k with a term of five years was repaid early by letter of termination of July 13<sup>th</sup> 2018, with effect from July 17<sup>th</sup> 2018, and letter of termination of October 4<sup>th</sup> 2018, with effect from 8<sup>th</sup> October 2018.

In June 2016, a promissory note loan with an issuing volume of EUR 120,000k and a term of five, seven or ten years was placed by KTM AG in order to refinance the bond repaid in April 2017. In June 2018, a further promissory note loan with a volume of EUR 135,000k and terms of seven and ten years was successfully placed. In addition, EUR 32,500k of the promissory note loan issued in 2016 was repaid early.

### 33. LIABILITIES FOR EMPLOYEE BENEFITS

The obligations relating to employee benefits consist of obligations relating to severance pay and anniversary bonuses.

EURk	12/31/2018	12/31/2017
Severance payments	20,119	20,268
Anniversary bonuses	4,917	3,733
	<b>25,036</b>	<b>24,001</b>

Defined benefit obligations in respect of severance pay and anniversary bonuses are measured according to the projected unit credit method prescribed by IAS 19 (Employee Benefits), based on actuarial reports. The projected unit credit method (also known as the years of service method) takes account of both the benefits vested as at the reporting date and future expected increases in salaries. This method is used to determine the present value of the defined benefit obligation (DBO).

The KTM Industries Group is also obligated by law to issue severance pay upon termination by the employer or upon retirement to all employees in Austria whose employment relationship commenced before January 1<sup>st</sup> 2003. The level of this defined benefit obligation depends on the number of years of service and on the employee's relevant remuneration at the time of departure. For all employees in Austria who joined after December 31<sup>st</sup> 2002, the company pays 1.53% of their gross monthly salary each month into a staff severance pay fund that invests the contributions in an account maintained for the employee; at the end of the employment relationship, the amount thus accumulated is paid out or the claim thereto is passed on. The company's obligation extends only to the payment of the contributions, which are recognized as expenses in the financial year for which they were paid (defined contribution obligation). For employees of Austrian group companies whose employment commenced on or after January 1<sup>st</sup>, 2003, contributions amounting to 1.53% of wages or salary were paid into a statutory staff severance pay fund. Total contributions of EUR 2,311k were paid during the past financial year (previous year: EUR 2,405k).

Any differences (actuarial gains or losses) resulting at year-end between the budgeted severance payment obligations and the actual value of the conditional benefits are taken directly to other comprehensive income, net of any deferred taxation.

Movements in the net liability under defined benefit plans in respect of **severance pay** during the financial year were as follows:

EURk	12/31/2018	12/31/2017
<b>Conditional benefit:</b>		
Balance as of 01/01	20,268	19,826
Service cost	878	946
Interest expenses	346	287
Payments made	-460	-447
Actuarial gain / loss	1,126	-361
Changes in the scope of consolidation	-1,672	0
Miscellaneous	-367	17
<b>Balance as of 12/31</b>	<b>20,119</b>	<b>20,268</b>

The weighted durations of the obligations for severance pay at December 31<sup>st</sup> 2018 were 14 years (previous year: 13 years).

The actuarial gain/loss is made up of the following factors:

EURk	12/31/2018	12/31/2017
Change in expected values	174	377
Change in demographic assumptions	293	-78
Change in financial assumptions	659	-660
<b>Actuarial gain/loss</b>	<b>1,126</b>	<b>-361</b>

The measurement of the obligation is based on the following assumptions:

	12/31/2018	12/31/2017
Discount rate	2.00%	2.00%
Wage/salary trend	2.75%	2.50%
Retirement age (years) women / men with transitional arrangement	62 - 65 years	62 - 65 years

The discount rate was determined taking into account the average terms and the average remaining lifespans. The discount rate is the market yield on high quality, fixed-interest corporate bonds at the end of the reporting period.

Employee turnover is determined on a company-specific basis and takes account of age and length of service. The actuarial measurements are based on country-specific tables of mortality rates. The chosen retirement age is the statutory retirement age in each country.

As of December 31<sup>st</sup> 2018, a change (+/- 0.5 percentage points) to the parameters "discount rate" and "wage/salary trend" would have had the following effects on the present value of the future payments:

Parameter	Change -0.50%	Change +0.50%
Discount rate	6.9%	-6.4%
Wage/salary trend	-6.3%	6.8%

As of December 31st 2017, a change (+/- 0.5 percentage points) to the parameters “discount rate” and “wage/salary trend” would have had the following effects on the present value of the future payments:

Parameter	Change -0.50%	Change +0.50%
Discount rate	6.7%	-6.0%
Wage / salary trend	-6.0%	6.6%

The companies of the KTM Industries Group are obligated under collective-bargaining agreements to pay their employees in Austria **anniversary bonuses** upon attaining a certain number of years of service (as from 25 years of service) (defined benefit obligation). In accordance with IAS 19, the actuarial result is directly recognized in the consolidated income statement. The interest result is recognized under “Other financial result”. Movements in obligations relating to claims to anniversary bonuses were as follows:

EURk	12/31/2018	12/31/2017
Balance as of 01/01	3,733	3,710
Service cost	383	364
Interest expenses	74	51
Payments made	-32	-294
Actuarial gain / loss	758	-96
Miscellaneous	1	-2
<b>Balance as of 12/31</b>	<b>4,917</b>	<b>3,733</b>

#### 34. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other **non-current** liabilities essentially comprise the following:

EURk	12/31/2018	12/31/2017
Deposits	6,796	7,773
Other financial liabilities	0	3,210
Other non-current financial liabilities	6,796	10,983
Other non-current non-financial liabilities	507	496
<b>Other non-current liabilities</b>	<b>7,303</b>	<b>11,479</b>

Other **current** liabilities essentially comprise the following:

EURk	12/31/2018	12/31/2017
Sales bonuses	22,067	20,260
Price rebates	1,287	2,895
Liabilities from derivative financial instruments	1,163	2,431
Employee benefits	6,000	0
Other financial liabilities	7,122	16,575
Other current financial liabilities	37,639	42,161

EURk	12/31/2018	12/31/2017
Employee benefits	37,142	40,698
Prepayments	5,507	6,148
Tax liabilities	6,493	6,222
Other non-financial liabilities	123	3,762
Other current non-financial liabilities	49,265	56,830
<b>Other current liabilities</b>	<b>86,904</b>	<b>98,991</b>

Current employee benefits mainly include liabilities for unconsumed vacations, liabilities for employee bonuses, liabilities to district health insurance funds, and wage and salary liabilities.

### 35. PROVISIONS

The group makes provisions for guarantees and warranties in relation to known, expectable individual cases. The amounts of expected expenses are primarily based on previous experience and are recorded at the time the products are sold as an expense.

Provisions are made if a liability is owed to third parties, a claim is likely to be asserted, and a reliable estimate of the amount expected to become payable is possible.

Estimates of future expenses involve uncertainties, which is why there may be an adjustment of the provision made in the future. It cannot be ruled out that the actual expenses for these measures exceed or fall short of the provision made for those purposes in an unforeseeable way.

Movements in the provisions during the financial year were as follows:

EURk	Balance as of 01/01/2018	Currency translation	Additions	Dissolutions	Utilization	Changes in the scope of consolida- tion	Balance as of 12/31/2018
<b>Current Provisions:</b>							
Provisions for guarantee and warranty	11,173	1	11,839	-263	-10,480	-274	11,996
Provisions for legal action	584	0	278	-256	-128	0	478
Other provisions	239	0	2,129	-10	-101	0	2,257
	<b>11,996</b>	<b>1</b>	<b>14,246</b>	<b>-529</b>	<b>-10,709</b>	<b>-274</b>	<b>14,731</b>

## VI. NOTES ON THE STATEMENT OF CASH FLOWS

The changes in the statement of financial position items presented in the statement of cash flows cannot be derived directly from the statement of financial position since non-cash effects are eliminated. Other non-cash expenses (income) mainly comprise changes in the measurement of foreign currency receivables and payables and movements in allowances on receivables and inventories. The effects associated with changes in the scope of consolidation have been eliminated and are accounted for as cash flow from investing activities.

The change in accounting for financial liabilities and the values shown in the statement of cash flows can be reconciled as follows:

EURk	Carrying amount 1/1/2018	Changes affecting cash flow	Changes not affecting cash flow					Carrying amount 12/31/2018
			Acquisition	Reclassifica- tion	Scope of consolidation changes	Transaction costs	Accrued interest	
Current financial liabilities	170,481	-106,171	0	18,993	-15,301	0	251	68,254
Non-current financial liabilities	370,460	70,282	0	-18,993	-96,841	169	266	325,342
Leasing obligations (current)	1,013	-1,013	0	4,909	0	0	0	4,909
Leasing obligations (non-current)	2,081	-1,592	18,528	-4,909	0	0	0	14,107
<b>Total</b>	<b>544,035</b>	<b>-38,494</b>	<b>18,528</b>	<b>0</b>	<b>-112,142</b>	<b>169</b>	<b>517</b>	<b>412,612</b>

EURk	Carrying amount 1/1/2017	Changes affecting cash flow	Changes not affecting cash flow				Carrying amount 12/31/2017
			Acquisition	Reclassification	Transaction costs	Accrued interest	
Current financial liabilities	190,128	-83,456	0	64,693	179	-973	170,481
Non-current financial liabilities	456,406	-21,143	0	-64,693	15	-125	370,460
Leasing obligations (current)	572	-511	0	952	0	0	1,013
Leasing obligations (non-current)	1,069	-322	2,286	-952	0	0	2,081
<b>Total</b>	<b>648,175</b>	<b>-105,522</b>	<b>2,286</b>	<b>0</b>	<b>194</b>	<b>-1,098</b>	<b>544,035</b>

## VII. RISK REPORT

### 36. RISK MANAGEMENT

As a group of companies doing business on a global scale, the KTM Industries Group faces a multitude of possible risks that are monitored by means of a comprehensive risk management system. The Executive Board and Supervisory Board are periodically informed about risks that may have a major impact on the group's business developments. Management takes timely action to avoid, minimize and hedge risks.

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

Continuous growth depends on a variety of factors, such as demand behavior, product development, changes in foreign exchange rates, the general economic setting in the individual markets, prices of goods purchased from others, or talent management. Increased market research activities and a model policy reflecting the resulting findings are means of responding to a market environment characterized by rapidly changing situations.

The earnings position of KTM Industries AG (as an individual company) is characterized by expenses associated with financing, the acquisition of equity holdings and expenses for projects, and is significantly dependent on the dividend policy of its affiliates. The equity holding in the KTM Group is currently its biggest and most essential interest.

In accordance with the requirements of sec. 243(c) of the Austrian Commercial Code, a corporate governance report has been drawn up. In this regard, please refer to the publication in the annual report of KTM Industries AG and/or to the KTM Industries AG website.

## 37. MARKET RISKS

### ▪ CYCLICAL RISK

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

### ▪ COMPETITION AND PRICING PRESSURE

The market for motorcycles in industrialized countries is characterized by intense competition; KTM's strongest competitors are four Japanese, three European and, to a lesser extent, one US manufacturer, some of which possess greater financial resources and have higher sales figures and market shares. In addition, the street motorcycle market is characterized by high pricing pressure, and new competitors are trying to enter the market by relying on a low-price strategy. Thanks to KTM's successful market strategy, market leadership has been achieved in Europe.

### ▪ SALES RISK

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

## 38. SECTOR-SPECIFIC RISKS

### ▪ RESTRICTIONS RELATING TO MOTORCYCLING

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

### ▪ PROCUREMENT RISK

In view of the current developments on the national and international markets, the procurement risk faced by the KTM Group mainly involves the timely introduction of suitable measures to ensure the supply of parts if suppliers become insolvent or supply bottlenecks materialize. KTM is therefore exposed to this risk only indirectly. To minimize risk and ensure the availability of materials, KTM places great emphasis on using predetermined criteria to carefully select new suppliers and on sustainably collaborating with existing suppliers and/or further developing such cooperations in stable supplier relationships with a long-term approach. As the quality of KTM's products is strongly determined by the quality and characteristics of the subcomponents to be sourced, particular attention is paid to the creditworthiness, operating facilities and production processes of suppliers. The continuous availability of parts is ensured by appropriate monitoring.

### ▪ RESEARCH AND DEVELOPMENT, RACING

Competitive positioning is largely dependent on technical innovation and the introduction of new products. To this end, new trends must be identified promptly. To counteract the risk, our own products' innovative capacity must be ensured.

KTM therefore places a high value on the early recognition of motorcycle trends, on research and development regarding engineering and functionality, and on researching customer wishes so as to achieve innovative product development close to the market. Racing achievements are not only an

important marketing instrument for the company but also form the basis for product development and set standards for series development. Valuable experience is gained whenever products can be tested under racing conditions at racing events. Before being introduced into series production, all technical innovations are moreover subjected to comprehensive testing using the quality management system so as to eliminate any technical defects that could have a negative effect on earnings development as much as possible.

#### ▪ **PRODUCT LIABILITY RISK**

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

### **39. IT RISKS**

Within the KTM Industries Group, an IT security and risk management system is operated with the aim of making it possible to recognize and manage company-relevant risks in the area of information security. In addition, evidence of compliance and the exercising of due diligence when handling and using information and equipment for the processing of information is provided and documented in respect of customers, the Executive Board and the general managers of each participating company.

The ever-increasing threat of IT and cyber risks is countered through the ongoing development of IT security measures and the use of state-of-the-art IT security technologies. Cyber attacks are averted using a multi-level technical concept, which makes use of state-of-the-art security features, such as an intrusion prevention system and additional upstream or internal technical security systems. In addition, behavior-based security solutions are used with a view to identifying security-related abuse. Incidents are identified and handled by a malware incident response process. In parallel, regular internal and external vulnerability analyses are performed and any vulnerabilities identified are countered by means of an established patch and update management process. Regular internal and external security audits are documented, evaluated and prioritized by means of risk management measures and a solution is then applied.

Care is taken to ensure that all users of the IT systems possess the requisite knowledge and awareness for the use of IT within the scope of their role through the provision of regular general IT security awareness training. This training is provided in a preventative and traceable manner.

We apply the same high quality standards in the area of data security and data protection as we do for our products.

### **40. FINANCIAL RISKS**

The KTM Industries Group is subject to credit, market, currency and liquidity risks regarding its assets, liabilities and planned transactions. Financial risk management is aimed at controlling and limiting those risks.

The principles of financial risk management are laid down and monitored by the Supervisory Board and the Executive Board. Group treasury is in charge of implementation. To protect itself against the financial risks described below, the KTM Industries Group uses derivative financial instruments in order to safely hedge cash flows from operating activities against fluctuations in exchange rates and/or interest rates. The timescale for hedging generally covers currently open items and any transactions planned for the next twelve to eighteen months. In exceptional cases, strategic hedge positions involving longer time periods may be entered into in consultation with the Supervisory Board.

#### ▪ **CURRENCY RISKS**

As an enterprise doing business on a global scale, the KTM Industries Group is influenced by general global economic data such as changes in currency rates or developments in the financial markets. As the US dollar represents the highest individual foreign currency risk faced by KTM, movements in the US dollar exchange rate are of particular importance to the development of the company's revenue and income. KTM earned approximately 25% of its revenues in US dollars during the 2018 financial year (prior year: 23%). Currency hedging measures, in particular hedging strategies, can largely offset these currency shifts over at least one model year.

The group is exposed to further currency risks where financial assets and liabilities are settled in a currency other than the local currency of the relevant company. The companies of the group predominantly perform their invoicing in local currency and largely take out financing in local currency. Financial investments are primarily made in the local currency of the investing group company. For these reasons, most resulting currency positions will be closed out naturally.

The main causes of ineffectiveness in currency hedges are:

- The impact of counterparty and Group credit risk on the fair value of forward foreign exchange contracts that are not reflected in the change in fair value of hedged cash flows, attributable to changes in foreign currency exchange rates.
- Changes in the timing of hedged transactions.

Sensitivity analyses have been performed on currency risks in relation to financial instruments in order to show the effects that hypothetical changes in the exchange rates have on profit or loss (after taxes) and equity. The relevant balances as of the reporting date and foreign currency purchases and sales budgeted for 2019 were used as a basis. It was assumed that the risk faced on the reporting date essentially represents the risk present during the financial year. The group tax rate of 25% was used as the tax rate. Furthermore it was assumed in the analysis that all other variables, in particular the interest rates, remained constant. Currency risks relating to financial instruments of a monetary nature that are denominated in a currency other than the functional currency were included in the analysis.

In the scope of the sensitivity analysis, effects of changes in the exchange rate of  $\pm 10\%$  are shown as profit or loss, other income, and equity.

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

- For the sensitivity of profit and loss, the Group's bank balances, receivables and payables are considered, as are future receipts and payments in foreign currency that are not accounted for in the functional currency of the group company. Account is also taken of open derivatives on cash flow hedges where the underlying transaction has already been realized on the reporting date (recognized as income).
- For the sensitivity of other income, account is taken of open derivatives from cash flow hedges where the underlying transaction has not yet been realized on the reporting date (movements are not recognized in profit and loss). The exposure corresponds to the notional amount of the open derivatives.

Increase (+) / Decrease (-) EURk	10% increase		10% devaluation	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Change in net result	15,760	6,780	-19,262	-8,365
Change in currency-related cash flow hedge provisions	-2,454	-10,552	3,083	12,897
<b>Change in equity</b>	<b>13,306</b>	<b>-3,772</b>	<b>-16,179</b>	<b>4,532</b>

#### ▪ INTEREST RATE RISKS

Financial instruments on both the assets side and the liabilities side mainly carry interest at variable rates. Thus the risk consists in rising interest expenses or falling interest income resulting from an adverse change in market interest rates.

The KTM Industries Group has refinanced part of its debt at variable rates and is thus exposed to the risk of interest rate fluctuations on the market. Regular monitoring of the money and capital markets and, in some cases, the use of interest rate swaps (fixed interest rate payer swaps) serve to respond to this risk. Under the interest rate swaps entered into, the entity receives variable interest payments and, in return, pays fixed interest on the notional amounts of the contracts entered into.

Interest rate risks thus result mainly from primary financial instruments carrying interest at variable rates (cash flow risk). Sensitivity analyses were performed on the interest rate risks of these financial instruments in order to show the effects that hypothetical changes in the market interest rate level have on profit or loss (after tax) and equity. The relevant balances as of the reporting date were used as a basis. It was assumed that the risk faced on the reporting date essentially represents the risk present during the financial year. The group tax rate of 25% was used as the tax rate.

Furthermore it was assumed in the analysis that all other variables, in particular the exchange rates, remained constant.

The main causes of ineffectiveness in interest rate hedges are:

- the impact of counterparty and Group credit risk on the fair value of the interest rate derivatives that are not reflected in the change in fair value of hedged cash flows attributable to changes in the interest rates.
- Differences in interest rate adjustment dates between the derivatives and the hedged items.

A sensitivity analysis was performed on interest rate risk. A change of 50 basis points would have the following effects on profit or loss, other comprehensive income and equity:

Increase (+) / Decrease (-) EURk	Increase by 50 BP		Decrease by 50 BP	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Change in net result	-473	2	474	1
Change in interest-related cash flow hedge provisions	58	274	-59	-277
<b>Change in equity</b>	<b>-415</b>	<b>276</b>	<b>415</b>	<b>-276</b>

#### ▪ DEFAULT RISKS (CREDIT RISKS)

The default risk is the risk of financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The default risk generally arises from trade receivables.

On the assets side, the carrying amounts reported also represent the maximum default risk. In addition, there are no general set-off agreements, with the exception of the set-off agreement described in the annex under note 44 of the notes to the consolidated financial statements.

#### Trade receivables and contract assets

The risk of default on receivables from customers can be rated as low, as ongoing checks of the creditworthiness of new and existing customers are performed and collateral is requested.

Risk management at KTM carries out an analysis and assessment of new customers. They are first analyzed individually with regard to their creditworthiness and standardized Group-wide contracts are concluded with customers. The analysis includes external ratings, where available, as well as annual financial statements, information from credit agencies, and bank information. Sales limits are set for each customer and reviewed on an ongoing basis. All sales exceeding these limits require the approval of the Risk management department.

Default risks are largely hedged by means of credit insurance and bankable security (guarantees, letters of credit). The default risks and related controls are defined in internal guidelines.

There are largely long-standing business relationships with dealers and importers. By continuously monitoring the default risk and the creditworthiness of customers, each receivable is individually reviewed to ascertain the need for a value adjustment.

A summary of the default risk on trade receivables (including contract assets) as of December 31st 2018 is presented in the following table.

Trade receivables incl. contract assets EURk	Not impaired in creditworthiness	Creditworthi- ness impaired	Total
Not overdue	125,496	0	125,496
Overdue 1-30 days	19,586	0	19,586
Overdue 31-60 days	1,004	0	1,004
Overdue 61-90 days	324	0	324
Overdue > 90 days	2,560	2,128	4,688
<b>Total gross carrying amount</b>	<b>148,970</b>	<b>2,128</b>	<b>151,098</b>
Impairment loss	-98	-1,643	-1,741
<b>Total</b>	<b>148,872</b>	<b>485</b>	<b>149,357</b>

Comparative information in accordance with IAS 39 for the 2017 financial year:

The carrying amounts of the receivables as of December 31<sup>st</sup> 2017 comprise the following:

EURk	Carrying amount 12/31/2017	Including: Neither impaired nor past due on closing date	Including: Not impaired as of the closing date and past due within the following time bands				Impaired
			Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	More than 90 days	
Trade receivables	120,305	<b>93,430</b>	14,558	3,778	1,624	4,110	2,805
Receivables from related company shareholders	18,727	<b>18,727</b>	0	0	0	0	0
Other financial assets (current and non-current)	23,338	<b>22,902</b>	262	43	41	90	0
Financial assets – lendings	1,606	<b>1,606</b>	0	0	0	0	0
<b>Total</b>	<b>163,976</b>	<b>136,665</b>	<b>14,820</b>	<b>3,821</b>	<b>1,665</b>	<b>4,200</b>	<b>2,805</b>

As regards the current portfolio of trade and other receivables that are neither impaired nor past due, there are no indications as of the end of the reporting period that the obligors will not meet their payment obligations. There are no concentration risks.

#### Estimation of expected credit losses

IFRS 9 replaces the previous “Incurred Loss” model from IAS 39 with the “Expected Credit Loss” model.

Based on the actual defaults observed in the past, an average default rate of 0.06% of trade receivables was determined for continuing operations. For the 2017 financial year, an additional impairment loss for continuing operations of EUR 56k was recognized for trade receivables.

For the 2018 financial year, an expected credit loss of 0.06% of trade receivables was determined without any change. An addition of EUR 42k was recorded; the impairment for expected losses as at December 31<sup>st</sup> 2018 thus amounts to EUR 98k.

#### Changes in value adjustments

Changes in value adjustments related to trade receivables (including contract assets) are described in the annex under note 28. Trade receivables.

## CASH AND CASH EQUIVALENTS, OTHER ASSETS AND DERIVATIVES

Credit losses on cash and cash equivalents are generally calculated using the same method as for debt instruments. Given the short-term nature of this item and the good rating of the banks, the Group assumes that these portfolios are financial instruments with a low default risk and that the expected losses are negligible.

Likewise, the default risk for other financial instruments is to be regarded as low, as the counterparties are obligors of optimum creditworthiness.

The default risk on derivative financial instruments with positive market value is limited to their replacement cost; as all the counterparties are banks of good creditworthiness, the default risk can be classified as low.

There are no indications of any additional impairment loss requirements for financial assets.

### LIQUIDITY RISKS

It is a material objective of financial risk management in the KTM Industries Group to ensure solvency and financial flexibility at all times. Factors contributing to liquidity risks include, in particular, proceeds from revenues being below the planning assumptions due to weaker demand. For this purpose, the group maintains a liquidity reserve in the form of unused credit lines (cash credits and guarantee credits) and, if needed, in the form of cash in banks with good creditworthiness. Top priority is given to ensuring liquidity over the short and medium term. Another major control parameter is the maximization of free cash flow by cost-cutting measures, proactive working capital management and reduced investment expenditure. From today's perspective, sufficient commitments have been given concerning the creditworthiness of our strategic financing partners and therefore the security of current liquidity reserves.

Non-current liquidity requirements are met by the issuance of promissory note loans and by taking out bank loans.

The contractually agreed (undiscounted) cash flows (payments of interest and principal) and the remaining terms to maturity of the financial liabilities comprise the following:

EURk	Carrying amount 12/31/2018	Cash flow 2019			Cash flow 2020 to 2023			Cash flows from 2024		
		Fixed interest	Variable interest	Repay- ment	Fixed interest	Variable interest	Repay- ment	Fixed interest	Variable interest	Repay- ment
<b>Financial liabilities measured at fair value</b>										
<b>Fair value - hedging instruments</b>										
Other financial liabilities - derivatives with negative market value that have already been assigned to receivables	89	0	0	89	0	0	0	0	0	0
Other financial liabilities - derivatives with negative market value (cash flow hedge)	1,074	185	0	1,074	164	0	0	0	0	0
<b>Total</b>	<b>1,163</b>	<b>185</b>	<b>0</b>	<b>1,163</b>	<b>164</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

EURk	Carrying amount 12/31/2018	Cash flow 2019			Cash flow 2020 to 2023			Cash flows from 2024		
		Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment
<b>Financial liabilities not measured at fair value</b>										
<b>At amortized cost</b>										
Interest-bearing liabilities	393,596	5,201	943	68,254	17,565	2,985	87,263	10,553	2,042	238,689
Liabilities under finance leases	19,016	0	162	4,909	0	230	14,107	0	0	0
Trade payables	190,611	0	0	190,611	0	0	0	0	0	0
Other financial liabilities (current and non-current)	43,272	0	0	43,272	0	0	0	0	0	0
<b>Total</b>	<b>646,495</b>	<b>5,201</b>	<b>1,105</b>	<b>307,046</b>	<b>17,565</b>	<b>3,215</b>	<b>101,370</b>	<b>10,553</b>	<b>2,042</b>	<b>238,689</b>
<b>Total</b>	<b>647,658</b>	<b>5,386</b>	<b>1,105</b>	<b>308,209</b>	<b>17,729</b>	<b>3,215</b>	<b>101,370</b>	<b>10,553</b>	<b>2,042</b>	<b>238,689</b>

EURk	Carrying amount 12/31/2017	Cash flow 2018			Cash flows 2019 to 2022			Cash flow from 2023		
		Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment	Fixed interest	Variable interest	Repay-ment
<b>At amortized cost</b>										
Interest-bearing liabilities	483,204	6,202	1,068	112,744	18,315	2,721	204,650	7,610	1,027	166,241
Bonds	57,737	2,036	0	57,800	0	0	0	0	0	0
Liabilities under finance leases	3,094	0	27	1,013	0	28	2,081	0	0	0
Trade payables	178,464	0	0	178,464	0	0	0	0	0	0
Other financial liabilities (current and non-current)	50,712	0	0	47,973	0	0	3,210	0	0	0
<b>Total</b>	<b>773,211</b>	<b>8,238</b>	<b>1,095</b>	<b>397,994</b>	<b>18,315</b>	<b>2,749</b>	<b>209,941</b>	<b>7,610</b>	<b>1,027</b>	<b>166,241</b>
<b>Fair value - hedging instruments</b>										
Other financial liabilities - derivatives with negative market value (cash flow hedge)	2,432	207	0	2,432	414	0	0	0	0	0
<b>Total</b>	<b>2,432</b>	<b>207</b>	<b>0</b>	<b>2,432</b>	<b>414</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>775,643</b>	<b>8,445</b>	<b>1,095</b>	<b>400,426</b>	<b>18,729</b>	<b>2,749</b>	<b>209,941</b>	<b>7,610</b>	<b>1,027</b>	<b>166,241</b>

The table includes all financial instruments that were held at the reporting date and for which payments had already been contractually agreed. Budget figures for future new financial liabilities are not included. Ongoing working capital loans were assumed to have an average term to maturity of 12 months; however, these loans are regularly renewed and, from an economic point of view, are available for a longer period of time. Foreign exchange balances were converted using the closing rate. Variable interest payments from the financial instruments were determined on the basis of the last interest rate that was set before the reporting date. Financial liabilities repayable at any time are always assigned to the earliest maturity band.

## 41. OTHER RISKS

### ▪ RISKS DUE TO THE LEGAL FRAMEWORK

As the KTM Industries Group markets its motorcycles in a large number of countries, it is exposed to the risk of changes in national regulations, terms of licenses, taxes, trade restrictions, prices, income, and exchange restrictions as well as to the risk of political, social, and economic instability,

inflation, and interest rate fluctuations. Motorcycles registered for road use must comply with relevant provisions concerning noise and exhaust gas emissions in order to be approved for sale in each country. In addition, the possible offroad uses of motorcycles are considerably influenced by the national legal framework in the countries where the vehicles are sold. To counteract the risk, the regulations in each country are analyzed in detail prior to market entry and subsequently monitored on an ongoing basis so that any changes can be responded to in a timely manner.

#### ▪ BUSINESS AND ENVIRONMENTAL RISK

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

#### ▪ PERSONNEL-RELATED RISKS

Especially with regard to the growth course, risks may arise if key staff leave the company. Efficient personnel management as well as the constant pursuit of personnel development programs are designed to counteract the risk of managerial staff leaving the company.

The risk of a shortage of skilled staff is minimized by a comprehensive apprentice training program in our own apprentice workshop. The aim is to recruit employees from the region and to retain them in the long term.

## VIII. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

### 42. BASIC PRINCIPLES

The KTM Industries Group holds primary and derivative financial instruments. **Primary financial instruments** mainly include trade receivables, credit balances with credit institutions, liabilities owed to credit institutions, trade payables, and financial liabilities. The portfolio of primary financial instruments is shown in the consolidated statement of financial position and described in the notes to the consolidated financial statements. **Derivative financial instruments** are generally used to hedge existing risks relating to interest rate changes and foreign currency. The use of derivative financial instruments is subject to appropriate authorization and control procedures in the group. Linkage to a hedged item is mandatory; trading transactions are not permitted.

Purchases and sales of all financial instruments are recognized as at the settlement date. As a matter of principle, financial instruments are measured at cost of acquisition upon initial recognition. The financial instruments are derecognized if the rights to payments from the investment have expired or have been transferred and the group has essentially transferred all the risks and opportunities associated with their ownership.

#### ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31<sup>ST</sup> 2018 (IFRS 9):

The regulations under IFRS 9 provide for a new classification model for financial assets, which has an effect on the measurement of these assets. Categorization will take place in connection with the contractual cash flows and the business models on which they are based. In this regard, the following measurement categories are provided by IFRS 9:

- AC category: At amortized cost using the effective interest method
- FVOCI category: At fair value, changes to the fair value are recorded under other comprehensive income
- FVPL category: At fair value, changes to the fair value are recorded in the income statement

For the most part, the existing provisions will be adopted for the recognition and measurement of financial liabilities.

In the case of equity instruments (such as shares in companies not listed on the stock exchange) that are classified under IAS 39 as financial assets available for sale, the FVOCI option can be exercised. This will lead to changes in the fair value being recorded under other comprehensive income, meaning that it will no longer be possible to regroup the changes to fair value accumulated under other comprehensive income in the income statement. Insofar as this option is not exercised, these will be assigned to the FVPL category, under which all changes to the fair value will be recorded in the income statement. The right to choose the FVOCI option is exercised for carrying amounts of EUR 215k (other non-current financial assets).

## ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31<sup>ST</sup> 2017 (IAS 39):

### Primary financial instruments

- **Securities** (held for trading) are measured at their fair value as at the reporting date. Generally, the stock-exchange prices as at the reporting date are taken as fair values. Changes in measurement are recognized in profit or loss.
- **Other financial assets** (available for sale (afs)) are measured at their fair value on the reporting date. As a matter of principle, the stock-exchange prices valid as of the reporting date are recognized as the fair value; changes in the measurement are recognized in other comprehensive income, provided such changes are material. Other non-current financial assets include equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured. These are accounted for at cost of acquisition less impairment. There are currently no plans to dispose of these holdings.

Impairment losses are recognized for financial assets if there is objective evidence. Such objective evidence includes, for instance, financial difficulties, insolvency, breach of contract or considerable delay in payment by the obligor or issuer. In the case of an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost of acquisition is objective evidence of impairment. The group regards a decline of 20% as significant and a period of nine months as prolonged.

- **Receivables and other assets** upon initial recognition are measured at fair value and in subsequent periods are measured at amortized cost of acquisition. Foreign currency receivables are translated at the closing rate, less any impairment charges required on account of identifiable risks. Financial receivables are classified as "Loans and receivables" and measured at amortized cost of acquisition.

Individual allowances are only made against financial assets if they are regarded as uncollectible or partly uncollectible. Signs that an individual allowance is required are financial difficulties, insolvency, breach of contract or considerable delay in payment on the part of the customer. The individual allowances consist of numerous separate items, none of which is material if considered on its own. Financial assets are only derecognized directly if the contractual rights to receive payment cease to exist (in particular in the case of insolvency). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting the allowance account.

- **Financial liabilities** are measured at amortized cost of acquisition. Financial liabilities are classified as "Other financial liabilities". Any difference between the amount received and the amount repayable is apportioned over the period to maturity using the effective interest method and recognized in the financial result. Issuing costs incurred in connection with bonds are recognized as an expense over the time to maturity.
- Liabilities are measured at amortized cost of acquisition. Liabilities denominated in foreign currencies are translated at the closing rate.

## 43. CLASSIFICATION AND FAIR VALUE

The **fair value of a financial instrument** is determined by means of quoted market prices for identical instruments in active markets (Level 1). If no quoted market prices in active markets are available for the instrument, the fair value is determined by means of measurement techniques for which the material inputs are based exclusively on observable market data (Level 2). In all other cases, the fair value is determined on the basis of measurement techniques for which at least one material input is not based on observable market data (Level 3).

Reclassifications from one level to another are taken into account at the end of the reporting period. There were no transfers between levels during the financial year.

The table below shows the measurement techniques used to determine fair value as well as the significant unobservable input factors used.

<b>Financial instruments measured at fair value</b>			
<b>Type</b>	<b>Measurement technique</b>	<b>Significant unobservable input factors</b>	<b>Connection between significant unobservable input factors and measurement at fair value</b>
Forward currency transactions and interest rate swaps	Market comparison method: Fair values are based on the market values determined using recognized valuation models. They are regularly checked for plausibility.	Not applicable	Not applicable
Securities	Securities are measured at the current stock-exchange price on the reporting date.	Not applicable	Not applicable
<b>Financial instruments not measured at fair value</b>			
<b>Type</b>	<b>Measurement technique</b>	<b>Significant unobservable input factors</b>	
Promissory note loans, financial liabilities	Discounted cash flows	Risk premium for own credit risk	

The following table shows the carrying amounts and fair values of financial assets (asset-side financial instruments), broken down by class or measurement category in accordance with IFRS 9 (or IAS 39 for the previous year). But it does not provide information on the fair value or level of financial assets and financial liabilities not measured at fair value where the carrying amount is a reasonable approximation of fair value.

EURk	Carrying amount 12/31/2018	Classification under IFRS 9	Fair value 12/31/2018
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#### Financial assets measured at fair value

Other current assets - derivatives with positive market value that have already been assigned to receivables	514	FVPL	514
Other current assets - derivatives with positive market value (cash flow hedge)	3,139	FVOCI	3,139
Trade receivables	9,143	FVPL	-
Other non-current financial assets	215	FVOCI	215
<b>Total</b>	<b>13,011</b>		

#### Financial assets not measured at fair value

Cash and cash equivalents	89,347	AC	-
Trade receivables	140,214	AC	-
Other financial assets	23,763	AC	-
<b>Total</b>	<b>253,324</b>		
<b>Total</b>	<b>266,335</b>		

EURk	Carrying amount 12/31/2017	Classification under IFRS 9	Fair value 12/31/2017
------	-------------------------------	--------------------------------	--------------------------

#### Financial assets measured at fair value

Other current assets - derivatives with positive market value that have already been assigned to receivables	4,173	FVPL	4,173
Other current assets - derivatives with positive market value (cash flow hedge)	7,452	FVOCI	7,452
Other non-current financial assets	166	FVOCI	166
<b>Total</b>	<b>11,791</b>		

#### Financial assets not measured at fair value

Cash and cash equivalents	169,068	AC	-
Trade receivables	120,305	AC	-
Other financial assets	43,671	AC	-
<b>Total</b>	<b>333,044</b>		
<b>Total</b>	<b>344,835</b>		

The receivables sold in connection with the existing ABS program are derecognized in full in accordance with the rules under IFRS 9 (or in the previous year in accordance with the rules under IAS 39). Under the ABS program, trade receivables insured on a revolving monthly basis are sold up to a maximum volume of EUR 120,000k (previous year: EUR 120,000k). As at the reporting date, trade receivables of EUR 124,073k (previous year: EUR 107,310k) had been sold to third parties. Up to a contractually defined amount, KTM continues to bear a risk from credit risk related defaults. As at December 31<sup>st</sup> 2018, the maximum ensuing risk of loss was EUR 867k (previous year: EUR 1,195k). The expected loss is recorded as a liability and expensed at the time of sale. As at December 31<sup>st</sup> 2018, the carrying amount of the ongoing commitment was EUR 867k (previous year: EUR 1,195k) and is disclosed under other current liabilities. The carrying amount represents the fair value of the ongoing commitment. Expenses of EUR 329k (previous year: EUR 804k) were recognized in the income statement during the period under review; the cumulative total since the commencement of

Fair value				Carrying amount 12/31/2018				
Level 1	Level 2	Level 3	Total	AC Amortised cost	FVOCI Fair value through OCI	FVOCI Fair value through OCI (without recycling)	FVPL Fair value through P&L	Fair Value - hedging instruments
-	514	-	514	-	-	-	-	514
-	3,139	-	3,139	-	-	-	-	3,139
-	-	-	9,143	-	-	-	9,143	-
-	-	215	215	-	-	215	-	-
-	-	-	-	89,347	-	-	-	-
-	-	-	-	140,214	-	-	-	-
-	-	-	-	23,763	-	-	-	-
Fair value				Carrying amount 12/31/2017 (IAS 39)				
Level 1	Level 2	Level 3	Total	Fair value - hed- ging instruments	Available for sale	Loans and receivables	Other liabilities	
-	4,173	-	4,173	4,173	-	-	-	
-	7,452	-	7,452	7,452	-	-	-	
-	-	166	166	-	166	-	-	
-	-	-	-	-	-	-	169,068	
-	-	-	-	-	-	-	120,305	
-	-	-	-	-	-	-	43,671	

the transaction is EUR 867k (previous year: EUR 1,195k). During the 2017 financial year, the ABS program was increased by EUR 45,000k. An amount of EUR 653k was recorded in the income statement in this regard in the previous year.

The following table shows the carrying amounts and fair values of financial liabilities (financial instruments on the liabilities side), broken down by class or measurement category in accordance with IFRS 9 for 2018; the disclosures for 2017 are reconciled in accordance with IAS 39. But it does not provide information on the fair value or level of financial liabilities not measured at fair value where the carrying amount is a reasonable approximation of fair value.

EURk	Carrying amount 12/31/2018	Classification under IFRS 9	Fair value 12/31/2018
<b>Financial liabilities measured at fair value</b>			
<b>Fair value - hedging instruments</b>			
Other financial liabilities - derivatives with negative market value that have already been assigned to receivables	89	FVPL	89
Other financial liabilities - derivatives with negative market value (cash flow hedge)	1,074	FVOCI	1,074
<b>Total</b>	<b>1,163</b>		
<b>Financial liabilities not measured at fair value</b>			
<b>At amortized cost</b>			
Interest-bearing liabilities	393,596	AC	402,644
Liabilities under finance leases	19,016	AC	-
Trade payables	190,611	AC	-
Other financial liabilities (current and non-current)	43,272	AC	-
<b>Total</b>	<b>646,495</b>		
<b>Total</b>	<b>647,658</b>		
<b>EURk</b>			
	Carrying amount 12/31/2017	Classification under IFRS 9	Fair value 12/31/2017
<b>Financial liabilities measured at fair value</b>			
<b>Fair value - hedging instruments</b>			
Other financial liabilities - derivatives with negative market value that have already been assigned to receivables	92	FVPL	92
Other financial liabilities - derivatives with negative market value (cash flow hedge)	2,340	FVOCI	2,340
<b>Total</b>	<b>2,432</b>		
<b>Financial liabilities not measured at fair value</b>			
<b>At amortized cost</b>			
Interest-bearing liabilities	483,204	AC	502,182
Bonds	57,737	AC	59,471
Liabilities under finance leases	3,094	AC	-
Trade payables	178,464	AC	-
Other financial liabilities (current and non-current)	50,712	AC	-
<b>Total</b>	<b>773,211</b>		
<b>Total</b>	<b>775,643</b>		

Fair value				Carrying amount 12/31/2018				
Level 1	Level 2	Level 3	Total	AC Amortised cost	FVOCI Fair value through OCI	FVOCI Fair value through OCI (without recycling)	FVPL Fair value through P&L	Fair Value - hedging instruments
-	89	-	89	-	-	-	-	89
-	1,074	-	1,074	-	-	-	-	1,074
-	-	402,644	402,644	393,596	-	-	-	-
-	-	-	-	19,016	-	-	-	-
-	-	-	-	190,611	-	-	-	-
-	-	-	-	43,272	-	-	-	-

Fair value				Carrying amount 12/31/2017 (IAS 39)			
Level 1	Level 2	Level 3	Total	Fair value - hedging instruments	Available for sale	Loans and receivables	Other liabilities
-	92	-	92	92	-	-	-
-	2,340	-	2,340	2,340	-	-	-
-	-	502,182	502,182	-	-	-	483,204
59,471	-	-	59,471	-	-	-	57,737
-	-	-	-	-	-	-	3,094
-	-	-	-	-	-	-	178,464
-	-	-	-	-	-	-	50,712

The net result from financial instruments by measurement category in accordance with IFRS 9 (or IAS 39 for the previous year) includes net gains / losses, total interest income / expenses and reduction losses and is made up as follows:

EURk 2018	From interest	From subsequent measurement to fair value	From allowance	From disposal income	From foreign exchange valuation	Net income (total)
Financial assets - amortized cost (AC)	3,476	0	395	-75	-663	3,133
Fair value through OCI (FVOCI) - equity instruments	57	0	0	40	0	97
Other financial liabilities - amortized cost (AC)	-18,547	0	0	0	0	-18,547
Fair value - hedging instruments	-301	0	0	0	-1,461	-1,762
<b>Total</b>	<b>-15,315</b>	<b>0</b>	<b>395</b>	<b>-35</b>	<b>-2,124</b>	<b>-17,079</b>

EURk 2017	From interest	From subsequent measurement to fair value	From allowance	From disposal income	Net income (total)
Loans and receivables	2,207	0	851	-82	2,976
Held for sale	244	0	-738	23	-471
Fair value - hedging instruments and held-for-trading	0	-130	0	774	644
At amortized cost	-14,070	0	0	-288	-14,358
<b>Total</b>	<b>-11,619</b>	<b>-130</b>	<b>113</b>	<b>427</b>	<b>-11,209</b>

The changes in the value adjustment and the derecognition of financial assets (amortized cost; previous year: loans and receivables) are shown under the other operating expenses of the respective overheads areas. The remaining components of the net result are included in financial income and expenses.

#### 44. SET-OFF OF FINANCIAL ASSETS AND LIABILITIES

The group enters into set-off agreements with banks in connection with derivatives. Generally, the amounts owed under such agreements by each counterparty on a given day for all outstanding transactions in the same currency are aggregated into a single net amount payable by one party to the other. In certain cases – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, their value as of termination is determined and only a single net amount is payable for settling all transactions. These items are not set off in the statement of financial position, since the net set-off of multiple transactions under the same framework agreements does not generally occur.

The tables below show financial assets and liabilities that have actually been offset along with amounts that are subject to a set-off agreement but which have not been offset as they do not fulfill the criteria for set-off prescribed under IFRS.

EURk	Financial assets (gross)	Offset balance items (gross)	Accounted financial assets (net)	Effect of general offsetting agreements	Net amounts
<b>Financial assets 2018</b>					
<b>Other financial assets</b>					
Derivatives with positive market value that have already been assigned to receivables					
Forward currency transactions	3,653	0	3,653	-161	3,492
<b>Total</b>	<b>3,653</b>	<b>0</b>	<b>3,653</b>	<b>-161</b>	<b>3,492</b>
<b>Financial assets 2017</b>					
<b>Other financial assets</b>					
Derivatives with positive market value					
Forward currency transactions	11,625	0	11,625	-230	11,395
<b>Total</b>	<b>11,625</b>	<b>0</b>	<b>11,625</b>	<b>-230</b>	<b>11,395</b>
<b>Financial liabilities 2018</b>					
<b>Other financial liabilities</b>					
Derivatives with negative market value that have already been assigned to receivables					
Forward currency transactions	785	0	785	-161	624
Interest rate swaps	378	0	378	0	378
<b>Total</b>	<b>1,163</b>	<b>0</b>	<b>1,163</b>	<b>-161</b>	<b>1,002</b>
<b>Financial liabilities 2017</b>					
<b>Other financial liabilities</b>					
Derivatives with negative market value					
Forward currency transactions	1,839	0	1,839	-230	1,609
Interest rate swaps	593	0	593	0	593
<b>Total</b>	<b>2,432</b>	<b>0</b>	<b>2,432</b>	<b>-230</b>	<b>2,202</b>

## 45. HEDGING

The group enters into derivative financial instruments (forward currency transactions and interest rate swaps) to hedge foreign currency and interest rate risk. The aim of using derivative financial instruments is to offset fluctuations in cash flows from future transactions. Expected revenues and purchase of materials in foreign currencies serve as the basis for planning future cash flows.

In accordance with IFRS 9, derivatives are generally measured at market value. The KTM Industries Group applies the rules for cash flow hedge accounting defined by IFRS 9 to these derivative financial instruments.

However, the main contractual criteria of the hedged item and the hedging instrument are identical but oppositely structured („critical terms match“), ensuring an economic context for the hedging relationship.

A cash flow hedge is present if variable cash flows from recognized assets and/or liabilities and forecast business transactions that are subject to a market price risk are being hedged. If the requirements for a cash flow hedge are met, the effective portion of the change in the market value of hedging instruments must be recognized directly in consolidated equity. However, it is not recognized in profit or loss until the hedged transaction occurs. Where foreign currency hedges are used, subsequent changes in the market value of the derivatives are recognized in profit or loss. Thereafter the change in the market value is compared with the value of the foreign currency trade payables or receivables as translated at the closing rate. Any changes in earnings that are caused by the ineffectiveness of derivative financial instruments are recognized in profit or loss in the consolidated income statement.

To measure the effectiveness of a currency hedge, the hedged items and the hedging transactions are grouped together in so-called maturity bands according to the hedged risk. The maturity bands should not cover more than one quarter-year. Prospective effectiveness is assessed at the inception of the hedging relationship and reviewed at each measurement date and in the event of a significant change in the circumstances that affect the criteria for assessing effectiveness. In the case of interest rate hedges, prospective effectiveness is measured using a sensitivity analysis and retrospective effectiveness testing is performed using the dollar offset approach.

Derivatives are measured at fair value. The fair value is the market value and is determined using accepted methods of financial mathematics. This determination is based on the market data (interest rate, exchange rate, etc.) prevailing on the reporting date. The forward rate applicable on the reporting date is used for measuring forward currency transactions. In the case of positive market values, the creditworthiness of the counterparty is included in the measurement by means of a credit value adjustment (CVA). In the case of negative market values, a debit value adjustment (DVA) is deducted in order to account for the own risk of default. Special models are used to estimate the measurement. They are checked for plausibility by means of bank valuations.

IFRS 9 introduces the concept of the cost of hedging. For this, the fair value of an option, the forward element of a forward contract and any foreign currency basis spreads can be excluded from the designation of a financial instrument as a hedging instrument and accounted for as the cost of hedging. In this regard, fluctuations in the value of these components that have optionally not been designated are recorded as hedging costs under other comprehensive income and reclassified in the income statement in the event that the hedged item is recognized in profit or loss. This concept was implemented at KTM in the 2018 financial year. Hedging costs in the amount of EUR 202k were recorded in the financial result. The Group only recognizes changes in the spot rate component of forward currency transactions as a hedging instrument in cash flow hedges. The change in the forward component is accounted for separately as cost of hedging and transferred to a reserve for hedging costs (cost of hedging) in equity.

The following derivative financial instruments used as **hedging instruments** are employed as of December 31<sup>st</sup> 2018 or December 31<sup>st</sup> 2017:

12/31/2018	Currency	Notional amount in 1000 local currency	Market values in EURk	Exposures in EURk	Term up to 1 year	Average foreign exchange rate	Term 1 - 5 years	Average foreign exchange rate
<b>Forward currency transactions</b>	USD	-	-	-	-	-	-	-
	JPY	3,296,186	1,319	39,668	3,296,186	132.19	-	-
	CAD	24,800	690	40,128	24,800	1.51	-	-
	GBP	47,200	652	82,994	47,200	0.89	-	-
	CHF	13,300	-115	16,474	13,300	1.14	-	-
	SEK	83,000	-45	26,813	83,000	10.32	-	-
	DKK	-	-	-	-	-	-	-
	PLN	16,500	63	13,393	16,500	4.26	-	-
	NOK	25,500	125	11,079	25,500	9.54	-	-
	CZK	84,000	41	12,536	84,000	25.65	-	-
ZAR	-	-	-	-	-	-	-	-
CNY	40,165	139	6,059	40,165	8.19	-	-	
		Notional amount in 1000 local currency	Market values in EURk	Exposures in EURk	Term up to 1 year	Average interest rate	Term 1 - 5 years	Average interest rate
<b>Interest rate swaps</b>		18,988	-378	-	8,377	0.74%	10,611	1.03%

12/31/2017	Currency	Notional amount in 1000 local currency	Market values in EURk	Exposures in EURk	Term up to 1 year	Average foreign exchange rate	Term 1 - 5 years	Average foreign exchange rate
<b>Forward currency transactions</b>	USD	151,000	8,790	150,762	116,000	1.12	35,000	1,22
	JPY	3,796,470	-1,600	40,260	3,796,470	127.73	0	-
	CAD	41,100	577	50,252	41,100	1.48	0	-
	GBP	36,650	707	70,694	36,650	0.87	0	-
	CHF	15,550	960	23,343	15,550	1.08	0	-
	SEK	107,800	282	26,941	107,800	9.60	0	-
	DKK	0	0	3,600	0	-	0	-
	PLN	28,900	-117	11,335	28,900	4.29	0	-
	NOK	56,200	267	9,973	56,200	9.48	0	-
	CZK	160,700	-90	10,478	160,700	26.02	0	-
	ZAR	65,000	20	21,299	65,000	-	0	-
	CNY	40,770	-8	5,000	40,770	-	0	-
		<b>Notional amount in 1000 local currency</b>	<b>Market values in EURk</b>	<b>Exposures in EURk</b>	<b>Term up to 1 year</b>	<b>Average interest rate</b>	<b>Term 1 - 5 years</b>	<b>Average interest rate</b>
<b>Interest rate swaps</b>		27,357	-593	-	861	-	26,496	0.58%

In cash flow hedge accounting, both variable future cash flows arising from non-current liabilities with maturity dates up to 2020 or up to 2023 and future operating cash flows (receipts as well as payments) planned for the next twelve to eighteen months are hedged.

As at December 31<sup>st</sup> 2018 (as well as during the previous year), there were no derivative financial instruments for which no hedging relationships were able to be established.

At the reporting date, the amounts relating to items designated as **hedged items** were as follows.

EURk	Cash flow hedge reserve	Costs of hedging hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
<b>12/31/2018</b>			
<b>Foreign currency risk</b>			
Sales and receivables	1,174	-284	0
Inventory purchases	1,182	0	0
<b>Interest rate risk</b>			
Variable-rate instruments	-60	0	0
<b>Total</b>	<b>2,296</b>	<b>-284</b>	<b>0</b>
<b>12/31/2017</b>			
<b>Foreign currency risk</b>			
Sales and receivables	5,485	0	0
Inventory purchases	-1,121	0	0
<b>Interest rate risk</b>			
Variable-rate instruments	-196	0	0
<b>Total</b>	<b>4,168</b>	<b>0</b>	<b>0</b>

The **hedging transactions** designated as of the reporting date consisted of the following:

EURk	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included
		Assets	Liabilities	
<b>12/31/2018</b>				
<b>Foreign currency risk</b>				
Foreign currency forwards - sales and receivables	98,437	2,195	-785	Other current assets, other current liabilities
Foreign currency forwards - inventory purchases	30,376	1,458	0	Other current assets, other current liabilities
<b>Interest rate risk</b>				
Interest rate swaps	18,988	0	-378	Other current liabilities
<b>Total</b>	<b>147,801</b>	<b>3,653</b>	<b>-1,163</b>	

<b>12/31/2017</b>				
<b>Foreign currency risk</b>				
Foreign currency forwards - sales and receivables	243,309	11,625	-230	Other current assets, other current liabilities
Foreign currency forwards - inventory purchases	25,115	0	-1,495	Other current assets, other current liabilities
<b>Interest rate risk</b>				
Interest rate swaps	22,500	0	-293	Other current liabilities
<b>Total</b>	<b>290,925</b>	<b>11,625</b>	<b>-2,018</b>	

The **cash flow hedge reserve** and the **reserve for hedging costs** (after taxes) developed as follows:

EURk	Reserve for hedging costs	Cash flow hedge reserve	Total
As of 1/1/2017	0	-2,686	-2,686
<b>Amount reclassified to the income statement</b>			
Realization of hedged item (recognized in revenues - currency risk)	0	394	394
Realization of hedged item (recorded in net interest income - interest rate risk)	0	193	193
<b>Inventories</b>			
Realization of hedged item (recorded in inventories / production costs - currency risk)	0	1,573	1,573
<b>Change in fair value</b>			
Addition - currency risk	0	4,364	4,364
Addition - interest rate risk	0	-2	-2
Cash flow hedge reserve in relation to entities accounted for using the equity method	0	-4	-4
<b>Balance as at December 31<sup>st</sup> 2017 = balance as at January 1<sup>st</sup> 2018</b>	<b>0</b>	<b>3,833</b>	<b>3,833</b>

EURk	Reserve for hedging costs	Cash flow hedge reserve	Total
<b>Amount reclassified to the income statement</b>			
Realization of hedged item (recognized in revenues - currency risk)	0	-5,485	-5,485
Realization of hedged item (recorded in net interest income - currency risk)	202	0	202
Realization of hedged item (recorded in net interest income - interest rate risk)	0	226	226
<b>Inventories</b>			
Realization of hedged item (recorded in inventories / production costs - currency risk)	0	1,121	1,121
<b>Change in fair value</b>			
Addition - interest rate risk	0	-86	-86
Addition - currency risk	-486	2,268	1,782
Cash flow hedge reserve from initial consolidation	0	105	105
<b>As of 12/31/2018</b>	<b>-284</b>	<b>1,983</b>	<b>1,699</b>

As of December 31<sup>st</sup> 2018 ineffective components of the derivative financial instruments classified as cash flow hedges yielded a net result (after tax) of EUR 0k (previous year: EUR 0k).

#### FORWARD CURRENCY TRANSACTIONS

The KTM Industries Group enters into forward currency transactions to hedge intended future revenue and cost of materials denominated in foreign currency against the risk of exchange rate fluctuations.

#### INTEREST RATE SWAPS

In order to manage the interest rate risk with regard to variable interest rates, amortizing interest rate swaps with a nominal value of EUR 8,882k and a term of 10 years were concluded in the 2013 financial year, and amortizing interest rate swaps with a nominal value of EUR 30,000k and a term of 6 years were concluded in the 2014 financial year.

As at December 31<sup>st</sup> 2018, the outstanding notional amount was EUR 18,988k (previous year: EUR 27,357k).

## 46. CAPITAL MANAGEMENT

The aim of the Group is to preserve a strong capital structure in order to maintain investor, creditor and market confidence and to ensure the company's sustainable development. The Executive Board regularly monitors the return on capital as well as the amounts of the dividends, which will be distributed to the holders of ordinary shares.

The strategy of KTM Industries Group aims to ensure that KTM Industries AG and the other group companies have an equity base that meets the local requirements. The principal key figures used for capital management control are equity ratio, net financial debt, gearing and the dynamic debt level. Some loan agreements include financial covenants regarding the equity ratio and dynamic debt level, non compliance with which would lead to a premature repayment of the financial liabilities. All financial covenants were fulfilled in the reporting year.

The **equity ratio** is represented as follows:

EURk	12/31/2018	12/31/2017
Equity	550,776	528,579
Balance sheet total	1,353,876	1,465,153
<b>Equity ratio</b>	<b>40.7%</b>	<b>36.1%</b>

The **net financial debt** is defined on the basis of the current and non-current financial liabilities (bonds, loans, liabilities from finance leases and other interest-bearing liabilities) minus cash and cash equivalents. The aim here is to ensure long-term liquidity, the efficient use of external financing and minimizing financial risk while simultaneously optimizing returns.

EURk	12/31/2018	12/31/2017
Non-current financial liabilities	339,449	372,541
Current financial liabilities	73,163	171,494
Cash and cash equivalents	-89,347	-169,068
<b>Net financial debt</b>	<b>323,265</b>	<b>374,967</b>

The key figures of “**gearing**” (ratio of net debt to equity) and the “**dynamic debt level**” (ratio of net financial debt to EBITDA) for monitoring the capital are represented as follows:

EURk	12/31/2018	12/31/2017
Equity	550,776	528,579
Net financial debt	323,265	374,967
<b>Gearing</b>	<b>58.7%</b>	<b>70.9%</b>

EURk	12/31/2018	12/31/2017
Net financial debt	323,265	374,967
EBITDA	252,487	218,937
<b>Dynamic debt level</b>	<b>1.3</b>	<b>1.7</b>

## IX. LEASES

### 47. FINANCE LEASES

The finance leases in the KTM Industries Group concern tools (special leasing) and machines with terms of 3 - 10 years. In the 2018 financial year, interest payments of EUR 130k (previous year: EUR 28k) were accrued. The carrying amount is as follows:

EURk	2018	2017
Value on acquisition	22,132	7,029
Accumulated depreciation and amortization	-3,269	-3,750
<b>Carrying amount</b>	<b>18,863</b>	<b>3,279</b>

The cash value of the minimum lease payments is as follows:

EURk	Leasing payments	Interest payments	Present value
<b>2018</b>			
Up to 1 year	5,071	162	<b>4,909</b>
Longer than 1 year and up to 5 years	14,337	230	<b>14,107</b>
Over five years	0	0	<b>0</b>
<b>TOTAL</b>	<b>19,408</b>	<b>392</b>	<b>19,016</b>
<b>2017</b>			
Up to 1 year	1,040	27	<b>1,013</b>
Longer than 1 year and up to 5 years	2,109	28	<b>2,081</b>
Over five years	0	0	<b>0</b>
<b>TOTAL</b>	<b>3,149</b>	<b>55</b>	<b>3,094</b>

Payment obligations under finance leases are disclosed in the consolidated statement of financial position under financial liabilities, see note 32.

#### 48. OPERATING LEASES

The KTM Industries Group makes use of operating leases, which are not recognized in the consolidated statement of financial position, mainly for the use of property, machinery, IT equipment, and the vehicle fleet. The leases provide for payments mainly based on variable rental amounts.

Payments from minimum lease payments (rental and lease expenses) recorded as expenses amounted to EUR 19,235k during the 2018 financial year (previous year: EUR 17,087k). The reported operating lease expenses from operating leases do not include any payments under subleases recognized as expense items or any material conditional rent payments.

The use of rental and lease assets not reported under property, plant and equipment (mostly rent for properties, operating and administration buildings and storage areas, leasing of CNC machinery, vehicles and computer equipment) entails obligations to third parties totaling EUR 71,972k (previous year: EUR 77,167k) that are payable as follows:

EURk	12/31/2018	12/31/2017
Up to 1 year	16,840	18,120
Longer than 1 year and up to 5 years	42,964	48,727
Over five years	12,168	10,320
	<b>71,972</b>	<b>77,167</b>

The definition of operating lease expenses is set on a group-wide basis. This item includes long-term rents for land and buildings.

In some cases, the contracts may optionally be terminated following the expiry of a minimum term. There are no price adjustment clauses.

## X. EXPLANATIONS REGARDING RELATED PARTIES AND THE CORPORATE BODIES

### 49. RELATED PARTY TRANSACTIONS

According to the provisions of IAS 24, details are to be provided of related party transactions. On the reporting date of December 31<sup>st</sup> 2018, 61.88% of the shares in KTM Industries AG were held by Pierer Industrie AG, which is wholly owned by Pierer Konzerngesellschaft mbH. The sole shareholder of Pierer Konzerngesellschaft mbH is Stefan Pierer.

Stefan Pierer held the following important positions in the Pierer Konzerngesellschaft mbH Group as at December 31<sup>st</sup> 2018:

- Chairman of the Executive Board of Pierer Industrie AG, Wels
- Chairman of the Executive Board of KTM Industries AG, Wels
- Chairman of the Executive Board of KTM AG, Mattighofen
- Chairman of the Supervisory Board of Pankl SHW Industries AG, Kapfenberg
- Chairman of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg
- Member of the Supervisory Board of SHW AG, Aalen, Germany
- Chairman of the Supervisory Board of Wirtschaftspark Wels Errichtungs- und Betriebs Aktiengesellschaft, Wels

In the KTM Industries Group, transactions with related parties are grouped according to “shareholder related companies”, “associated companies” and “other companies”.

KTM Industries AG is part of the same group as Pierer Konzerngesellschaft mbH, the **ultimate parent company, and its subsidiaries** and is included within the consolidated financial statements of that group. All the companies included within the consolidated financial statements of Pierer Konzerngesellschaft mbH and controlled or decisively influenced by Pierer Konzerngesellschaft mbH are shown as related companies in the “shareholder related companies” category.

**Associated companies** can be seen from the schedule of equity holdings (see Chapter XII) and concern all investments accounted for using the equity method.

**Other companies** are defined as all companies controlled by key management. KTM Industries AG principally defines **key management** as members of the Executive Board and Supervisory Board and, where appropriate, further managers in key positions who may exert a decisive influence on the finance and business policy decisions of the group. In addition, account is also taken of **relatives** of key management and their companies.

In the 2018 financial year and in the prior year, there were no transactions with related persons (apart from Executive Board and Supervisory Board earnings, see point 51.). The business transactions with related companies are represented as follows according to the grouping described:

EURk	Shareholder related companies		Associated companies		Other Company	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Receivables	19,215	18,727	35,776	31,337	730	222
Liabilities	-2,244	-14,327	-2,921	-2,774	-11,032	-5,403
Perpetual bond	0	-70,000	0	0	0	0
Revenues	10,115	639	102,501	93,527	744	350
Expenses	-33,760	-25,646	-26,289	-22,291	-93,461	-101,345
Dividend	-7,135	-7,307	0	0	0	0

All transactions with related companies were made under customary market conditions. Material business relations are explained below:

#### SHAREHOLDER RELATED COMPANIES:

Since the 2014 financial investment, KTM Industries AG and KTM Components GmbH have been members of the group pursuant to Section 9 of the Austrian Corporate Tax Act of Pierer Konzerngesellschaft mbH, Wels. Since 2017, KTM AG has been a member of this tax group within the meaning of the Austrian Corporate Tax Act. The taxable incomes of the group members are allocated to the group parent. The tax compensation between the group parent and each individual group member was regulated by a group taxation and tax transfer agreement. Tax losses are reserved at the level of the respective subsidiaries and can be offset at this level against future tax profits.

In the 2018 financial year, expenses totaling EUR 14,789k were incurred with Pierer Konzerngesellschaft mbH (previous year: EUR 16,980k). As at the reporting date, there were outstanding liabilities amounting to EUR 1,358k (previous year: EUR 14,091k) and outstanding receivables amounting to EUR 13,014k (previous year: EUR 5k).

Since October 1<sup>st</sup> 2018, Pierer Industrie AG has formed a fiscal unity with the KTM Industries Group in the sense of value added taxes. As of the reporting date, receivables from value added taxes in the amount of EUR 5,704k were outstanding.

In June 2018, KTM Industries AG sold all of its 98.2% share in Pankl Racing Systems AG to the Pierer Industrie AG Group. This sale laid the strategic and financial basis for an even greater focus in the KTM Industries Group on the two-wheel industry, particularly the development of e-mobility, over the next few years. The purchase price was EUR 130,517k and therefore corresponds to the price that the shareholders of Pankl Racing Systems AG were offered as part of the public takeover bid up to March 2018. The subordinated 5% perpetual bond of EUR 60,000k subscribed to by Pierer Industrie AG in the 2016 financial year was set off against the sale price, including interest incurred (dividend) of EUR 2,877k, as part of the sale of the Pankl Group (previous year: dividend amounting to EUR 3,000k).

The Pankl Group acts as a supplier of purchased parts for the KTM Group. Due to the disposal of Pankl, trade payables in respect of the Pankl Group of EUR 585k now exist as at December 31<sup>st</sup> 2018. The expenses amount to EUR 15,786k. The previous year's values were eliminated as part of the consolidation of debt, expenses and income. From June 30<sup>th</sup> 2018, the Pankl Group forms part of the Pierer Industrie Group, and is therefore a related concern in accordance with IAS 24 as far as the KTM Industries Group is concerned.

In order to strengthen the equity of the Pankl Group, in October 2017 Pankl Racing Systems AG issued a subordinated 5% bond with no fixed term (perpetual bond) of EUR 10,000k, which was disposed of as part of the Pankl sale. The bond was subscribed for by Pierer Konzerngesellschaft mbH.

In the previous year, KTM Industries AG granted PIERER IMMOREAL GmbH a short-term arm's-length, interest-bearing loan of EUR 18,707k. The loan was repaid in the 2018 financial year.

On September 24<sup>th</sup> 2018, KTM Immobilien GmbH sold properties located in the municipality of Anif to PIERER IMMOREAL GmbH for EUR 8,241k.

In the 2018 financial year, Pierer Konzerngesellschaft mbH received dividends from KTM Industries AG amounting to EUR 4,258k (previous year Pierer Industrie AG and Pierer Konzerngesellschaft mbH: EUR 4,307k) from the previous financial year 2017.

During the 2017 financial year, Wohnbau-west Bauträger Gesellschaft m.b.H., a direct subsidiary of Pierer Konzerngesellschaft mbH, provided services as general contractor in relation to the planning, construction, and extension of the KTM logistics center in Munderfing on behalf of KTM Logistikzentrum GmbH. In the 2018 financial year, however, Wohnbau-west Bauträger Gesellschaft m.b.H. did not render any services (previous year: EUR 6,508k).

**ASSOCIATED COMPANIES:**

Mr. Gerald Kiska served up until the termination of the above contract on April 26<sup>th</sup> 2018 on the Supervisory Board of KTM Industries AG, Wels and acts as managing shareholder of Kiska GmbH. Furthermore, Mr. Kiska also serves as General Manager of KTM Technologies GmbH. Expenses of EUR 17,778k were incurred for services provided by Kiska GmbH during the financial year (previous year: EUR 20,229k). As of December 31<sup>st</sup> 2018, accounts payable to Kiska GmbH stood at EUR 2,875k (previous year: EUR 2,526k).

Arm's-length deliveries of motorcycles and spare parts were made to KTM New Zealand Ltd. and KTM MIDDLE EAST AL SHAFAR LLC, two former general importers in the KTM Group that were accounted for using the equity method. The equity holding in KTM MIDDLE EAST AL SHAFAR LLC was sold during the 2017 financial year. In addition, 26% of Motorcycle Distributors Australia Pty Ltd. was purchased; this company acts as an importer for the Australia and New Zealand market. In July 2017, KTM New Zealand Ltd. was merged into a subsidiary of Motorcycle Distributors Australia Pty Ltd. Arm's-length deliveries of motorcycles and spare parts are made to authorized KTM dealers in which the KTM Group holds minority investments and which are accounted for using the equity method.

KTM Asia Motorcycle Manufacturing Inc., Philippines, was jointly founded in June 2016 in partnership with Ayala Corp. The KTM Group holds 34% of the company. The company began assembling KTM motorcycles in the Philippines from CKD (completely knocked down) kits in mid-2017.

KTM MOTOHALL GmbH, established in 2015, is owned by Pierer Konzerngesellschaft GmbH (51%) and KTM Immobilien GmbH (49%). Receivables of EUR 1,744k existed as at December 31<sup>st</sup> 2018 (previous year: EUR 3,107k). The receivables include a loan granted on July 1<sup>st</sup> 2017 at arm's length interest with a term until June 30<sup>th</sup> 2020 in the amount of EUR 1,587k (previous year: 3.087). During the 2018 financial year, shareholder loans in the amount of EUR 10,000k were converted into a non-refundable shareholder contribution. KTM Immobilien GmbH accounted for EUR 4,900k of the capital shares.

In the 2018 financial year, KTM Industries AG granted PEXCO GmbH a subordinated loan amounting to EUR 6,000k. In addition, KTM Industries AG took on liabilities for bank loans of PEXCO GmbH up to a maximum amount of EUR 35,000k. Of these, EUR 12,000k were utilized by PEXCO GmbH as at the reporting date.

**OTHER COMPANIES:**

A cooperation with the Indian Bajaj Group has been in place since 2007. The Bajaj Group is India's second largest manufacturer of motorcycles, selling approximately 4.0 million motorcycles and three wheelers during the last financial year (reporting date: March 31<sup>st</sup> 2018). The cooperation focuses on the joint development of entry level street motorcycles, which are produced in India and distributed under the "KTM" brand by both companies in their respective core markets.

Mr. Rajiv Bajaj, Deputy Chairman of the Supervisory Board, is the General Manager of Bajaj Auto Ltd., Pune, India. Srinivasan Ravikumar, member of the Supervisory Board, is a director of Bajaj Auto International Holdings B.V., Amsterdam, Netherlands, and President of Business Development and Assurance, Bajaj Auto Ltd., Pune, India. Bajaj Auto International Holdings B.V., Amsterdam, Netherlands, a subsidiary of Bajaj Auto Ltd., Pune, India, held 47.99% of KTM AG as at December 31<sup>st</sup> 2018. As at December 31<sup>st</sup> 2018, there was a liability of EUR 5,029k to Bajaj Auto Ltd., Pune, India (previous year: EUR 5,389k) and a receivable of EUR 0k (previous year: EUR 221k). Additionally, the cooperation with the Bajaj Group incurred expenses amounting to EUR 90,879k (previous year: EUR 99,173k).

In December, KTM Industries AG acquired a 24% stake in Kiska GmbH from Kiska Holding GmbH, Anif, and as of December 31<sup>st</sup> 2018 holds a 50% stake in Kiska GmbH. As of December 31<sup>st</sup> 2018, there were outstanding purchase price liabilities in relation to Kiska Holding GmbH amounting to EUR 6,000k, and these were paid in January 2019.

## 50. CORPORATE BODIES OF KTM INDUSTRIES AG

The following individuals were appointed as **members of the Executive Board** with collective power of representation:

Stefan **Pierer**, CEO  
Friedrich **Roithner**, CFO  
Wolfgang **Plasser** (until 6/28/2018)  
Harald **Plöckinger** (until 2/28/2019)  
Hubert **Trunkenpolz**, CSO

The following individuals were appointed as members of the **Supervisory Board**:

Josef **Blazicek**, Chairman  
Ernst **Chalupsky**, Deputy Chairman  
Gerald **Kiska** (until 4/26/2018)  
Klaus **Rinnerberger**  
Alfred **Hörtenhuber** (from 4/26/2018)

## 51. EXECUTIVE BOARD AND SUPERVISORY BOARD EARNINGS

The **remuneration for the Executive Board** 2018 of KTM Industries AG includes salaries, benefits in kind, bonuses, severance payments as well as payments into the company's staff severance pay fund and amounted to EUR 2,745k (previous year: EUR 4,209k). The Members of the Executive Board also received earnings from previous periods in the amount of EUR 114k. In addition, there are no agreements regarding a company retirement scheme for the Executive Board and no pension fund payments were made to the Executive Board in the 2018 financial year. The service costs according to IFRS were EUR 419k.

It is proposed that the **remuneration to be paid to the Supervisory Board** of KTM Industries AG for the 2018 financial year (payout in the 2019 financial year) shall amount to a total of EUR 62k (previous year: EUR 39k).

No loans or advances have been granted to the Members of the Supervisory Board of KTM Industries AG as of the reporting date.

## XI. EVENTS AFTER THE BALANCE SHEET DATE

Events that occurred after December 31<sup>st</sup> 2018 and are material for the measurement of the assets and liabilities have either been reflected in these financial statements or are not known.

## XII. GROUP COMPANIES (SCHEDULE OF EQUITY HOLDINGS)

The schedule of equity holdings comprises all companies that have been included in the consolidated financial statements in addition to the parent company.

Company	Initial consolidation date	12/31/2018		12/31/2017	
		Interest %	Consolidation type	Interest %	Consolidation type
<b>Fully consolidated companies:</b>					
K KraftFahrZeug Holding GmbH, Wels <sup>1)</sup>	9/30/2010	-	-	100.00	FC
KTM AG, Mattighofen	5/31/2005	51.69	FC	51.68	FC
KTM Immobilien GmbH, Mattighofen	5/31/2005	51.69	FC	51.87	FC
KTM North America, Inc., Amherst, Ohio, USA	5/31/2005	51.69	FCA	51.68	FCA
KTM-Motorsports Inc., Amherst, Ohio, USA	5/31/2005	51.69	FCA	51.68	FCA
KTM Japan K.K., Tokyo, Japan	5/31/2005	51.69	FCA	51.68	FCA
KTM-Racing AG, Frauenfeld, Switzerland	5/31/2005	51.69	FCA	51.68	FCA
KTM Sportcar GmbH, Mattighofen	5/31/2005	51.69	FC	51.68	FC
KTM Motorcycles S.A. Pty. Ltd., Northriding, South Africa	3/1/2009	51.69	FCA	51.68	FCA
KTM Sportmotorcycle Mexico S DE RL DE CV, Lerma, Mexico	6/1/2009	51.69	FCA	51.68	FCA
KTM South East Europe S.A., Elefsina, Greece	11/1/2010	-	-	51.68	FCA
KTM Sportmotorcycle GmbH, Mattighofen	3/31/2011	51.69	FC	51.68	FC
KTM-Sportmotorcycle India Private Limited, Pune, Indien	6/1/2012	51.69	FCA	51.68	FCA
Husqvarna Motorcycles GmbH, Mattighofen	1/1/2013	51.69	FC	51.68	FC
KTM Sportmotorcycle Germany GmbH, Ursensollen, Germany	12/31/2013	51.69	FCA	51.68	FCA
KTM Switzerland Ltd., Frauenfeld, Switzerland	12/31/2013	51.69	FCA	51.68	FCA
KTM Sportmotorcycle UK Limited, Brackley, United Kingdom	12/31/2013	51.69	FCA	51.68	FCA
KTM-Sportmotorcycle Espana S.L., Terrassa, Spain	12/31/2013	51.69	FCA	51.68	FCA
KTM Sportmotorcycle France SAS, Saint Priest, France	12/31/2013	51.69	FCA	51.68	FCA
KTM Sportmotorcycle Italia s.r.l., Meran, Italy	12/31/2013	51.69	FCA	51.68	FCA
KTM-Sportmotorcycle Nederland B.V., Malden, Netherlands	12/31/2013	51.69	FCA	51.68	FCA
KTM Sportmotorcycle Scandinavia AB, Örebro, Sweden	12/31/2013	51.69	FCA	51.68	FCA
KTM-Sportmotorcycle Belgium S.A., Wavre, Belgium	12/31/2013	51.69	FCA	51.68	FCA
KTM Canada Inc., St-Bruno, Canada	12/31/2013	51.69	FCA	51.68	FCA
KTM Hungária Kft., Törökbálint, Hungary	12/31/2013	51.69	FCA	51.68	FCA
KTM Central East Europe s.r.o., Bratislava, Slovakia	12/31/2013	51.69	FCA	51.68	FCA
KTM Österreich GmbH, Mattighofen	12/31/2013	51.69	FC	51.68	FC
KTM Nordic Oy, Vantaa, Finland	12/31/2013	51.69	FCA	51.68	FCA
KTM Sportmotorcycle d.o.o., Marburg, Slovenia	12/31/2013	51.69	FCA	51.68	FCA
KTM Czech Republic s.r.o., Pilsen, Czech Republic	12/31/2013	51.69	FCA	51.68	FCA
KTM Sportmotorcycle SEA PTE. Ltd., Singapore, Singapore	1/1/2014	51.69	FCA	51.68	FCA
Husqvarna Motorcycles Italia S.r.l., Meran, Italy	12/31/2013	51.69	FCA	51.68	FCA
Husqvarna Motorcycles Germany GmbH, Ursensollen, Germany	12/31/2013	51.69	FCA	51.68	FCA
Husqvarna Motorcycles Espana S.L., Terrassa, Spain	12/31/2013	51.69	FCA	51.68	FCA
Husqvarna Motorcycles UK Ltd., Brackley, United Kingdom	12/31/2013	51.69	FCA	51.68	FCA
Husqvarna Motorcycles France SAS, Saint Priest, France	12/31/2013	51.69	FCA	51.68	FCA
HQV Motorcycles Scandinavia AB, Örebro, Sweden	12/31/2013	51.69	FCA	51.68	FCA

Company	Initial consolidation date	12/31/2018		12/31/2017	
		Interest %	Consolidation type	Interest %	Consolidation type
Husqvarna Motorcycles North America, Inc., Murrieta, CA, USA	12/1/2013	51.69	FCA	51.68	FCA
Husqvarna Motorsports, Inc., Murrieta, CA, USA	4/1/2015	51.69	FCA	51.68	FCA
Husqvarna Motorcycles S.A. Pty. Ltd., Northriding, South Africa	4/1/2015	51.69	FCA	51.68	FCA
KTM Logistikzentrum GmbH, Mattighofen	9/16/2016	51.69	FC	48.56	FC
WP Suspension GmbH (formerly: WP Performance Sports GmbH, Munderfing), Mattighofen	11/30/2016	51.69	FC	51.68	FC
KTM Sportmotorcycle MEA DMCC, Dubai	11/30/2016	51.69	FCA	51.68	FCA
WP Suspension North America, Inc., Murrieta, CA, USA	8/31/2017	51.69	FCA	51.68	FCA
KTM do Brasil Ltda., Sao Paulo, Brazil	12/31/2017	51.69	FCA	51.68	FCA
W Verwaltungs AG, Mattighofen	6/30/2005	51.62	FC	88.26	FC
KTM Components GmbH (formerly: WP Performance Systems GmbH), Munderfing	11/30/2007	51.62	FC	88.26	FC
WP Immobilien GmbH, Munderfing	4/30/2005	51.62	FC	82.97	FC
WP Components GmbH, Munderfing	12/31/2009	51.62	FC	88.26	FC
WP Cooling Systems (Dalian) Co. Ltd., Dalian, China	12/31/2017	51.62	FCA	88.26	FCA
Fuhrmann Erodieretechnik GmbH, Munderfing	1/1/2018	51.62	FC	-	-
KTM Beteiligungs GmbH, Mattighofen	4/30/2018	51.69	FC	-	-
PF Beteiligungsverwaltungs GmbH, Wels	12/31/2016	100.00	FC	100.00	FC
KTM Technologies GmbH, Anif	10/1/2008	74.00	FC	74.00	FC
KTM Innovation GmbH, Wels	3/31/2018	74.00	FC	-	-
Pankl Racing Systems AG, Kapfenberg	1/1/2008	-	-	94.53	FC
Pankl Racing Systems UK Ltd., Bicester, United Kingdom	1/1/2008	-	-	94.53	FCA
Pankl Holdings, Inc., Irvine, USA	1/1/2008	-	-	94.53	FCA
CP-CARRILLO, Inc., Irvine, USA	1/1/2008	-	-	94.53	FCA
Pankl Aerospace Systems Inc., Cerritos, USA	1/1/2008	-	-	94.53	FCA
Pankl Systems Austria GmbH, Kapfenberg	1/1/2008	-	-	94.53	FC
Pankl Aerospace Systems Europe GmbH, Kapfenberg	1/1/2008	-	-	94.53	FC
Pankl Automotive Slovakia s.r.o., Topolcany, Slovakia	1/1/2008	-	-	94.53	FCA
Pankl Japan Inc., Tokyo, Japan	12/31/2017	-	-	94.53	FCA
Pankl Turbosystems GmbH, Mannheim, Germany	9/28/2012	-	-	66.17	FCA
<b>Associated companies:</b>					
KTM Asia Motorcycle Manufacturing Inc., Binan, Laguna, Philippines	-	17.57	IEA	17.57	IEA
KTM MOTOHALL GmbH, Mattighofen	-	25.33	IE	25.42	IE
Motorcycle Distributors Australia Pty Ltd., West Perth, Australia	-	13.44	IEA	13.44	IEA
KTM Wien GmbH, Vösendorf	-	13.44	IE	13.44	IE
KTM Braumandl GmbH, Wels	-	13.44	IE	13.44	IE
MX - KTM Kini GmbH, Wiesing	-	13.44	IE	13.44	IE
KTM Regensburg GmbH, Regensburg, Germany	-	13.44	IEA	13.44	IEA
Cero Design Studio S.L., Barcelona, Spain	-	13.44	IEA	13.44	IEA
China Zhejiang CFMOTO-KTMR2R Motorcycles Co., Ltd., Zhejiang Province, China	-	25.33	IEA	-	-

Company	Initial consolidation date	12/31/2018		12/31/2017	
		Interest %	Consolidation type	Interest %	Consolidation type
Kiska GmbH, Anif	-	50.00	IE	26.00	IE
PEXCO GmbH, Schweinfurt, Germany	-	40.00	IEA	49.90	IEA
<b>Other non-current financial assets:</b>					
Wethje Carbon Composites GmbH, Hengersberg, Germany	-	-	-	8.36	NCA
Wethje Immobilien GmbH, Vilshofen-Pleinting, Germany	-	6.00	NCA	13.86	NCA
AC styria Mobilitätscluster GmbH, Grambach	-	12.33	NC	12.33	NC
WP Germany GmbH, Ursensollen, Germany 2)	-	-	-	88.26	NCA

1) merger into KTM Industries AG

2) liquidated in the 2018 financial year

Legend:

FC Full Consolidation, Austria  
 FCA Full Consolidation, abroad  
 IE Inclusion at equity, Austria

IEA Inclusion at equity, abroad  
 NC Not consolidated due to little or no significance, Austria  
 NCA Not consolidated due to little or no significance, abroad

### XIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Executive Board on 3/19/2019 (previous year: 3/19/2018) for review by the Supervisory Board, for submission to the annual general meeting and for subsequent publication. Within the scope of the review it is required to perform, the Supervisory Board may require changes to be made to the consolidated financial statements.

Wels, March 7, 2019

The Executive Board of KTM Industries AG



Stefan Pierer, CEO



Friedrich Roithner, CFO



Hubert Trunkenpolz, CSO

# AUDITOR'S REPORT

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### AUDIT OPINION

We have audited the consolidated financial statements of **KTM Industries AG**, Wels, Austria,

and its subsidiaries („the Group“), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

### BASIS FOR OUR OPINION

We conducted our audit in accordance with the EU Regulation 537/2014 („EU Regulation“) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the „Auditor's Responsibilities“ section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

### IMPAIRMENT OF GOODWILL ‚KTM‘

See notes No. 23.

### RISK FOR THE CONSOLIDATED FINANCIAL STATEMENTS

In its consolidated financial statements, KTM Industries AG allocated goodwill with a carrying value of MEUR 96.2 to the cash-generating unit ‚KTM‘.

Goodwill is tested for impairment at least annually and whenever there is an indication that goodwill may be impaired. For this purpose, KTM Industries AG estimates the recoverable amount of the cash-generating unit ‚KTM‘, which represents the relevant measure of value for the impairment test, using the discounted cash flow method. The outcome of the valuation is highly dependent on the assessment of future cash flows (taking into account future revenue growth, profit margins and long-term growth rates) and the discount rate used, and is therefore subject to significant uncertainty. A review of the impairment test is complex and based on a number of judgmental factors.

There is a risk that assumptions and estimates used to estimate the recoverable amount are not appropriate. This could have a significant impact on the recoverable amount and therefore the carrying amounts of the cash-generating units in the consolidated statement of financial position, as well as the operating result in the consolidated income statement.

## OUR RESPONSE

We have audited the impairment test carried out by the company with support of our internal valuation experts as follows.

To assess the adequacy of the planned future cash flows, we gained an understanding of the planning process and compared the future cash flows used for impairment testing with the most recent budget approved and mid-term plan approved by the supervisory board.

Additionally, we discussed the assumptions for growth rates and operating results with the management and ascertained to what degree the historical experiences affect management's planning process, and whether external factors were considered adequately. We assessed compliance to budgets by comparing the budgets of previous years with the reported actual figures.

Furthermore, we assessed the methodology used for impairment testing and the determination of the capital cost rates for compliance with the applicable standards. Our internal valuation experts compared the assumptions, on which the determination of capital cost rates were based, with market- and industry-specific reference values and verified the mathematical accuracy of the calculation.

## IMPAIRMENT OF THE BRAND ‚KTM‘

See notes No. 22

## RISK FOR THE CONSOLIDATED FINANCIAL STATEMENTS

In its consolidated financial statements, KTM Industries AG has recognized an intangible asset with an indefinite useful life and a carrying value of MEUR 61.1 for the brand ‚KTM‘.

The brand is tested for impairment at least annually and whenever there is an indication that it may be impaired. For this purpose KTM Industries AG estimates the recoverable amount of the brand, which represents the relevant measure of value for the impairment test, using the relief-from-royalty-method. The outcome of the valuation is highly dependent on the assessment of future revenue, the underlying license fee and discount rate and is therefore subject to significant uncertainty. A review of the impairment test is complex and based on a number of judgmental factors.

There is a risk that assumptions and estimates used to estimate the recoverable amount of the brand ‚KTM‘ are not appropriate. This could have a significant impact on the recoverable amount and therefore the carrying amount of the intangible assets in the consolidated statement of financial position, as well as the operating result in the consolidated income statement.

## OUR RESPONSE

Concerning the audit procedures we performed we refer to those outlined above under „Impairment of Goodwill ‚KTM‘“.

Under assistance by our internal valuation experts, we have furthermore assessed the appropriateness of assumptions used to determine the royalty rate by comparing them to reference values specific to the relevant market and sector (peer-group data).

## RESPONSIBILITIES OF MANAGEMENT AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, Austrian Generally Accepted Accounting Principles as well as the additional requirements pursuant to Section § 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgement and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## REPORT ON OTHER LEGAL REQUIREMENTS

### GROUP MANAGEMENT REPORT

In accordance with the Austrian Generally Accepted Accounting Principles, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with the Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

### OPINION

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

### STATEMENT

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

### OTHER INFORMATION

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report. We expect the annual report to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

### ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

At the Annual General Meeting dated on 27 April 2017, we were elected as group auditors. We were appointed by the Supervisory Board on 20 December 2017. We have been the Group's auditors from 31 December 2014 without interruption.

We declare that our opinion expressed in the „Report on the Consolidated Financial Statements“ section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

## ENGAGEMENT PARTNER

The engagement partner on this engagement is Mr. Mag. Ernst Pichler.

Linz, 7 March 2019

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Ernst Pichler  
Wirtschaftsprüfer  
(Austrian Chartered Accountant)

## STATEMENT BY THE EXECUTIVE BOARD

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

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

Wels, March 2019

The Executive Board of KTM Industries AG



Stefan Pierer, CEO



Friedrich Roithner, CFO



Hubert Trunkenpötz, CSO

# FINANCIAL CALENDAR

<b>March 26, 2019</b>	<b>Publication of annual financial statements 2018</b>
April 15, 2019	Record date annual general meeting
April 25, 2019	22 <sup>nd</sup> annual general meeting
May 2, 2019	Ex-dividend day
May 3, 2019	Record date dividends
May 6, 2019	Dividend payment day
<b>August 26, 2019</b>	<b>Report on the 1<sup>st</sup> half year 2019 (after close of the market)</b>

## MORE INFORMATION ON THE KTM INDUSTRIES SHARE

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Stock exchange code ..... KTM  
Reuters ..... KTM:VI  
Bloomberg ..... KTM:AV  
Share category ..... no-par value bearer shares



## IMPRINT

Owner and publisher  
KTM Industries AG  
Edisonstrasse 1  
4600 Wels, Austria  
FN 78112 x / Wels Provincial and Commercial Court

Concept and design: Grafik-Buero Elena Gratzler, 4600 Wels, [www.grafik-buero.at](http://www.grafik-buero.at)  
Photos: KTM archive, Husqvarna archive, Pankl archive, WP archive, Grafik-Buero Elena Gratzler

The present annual report has been prepared with the utmost care and the correctness of the data was checked. Nevertheless, slight differences in the calculations may arise as result of the summation of rounded amounts and percentages, and typographical and printing errors cannot be ruled out.

References to persons such as “employees” or “staff members” are intended to be gender-neutral and insofar as the contrary appears this is solely for purposes of legibility.

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

This annual report is published in German and English. In the event of ambiguity, the German version shall take precedence.

# VICTORIES & SUCCESSES 2018



**KTM MOTORSPORT**

## World Championships

### Rider's Titels

#### SUPERENDURO

- Cody Webb (USA)

#### MOTOCROSS

- 85cc Motocross: Caden Braswell (USA)
- MX2: Jorge Prado (ESP)
- MXGP: Jeffrey Herlings (NED)

#### RALLY

- Cross-Country Rallies: Toby Price (AUS)

#### MOTO3 JUNIOR WORLD CHAMPIONSHIP

- Raúl Fernández (ESP)

### Manufacturer's Titles

- SuperEnduro
- Supercross
- 85cc Motocross
- MX2
- MXGP
- Cross-Country Rallies

### More Victories & Successes

#### RALLY

- Rallye Dakar: Matthias Walkner (AUT)
- Qatar Cross-Country Rallies: Maciej Giermza (POL)
- Rally du Maroc: Toby Price (AUS)

#### SUPERCROSS

- Red Bull Straight Rhythm: Shane McElrath (USA)

#### MOTO3

- Termas de Río Hondo: Marco Bezzecchi (ITA)
- Jerez: Philipp Öttl (GER)
- Le Mans: Albert Arenas (ESP)
- Red Bull Ring: Marco Bezzecchi (ITA)
- Motegi: Marco Bezzecchi (ITA)
- Phillip Island: Albert Arenas (ESP)
- Valencia: Can Öncü (TUR)

#### MOTO2

- Mugello: Miguel Oliveira (POR)
- Sachsenring: Brad Binder (RSA)
- Brünn: Miguel Oliveira (POR)
- Aragón: Brad Binder (RSA)
- Phillip Island: Brad Binder (RSA)
- Valencia: Miguel Oliveira (POR)

#### MOTOGP™

- Valencia (Platz 3): Pol Espargaró (ESP)

#### WORLD ENDURO SUPER SERIES

- Hawkstone Park: Josep Garcia (ESP)
- Red Bull Knock Out: Nathan Watson (GBR)

#### FRENCH BEACH RACE SERIES

- St. Léger De Balson: Nathan Watson (GBR)
- Ronde des Sables: Nathan Watson (GBR)



**HUSQVARNA MOTORSPORT**

## WORLD & US Champions

#### AMA 450SX SUPERCROSS CHAMPION

- Jason Anderson

#### AMA 250SX EAST SUPERCROSS CHAMPION

- Zach Osborne

#### AMA ENDURO CROSS CHAMPION

- Colton Haaker

#### WORLD ENDURO SUPER SERIES CHAMPION

- Billy Bolt

## Motorsport Results

#### FIM SUPERENDURO WORLD CHAMPIONSHIP

- Billy Bolt (2nd)
- Colton Haaker (5th)
- Alfredo Gomez (7th)

#### FIM CROSS-COUNTRY RALLIES WORLD CHAMPIONSHIP

- Pablo Quintanilla (2nd)

#### FIM MOTOCROSS WORLD CHAMPIONSHIP

- Gautier Paulin – MXGP (5th)
- Max Anstie – MXGP (10th)
- Thomas Kjer-Olsen – MX2 (3rd)
- Thomas Covington – MX2 (5th)

#### FIM MOTOCROSS OF NATIONS

- Gautier Paulin – Team France (1st)

#### WORLD ENDURO SUPER SERIES

- Billy Bolt (1st)
- Graham Jarvis (8th)
- Alfredo Gomez (11th)

#### FIM INTERNATIONAL SIX DAYS ENDURO

- Josh Strang – Team Australia (1st)

#### EXTREME ENDURO

- Billy Bolt (1st) – Extreme XL Lagares, Portugal
- Graham Jarvis (1st) – Hare Scramble, Austria
- Billy Bolt (3rd) – 111 Megawatt, Poland

#### AMA 450SX SUPERCROSS CHAMPIONSHIP

- Dean Wilson (7th)

#### AMA 450MX PRO MOTOCROSS CHAMPIONSHIP

- Phil Nicoletti (6th)

#### FULL GAS SPRINT ENDURO CHAMPION

- Josh Strang

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**KTM Industries AG,  
Wels**

Jahresabschluss  
und Lagebericht zum  
31. Dezember 2018

## Bilanz zum 31. Dezember 2018

### Aktiva

	31.12.2018 EUR	31.12.2017 TEUR
<b>A. Anlagevermögen:</b>		
I. Immaterielle Vermögensgegenstände:		
Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und Vorteile sowie daraus abgeleitete Lizenzen	18.993,66	1
II. Sachanlagen:		
Andere Anlagen, Betriebs- und Geschäftsausstattung	505.557,09	561
III. Finanzanlagen:		
1. Anteile an verbundenen Unternehmen (davon Umgründungsmehrwert EUR 57.253.610,76; Vorjahr: TEUR 34.276)	309.616.371,42	368.536
2. Beteiligungen	14.724.434,15	8.701
3. Ausleihungen an Unternehmen mit denen ein Beteiligungsverhältnis besteht	6.000.000,00	0
4. Wertpapiere (Wertrechte) des Anlagevermögens	206.032,20	3.836
	<u>330.546.837,77</u>	381.073
	<b>331.071.388,52</b>	381.634
<b>B. Umlaufvermögen:</b>		
I. Forderungen und sonstige Vermögensgegenstände:		
1. Forderungen aus Lieferungen und Leistungen	10.620,73	12
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	<i>0,00</i>	<i>0</i>
2. Forderungen gegenüber verbundenen Unternehmen	9.292.693,64	86.612
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	<i>400.516,67</i>	<i>52.234</i>
3. Forderungen gegenüber Unternehmen, mit denen ein Beteiligungsverhältnis besteht	1.058.988,00	1.000
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	<i>0,00</i>	<i>1.000</i>
4. Sonstige Forderungen und Vermögensgegenstände	746.461,64	6.873
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	<i>292.941,52</i>	<i>284</i>
	11.108.764,01	94.496
II. Kassenbestand, Guthaben bei Kreditinstituten	<u>25.902.628,99</u>	596
	<b>37.011.393,00</b>	95.092
<b>C. Rechnungsabgrenzungsposten</b>	<b>62.801,64</b>	191
	<u><b>368.145.583,16</b></u>	476.918

**Passiva**

	31.12.2018 EUR	31.12.2017 TEUR
<b>A. Eigenkapital:</b>		
I. Eingefordertes und einbezahltes Nennkapital (Grundkapital):		
Gezeichnetes Nennkapital (Grundkapital)	22.538.674,00	225.387
II. Kapitalrücklagen:		
1. Gebundene	9.949.093,87	9.949
2. Nicht gebundene	<u>202.848.066,00</u>	0
	212.797.159,87	9.949
III. Gewinnrücklage:		
Gesetzliche Rücklage	2.253.867,40	2.029
IV. Bilanzgewinn (davon Gewinnvortrag EUR 18.377.485,72; Vorjahr: TEUR 12.814)	<u>77.122.632,64</u>	25.139
	<b>314.712.333,91</b>	262.504
<b>B. Rückstellungen:</b>		
1. Abfertigungsrückstellung	153.000,00	115
2. Sonstige Rückstellungen	<u>3.034.232,24</u>	1.362
	<b>3.187.232,24</b>	1.477
<b>C. Verbindlichkeiten:</b>		
1. Anleihen	0,00	117.800
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	0,00	57.800
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	0,00	60.000
2. Schuldscheindarlehen	12.000.000,00	24.500
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	0,00	0
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	12.000.000,00	24.500
3. Namensschuldverschreibungen	30.000.000,00	30.000
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	0,00	0
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	30.000.000,00	30.000
4. Verbindlichkeiten gegenüber Kreditinstituten	0,34	30.000
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	0,34	0
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	0,00	30.000
5. Verbindlichkeiten aus Lieferungen und Leistungen	526.953,56	244
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	526.953,56	244
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	0,00	0
6. Verbindlichkeiten gegenüber verbundenen Unternehmen	35.751,48	7.973
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	35.751,48	7.973
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	0,00	0
7. Sonstige Verbindlichkeiten	7.527.848,76	2.031
<i>davon aus Steuern</i>	84.169,31	84
<i>davon im Rahmen der sozialen Sicherheit</i>	30.543,34	23
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	7.251.538,65	1.763
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	<u>276.310,11</u>	268
	<b>50.090.554,14</b>	212.549
<i>davon mit einer Restlaufzeit bis zu einem Jahr</i>	7.814.244,03	67.780
<i>davon mit einer Restlaufzeit von mehr als einem Jahr</i>	42.276.310,11	144.768
<b>D. Rechnungsabgrenzungsposten</b>	<b>155.462,87</b>	389
	<u><b>368.145.583,16</b></u>	476.918

## Gewinn- und Verlustrechnung für das Geschäftsjahr 2018

	2018 EUR	2017 TEUR
1. Umsatzerlöse	15.149.304,57	11.382
2. Sonstige betriebliche Erträge:		
a) Erträge aus der Auflösung von Rückstellungen	0,00	397
b) Übrige	0,00	3
	0,00	399
3. Aufwendungen für Material und sonstige bezogene Herstellungsleistungen:		
Aufwendungen für bezogene Leistungen	-9.837.349,47	-6.904
4. Personalaufwand:		
a) Gehälter	-1.963.695,79	-1.615
b) Soziale Aufwendungen	-360.154,22	-289
<i>davon für Abfertigungen und Leistungen an         betriebliche Mitarbeitervorsorgekassen</i>	-68.864,85	-67
<i>davon für gesetzlich vorgeschriebene         Sozialabgaben sowie vom Entgelt         abhängige Abgaben und Pflichtbeiträge</i>	-267.300,73	-201
	-2.323.850,01	-1.904
5. Abschreibungen:		
Auf immaterielle Gegenstände des Anlagevermögens und Sachanlagen	-72.166,94	-71
6. Sonstige betriebliche Aufwendungen:		
a) Steuern, soweit sie nicht unter Steuern vom Einkommen und vom Ertrag fallen	-22.515,89	-12
b) Übrige	-5.629.505,46	-3.689
	-5.652.021,35	-3.701
7. Zwischensumme aus Z 1 bis Z 6 <b>(Betriebsergebnis)</b> (Übertrag)	<b>-2.736.083,20</b>	-799

	<u>2018 EUR</u>	<u>2017 TEUR</u>
Übertrag:	<b>-2.736.083,20</b>	-799
8. Erträge aus Beteiligungen (davon aus verbundenen Unternehmen EUR 16.744.835,01; Vorjahr: TEUR 36.062)	16.952.835,01	36.062
9. Sonstige Zinsen und ähnliche Erträge (davon aus verbundenen Unternehmen EUR 351.274,83; Vorjahr: TEUR 956)	372.700,78	986
10. Erträge aus dem Abgang von und der Zuschreibung zu Finanzanlagen	52.309.516,20	668
11. Aufwendungen aus Finanzanlagen und aus Wertpapieren des Umlaufvermögens:		
a) Abschreibungen	0,00	-16.153
b) Aufwendungen aus verbundenen Unternehmen	<u>-20,44</u>	0
	-20,44	-16.153
12. Zinsen und ähnliche Aufwendungen (davon betreffend verbundene Unternehmen EUR 1.492.718,18; Vorjahr: TEUR 3.002)	<u>-5.428.487,99</u>	-7.786
13. Zwischensumme aus Z 8 bis Z 12 ( <b>Finanzergebnis</b> )	<b><u>64.206.543,56</u></b>	13.777
<b>14. Ergebnis vor Steuern</b>	<b>61.470.460,36</b>	12.977
15. Steuern vom Einkommen und vom Ertrag (aus Steuerumlage)	<u>-2.500.000,00</u>	-4
<b>16. Ergebnis nach Steuern = Jahresüberschuss</b>	<b>58.970.460,36</b>	12.973
17. Zuweisung zu Gewinnrücklagen	-225.313,44	-649
18. Gewinnvortrag aus dem Vorjahr	<u>18.377.485,72</u>	12.814
<b>19. Bilanzgewinn</b>	<b><u><u>77.122.632,64</u></u></b>	25.139

**Anhang für das Geschäftsjahr 2018 der  
KTM Industries AG,  
Wels**

**I. Anwendung der unternehmensrechtlichen Vorschriften und allgemeine Angaben**

Der vorliegende Jahresabschluss für das Geschäftsjahr 2018 ist nach den Vorschriften des Unternehmensgesetzbuches in der gegenwärtigen Fassung aufgestellt worden.

Die Gewinn- und Verlustrechnung ist in Staffelform nach dem Gesamtkostenverfahren aufgestellt.

Die bisherige Form der Darstellung wurde bei der Erstellung des vorliegenden Jahresabschlusses beibehalten.

Soweit es zur Vermittlung eines möglichst getreuen Bildes der Vermögens-, Finanz- und Ertragslage erforderlich ist, wurden im Anhang zusätzliche Angaben gemacht.

Bei der Gesellschaft handelt es sich gemäß § 221 Abs 3 2. Satz UGB um eine große Kapitalgesellschaft.

Die Gesellschaft ist ein konsolidierungspflichtiges Mutterunternehmen im Sinn des § 244 UGB und hat einen Konzernabschluss, der beim Landes- als Handelsgericht Wels unter der Nummer FN 78112 x hinterlegt wird, aufzustellen.

Die Gesellschaft steht mit der Pierer Konzerngesellschaft mbH, Wels (oberstes Konzernmutterunternehmen), und deren verbundenen Unternehmen in einem Konzernverhältnis und wird in deren Konzernabschluss einbezogen. Dieser Konzernabschluss wird beim Landes- als Handelsgericht Wels unter der Nummer FN 134766 k hinterlegt und stellt den Konzernabschluss für den größten Konzernkreis dar.

## **II. Bilanzierungs- und Bewertungsmethoden**

Der Jahresabschluss wurde unter Beachtung der Grundsätze ordnungsmäßiger Buchführung sowie der Generalnorm, ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Unternehmens zu vermitteln, aufgestellt.

Bei der Erstellung des Jahresabschlusses wurde der Grundsatz der Vollständigkeit eingehalten.

Bei der Bewertung wurde von der Fortführung des Unternehmens ausgegangen. Der Liquiditätsplan der KTM Industries AG sieht in den 12 Monaten nach dem Bilanzerstellungszeitpunkt keinen zusätzlichen Finanzierungsbedarf vor. Sämtliche Tilgungen, Zinszahlungen und operativen Aufwendungen können aus den liquiden Mitteln gedeckt werden.

Die operativen Gesellschaften der KTM Industries AG-Gruppe sind eigenständig mittel- und langfristig finanziert.

Bei Vermögensgegenständen und Schulden wurde der Grundsatz der Einzelbewertung angewandt.

Dem Vorsichtsgrundsatz wurde Rechnung getragen, indem insbesondere nur die am Abschlussstichtag verwirklichten Gewinne ausgewiesen werden.

Alle erkennbaren Risiken und drohenden Verluste, die im Geschäftsjahr 2018 oder in einem früheren Geschäftsjahr entstanden sind, wurden berücksichtigt.

### **Immaterielle Vermögensgegenstände**

Immaterielle Vermögensgegenstände werden zu Anschaffungskosten aktiviert und in längstens 3 bis 4 Jahren abgeschrieben. Selbst erstellte immaterielle Vermögensgegenstände und geringwertige Vermögensgegenstände (Einzelanschaffungswert unter je EUR 400,00) werden sofort als Aufwand erfasst.

## Sachanlagevermögen

Sachanlagen werden zu Anschaffungs- oder Herstellungskosten, abzüglich planmäßiger Abschreibungen, bewertet. Geringwertige Vermögensgegenstände (Einzelanschaffungswert bis EUR 400,00) werden im Zugangsjahr aktiviert und voll abgeschrieben.

Die Ermittlung der planmäßigen Abschreibungen erfolgt nach der linearen Abschreibungsmethode unter Zugrundlegung folgender Nutzungsdauern:

	<u>Nutzungsdauer in Jahren</u>
Büro und Geschäftsausstattung	3 - 10
Investitionen in Fremdgebäude	10

Außerplanmäßige Abschreibungen auf einen zum Abschlussstichtag niedrigeren beizulegenden Wert werden vorgenommen, soweit der Ansatz mit einem niedrigeren Wert erforderlich ist.

## Finanzanlagevermögen

Das Finanzanlagevermögen wird zu Anschaffungskosten, vermindert um außerplanmäßige Abschreibungen – soweit diese notwendig sind, um dauernden Wertminderungen Rechnung zu tragen – angesetzt. Die im Jahresabschluss ausgewiesenen wesentlichen Anteile an verbundenen Unternehmen, Beteiligungen und Wertpapiere (Wertrechte) des Anlagevermögens werden im Anlassfall auf ihre Werthaltigkeit untersucht. Im Geschäftsjahr 2018 wurde der Anteil an der KTM AG von der Gesellschaft einer Werthaltigkeitsüberprüfung unterzogen. Auslöser einer anlassbezogenen Überprüfung ist eine statische Unterdeckung bei der Gegenüberstellung des Beteiligungsansatzes mit dem anteiligen Eigenkapital zum Bilanzstichtag. Anlassbezogene Bewertungen werden auf Basis von diskontierten Netto-Zahlungsmittelzuflüssen, die im Wesentlichen von zukünftigen Umsatz- und Margenerwartungen und von abgeleiteten Diskontierungszinssätzen abhängig sind durchgeführt. Bei der Werthaltigkeitsprüfung des Anteils der KTM AG ergaben sich keine Abwertungserfordernisse.

**Forderungen und sonstige Vermögensgegenstände** werden mit dem Nennbetrag, vermindert um notwendige Wertberichtigungen angesetzt.

Die **Abfertigungsrückstellungen** betreffen vertraglich vereinbarte Abfertigungen und werden vereinfachend nach finanzmathematischen Grundsätzen auf Basis eines Rechnungszinssatzes von 2,0 % (Vorjahr: 2,2 %) und geplanten Gehaltserhöhungen von 2,8 % (Vorjahr: 2,0 %) ermittelt. Der Ansammlungszeitraum läuft bis zum Ende der vertraglichen Vereinbarung.

Der Rechnungszinssatz für Abfertigungsrückstellungen wird aus dem 10-jährigen Durchschnittszinssatz entsprechend der Veröffentlichung der Deutschen Bundesbank abgeleitet.

Die Zinsaufwendungen betreffend Abfertigungsrückstellungen sowie die Auswirkungen aus einer Änderung des Zinssatzes werden im betreffenden betrieblichen Aufwand erfasst.

Bei der Bemessung der **Rückstellungen** wurden entsprechend den gesetzlichen Erfordernissen alle erkennbaren Risiken und drohenden Verluste berücksichtigt.

**Verbindlichkeiten** werden mit ihrem Erfüllungsbetrag angesetzt.

### III. Erläuterungen zur Bilanz

#### Anlagevermögen

Die Aufgliederung des Anlagevermögens und seine Entwicklung im Geschäftsjahr sind im Anlagenspiegel angeführt (vergleiche Anlage 1 zum Anhang).

Die Finanzanlagen haben sich insbesondere durch folgende Transaktionen verändert:

KTM Industries AG, Wels, hat mit Aktienkaufvertrag vom 9.1.2018 ihre gesamten Anteile von 75,86 % an der W Verwaltungs AG, Mattighofen (vormals: Wels), an die KTM AG, Mattighofen, verkauft.

Mit Gesellschafterversammlung vom 26.2.2018 wurde die 74 % Tochtergesellschaft KTM Innovation GmbH, Wels, gegründet.

Mit Verschmelzungsvertrag vom 26.4.2018 wurde die K KraftFahrZeug Holding GmbH, FN 264931 f, als übertragende Gesellschaft auf die KTM Industries AG, FN 78112 x, als übernehmende Gesellschaft durch Übertragung ihres Vermögens als Ganzes auf Grund der unternehmensrechtlichen Schlussbilanz zum 31.12.2017 verschmolzen. Die Eintragung der Verschmelzung im Firmenbuch erfolgte mit dem 16.5.2018.

Im Zuge der Verschmelzung auf die KTM Industries AG, Wels, sind 51,68 % Anteile an der KTM AG, Mattighofen, sowie 0,39 % Anteile an der KTM Immobilien GmbH, Mattighofen, zugegangen.

Durch die Verschmelzung der K KraftFahrZeug Holding GmbH auf die KTM Industries AG resultiert ein Umgründungsmehrwert in Höhe von EUR 22.977.898,30.

Der Gesamte Umgründungsmehrwert in Höhe von EUR 57.253.610,76 (Vorjahr: TEUR 34.276) wird dem Tochterunternehmen KTM AG, Mattighofen, zugeordnet.

Die Gesellschaft hat im laufenden Geschäftsjahr 706 Stk. Aktien an der KTM AG erworben und 3 Stück Aktien verkauft.

Zum Stichtag hält die KTM Industries AG, Wels, 51,69 % Anteile an der KTM AG, Mattighofen.

Mit Aktienkaufvertrag vom 24.4.2018 hat die K KraftFahrZeug Holding GmbH (Rechtsnachfolger KTM Industries AG), Wels, ihre 0,39 % Anteile an der KTM Immobilien GmbH, Mattighofen, an die KTM Beteiligungs GmbH, Mattighofen, verkauft.

Die KTM Industries AG hat mit Share sale and purchase agreement vom 3. April 2018 ihre restlichen Anteile an der Wethje Carbon Composites GmbH von 8,36 % Anteile verkauft.

An der Wethje Immobilien GmbH, Vilshofen-Pleinting, Deutschland, hält die Gesellschaft unverändert 6 % Anteile.

Die Gesellschaft hat im Geschäftsjahr weitere 3,7 % Anteile an der Pankl Racing Systems AG, Kapfenberg, erworben und mit Aktienkaufvertrag vom 21.6.2018 ihre gesamten Anteile an der Pankl Racing Systems AG, Kapfenberg, in Höhe von 98,23 % an die Pankl SHW Industries AG, Kapfenberg (vormals: SHW Beteiligungs GmbH, Wels), verkauft.

Mit Notariatsakt vom 28.12.2018 hat die KTM Industries AG, Wels, 24 % Anteile an der Kiska GmbH, Anif, erworben. Zum Stichtag hält die Gesellschaft nun 50 % Anteile an der Kiska GmbH, Anif.

Die KTM Industries AG, Wels, hält zum Stichtag 31.12.2018 unverändert 74 % Anteile an der KTM Technologies GmbH, Anif.

Mit Gesellschafterversammlung vom 14.12.2018 wurde eine Kapitalerhöhung, im Wesentlichen durch ein Aufgeld eines weiteren Gesellschafters, bei der PEXCO GmbH, Schweinfurt, Deutschland, beschlossen. Die Anteile der KTM Industries AG, Wels, haben sich von 49,9 % auf 40 % reduziert.

Die KTM Industries AG, Wels, hält unverändert 12,33 % Anteile an der AC styria Mobilitätscluster GmbH (vormals: AC styria Autocluster GmbH), Grambach. Im Geschäftsjahr 2018 hat die KTM Industries AG, Wels, einen Zuschuss in Höhe von EUR 50.000,00 an die Gesellschaft geleistet.

Die Ausleihung an Unternehmen mit denen ein Beteiligungsverhältnis besteht resultiert in Höhe von EUR 6.000.000,00 gegenüber der PEXCO GmbH, Schweinfurt, Deutschland.

Im Geschäftsjahr wurden keine ausschüttungsbedingten Abschreibungen auf Anteile an verbundenen Unternehmen (Vorjahr: TEUR 15.250) und keine Zuschreibungen auf Anteile an verbundenen Unternehmen sowie keine Abschreibungen auf Wertpapiere (Wertrechte) des Anlagevermögens (Vorjahr: TEUR 903) vorgenommen.

Aus der Nutzung von in der Bilanz nicht ausgewiesenen Sachanlagen besteht auf Grund von langfristigen Miet-, Pacht- und Leasingverträgen für das Geschäftsjahr 2019 eine Verpflichtung von EUR 380.487,94 (Vorjahr: TEUR 198). Der Gesamtbetrag der Verpflichtungen für die nächsten 5 Jahre beträgt EUR 1.763.748,06 (Vorjahr: TEUR 818).

## **Forderungen und sonstige Vermögensgegenstände**

Die Forderungen gegenüber verbundenen Unternehmen betreffen Finanzierungsforderungen in Höhe von EUR 400.516,67 (Vorjahr: TEUR 70.992), Forderungen aus laufenden Verrechnungen und sonstige Forderungen in Höhe von EUR 2.592.176,97 (Vorjahr: TEUR 3.620) sowie Forderungen aus Steuerumlagen in Höhe von EUR 6.300.000,00 (Vorjahr: TEUR 0). Darüber hinaus waren im Vorjahr Forderungen aus phasengleichen Ergebnisübernahmen in Höhe von TEUR 12.000 enthalten.

Die Forderungen gegenüber Unternehmen, mit denen ein Beteiligungsverhältnis besteht, betreffen Finanzierungsforderungen in Höhe von EUR 1.000.000,00 (Vorjahr: TEUR 1.000) sowie Forderungen aus laufenden Verrechnungen und sonstige Forderungen in Höhe von EUR 58.988,00 (Vorjahr: TEUR 0).

Die sonstigen Forderungen und Vermögensgegenstände in Höhe von EUR 746.461,64 (Vorjahr: TEUR 6.873) betreffen im Wesentlichen Forderungen aus laufenden Verrechnungen 416.111,89 (Vorjahr: TEUR 0), Forderungen aus Steuern in Höhe von EUR 37.408,23 (Vorjahr: TEUR 6.580) und Forderungen aus Versicherungsleistungen für ehemalige Mitarbeiter in Höhe von EUR 276.310,11 (Vorjahr: TEUR 268).

## **Eingefordertes und einbezahltes Nennkapital (Grundkapital)**

In der 21. ordentlichen Hauptversammlung vom 26.4.2018 wurde über die vereinfachte Kapitalherabsetzung des Grundkapitals der Gesellschaft um EUR 2,00 durch Einziehung von zwei Stück eigener Aktien von EUR 225.386.742,00 auf EUR 225.386.740,00 Beschluss gefasst. Diese Herabsetzung wurde durch die Einziehung von 2 Stück auf Inhaber lautende nennbetragslose Stückaktien mit einem anteiligen Betrag des Grundkapitals von EUR 1,00 je Stückaktie vorgenommen. Diese Kapitalherabsetzung diente ausschließlich dem Zweck, eine Grundkapitalziffer zu schaffen.

Des Weiteren wurde die ordentliche Herabsetzung des Grundkapitals der Gesellschaft von EUR 225.386.740,00 auf EUR 22.538.674,00 durch Zusammenlegung von Aktien im Verhältnis 10:1 zum Zweck der Einstellung von EUR 202.848.066,00 in eine nicht gebundene Rücklage beschlossen. Nach Durchführung dieser Beschlüsse beträgt das eingeforderte und einbezahlte Nennkapital (Grundkapital) der Gesellschaft EUR 22.538.674,00 und ist in 22.538.674 Stück auf Inhaber lautende nennbetragslose Stückaktien, von denen jede eine gleiche Beteiligung am Grundkapital repräsentiert, aufgeteilt.

Die Aktien der Gesellschaft notieren an der Wiener sowie an der Schweizer Börse.

Das genehmigte Kapital beträgt zum Bilanzstichtag EUR 11.269.337,00 (Vorjahr: TEUR 0). Der Vorstand wurde bis auf höchstens fünf Jahre nach Eintragung der Satzungsänderung ermächtigt gemäß § 169 AktG das Grundkapital mit Zustimmung des Aufsichtsrats um bis zu weitere EUR 11.269.337,00 durch Ausgabe von bis zu 11.269.337 Stück neue, auf Inhaber oder Namen lautende Stammaktien (Stückaktien) gegen Bar- und/oder Sacheinlage – allenfalls in mehrere Tranchen – erhöhen und die weiteren Einzelheiten der Durchführung der Kapitalerhöhung im Einvernehmen mit dem Aufsichtsrat festzusetzen.

## **Rückstellungen**

Die sonstigen Rückstellungen in Höhe von EUR 3.034.232,24 (Vorjahr: TEUR 1.362) beinhalten im Wesentlichen Rückstellungen für Prämien in Höhe von EUR 566.550,00 (Vorjahr: TEUR 543), Rückstellungen für Rechts- und Beratungskosten in Höhe von EUR 289.597,24 (Vorjahr: TEUR 668), Rückstellungen für nicht konsumierte Urlaube und Zeitguthaben in Höhe von EUR 55.605,00 (Vorjahr: TEUR 61), sonstige Rückstellungen in Höhe von EUR 60.480,00 (Vorjahr: TEUR 52), Rückstellungen für Aufsichtsratsvergütungen in Höhe von EUR 62.000,00 (Vorjahr: TEUR 39) sowie für Haftungen und Risiken im Zusammenhang mit dem Beteiligungsportfolio in Höhe von EUR 2.000.000,00 (Vorjahr: TEUR 0).

## Verbindlichkeiten

Die Gesellschaft hat im September 2012 eine Anleihe in Höhe von EUR 75.000.000,00 mit einer Laufzeit von 6 Jahren und einer Verzinsung von 4,625 % (ISIN AT0000A0WQ66) begeben. Im Dezember 2016 wurde die Anleihe um EUR 17.200.000,00 auf EUR 57.800.000,00 reduziert. Mit Ende der Laufzeit wurde die Anleihe am 5.10.2018 in Höhe von EUR 57.800.000,00 zur Gänze getilgt.

Die KTM Industries AG hat im Juli 2016 eine nachrangige 5,00 % Anleihe ohne feste Laufzeit (Ewige Anleihe) in Höhe von 40 Mio EUR begeben. Im Dezember 2016 wurde die Nominale von 40 Mio EUR um 20 Mio EUR auf ein Emissionsvolumen von 60 Mio EUR aufgestockt. Im Juni 2018 wurde die Anleihe in Höhe von EUR 60 Mio. getilgt.

Die KTM Industries AG hat im Juli 2015 ein Schuldscheindarlehen in Höhe von EUR 56.500.000,00 begeben, welches in Höhe von TEUR 44.000 mit einer Laufzeit von 5 Jahren und in Höhe von TEUR 12.500 mit einer Laufzeit von 7 Jahren abgeschlossen wurde. Mit Kündigungsschreiben vom 13.12.2016 mit Wirkung zum 16.1.2017 wurde ein Teilbetrag des Schuldscheindarlehens in Höhe von TEUR 32.000, davon TEUR 25.500 mit Laufzeit 5 Jahren und TEUR 6.500 mit Laufzeit 7 Jahren, rückgeführt. Mit Kündigungsschreiben vom 13.7.2018 mit Wirkung zum 17.7.2018 sowie Kündigungsschreiben vom 4.10.2018 mit Wirkung zum 8.10.2018 wurde ein Teilbetrag des Schuldscheindarlehens in Höhe von insgesamt TEUR 12.500 mit einer Laufzeit 5 Jahren vorzeitig rückgeführt. Das Schuldscheindarlehen in Höhe von TEUR 12.000 wird mit einem fixen Zinssatz verzinst.

Am 17.7.2015 hat die KTM Industries AG eine Namensschuldverschreibung in Höhe von EUR 30.000.000,00 mit einer fixen Verzinsung und einer Laufzeit von 10 Jahren begeben.

Am 8.10.2018 wurde die Verbindlichkeiten gegenüber Kreditinstituten in Höhe von EUR 30.000.000,00 mit fixem Zinssatz und einer Endfälligkeit im Juli 2021 vorzeitig rückgeführt.

Die Verbindlichkeiten gegenüber verbundenen Unternehmen resultieren in Höhe von EUR 35.751,48 (Vorjahr: TEUR 7.973) und betreffen im Wesentlichen Lieferungen und Leistungen in Höhe von EUR 4.047,00 (Vorjahr: TEUR 88), Verbindlichkeiten aus Finanzierung in Höhe von EUR 31.704,48 (Vorjahr: TEUR 2). Im Vorjahr waren weiters Verbindlichkeiten aus umsatzsteuerlichen Organschaftsverhältnissen in Höhe von TEUR 6.430, Zinsen aus der Anleihe in Höhe von TEUR 1.414, sonstige Verrechnungen in Höhe von TEUR 69 (Vorjahr: TEUR 36) und Verbindlichkeiten aus Steuerumlagen in Höhe von TEUR 4 enthalten.

Die sonstigen Verbindlichkeiten in Höhe von EUR 7.527.848,76 (Vorjahr: TEUR 2.031) betreffen im Wesentlichen eine Kaufpreisverbindlichkeit aus Beteiligungserwerb in Höhe von EUR 6.000.000,00 (Vorjahr: TEUR 0), Zinsen aus den begebenen Schuldscheindarlehen und Namensschuldverschreibungen in Höhe von EUR 687.649,30 (Vorjahr: TEUR 1.465), Verbindlichkeiten aus Lieferungen und Leistungen in Höhe von EUR 436.350,58 (Vorjahr: TEUR 0) sowie sonstige Verbindlichkeiten in Höhe von EUR 403.848,88 (Vorjahr: TEUR 566).

In den sonstigen Verbindlichkeiten sind Verbindlichkeiten in Höhe von EUR 276.310,11 (Vorjahr: TEUR 268) mit einer Restlaufzeit von mehr als fünf Jahren enthalten.

Im Posten "Sonstige Verbindlichkeiten" sind Aufwendungen in Höhe von EUR 7.251.538,65 (Vorjahr: TEUR 1.752) enthalten, die nach dem Stichtag zahlungswirksam werden.

### **Haftungsverhältnisse**

Für einen Bankkredit der PEXCO GmbH, Schweinfurt, Deutschland, gegenüber der UniCredit Bank Austria AG, Wien, sowie Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, Linz, hat die KTM Industries AG, Wels, eine Haftungs-garantie mit einem Höchstbetrag von EUR 35.000.000,00 (Vorjahr: TEUR 0) abgegeben. Zum Stichtag resultiert ein Haftungsbetrag in Höhe von EUR 12.000.000,00.

#### IV. Erläuterung zur Gewinn- und Verlustrechnung

##### Umsatzerlöse

Die Umsatzerlöse beinhalten die Weiterverrechnungen laufender Projekte und Erlöse für Dienstleistungen. Im Geschäftsjahr wurden im Inland EUR 14.934.248,57 (Vorjahr: TEUR 11.288), in anderen EU Ländern EUR 215.056,00 (Vorjahr: TEUR 95) erzielt.

##### Personalaufwand

Die Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeiterversorgungskassen betreffen in Höhe von EUR 30.464,85 (Vorjahr: TEUR 22) Leistungen an betriebliche Mitarbeiterversorgungskassen.

Die Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeiterversorgungskassen setzen sich wie folgt zusammen:

	2018 EUR	2017 EUR
Vorstände Mitarbeiterversorgungskasse	9.683,40	8.373,75
Veränderung Abfertigungsrückstellung Vorstände	20.800,00	25.400,00
Sonstige Arbeitnehmer	<u>38.381,45</u>	<u>32.944,05</u>
	<u>68.864,85</u>	<u>66.717,80</u>

##### Sonstige betriebliche Aufwendungen

Die übrigen sonstigen betrieblichen Aufwendungen betreffen im Wesentlichen Aufwendungen für konzerninterne Dienstleistungen, Aufwendungen für Vorstandstätigkeiten, Steuerberatungsaufwand, Rechts- und Beratungsaufwand sowie Aufwendungen für Haftungen und Risiken Beteiligungsportfolio.

### **Erträge aus Beteiligungen**

Die Erträge aus Beteiligungen in Höhe von EUR 16.952.835,01 (Vorjahr: TEUR 36.062) betreffen Dividendenerträge, davon aus verbundenen Unternehmen EUR 16.744.835,01 (Vorjahr: TEUR 36.062).

### **Sonstige Zinsen und ähnliche Erträge**

Sonstige Zinsen und ähnliche Erträge betreffen im Wesentlichen Zinsen aus Darlehen in Höhe von EUR 372.700,78 (Vorjahr: TEUR 985).

### **Erträge aus dem Abgang von und der Zuschreibung zu Finanzanlagen**

Die Erträge resultieren in Höhe von EUR 52.309.516,20 (Vorjahr: TEUR 668) aus dem Abgang von Finanzanlagen.

### **Aufwendungen aus Finanzanlagen und aus Wertpapieren des Umlaufvermögens**

Die Aufwendungen aus Finanzanlagen und aus Wertpapieren des Umlaufvermögens in Höhe von EUR 20,44 (Vorjahr: TEUR 16.153) betreffen einen Veräußerungsverlust aus Finanzanlagen in Höhe von EUR 20,44 (Vorjahr: EUR 0). Im Vorjahr waren ausschüttungsbedingte Abschreibungen von verbundenen Unternehmen in Höhe von TEUR 15.250 sowie Abschreibungen aus Wertpapiere des Anlagevermögens in Höhe von TEUR 903 enthalten.

### **Steuern vom Einkommen und vom Ertrag**

Die Gesellschaft ist seit der Veranlagung 2014 Gruppenmitglied der Unternehmensgruppe gemäß § 9 KStG der Pierer Konzerngesellschaft mbH, Wels.

Die steuerlichen Ergebnisse der Gruppenmitglieder werden dem Gruppenträger zugerechnet. Die zu leistenden Steuerumlagen zwischen dem Gruppenträger und jedem einzelnen Gruppenmitglied wurde in Form von einer Gruppen- und Steuerumlagevereinbarung geregelt.

Die Steuern vom Einkommen und vom Ertrag enthalten die voraussichtlich an die Gruppenträger zu zahlende Steuerumlage.

Die KTM Industries AG, Wels, bildete bis 30.9.2018 eine Organschaft im umsatzsteuerlichen Sinn mit den Gruppenmitgliedern. Seit 1.10.2018 bildet die Pierer Industrie AG, Wels, die Organschaft im umsatzsteuerlichen Sinn mit den Gruppenmitgliedern.

Zur Unternehmensgruppe gehören folgende Gesellschaften (Gruppenmitglieder):

Pierer Industrie AG, Wels (Gruppenträger)

KTM Industries AG, Wels

KTM Technologies GmbH, Anif

KTM AG, Mattighofen

KTM Sportmotorcycle GmbH, Mattighofen

KTM Österreich GmbH, Mattighofen

KTM Sportcar GmbH, Mattighofen

KTM Immobilien GmbH, Mattighofen

KTM Logistikzentrum GmbH, Mattighofen

Husqvarna Motorcycles GmbH, Mattighofen

Pankl Racing Systems AG, Kapfenberg

Pankl Systems Austria GmbH, Kapfenberg

Pankl Aerospace Systems Europe GmbH, Kapfenberg

KTM Components GmbH (vormals: WP Performance Systems GmbH), Munderfing

WP Immobilien GmbH, Munderfing

WP Components GmbH, Munderfing

WP Suspension GmbH (vormals: WP Performance Sports GmbH), Mattighofen

KTM Innovation GmbH, Wels

Fuhrmann Erodieretechnik GmbH, Munderfing

Es existieren temporäre Unterschiede zwischen steuerlichen und unternehmensrechtlichen Wertansätzen im Wesentlichen auf Grund von Bewertungsunterschieden im Sachanlagevermögen und bei der Bewertung von Personalrückstellungen. Da zum Bilanzstichtag weder passive latente Steuern zur Gegenverrechnung, als auch substantielle Hinweise für die Rechtfertigung eines Ansatzes aktiver latenter Steuern vorliegen, wurden keine aktiven latenten Steuern angesetzt.

### **Mitarbeiter**

(im Jahresdurchschnitt)

Im Jahresdurchschnitt beschäftigte die Gesellschaft 15 (Vorjahr: 11) Angestellte, davon 3 (Vorjahr: 3) Teilzeitbeschäftigte.

Da der Abschlussprüfer der Gesellschaft auch Abschlussprüfer des Konzernabschlusses der KTM Industries AG ist, wird hinsichtlich der auf das Geschäftsjahr 2018 entfallenden Aufwendungen für den Abschlussprüfer auf die entsprechenden Angaben im Konzernanhang dieser Gesellschaft verwiesen.

### **V. Finanzrisikomanagement**

Ein wesentliches Ziel des Finanzrisikomanagements in der KTM Industries AG-Gruppe ist es, die jederzeitige Zahlungsfähigkeit und die finanzielle Flexibilität sicherzustellen. Zu diesem Zweck wird eine Liquiditätsreserve in Form von ungenutzten Kreditlinien (Bar- und Avalkredite) und bei Bedarf in Form von Barbeständen bei Banken von hoher Bonität vorgehalten.

Der langfristige Liquiditätsbedarf der Gruppe wurde durch die Emission von Schuldscheindarlehen sowie Namensschuldverschreibungen sichergestellt.

Die operativen Gesellschaften sind durch kurz- bzw langfristige Finanzierungen selbst finanziert.

Die KTM Industries AG hat im Geschäftsjahr 2012 eine Anleihe in Höhe von TEUR 75.000 mit einer Laufzeit von 6 Jahren und einer Verzinsung von 4,625 % (ISIN: AT0000A0WQ66) begeben. Im Geschäftsjahr 2016 wurde die Anleihe um TEUR 17.200 reduziert. Mit Ender der Laufzeit wurde die Anleihe am 5.10.2018 in Höhe von TEUR 57.800 zur Gänze getilgt.

Die KTM Industries AG hat im Juli 2015 ein Schuldscheindarlehen in Höhe von TEUR 56.500 und einer Laufzeit von fünf und sieben Jahren begeben. Im Jänner 2017 wurde ein Teilbetrag des Schuldscheindarlehens in Höhe von TEUR 32.000, davon TEUR 25.500 mit Laufzeit 5 Jahren und TEUR 6.500 mit Laufzeit 7 Jahren, vorzeitig getilgt. Mit Kündigungsschreiben vom 13.7.2018 mit Wirkung zum 17.7.2018 sowie Kündigungsschreiben vom 4.10.2018 mit Wirkung zum 8.10.2018 wurde ein Teilbetrag des Schuldscheindarlehens in Höhe von insgesamt TEUR 12.500 mit einer Laufzeit von 5 Jahren vorzeitig rückgeführt.

Im Juni 2016 wurde von der KTM AG zur Refinanzierung der im April 2017 getilgten Anleihe ein Schuldscheindarlehen mit einem Emissionsvolumen von TEUR 120.000 und einer Laufzeit von fünf, sieben bzw. zehn Jahren platziert. Im Juni 2018 wurde ein weiteres Schuldscheindarlehen mit einem Volumen von TEUR 135.000 und Laufzeiten von sieben und zehn Jahren erfolgreich platziert. Weiters wurden TEUR 32.500 des im Jahr 2016 begebenen Schuldscheindarlehens vorzeitig getilgt.

## VI. Ergänzende Angaben

Es wird vorgeschlagen, aus dem Bilanzgewinn in Höhe von EUR 77.122.632,64 eine Dividende von EUR 0,30 je Aktie, das sind in Summe EUR 6.761.602,20 auszuschütten und den Restbetrag auf neue Rechnung vorzutragen.

Nach dem Bilanzstichtag sind keine wesentlichen Ereignisse eingetreten.

Als Mitglieder des **Aufsichtsrats** waren im Geschäftsjahr 2018 die nachstehenden Herren bestellt:

Josef B l a z i c e k (Vorsitzender)

Dr. Ernst C h a l u p s k y (Stellvertreter des Vorsitzenden)

Mag. Gerald K i s k a (bis zum 26.4.2018)

Mag. Klaus R i n n e r b e r g e r

Ing. Alfred H ö r t e n h u b e r (seit 26.4.2018)

Im Geschäftsjahr 2018 erhielten die Mitglieder des Aufsichtsrats Vergütungen in Höhe von TEUR 62 (Vorjahr: TEUR 39). Die Mitglieder des Vorstands erhielten für das Geschäftsjahr 2018 Bezüge in Höhe von insgesamt TEUR 2.640 (Vorjahr: TEUR 3.974), davon wurden für Tätigkeiten der Vorstände innerhalb des Konzerns TEUR 1.747 (Vorjahr: TEUR 2.716) weiterverrechnet. Weiters erhielten die Mitglieder des Vorstands Bezüge aus Vorperioden in Höhe von TEUR 349 (Vorjahr: TEUR 349), davon wurden für Tätigkeiten der Vorstände aus Vorperioden innerhalb des Konzerns TEUR 312 (Vorjahr: TEUR 124) weiterverrechnet.

Als kollektiv vertretungsbefugte **Vorstandsmitglieder** waren im Geschäftsjahr 2018 die nachstehenden Herren bestellt:

Dipl.-Ing. Stefan Pierer, CEO

Mag. Wolfgang Plasser (bis zum 28.6.2018)

Dipl.-Ing. Harald Plöckinger (bis zum 28.2.2019)

Mag. Friedrich Roithner, CFO

Ing. Mag. Hubert Trunkenpolz, CSO

Wels, am 7. März 2019

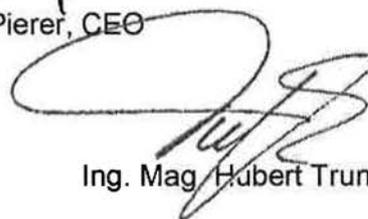
Der Vorstand



Dipl.-Ing. Stefan Pierer, CEO



Mag. Friedrich Roithner, CFO



Ing. Mag. Hubert Trunkenpolz, CSO

Anlage 1 zum Anhang: Anlagenspiegel

Anlage 2 zum Anhang: Beteiligungsliste

## Anlagenpiegel zum 31. Dezember 2018

	Anschaffungs- und Herstellungskosten				Abschreibungen		Buchwerte		
	Stand am 1.1.2018 EUR	Zugänge EUR	Zugänge aus Ver- schmelzung EUR	Abgänge EUR	Abgänge aus Ver- schmelzung EUR	Stand am 1.1.2018 EUR	Zu- gänge EUR	Stand am 31.12.2018 EUR	Stand am 31.12.2017 EUR
<b>I. Immaterielle Vermö- gensgegenstände:</b>									
Konzessionen, gewerb- liche Schutzrechte und ähnliche Rechte und Vorteile sowie daraus abgeleitete Lizenzen	349.171,14	22.698,57	0,00	0,00	0,00	348.434,33	4.441,72	18.993,66	736,81
<b>II. Sachanlagen:</b>									
Anderer Anlagen, Betriebs- und Ge- schäftsausstattung	1.350.693,36	12.486,61	0,00	169,00	0,00	789.897,66	67.725,22	505.557,09	560.795,70
<b>III. Finanzanlagen:</b>									
1. Anteile an verbun- denen Unternehmen	383.785.845,27 <sup>1)</sup>	5.119.940,76	274.221.324,49 <sup>2)</sup>	131.470.709,33 <sup>3)</sup>	206.790.029,77	15.250.000,00	0,00	309.616.371,42 <sup>4)</sup>	368.535.845,27
2. Beteiligungen	8.701.000,00	6.023.434,15	0,00	0,00	0,00	0,00	0,00	14.724.434,15	8.701.000,00
3. Ausleihungen an Unter- nehmen mit denen ein Beteiligungsverhältnis besteht	0,00	6.000.000,00	0,00	0,00	0,00	0,00	0,00	6.000.000,00	0,00
4. Wertpapiere (Wert- rechte) des An- lagevermögens	8.056.361,61	50.000,00	0,00	7.840.330,41	0,00	4.220.329,41	0,00	206.032,20	3.836.032,20
	<b>400.543.206,88</b>	<b>17.193.374,91</b>	<b>274.221.324,49</b>	<b>139.311.039,74</b>	<b>206.790.029,77</b>	<b>19.470.329,41</b>	<b>0,00</b>	<b>330.546.837,77</b>	<b>381.072.877,47</b>
	<b>402.243.071,38</b>	<b>17.228.560,09</b>	<b>274.221.324,49</b>	<b>139.311.208,74</b>	<b>206.790.029,77</b>	<b>20.608.661,40</b>	<b>72.166,94</b>	<b>331.071.388,52</b>	<b>381.634.409,98</b>

1) davon Umgründungsmehrwert zum 1.1.2018 EUR 34.275.720,66

2) davon Zugang Umgründungsmehrwert EUR 22.977.898,30

3) davon Abgang Umgründungsmehrwert EUR 8,20

4) davon Umgründungsmehrwert zum 31.12.2018 EUR 57.253.610,76

## Beteiligungsliste

Die Gesellschaft hält bei folgenden Unternehmen mindestens 20,00 % Anteilsbesitz:

Beteiligungsunternehmen	Kapital- anteil %	Stichtag	Eigenkapital EUR	Ergebnis des letzten Geschäfts- jahres 1) EUR
<b>Verbundene Unternehmen:</b>				
PF Beteiligungsver- waltungs GmbH, Wels	100,00	31.12.2018	76.000,26	-23.946,24
KTM Technologies GmbH, Anif	74,00	31.12.2018	2.442.836,38	1.288.482,86
KTM Innovation GmbH, Wels	74,00	31.12.2018	147.436,78	47.436,78
KTM AG, Mattighofen	51,69	31.12.2018	328.959.167,37	28.912.726,09
<b>Beteiligungen:</b>				
Kiska GmbH, Anif	50,00	31.3.2018	6.537.737,44	2.104.041,47
PEXCO GmbH, Schweinfurt, Deutschland	40,00	31.12.2018	7.176.074,81	-3.799.447,70

1) Jahresüberschuss/-fehlbetrag

Lagebericht

<b>per 31.12.2018 der KTM Industries AG, Wels</b>
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Da diese Gesellschaft eine geschäftsleitende Holdinggesellschaft ist, beinhaltet der Lagebericht neben den Informationen des Einzelabschlusses auf Basis UGB (Teil 1) auch die Informationen des Konzernabschlusses auf Basis IFRS (Teil 2).

## ***I) Einzelabschluss der KTM Industries AG (nach UGB):***

### **A. Geschäftsverlauf und Lage des Unternehmens**

Das Geschäftsjahr für den Einzelabschluss der KTM Industries AG umfasst den Zeitraum vom 1.1.2018 bis 31.12.2018.

Die KTM Industries AG besitzt zum Abschlussstichtag eine Mehrheitsbeteiligung an der KTM AG (51,7%). Zum Stichtag 31.12.2018 hält die KTM Industries AG unverändert 100% der Anteile an der PF Beteiligungsverwaltungs GmbH sowie 12,33% an der ACStyria Mobilitätscluster GmbH. Die restlichen Anteile an der Wethje Carbon Composites GmbH (8,36%) wurden im April 2018 verkauft. Die 75,9% Anteile an der W Verwaltungs AG (vormals: WP AG) wurden im Laufe des Geschäftsjahrs an die KTM AG verkauft. Die gesamten Anteile an der Pankl Racing Systems AG (98,2%) wurden an die Pankl SHW Industries AG, Kapfenberg veräußert.

Zur Untermauerung und Stärkung der Kompetenz „**Digitalisierung**“ in der KTM Industries-Gruppe wurde im März 2018 die KTM Innovation GmbH gegründet, an der die KTM Industries AG 74% hält. Dabei werden unterschiedliche Technologiefelder wie Künstliche Intelligenz, Big Data, Blockchain und Business Modeling betrieben. Um die bedeutende Funktion an der Kiska GmbH, Anif, auch in Zukunft abzusichern, wurde die Beteiligung zum Jahreswechsel von 26% auf 50% aufgestockt. Die KTM Industries AG hält zum Stichtag 31.12.2018 unverändert 74 % Anteile an der KTM Technologies GmbH, Anif.

Da die KTM Industries AG im Wesentlichen die Aufgaben einer geschäftsleitenden Holdinggesellschaft erfüllt, wird im Lagebericht auch auf die Entwicklungen des Geschäftsjahres 2018 ihrer Tochtergesellschaften sowie des Konzerns insgesamt eingegangen.

### **B. Ertrags- und Vermögenslage**

#### **1. Ergebnisanalyse**

Die KTM Industries AG hat im abgelaufenen Geschäftsjahr einen Jahresüberschuss von € 59,0 Mio. (Vorjahr: € 13,0 Mio.) erzielt. Positiv wirkten sich im Wesentlichen die Erträge aus dem Abgang von Finanzanlagen aus dem Verkauf der Anteile an der Pankl Racing Systems AG sowie aus der Verkauf der Anteile an der W Verwaltungs AG in Höhe von € 52,3 Mio. sowie Dividendenerträge aus den Beteiligungsunternehmen in Höhe von € 17,0 Mio. aus. Negativ wirkten sich vor die sonstigen betrieblichen Aufwendungen aus. Diese betreffen im Wesentlichen Aufwendungen für konzerninterne Dienstleistungen, Aufwendungen für Vorstandstätigkeiten, Steuerberatungsaufwand sowie Rechts- und Beratungsaufwand.

## **2. Bilanzanalyse**

Die Bilanzsumme zum 31.12.2018 verringerte sich von € 476,9 Mio. im Vorjahr auf € 368,1 Mio. Das Anlagevermögen hat sich im Geschäftsjahr 2018 auf € 331,1 Mio. verringert (Vorjahr: € 381,6 Mio.) und ist im Wesentlichen auf den Rückgang an Anteilen an verbundenen Unternehmen durch den Verkauf der Anteile an der Pankl Racing Systems AG, den Verkauf der W Verwaltungs AG sowie auf die Verschmelzung der K KraftFahrZeug Holding GmbH auf die KTM Industries AG und den dadurch entstehenden Umgründungsmehrwert zurückzuführen. Die Beteiligungen erhöhten sich auf € 14,7 Mio. (Vorjahr: T€ 8,7).

Das Umlaufvermögen hat sich im Geschäftsjahr 2018 auf € 37,0 Mio. verringert (Vorjahr: € 95,1 Mio.) und ist im Wesentlichen auf die Reduzierung der Forderungen gegenüber verbundenen Unternehmen im Zusammenhang mit der Verschmelzung der K KraftFahrZeug Holding GmbH auf die KTM Industries AG zurückzuführen. Die Forderungen gegenüber verbundenen Unternehmen betragen zum Stichtag € 9,3 Mio. (Vorjahr: € 86,6 Mio.) und betreffen im Wesentlichen Forderungen aus laufenden Verrechnungen sowie Forderungen aus Steuerumlagen.

Das Eigenkapital hat sich weiter erhöht und beträgt zum Stichtag € 314,7 Mio. (Vorjahr: € 262,5 Mio.). Die Eigenkapitalquote beträgt 85,5% und liegt somit auf einem sehr hohen Niveau.

Die Verbindlichkeiten wurden im abgelaufenen Geschäftsjahr erheblich reduziert und lagen zum 31.12.2018 bei € 50,1 Mio. (Vorjahr: € 212,5 Mio.). Von den Verbindlichkeiten betreffen € 0,0 Mio. (Vorjahr: € 117,8 Mio.) Anleihen, die zur Gänze getilgt wurden, € 12,0 Mio. (Vorjahr: € 24,5 Mio.) Schuldscheindarlehen, € 30,0 Mio. (Vorjahr: € 30,0 Mio.) Namensschuldverschreibungen, € 0,0 Mio. (Vorjahr: € 30,0 Mio.) Verbindlichkeiten gegenüber Kreditinstituten, € 0,5 Mio. (Vorjahr: € 0,2 Mio.) Verbindlichkeiten aus Lieferungen und Leistungen, € 0,0 Mio. (Vorjahr: € 8,0 Mio.) Verbindlichkeiten gegenüber verbundenen Unternehmen sowie € 7,5 Mio. (Vorjahr: € 2,0 Mio.) sonstige Verbindlichkeiten.

## **C. Mitarbeiter**

Im Jahresdurchschnitt beschäftigte die Gesellschaft 15 (Vorjahr: 11) MitarbeiterInnen.

## **II) Konzernabschluss der KTM Industries AG (nach IFRS)**

### **1. Wesentliche Ereignisse im Geschäftsjahr 2018**

Die KTM Industries-Gruppe blickt auf ein erfolgreiches Geschäftsjahr 2018 zurück. Im achten Rekordjahr in Folge konnte KTM Absatz und Umsatz steigern und in den wesentlichen Märkten überproportional an Marktanteilen gewinnen. Sowohl in Europa als auch in Nordamerika hat KTM den Markt outperformed. Hinzu kommen weitere Meilensteine, die in der Unternehmensgeschichte nachhaltig einen positiven Einfluss hinterlassen: unter anderem die Serienüberleitungen 7 neuer Modelle und die herausragenden Erfolge im Motorsport. Neben vier im ersten Halbjahr umgesetzten Serienanläufen – und zwar die erfolgreich gestarteten Markteinführungen des ersten Modells der mittleren Baureihe (2-Zylinder 800cc) bei KTM sowie der Husqvarna Straßenmodelle Vitpilen/Svartpilen - war auch die Stabilisierung der Zulieferstruktur herausfordernd. Das abgelaufene Geschäftsjahr war auch geprägt von der Einleitung eines umfangreichen Effizienzprogrammes, welches im kommenden Jahr konsequent weitergeführt wird.

Mit ihren weltweit bekannten Marken KTM, Husqvarna Motorcycles und WP zählt die KTM Industries-Gruppe in ihren Segmenten jeweils zu den Technologie- und Marktführern. Im Geschäftsjahr 2018 konnte die KTM Industries AG ihr **starkes Wachstum** fortsetzen und erzielte einen Rekordumsatz von € 1.559,6 Mio. Das entspricht einer Steigerung von € 26,6 Mio. Damit baute die KTM Industries-Gruppe im Geschäftsjahr 2018 ihre Stellung als größter europäischer Motorradhersteller weiter aus und konnte, unter Berücksichtigung der von KTM-Partner Bajaj in Indien verkauften Motorräder, einen Rekordabsatz von über 261.454 Motorrädern (+10% zum Vorjahr) erzielen, und zwar 212.899 verkaufte KTM und mittlerweile bereits 48.555 verkaufte Husqvarna Motorräder.

Anfang 2018 wurde die WP-Gruppe als wichtigster Zulieferant der Motorradproduktion in Mattighofen vollständig in die KTM AG integriert, um das weitere Wachstum der KTM Industries-Gruppe abzusichern und Synergiepotential zu realisieren. Im Zuge der Integration wurde die Leitgesellschaft „WP Performance Systems GmbH“ in „**KTM Components GmbH**“ umbenannt, wobei die Marke WP für die Produkte des Bereichs Suspension erhalten bleibt. Bei der KTM Components wurde der **Ausbau** und **Aufbau** des konzerneigenen Standortes zur **Kühlerproduktion** in Dalian, China im Geschäftsjahr 2018 weitestgehend abgeschlossen und die Serienproduktion erfolgreich gestartet.

Die **Umsetzung der globalen Produktstrategie** sowie die Expansion in weitere asiatische und südamerikanische Märkte wurden im abgelaufenen Geschäftsjahr konsequent weiterverfolgt und die strategische Allianz mit dem indischen Partner Bajaj weiter vertieft. Mit der Entscheidung die Marke Husqvarna Motorcycles global auszurollen und die Produktion der Husqvarna Straßenmotorräder (bis 400 ccm) in Q4 2019 nach Pune, Indien, zu verlagern, wird KTM die Möglichkeit gegeben, die Absätze in den Emerging Markets, vor allem auf dem für KTM wichtigen indischen Markt, weiter zu steigern.

Das Anfang 2018 mit dem langjährigen Partner CF Moto gegründete **Joint Venture** in China ist planmäßig im Aufbau. Ab 2021 sollen im chinesischen Hangzhou Motorräder der Mittelklasse produziert werden.

Da die **Pankl Racing Systems AG** bereits zu rund 95% Teil der KTM Industries-Gruppe war, hat der Vorstand der KTM Industries AG Anfang 2018 die Entscheidung getroffen, den verbleibenden Streubesitzaktionären der Pankl Racing Systems ein Angebot zum Erwerb der Aktien zu legen und die Gesellschaft von der Börse zu nehmen („Delisting“). Letzter Handelstag der Pankl-Aktien an der Wiener Börse war der 30. Mai 2018.

Durch den **Verkauf der Pankl-Gruppe** im Juni 2018 an die Pierer Industrie-Gruppe zu einem Kaufpreis von € 130,5 Mio. wurde die strategische und finanzielle Basis für die noch stärkere Konzentration der KTM Industries-Gruppe auf die Zwei-Rad-Industrie gelegt und die Bilanzstruktur der KTM Industries-Gruppe gestärkt. Wolfgang Plasser, CEO der Pankl Racing Systems AG und Mitglied des Vorstandes der KTM Industries AG, schied im Zuge des Verkaufs aus dem Vorstand der KTM Industries AG aus.

Ein wichtiger Schritt im Bereich **eMobility** wurde mit dem Joint-Venture PEXCO im Bereich der Elektro-2-Räder getätigt. Durch den geglückten Markteinstieg mit den Marken „Husqvarna“ und „Raymon“ konnte das KTM-Joint-Venture PEXCO bereits im ersten Geschäftsjahr 2018 einen Umsatz von rund € 29 Mio. mit über 30.000 abgesetzten (Elektro)-2-Räder erwirtschaften. Ziel ist es, eine Technologieführerschaft im Bereich Zero Emission für Leichtgewichtfahrzeuge einzunehmen.

Zur Untermauerung und Stärkung der Kompetenz „**Digitalisierung**“ in der KTM Industries-Gruppe wurde im März 2018 die KTM Innovation GmbH gegründet. Dabei werden unterschiedliche Technologiefelder wie Künstliche Intelligenz, Big Data, Blockchain und Business Modeling betrieben. Der Fokus liegt dabei auf digitalen Produkten und Services für das Kernprodukt.

Der Schwerpunkt in der **KTM Technologies** liegt in der Entwicklung innovativer Produktkonzepte und neuer Technologien für Sportmotoräder und zukunftssträchtige Mobilitätslösungen. Die Entwicklungskompetenzen des Unternehmens sind breit gefächert und neben der Gesamtfahrzeugkompetenz darauf ausgelegt, holistische Fahrzeug- und Produktkonzepte mit wegweisender Technologie zu entwickeln. Aufgrund der Vorausentwicklung der Produkte für die KTM Gruppe ist KTM der größte Auftraggeber, jedoch gehören auch ausgewählte externe Unternehmen zu den Kunden.

**KISKA Design**, Europas größtes unabhängiges Design Studio, trägt einen wesentlichen Anteil am Unternehmenserfolg. Um diese bedeutende Funktion in Zukunft abzusichern, wurde die Beteiligung zum Jahreswechsel von 26% auf 50% aufgestockt.

Für den weiteren Wachstumskurs wurden 2018 rund **€ 106 Mio.** in **Produktentwicklung** (inkl. Werkzeuge) investiert, in Betriebsanlagen und Infrastruktur rund EUR 78 Mio. Den Schwerpunkt bei den **Investitionen** in Betriebsanlagen und Infrastruktur bildete unter anderem der Ausbau des Forschungs- und Entwicklungszentrums am Standort Mattighofen mit einem Investitionsvolumen von ca. € 30 Mio. Durch das intensive Investitionsprogramm der vergangenen Jahre in Kapazitäten und Infrastruktur sind die erforderlichen Produktionskapazitäten in Österreich für die nächsten Jahre sichergestellt.

Um die Fortführung der im Effizienzprogramm gesetzten Schritte zu gewährleisten und die Laufzeit der Vorstandsverträge an die aktuelle Mittelfristplanung anzupassen, hat der Aufsichtsrat der KTM Industries AG sowie der KTM AG die im Frühjahr 2020 auslaufenden **Vorstandsverträge** von Stefan Pierer (CEO), Friedrich Roithner (CFO), Hubert Trunkenpolz (CSO) und Viktor Sigl (CFO KTM AG) vorzeitig um fünf Jahre bis 31. Dezember 2023 verlängert.

Hervorzuheben sind auch die sensationellen **Erfolge im Motorsport**, die 2018 einen weiteren Meilenstein in der Geschichte der KTM AG bedeuten. Der Red Bull KTM-Werksfahrer Matthias Walkner gewann mit seiner KTM 450 RALLY den ersten Platz bei der **Rallye Dakar** und konnte somit den bereits 17. Sieg in Folge bei dem berühmtesten Rennen für KTM erreichen. Nach dem Einstieg 2017 in die **MotoGP™** war 2018 ein weiteres Lernjahr für das KTM-MotoGP-Werksteam. In der vergangenen Rennsaison wurden beeindruckende Fortschritte erzielt, welche im ersten Podestplatz der KTM RC16 mit Pol Espargaró beim Saisonfinale in Valencia gipfelten. In der Motocross Weltmeisterschaft sicherten sich die KTM-Werksfahrer den Titel in der MX1 und MX2 Serie. Auch der **US-Motorsport** verzeichnete ein spannendes Jahr. Das Rockstar Energy Husqvarna Factory Racing-Team und Jason Anderson schrieben Geschichte, indem sie sich zum ersten Mal die AMA Supercross-Weltmeisterschaft sicherten. Nach drei Weltmeistertiteln in Folge beendete Marvin Musquin mit dem Red Bull KTM-Werksteam die Saison als Vizeweltmeister.

## **2. Wirtschaftliches Umfeld und Marktentwicklung**

Nach Einschätzung des Internationalen Währungsfonds (IWF) vom Jänner 2019 wird die Weltwirtschaftsleistung 2019 um 3,5% wachsen. Für Industrieländer wird ein Wachstum von 2,0% für das aktuelle sowie 1,7% für das nächste Jahr prognostiziert. Für die Euro-Zone wird eine Entwicklung von 1,6% für 2019 erwartet. Für das Jahr 2020 prognostiziert der IWF ebenfalls ein weltweites Wachstum von 3,6%, wobei für die Eurozone ein Wachstum von 1,7% erwartet wird.

Für Schwellen- und Entwicklungsländer wird ein Wachstum der Wirtschaftsleistung von 4,5% für das Jahr 2019 sowie 4,9% für das Jahr 2020 erwartet. Für China wird ein Wachstum von 6,2% für 2019 sowie für 2020 prognostiziert. Für Indien erwartet das IWF die größte Entwicklung, da mit einem Anstieg der Wirtschaftsleistung von 7,5% für dieses Jahr und mit 7,7% für nächstes Jahr gerechnet wird. In den USA bleibt 2019 das Wachstum von 2,5% beinahe unverändert, während es 2020 von einer niedrigeren Entwicklung von 1,8% ausgegangen wird.

## Motorradmarkt

Die **europäischen Märkte**<sup>1</sup> verzeichneten im Vergleich zum Vorjahr mit rund 529.000 zugelassenen Fahrzeugen einen Anstieg von 8,1%. Das Wachstum ist vorwiegend auf die Entwicklung in den Märkten Frankreich (+ 12,1%), Italien (+ 13,0%), Spanien (+12,9%) sowie Deutschland (+ 7,6%) zurückzuführen.

KTM und Husqvarna steigerten ihren Marktanteil bei den straßenzugelassenen Motorrädern in Europa auf 11,7% (+ 1,3 Prozentpunkte zum Vorjahr). Einen deutlichen Zuwachs bei den Marktanteilen können vor allem Spanien (+ 22,6%), Großbritannien (+17,3%) und Deutschland (+13,8%) vorweisen.

Die Fahrzeuge der Marke **KTM** konnten in einem schwierigen Marktumfeld in den wichtigen Märkten wie Deutschland (+ 1,2 Prozentpunkte zum Vorjahr), Großbritannien (+ 0,7 Prozentpunkte zum Vorjahr) und Spanien (+ 1,2 Prozentpunkte zum Vorjahr) die Marktanteile steigern. Am europäischen Gesamtmarkt beträgt der Marktanteil von KTM 9,4% (Vorjahr: 8,7%).

Die Marktanteile von **Husqvarna Motorcycles** konnten in den Märkten in Deutschland (+ 0,6 Prozentpunkte zum Vorjahr), Großbritannien (+ 0,9 Prozentpunkte zum Vorjahr), Frankreich (+ 0,5 Prozentpunkte zum Vorjahr), Italien (+0,6 Prozentpunkte zum Vorjahr) und Spanien (+ 0,8 Prozentpunkte zum Vorjahr) stark gesteigert werden. Am europäischen Gesamtmarkt beträgt der Marktanteil von Husqvarna 2,2% (Vorjahr: 1,4%).

Die Zulassungen am **US-Gesamtmarkt**<sup>2</sup> entwickelten sich im Geschäftsjahr 2018 mit rund 383.000 Fahrzeugen leicht rückläufig (Vorjahr: 391.000 Fahrzeuge). KTM und Husqvarna konnten trotz des schrumpfenden Gesamtmarktes den Marktanteil in den USA deutlich ausbauen.

KTM konnte die Marktanteile am US-Gesamtmarkt gegenüber dem Vorjahr um 0,5 Prozentpunkte auf 6,6% steigern.

Husqvarna steigerte seine Marktanteile um 0,4 Prozentpunkte auf 2,3 % am US-Gesamtmarkt.

In Australien und Kanada konnten ebenfalls starke Zuwächse verzeichnet werden. KTM und Husqvarna erreichen in Australien einen Marktanteil von 14,0% (+ 0,4 Prozentpunkte zum Vorjahr). Am kanadischen Markt konnte ein Anteil von 11,2% (+ 0,6 Prozentpunkte zum Vorjahr) verzeichnet werden.

## Absatz nach Regionen

Die USA sind mit einem Absatzanteil von 20,2% im Geschäftsjahr 2018 nach wie vor der größte Einzelmarkt der KTM-Gruppe. In Europa betrug der Absatzanteil 51,0%, wovon auf den Konzernabsatz bezogen Deutschland (11,2%), Frankreich (6,9 %), Großbritannien (6,1%), Italien (5,8%), Australien (5,1%) und Spanien (4,4%) die absatzstärksten Märkte waren. Insgesamt wurden 68,7% des Gesamtabsatzes in den zehn wichtigsten Ländern weltweit erzielt.

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<sup>1</sup> Motorräder >= 120ccm ohne Motocross, Scooters und ATVs, inkl. Elektromotorräder in den Märkten DE, FR, IT, UK, ES, NL, AT, CH, FI

<sup>2</sup> Motorräder >= 120 ccm inklusive Motocross, ohne Scooters und ATVs, inkl. Elektromotorräder

## 3. Finanzielle Leistungsindikatoren

<b>Ertragskennzahlen</b>		<b>2018</b>	<b>2017</b>	<b>Vdg. in %</b>
Umsatzerlöse	in € Mio.	1.559,6	1.533,0	2%
Betriebsergebnis vor Abschreibung (EBITDA)	in € Mio.	252,5	218,9	15%
EBITDA-Marge	in %	16,2%	14,3%	
Ergebnis der betrieblichen Tätigkeit (EBIT)	in € Mio.	161,2	132,5	22%
EBIT-Marge	in %	10,3%	8,6%	
Ergebnis nach Steuern	in € Mio.	114,2	83,9	36%
Ergebnis nach Minderheiten	in € Mio.	67,5	44,7	51%
<b>Bilanzkennzahlen</b>		<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Vdg. in %</b>
Bilanzsumme	in € Mio.	1.353,9	1.465,2	-8%
Eigenkapital	in € Mio.	550,8	528,6	4%
Eigenkapitalquote	in %	40,7%	36,1%	
Working Capital Employed <sup>1)</sup>	in € Mio.	245,3	238,4	3%
Nettoverschuldung <sup>2)</sup>	in € Mio.	323,3	375,0	-14%
Gearing <sup>3)</sup>	in %	58,7%	70,9%	
<b>Cash-Flow und Investitionen</b>		<b>2018</b>	<b>2017</b>	<b>Vdg. in %</b>
Cash-Flow aus Betriebstätigkeit	in € Mio.	85,5	161,3	-47%
Cash-Flow aus Investitionstätigkeit	in € Mio.	-102,1	-154,0	-34%
Cash-Flow aus Finanzierungstätigkeit	in € Mio.	-63,3	-118,0	-46%
Investitionen <sup>4)</sup>	in € Mio.	183,6	178,6	3%
<b>Mitarbeiter</b>		<b>31.12.2018</b>	<b>31.12.2017</b>	<b>Vdg. in %</b>
Mitarbeiter <sup>5)</sup>	Anzahl	4.303	5.887	-27%
<b>Wertschaffung</b>		<b>31.12.2018</b>	<b>31.12.2017</b>	
ROCE (Return on Capital Employed) <sup>6)</sup>	in %	16,6%	13,9%	
ROE (Return on Equity) <sup>7)</sup>	in %	21,2%	17,1%	

1) Working Capital = Vorräte + Forderungen aus Lieferungen und Leistungen - Verbindlichkeiten aus Lieferungen und Leistungen

2) Nettoverschuldung = Finanzverbindlichkeiten (kurzfristig, langfristig) - Zahlungsmittel

3) Gearing = Nettoverschuldung/Eigenkapital

4) Zugänge von Sachanlagen und immateriellen Vermögenswerten laut Anlagespiegel

5) Mitarbeiterstand zum Stichtag (inklusive Leiharbeiter)

6) ROCE: EBIT/durchschnittliches Capital Employed

Capital Employed = Sachanlagen + Firmenwert + Immaterielle Vermögenswerte + Working Capital Employed

7) ROE = Ergebnis nach Steuern/durchschnittliches Eigenkapital

## Geschäftsentwicklung und Analyse der Ertragskennzahlen

Im Geschäftsjahr 2018 erzielte die **KTM Industries-Gruppe** Umsatzerlöse in Höhe von € 1.559,6 Mio. (Vorjahr: € 1.533,0 Mio.) und ein Ergebnis der betrieblichen Tätigkeit (EBIT) in Höhe von € 161,2 Mio., welches im Vergleich zur Vorjahresperiode um rund 22% gestiegen ist (Vorjahr: € 132,5 Mio.). Aufgrund des Ergebniseffektes aus dem Verkauf der Pankl-Gruppe von rund € 26,2 Mio. verbesserte sich die EBIT-Marge von 8,6% auf 10,3%. Durch den Verkauf der Pankl-Gruppe zu einem Kaufpreis von € 130,5 Mio. an die Pierer Industrie-Gruppe im Juni 2018 wurde die Bilanzstruktur weiter gestärkt und die Nettoverschuldung reduziert.

Der fortgeführte Geschäftsbereich des Konzerns erzielte einen Umsatz von € 1.462,2 Mio. (Vorjahr: € 1.354,1 Mio.) und ein EBIT von € 128,7 Mio. (Vorjahr: € 121,9 Mio.). Die EBIT-Marge des fortgeführten Geschäftsbereichs liegt mit 8,8% zu 9,0% leicht unter dem Vorjahr. Der Rückgang ist im Wesentlichen bedingt durch vier Serienanläufe im laufenden Geschäftsjahr.

Das Ergebnis nach Steuern erhöhte sich von € 83,9 Mio. auf € 114,2 Mio. Auf den fortgeführten Geschäftsbereich entfallen € 85,2 Mio. (Vorjahr: € 79,1 Mio.).

Aufgrund des Abgangs der Pankl-Gruppe Ende Juni 2018 und der Eingliederung der KTM Components-Gruppe (vormals: WP-Gruppe) in die KTM AG stellt die KTM AG als fortgeführter Geschäftsbereich des Konzerns nunmehr den Hauptbereich der KTM Industries-Gruppe. Durch die Eingliederung der KTM Components-Gruppe in die KTM AG erfolgt die Berichterstattung der KTM Components-Gruppe nicht mehr separat, sondern ist in den Zahlen der KTM AG ab 2018 enthalten. Zur besseren Vergleichbarkeit wurden die Vorjahresziffern angepasst.

### **KTM AG**

Das Geschäftsjahr 2018 der KTM AG geht als weiteres Rekordjahr in die KTM-Geschichte ein. Durch die konsequent verfolgte Umsetzung der globalen Produktstrategie und die Expansion auf allen Kontinenten konnte KTM sowohl den Umsatz als auch den Absatz erneut steigern und somit auch im Jahr 2018 ein neuerliches Rekordniveau erreichen. KTM zählt somit seit Jahren zu den am schnellsten wachsenden Motorradmarken der Welt.

Im Geschäftsjahr 2018 erhöhte sich der Nettoumsatz um 7,7 % auf € 1.454,7 Mio. (Vorjahr: € 1.351,1 Mio.). Dies ist auf die Steigerung der Absatzmenge zurückzuführen (+10,6% zum Vorjahr). Rund 96 % der Umsatzerlöse wurden außerhalb Österreichs erzielt. Das EBIT konnte aufgrund der positiven Absatz- und Umsatzentwicklung im Vergleich zum Vorjahr um € 7,7 Mio. auf € 129,2 Mio. (Vorjahr: € 121,5 Mio.) gesteigert werden.

2018 war geprägt von vier Serienanläufen. Die Markteinführung des ersten KTM-Modells der mittleren Baureihe (2-Zylinder 800cc) sowie der HUSQVARNA Straßenmodelle ist erfolgreich gestartet. Die KTM RC 390 bekam eine Sportversion zur Seite gestellt (RC 390 R). Im Mai wurde die neue KTM-SX-Generation vorgestellt. Weiters wurde die überarbeitete und verbesserte KTM-EXC-Reihe des Modelljahres 2019 präsentiert. Anfang Oktober enthüllte KTM die verschärfte, stärkere und noch kultiviertere neue Version seines Premium-Sports Tourers für die Saison 2019, während die KTM 1290 SUPER DUKE R nun in zwei neuen Designs erhältlich ist. Die mit Spannung erwarteten KTM 790 ADVENTURE und KTM 790 ADVENTURE R folgten im November. Der völlig neue Reihen-2-Zylinder dieses Adventure-Bikes wurde zusammen mit KTM's Dakar-Siegermaschine (KTM 450 RALLY) entwickelt und stellt die Verbindung zwischen den Enduros und der Street-Baureihe 2019 von KTM her. Zudem wurden die KTM 690 Enduro R und die KTM 690 SMC R des Modelljahres 2019 sowie das neue und elektrisch angetriebene KTM SX-E 5 vorgestellt. Husqvarna Motorcycles läutete mit drei neuen Bikes das kommende Modelljahr an (Naked Bike Svartpilen 701, Concept Bike Vitpilen Aero, Electric Minicycle EE-5).

### Aufgegebener Geschäftsbereich

Die **Pankl-Gruppe** konnte bis zur Entkonsolidierung Ende Juni 2018 den Umsatz weiter steigern und erzielte einen Rekordumsatz von € 110,2 Mio. (davon externe Umsätze in Höhe von € 97,3 Mio.) bezogen auf die ersten sechs Monaten des laufenden Geschäftsjahres. Dies entspricht einem Wachstum von 9,8% gegenüber dem Vergleichszeitraum. Die Pankl-Gruppe erzielte im Vorjahr (12 Monate) einen Umsatz in Höhe von € 195,4 Mio. (davon externe Umsätze von € 178,9 Mio.).

Neben dem operativen Ergebnis der Pankl-Gruppe in den ersten sechs Monaten 2018 in Höhe von € 6,3 Mio. (Vorjahr 12 Monate: € 10,6 Mio.) sowie dem Entkonsolidierungserfolg in Höhe von € 26,2 (inklusive Fremdwährungseffekte in Höhe von € 1,4 Mio., welche aus der Gesamtergebnisrechnung in die Gewinn- und Verlustrechnung umgliedert wurden), erzielte der aufgegebene Geschäftsbereich ein EBIT von € 32,4 Mio. in 2018.

### Bilanzanalyse

Die Bilanzstruktur der KTM Industries-Gruppe setzt sich wie folgt zusammen:

	2018		2017	
	Mio. €	in %	Mio. €	in %
Langfristige Vermögenswerte	744,6	55,0%	782,1	53,4%
Kurzfristige Vermögenswerte	609,3	45,0%	683,0	46,6%
<b>Vermögenswerte</b>	<b>1.353,9</b>	<b>100,0%</b>	<b>1.465,2</b>	<b>100,0%</b>
Eigenkapital	550,8	40,7%	528,6	36,1%
Langfristige Schulden	434,8	32,1%	461,5	31,5%
Kurzfristige Schulden	368,3	27,2%	475,1	32,4%
<b>Eigenkapital und Schulden</b>	<b>1.353,9</b>	<b>100,0%</b>	<b>1.465,2</b>	<b>100,0%</b>

Die Bilanzsumme der KTM Industries-Gruppe reduzierte sich gegenüber dem Vorjahr um € 111,3 Mio. bzw. -8% auf € 1.353,9 Mio.

Die langfristigen Vermögenswerte verminderten sich 2018 im Wesentlichen bedingt durch den Pankl-Abgang um rund 16%. Unter Berücksichtigung des weiterhin über den Abschreibungen liegenden Investitionsniveaus in den restlichen Unternehmensteilen verringerten sich die langfristigen Vermögenswerte in Summe um rund 5%.

Die kurzfristigen Vermögenswerte stiegen einerseits aufgrund des wachstumsbedingten Anstiegs der Vorräte und Forderungen aus Lieferungen und Leistungen sowie dem realisierten Cash-Zugang aus dem Verkauf der Pankl-Gruppe. Andererseits verringerte der Pankl-Abgang das kurzfristige Vermögen. Insgesamt verringerten sich die kurzfristigen Vermögenswerte um rund 11%.

Die langfristigen Schulden reduzierten sich einerseits aufgrund der Entkonsolidierung der Pankl-Gruppe um rund 19%, andererseits erhöhten sich die langfristigen Schulden aufgrund des von der KTM AG in 2018 erfolgreich platzierten Schuldscheindarlehens mit einem Emissionsvolumen von € 135,0 Mio. und einer Laufzeit von sieben bzw. zehn Jahren. Die langfristigen Schulden verringerten sich um rund 6%.

Die kurzfristigen Schulden reduzierten sich insgesamt um rund -22%. Der Pankl-Effekt beträgt etwa -9%, die restliche Senkung ist im Wesentlichen bedingt durch die planmäßige Tilgung einer Anleihe (ISIN: AT0000A0WQ66) in der KTM Industries AG in Höhe von € -57,8 Mio.

Das Eigenkapital erhöhte sich im Geschäftsjahr um € 22,2 Mio. von € 528,6 Mio. auf € 550,8 Mio. Zum einen wurde durch das Periodenergebnis in Höhe von € 114,2 Mio. das Eigenkapital gestärkt, andererseits führten Dividendenzahlungen in Höhe von € 18,6 Mio. sowie die Rückführung des eigenkapitalwirksamen Perpetual Bonds in Höhe von € 60,0 Mio. zu einer Verringerung des Eigenkapitals. Weiters verringerten im laufenden Geschäftsjahr Anteilszukäufe von Tochterunternehmen in Höhe von € 6,2 Mio. sowie die im Rahmen der Entkonsolidierung der Pankl-Gruppe abgegangenen Minderheitenanteile in Höhe von € 2,2 Mio. das Eigenkapital. Die Eigenkapitalquote konnte aufgrund der sehr guten Ertragslagen und der optimierten Bilanzstruktur von 36,1% auf 40,7% deutlich gesteigert werden.

### **Liquiditätsanalyse**

Der Cashflow aus dem operativen Bereich lag im Geschäftsjahr 2018 bei € 85,5 Mio. und damit unter dem Vorjahreswert von € 161,3 Mio., wofür insbesondere der Anstieg des Nettoumlaufvermögens in Höhe von € 82,8 Mio. verantwortlich war. Dieser Anstieg war zu einem sehr wesentlichen Teil auf einmalige Effekte durch ungeplante Produktionsprogrammveränderungen bedingt und wird sich im nächsten Jahr wiederum auf ein übliches Niveau hin entwickeln.

Der Zahlungsmittelabfluss aus Investitionen betrug € -102,1 Mio. Einzahlungen aus dem Verkauf der Pankl-Gruppe in Höhe von € 58,5 Mio. (inklusive abgegangener Zahlungsmittel der Pankl-Gruppe in Höhe von € 9,1 Mio.) sowie der geplante Verkauf der restlichen Anteile an der Wethje-Gruppe in Höhe von € 3,7 Mio. wirkten sich positiv auf den Investitions-Cashflow aus.

Nach Berücksichtigung des Cashflows aus Finanzierungsaktivitäten in Höhe von € -63,3 Mio. verringerten sich die liquiden Mittel im Vergleich zum Vorjahr um € 79,7 Mio. (inklusive Fremdwährungseffekte von € 0,3 Mio.) auf € 89,3 Mio. Der Finanzierungs-Cash Flow war einerseits durch die Platzierung eines neuen Schuldscheindarlehens abzüglich Transaktionskosten in Höhe von € 134,6 Mio. in der KTM AG geprägt. Andererseits wurden in der KTM Industries-Gruppe Schuldscheindarlehen in Höhe von insgesamt € 45,0 Mio. sowie sonstige langfristig verzinsliche Verbindlichkeiten in Höhe von € 84,4 Mio. getilgt. Zudem wurde die Anleihe in der KTM Industries AG in Höhe von € 57,8 Mio. planmäßig getilgt.

### **Investitionen**

Im abgelaufenen Geschäftsjahr wurden in der KTM Industries-Gruppe **Gesamtinvestitionen** in Höhe von € 183,6 Mio. (Vorjahr: € 178,6 Mio.) getätigt, davon betreffen € 105,8 Mio. Entwicklungsprojekte (inkl. Werkzeuge), € 65 Mio. Sachanlagen sowie € 12,5 Mio. immaterielle Vermögensgegenstände.

Bei der **KTM AG** wurde der Ausbau des Forschungs- und Entwicklungszentrums am Standort Mattighofen mit einem Investitionsvolumen von ca. 30 Mio. EUR im Laufe des Geschäftsjahres fertiggestellt. Der Bau des „House of Brands“ für Marketing und Vertrieb der Konzernmarken KTM, Husqvarna Motorcycles und WP am Standort Munderfing schreitet zügig voran. Die Fertigstellung ist für das Geschäftsjahr 2019 geplant. Die neue KTM Motohall, eine digitale Erlebniswelt rund um die Geschichte der Marke KTM in zentraler Lage in Mattighofen, eröffnet voraussichtlich im zweiten Quartal 2019 ihre Pforten.

Die Investitionen der Pankl-Gruppe im ersten Halbjahr 2018 betragen rund € 16 Mio.

#### 4. Nichtfinanzielle Erklärung

Die Gesellschaft erstellte für die KTM Industries-Gruppe einen konsolidierten nichtfinanziellen Bericht gemäß § 267a UGB für das Geschäftsjahr 2018, welcher Angaben zu Konzepten, nichtfinanziellen Risiken, Due Diligence Prozessen sowie Ergebnissen und Leistungsindikatoren hinsichtlich Umwelt-, Sozial- und Arbeitnehmerbelangen, der Achtung von Menschenrechten, sowie der Bekämpfung von Korruption und Bestechung, enthält. Dieser Bericht wurde vom Aufsichtsrat gemäß § 96 AktG geprüft und ist online verfügbar unter <https://www.ktm-industries.com/investor-relations/berichte/>.

#### Forschung und Entwicklung

Der Aufwand für Forschung und Entwicklung (vor Aktivierung von Entwicklungsleistungen) lag im Geschäftsjahr 2018 in der **KTM Industries-Gruppe** bei € 134,9 Mio. (Vorjahr: € 127,8 Mio.). Auf den fortgeführten Geschäftsbereich entfallen € 126,4 Mio. (Vorjahr: € 112,5 Mio.). Die Produkte aller Konzernunternehmen bewegen sich in einem sehr anspruchsvollen Leistungsniveau, weshalb von den Kunden eine permanente Entwicklung und Weiterentwicklung gefordert wird. Der Produktlebenszyklus ist je nach Kunden stark abweichend.

In der Forschungs- und Entwicklungsabteilung beschäftigte die **KTM AG** im Geschäftsjahr 2018 durchschnittlich 555 Mitarbeiter (Vorjahr: 540 Mitarbeiter), das entspricht 13,4% der gesamten Belegschaft. Rund 8,3% des Gesamtumsatzes wurden in die Forschung und Entwicklung investiert (unverändert gegenüber dem Vorjahr).

Das abgelaufene Geschäftsjahr umfasste bei der operativen KTM eine Vielzahl verschiedener Projekte in den Off-road- und Street-Segmenten. Allem voran steht die Serienüberleitung des ersten, mit einem Reihenzweizylindermotor ausgestatteten KTM Modells, der 790 Duke. Auf Basis dieser Motor- und Fahrzeugplattform wurde im Jahr 2018 die Entwicklung der 790 Adventure Modellreihe im Travelsegment fortgesetzt.

Ein weiterer Meilenstein wurde mit der Serienüberleitung drei neuer Modelle von Husqvarna Straßenmotorräder erreicht. Die mit leistungsstarken Einzylindermotoren ausgestatteten Modelle erweitern das Produktportfolio der 2013 in die KTM Gruppe eingegliederten Schwestermarke Husqvarna im wichtigen Street-Segment.

Dem KTM-Markenleitsatz „READY TO RACE“ folgend, wurden die im Rahmen des globalen Motorsportengagements siegreich erprobten KTM und Husqvarna Offroad-Modelle ihren abschließenden Belastungstests unterzogen und nach erfolgreicher Serienüberleitung die Auslieferung an die Kunden weltweit gestartet. Besonders hervorzuheben sind im Offroad-Einstiegssegment die Zero-Emission Modelle die SX-E 5 und die Husqvarna EC 5.

Im Geschäftsjahr 2018 wurde eine Vielzahl an F&E-Projekten in verschiedenen Stadien von reinen Konzeptentwicklungen bis hin zu Serienanläufen vorangetrieben und erfolgreich abgeschlossen.

Die im Jahr 2016 gestartete und in den Folgejahren intensiviertere engere Vernetzung der **KTM Components GmbH** mit der KTM-Gruppe hat eine intensive Zusammenarbeit im Bereich Forschung und Entwicklung zur Folge. In den Produktsegmenten Fahrwerk, Kühler, Rahmen und Auspuff wird gemeinsam mit KTM ständig an neuen Entwicklungen und Verbesserungen am bestehenden Produktportfolio gearbeitet.

Parallel zur Entwicklung neuer Modelle und technischem Zubehör wurde auch die Erweiterung der F&E-Infrastruktur am Standort Mattighofen intensiv fortgesetzt. Der Ausbau des Forschungs- und Entwicklungszentrums der KTM Gruppe am Hauptsitz in Mattighofen stellt einen Meilenstein in der Unternehmensgeschichte dar. Bereits im zweiten Quartal 2018 konnten die Office- und Werkstätten Bereiche mit einer Gesamtfläche von rund 3.900 m<sup>2</sup> bezogen werden. Mit Beginn des dritten Quartals 2018 konnten darüber hinaus auch die ersten drei Motorenprüfstände, sowie im vierten Quartal ein Akustikrollenprüfstand und ein deutlich vergrößertes Betriebsfestigkeitsprüffeld auf einer Gesamtfläche von rund 5.000m<sup>2</sup> in Betrieb genommen werden.

## **5. Risikobericht und Finanzinstrumente**

Für die Ausführungen zum Risikobericht und zum internen Kontroll- und Risikomanagementsystems im Hinblick auf den Rechnungslegungsprozess sowie Finanzinstrumente verweisen wird auf den Konzernanhang (Kapitel VII und VIII) der KTM Industries AG.

## **6. Angaben gemäß § 243a (Abs. 1) UGB**

1. Das Grundkapital beträgt EUR 22.538.674. Es ist zerlegt in 22.538.674 Stück auf Inhaber lautende, Stückaktien mit Stimmrecht, wobei jede Stammaktie am Grundkapital in gleichem Umfang beteiligt ist. Die Aktien gewähren die gewöhnlichen nach dem österreichischen Aktiengesetz den Aktionären zustehenden Rechte. Dazu zählt das Recht auf die Auszahlung der in der Hauptversammlung beschlossenen Dividende sowie das Recht auf Ausübung des Stimmrechtes in der Hauptversammlung. Sämtliche Aktien der Gesellschaft sind zum Handel an der Wiener Börse zugelassen. Seit dem 14. November 2016 notieren die Aktien der Gesellschaft auch an der SIX SWISS EXCHANGE (Zürich, Schweiz).
2. Dem Vorstand sind keine Beschränkungen bekannt, die Stimmrechte oder die Übertragung von Aktien betreffen.
3. Nach Kenntnis der Gesellschaft bestand per 31. Dezember 2018 folgende direkte oder indirekte Beteiligung am Kapital der KTM Industries AG, die zumindest 10 von Hundert betragen:  
  
Pierer Industries AG: 61,88%
4. Es gibt keine Aktien mit besonderen Kontrollrechten.
5. Es bestehen derzeit keine Mitarbeiterbeteiligungsmodelle.
6. Es bestehen keine über das Gesetz hinausgehenden Bestimmungen hinsichtlich der Mitglieder des Vorstandes und des Aufsichtsrates.

7. Möglichkeiten, Aktien auszugeben oder zurückzukaufen:

In der Hauptversammlung vom 27. April 2017 wurden folgende Beschlüsse gefasst:

- a) Die Ermächtigung des Vorstandes mit Zustimmung des Aufsichtsrates bis 01.04.2022 Finanzinstrumente im Sinne des § 174 AktG, insbesondere Wandelschuldverschreibungen, Gewinnschuldverschreibungen und Genussrechte, mit einem Gesamtnennbetrag von EUR 150.000.000,00, die auch das Bezugs- und/oder das Umtauschrecht auf den Erwerb von insgesamt bis zu 25.000.000 Aktien der Gesellschaft einräumen können und/oder auch so ausgestaltet sind, dass ihr Ausweis als Eigenkapital erfolgen kann, auch in mehreren Tranchen und in unterschiedlicher Kombination, auszugeben.
- b) Für die Bedienung der Umtausch- und/oder Bezugsrechte kann der Vorstand das bedingte Kapital und/oder eigene Aktien verwenden.
- c) Ausgabebetrag und Ausgabebedingungen der Finanzinstrumente sind vom Vorstand mit Zustimmung des Aufsichtsrates festzusetzen, wobei der Ausgabebetrag nach Maßgabe anerkannter finanzmathematischer Methoden sowie des Kurses der Aktien der Gesellschaft in einem anerkannten Preisfindungsverfahren zu ermitteln ist.
- d) Der Vorstand ist berechtigt, das Bezugsrecht der Aktionäre auf die Finanzinstrumente im Sinne des § 174 AktG mit Zustimmung des Aufsichtsrates auszuschließen.
- e) Die bedingte Erhöhung des Grundkapitals der Gesellschaft gemäß § 159 Abs 2 Z 1 AktG um bis zu EUR 25.000.000,00 durch Ausgabe von bis zu 25.000.000 auf Inhaber lautende Stammaktien ohne Nennwert (Stückaktien) zur Ausgabe an Gläubiger von Finanzinstrumenten gemäß § 174 AktG, die unter Ausnutzung der in dieser Hauptversammlung eingeräumten Ermächtigung von der Gesellschaft ausgegeben werden, soweit die Gläubiger der Finanzinstrumente von ihrem Umtausch und/oder Bezugsrecht auf Aktien der Gesellschaft Gebrauch machen. Der Ausgabebetrag und das Umtauschverhältnis sind nach Maßgabe anerkannter finanzmathematischer Methoden sowie des Aktienkurses in einem anerkannten Preisfindungsverfahren zu ermitteln. Die neu ausgegebenen Aktien der bedingten Kapitalerhöhung sind im gleichen Maße wie die bereits bestehenden Aktien der Gesellschaft dividendenberechtigt. Der Vorstand ist ermächtigt mit Zustimmung des Aufsichtsrates die weiteren Einzelheiten der Durchführung der bedingten Kapitalerhöhung festzusetzen. Der Aufsichtsrat ist ermächtigt, Änderungen der Satzung, die sich durch die Ausgabe von Aktien aus dem bedingten Kapital ergeben, zu beschließen.
- f) Der Vorstand wird gem § 65 Abs 1 Z 8 sowie Abs 1a und 1b AktG ermächtigt, auf den Inhaber lautende Stückaktien der Gesellschaft im Ausmaß von bis zu 10% des Grundkapitals der Gesellschaft während einer Geltungsdauer von 30 Monaten ab Beschlussfassung sowohl über die Börse als auch außerbörslich zu erwerben, wobei der niedrigste Gegenwert nicht mehr als 20% unter und der höchste Gegenwert nicht mehr als 10% über dem durchschnittlichen Börsenschlusskurs der letzten 3 Börsenwerktage vor Erwerb der Aktien liegen darf. Der Handel mit eigenen Aktien ist als Zweck des Erwerbs ausgeschlossen. Die Ermächtigung kann ganz oder teilweise oder auch in mehreren Teilbeträgen und in Verfolgung eines oder mehrerer Zwecke durch die Gesellschaft, durch Tochterunternehmen oder für Rechnung der Gesellschaft durch Dritte ausgeübt werden.
- g) Den Erwerb über die Börse kann der Vorstand beschließen, doch muss der Aufsichtsrat im Nachhinein von diesem Beschluss in Kenntnis gesetzt werden. Der außerbörsliche Erwerb unterliegt der vorherigen Zustimmung des Aufsichtsrats.

- h) Der Vorstand wird für die Dauer von fünf Jahren ab Beschlussfassung gem § 65 Abs 1b AktG ermächtigt, mit Zustimmung des Aufsichtsrats für die Veräußerung bzw. Verwendung eigener Aktien eine andere Art der Veräußerung als über die Börse oder durch ein öffentliches Angebot, unter sinngemäßer Anwendung der Regelungen über den Bezugsrechtsausschluss der Aktionäre, zu beschließen und die Veräußerungsbedingungen festzusetzen. Die Ermächtigung kann ganz oder teilweise oder in mehreren Teilbeträgen und in Verfolgung eines oder mehrerer Zwecke durch die Gesellschaft, durch ein Tochterunternehmen oder für Rechnung der Gesellschaft durch Dritte ausgeübt werden, insbesondere als Gegenleistung beim Erwerb von Unternehmen, Betrieben, Teilbetrieben oder Anteilen an einer oder mehreren Gesellschaften im In- oder Ausland.
- i) Der Vorstand wird ferner ermächtigt mit Zustimmung des Aufsichtsrats erforderlichenfalls das Grundkapital durch Einziehung dieser eigenen Aktien ohne weiteren Hauptversammlungsbeschluss gem § 65 Abs 1 Z 8 letzter Satz iVm § 122 AktG herabzusetzen. Der Aufsichtsrat ist ermächtigt Änderungen der Satzung, die sich durch die Einziehung von Aktien ergeben, zu beschließen.

In der Hauptversammlung vom 26. April 2018 wurden folgende Beschlüsse gefasst:

- a) Der Vorstand ist gemäß § 169 AktG ermächtigt, bis 26.04.2023 mit Zustimmung des Aufsichtsrates das Grundkapital der Gesellschaft von EUR 22.538.674,00, allenfalls in mehreren Tranchen, gegen Bar- und/oder Sacheinlagen um bis zu EUR 11.269.337,00 durch Ausgabe von bis zu 11.269.337 Stück auf Inhaber lautende nennbetragslose Stückaktien auf bis zu EUR 33.808.011,00 zu erhöhen und den Ausgabebetrag sowie die Ausgabebedingungen und die weiteren Einzelheiten der Durchführung der Kapitalerhöhung im Einvernehmen mit dem Aufsichtsrat festzusetzen sowie allenfalls die neuen Aktien im Wege des mittelbaren Bezugsrechts gemäß § 153 Abs 6 AktG den Aktionären zum Bezug anzubieten.
  - b) Der Vorstand ist ermächtigt, mit Zustimmung des Aufsichtsrates das Bezugsrecht der Aktionäre ganz oder teilweise auszuschließen,
    - (i) wenn die Kapitalerhöhung gegen Bareinlagen erfolgt und in Summe der rechnerisch auf die gegen Bareinlagen unter Ausschluss des Bezugsrechts ausgegebenen Aktien entfallende Anteil am Grundkapital der Gesellschaft die Grenze von 10 % (zehn Prozent) des Grundkapitals der Gesellschaft zum Zeitpunkt der Einräumung nicht übersteigt,
    - (ii) wenn die Kapitalerhöhung gegen Sacheinlagen erfolgt,
    - (iii) zur Bedienung einer Mehrzuteilungsoption (Greenshoe), und/oder
    - (iv) für den Ausgleich von Spitzenbeträgen.
8. Vereinbarungen der Gesellschaft, die bei einem Kontrollwechsel infolge eines Übernahmeangebotes wirksam werden, sich ändern oder enden sowie deren Wirkungen werden seitens der Gesellschaft nicht bekannt gegeben, da dies der Gesellschaft erheblich schaden würde.
9. Es existieren keine Entschädigungsvereinbarungen zwischen der Gesellschaft und ihren Vorstands- und Aufsichtsratsmitgliedern oder Arbeitnehmern für den Fall eines öffentlichen Übernahmeangebotes.

## 7. Ausblick

### Geschäftsentwicklung

In 2019 rechnet KTM mit einer Konsolidierung des europäischen Motorradmarktes. Für den amerikanischen Markt wird ein weiterer Marktrückgang erwartet. Die Entwicklungsstrategie der **KTM Industries-Gruppe** setzt, trotz eines nach wie vor volatilen und sehr herausfordernden Marktumfeldes, weiterhin auf organisches Wachstum. Erreicht wird dies unter anderem durch die Erweiterung des bestehenden Händlernetzes und die Einführung neuer Produkte. Das in 2018 gestartete Effizienzprogramm wird in 2019 konsequent fortgeführt. Ziel ist es, die EBIT-Marge beizubehalten und das Free-Cash-Flow Potenzial auf 3-5% vom Umsatz (p.a.) zu erhöhen.

Mit der in Q4 2019 geplanten Verlagerung der Produktion der Husqvarna Straßenmotorräder bis 400 ccm zum strategischen Partner Bajaj erwartet KTM eine Fortsetzung ihres Wachstumskurses. Dadurch ergibt sich die Möglichkeit, Einstiegsmotorräder der Marke Husqvarna zu wettbewerbsfähigen Herstellkosten zu produzieren und damit die Absätze in den Emerging Markets weiter zu steigern. Die Verlagerung nach Indien schafft auch weitere freie Produktionskapazitäten in Mattighofen. Zusätzliches Wachstum soll auch das neue KTM Modell - KTM ADVENTURE 390 - in den Emerging Markets bringen, die Serienfertigung bei BAJAJ startet ebenfalls in Q4 2019.

Die größten relativen Wachstumsraten erwartet KTM vor allem in der ASEAN Region und in Indien. Zur Verstärkung der Marktpräsenz in dieser Region ist eine Repräsentanz in Malaysia und auf den Philippinen geplant.

Neben der Vorausbildung der Produkte für die KTM-Gruppe konzentriert sich die KTM Technologies auch seit vielen Jahren auf die Konzeption und Entwicklung von Gesamtfahrzeugen mit elektrischem Antrieb. Dieser Bereich entwickelt sich weiterhin sehr dynamisch und bildet auch in 2019 wieder einen Schwerpunkt.

Für 2022 bestätigt KTM Industries AG das Absatzziel von 400.000 Motorrädern. Zudem hat sich KTM das Ziel gesetzt, Husqvarna Motorcycles zum drittgrößten europäischen Motorradhersteller zu entwickeln.

### Motorsport

Auch in 2019 wird sich KTM wieder massiv im Motorsport engagieren. Neben den bekannten Rennserien aus dem Offroad Bereich und der Rallye Dakar wird ein Schwerpunkt auf der nunmehr dritten Saison in der MotoGP liegen. 2019 wird das Red Bull-KTM-Werksteam mit den Fahrern Pol Espargaró und Johann Zarco in der MotoGP-Rennserie an den Start gehen. Weiters wird mit dem Red Bull KTM Tech 3 Team erstmals ein Satellitenteam ausgestattet, sodass in Summe vier KTM Motorräder in der MotoGP teilnehmen werden. Mit der Moto2- und Moto3-Rennserie ist KTM somit in allen Rennserien vertreten. Auch bei dem berühmten Rennen Rallye Dakar setzte KTM seine unglaubliche Erfolgsgeschichte fort. Im Jänner 2019 sicherte Red Bull KTM-Werksfahrer Toby Price mit seiner neuen KTM 450 RALLY bereits den unglaublichen 18. Sieg in Folge.

## Investitionen

Die Investitionsschwerpunkte für 2019 umfassen insbesondere neue Serienentwicklungsprojekte. Die Investitionen in die Forschung & Entwicklung werden auf dem hohen Niveau der Vorjahre liegen. Die Fertigstellung des „House of Brands“ für das Marketing und den Vertrieb der Konzernmarken KTM, Husqvarna Motorcycles und WP am Standort in Munderfing sowie die Eröffnung der KTM Motohall sind im Geschäftsjahr 2019 geplant.

Durch das intensive Investitionsprogramm der vergangenen Jahre in Kapazitäten und Infrastruktur und die Verlagerung der kleinvolumigen Husqvarna Strassenmodelle zum strategischen Partner Bajaj in 2019 sind die erforderlichen Produktionskapazitäten in Österreich für die nächsten Jahre abgesichert. Dadurch wird das Investitionsbudget 2019 damit unter dem Niveau des Vorjahres liegen.

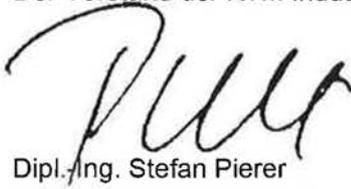
## Auftrags- und Finanzlage

Aufgrund der derzeitigen Auftragslage geht das Management in seiner Einschätzung auch für das Geschäftsjahr 2019 weiterhin von einer positiven Geschäftsentwicklung aus. Wie schon in den letzten Jahren werden sich auch in Zukunft die Märkte in den verschiedenen Kontinenten unterschiedlich entwickeln. Aus diesem Grund wird auf die kontinuierliche Überprüfung und kritische Beurteilung der Markt-, Produktivitäts- und Kostensituation Wert gelegt, um gegebenenfalls Sofortmaßnahmen zur Stabilisierung der angestrebten Ertragslage durchzuführen. Auch die Stabilisierung der Zulieferstruktur stellt einen weiteren Schwerpunkt in 2019 dar.

Insgesamt kann für alle Geschäftsbereiche der KTM Industries-Gruppe für das Geschäftsjahr 2019 ein positiver Ausblick gegeben werden, wobei in 2019 mit einem Umsatzwachstum von 1 - 5% gerechnet wird.

Wels, am 7. März 2019

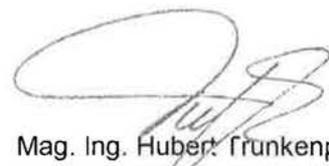
Der Vorstand der KTM Industries AG



Dipl.-Ing. Stefan Pierer  
CEO



Mag. Friedrich Roithner  
CFO



Mag. Ing. Hubert Frunkenpolz  
CSO

# Bestätigungsvermerk

## Bericht zum Jahresabschluss

### Prüfungsurteil

Wir haben den Jahresabschluss der

**KTM Industries AG,  
Wels,**

bestehend aus der Bilanz zum 31. Dezember 2018, der Gewinn- und Verlustrechnung für das an diesem Stichtag endende Geschäftsjahr und dem Anhang, geprüft.

Nach unserer Beurteilung entspricht der Jahresabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage zum 31. Dezember 2018 sowie der Ertragslage der Gesellschaft für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

### Grundlage für das Prüfungsurteil

Wir haben unsere Abschlussprüfung in Übereinstimmung mit der EU-Verordnung Nr. 537/2014 (im Folgenden AP-VO) und mit den österreichischen Grundsätzen ordnungsgemäßer Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der International Standards on Auditing (ISA). Unsere Verantwortlichkeiten nach diesen Vorschriften und Standards sind im Abschnitt "Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses" unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von der Gesellschaft unabhängig in Übereinstimmung mit den österreichischen unternehmensrechtlichen und berufsrechtlichen Vorschriften und wir haben unsere sonstigen beruflichen Pflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

### Besonders wichtige Prüfungssachverhalte

Besonders wichtige Prüfungssachverhalte sind solche Sachverhalte, die nach unserem pflichtgemäßen Ermessen am bedeutsamsten für unsere Prüfung des Jahresabschlusses des Geschäftsjahres waren. Diese Sachverhalte wurden im Zusammenhang mit unserer Prüfung des Jahresabschlusses als Ganzem und bei der Bildung unseres Prüfungsurteils hierzu berücksichtigt und wir geben kein gesondertes Prüfungsurteil zu diesen Sachverhalten ab.

## **Werthaltigkeit der Anteile an der KTM AG**

Siehe Anhang "Bilanzierungs- und Bewertungsmethoden"; "Erläuterungen zur Bilanz" sowie Anlage 1 und 2 zum Anhang.

### **Das Risiko für den Abschluss**

Die Anteile an der KTM AG mit einem Bilanzausweis in Höhe von 308,4 Mio EUR stellen rund 85 % des ausgewiesenen Vermögens im Jahresabschluss der KTM Industries AG zum 31. Dezember 2018 dar.

Anlassbezogen wird der Anteil an der KTM AG von der Gesellschaft einer Werthaltigkeitsüberprüfung unterzogen. Auslöser einer anlassbezogenen Überprüfung ist einerseits eine wesentliche statische Unterdeckung bei der Gegenüberstellung des Beteiligungsansatzes mit dem anteiligen Eigenkapital zum Stichtag und andererseits das Vorliegen von externen und internen Einflussfaktoren, die eine erhebliche Wertminderung auslösen können. Im Anlassfall wird eine Bewertung auf Basis von diskontierten Netto-Zahlungsmittelzuflüssen, die im Wesentlichen von zukünftigen Umsatz- und Margenerwartungen und von abgeleiteten Diskontierungszinssätzen abhängig sind durchgeführt. Diese Bewertung ist mit bedeutenden Schätzunsicherheiten insbesondere betreffend langfristige Planungsannahmen sowie Marktunsicherheiten behaftet.

Für den Abschluss besteht das Risiko einer Überbewertung dieser Bilanzposten.

### **Unsere Vorgehensweise in der Prüfung**

Wir haben die oben beschriebene statische Unterdeckung hinsichtlich des Vorliegens eines Anlassfalles untersucht und das Vorliegen anderer Einflussfaktoren, die einen Anlassfall auslösen könnten, kritisch hinterfragt.

Wir haben die der Bewertung zugrunde gelegten Umsätze, Margen, Jahresergebnisse sowie Investitionen mit der aktuellen und vom Aufsichtsrat zur Kenntnis genommenen Dreijahresplanung des Konzerns abgeglichen sowie die Berechnungsmethodik beurteilt. Um die Angemessenheit der Planungen beurteilen zu können, haben wir uns ein Verständnis über den Planungsprozess verschafft und die verwendeten Annahmen und Ermessensentscheidungen mit der historischen Entwicklung abgeglichen. Wir haben die Annahmen und Ermessensentscheidungen in Gesprächen mit dem Management erörtert und uns in diesem Zuge ein Verständnis darüber verschafft, wie historische Erfahrungen die Planung des Managements beeinflussen.

Die bei der Bestimmung des Diskontierungszinssatzes herangezogenen Annahmen haben wir unter Einbeziehung von Bewertungsspezialisten durch Abgleich mit markt- und branchenspezifischen Richtwerten (Peer-Group-Daten) auf Angemessenheit beurteilt; darüber hinaus haben wir das zur Ermittlung des Diskontierungssatzes verwendete Berechnungsschema nachvollzogen.

## **Verantwortlichkeiten der gesetzlichen Vertreter und des Prüfungsausschusses für den Jahresabschluss**

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses und dafür, dass dieser in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit – sofern einschlägig – anzugeben, sowie dafür, den Rechnungslegungsgrundsatz der Fortführung der Unternehmenstätigkeit anzuwenden, es sei denn, die gesetzlichen Vertreter beabsichtigen, entweder die Gesellschaft zu liquidieren oder die Unternehmenstätigkeit einzustellen oder haben keine realistische Alternative dazu.

Der Prüfungsausschuss ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft.

## **Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses**

Unsere Ziele sind hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist und einen Bestätigungsvermerk zu erteilen, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit der AP-VO und mit den österreichischen Grundsätzen ordnungsgemäßer Abschlussprüfung, die die Anwendung der ISA erfordern, durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieses Jahresabschlusses getroffenen wirtschaftlichen Entscheidungen von Nutzern beeinflussen.

Als Teil einer Abschlussprüfung in Übereinstimmung mit der AP-VO und mit den österreichischen Grundsätzen ordnungsgemäßer Abschlussprüfung, die die Anwendung der ISA erfordern, üben wir während der gesamten Abschlussprüfung pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung.

Darüber hinaus gilt:

- Wir identifizieren und beurteilen die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Abschluss, planen Prüfungshandlungen als Reaktion auf diese Risiken, führen sie durch und erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als ein aus Irrtümern resultierendes, da dolose Handlungen betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen oder das Außerkraftsetzen interner Kontrollen beinhalten können.

- Wir gewinnen ein Verständnis von dem für die Abschlussprüfung relevanten internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Gesellschaft abzugeben.
- Wir beurteilen die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängende Angaben.
- Wir ziehen Schlussfolgerungen über die Angemessenheit der Anwendung des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit durch die gesetzlichen Vertreter sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die erhebliche Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen kann. Falls wir die Schlussfolgerung ziehen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, in unserem Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch die Abkehr der Gesellschaft von der Fortführung der Unternehmenstätigkeit zur Folge haben.
- Wir beurteilen die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, dass ein möglichst getreues Bild erreicht wird.
- Wir tauschen uns mit dem Prüfungsausschuss unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Abschlussprüfung sowie über bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Abschlussprüfung erkennen, aus.
- Wir geben dem Prüfungsausschuss auch eine Erklärung ab, dass wir die relevanten beruflichen Verhaltensanforderungen zur Unabhängigkeit eingehalten haben und uns mit ihm über alle Beziehungen und sonstigen Sachverhalte austauschen, von denen vernünftigerweise angenommen werden kann, dass sie sich auf unsere Unabhängigkeit und – sofern einschlägig – damit zusammenhängende Schutzmaßnahmen auswirken.
- Wir bestimmen von den Sachverhalten, über die wir uns mit dem Prüfungsausschuss ausgetauscht haben, diejenigen Sachverhalte, die am bedeutsamsten für die Prüfung des Jahresabschlusses des Geschäftsjahres waren und daher die besonders wichtigen Prüfungssachverhalte sind. Wir beschreiben diese Sachverhalte in unserem Bestätigungsvermerk, es sei denn, Gesetze oder andere Rechtsvorschriften schließen die öffentliche Angabe des Sachverhalts aus oder wir bestimmen in äußerst seltenen Fällen, dass ein Sachverhalt nicht in unserem Bestätigungsvermerk mitgeteilt werden sollte, weil vernünftigerweise erwartet wird, dass die negativen Folgen einer solchen Mitteilung deren Vorteile für das öffentliche Interesse übersteigen würden.

## **Sonstige gesetzliche und andere rechtliche Anforderungen**

### **Bericht zum Lagebericht**

Der Lagebericht ist auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob er nach den geltenden rechtlichen Anforderungen aufgestellt wurde.

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Lageberichtes in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Lageberichtes durchgeführt.

### **Urteil**

Nach unserer Beurteilung ist der Lagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden, enthält die nach § 243a UGB zutreffenden Angaben, und steht in Einklang mit dem Jahresabschluss.

### **Erklärung**

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld haben wir keine wesentlichen fehlerhaften Angaben im Lagebericht festgestellt.

### **Sonstige Informationen**

Die gesetzlichen Vertreter sind für die sonstigen Informationen verantwortlich. Die sonstigen Informationen beinhalten alle Informationen im Geschäftsbericht, ausgenommen den Jahresabschluss, den Lagebericht und den Bestätigungsvermerk. Der Geschäftsbericht wird uns voraussichtlich nach dem Datum des Bestätigungsvermerks zur Verfügung gestellt.

Unser Prüfungsurteil zum Jahresabschluss deckt diese sonstigen Informationen nicht ab und wir werden keine Art der Zusicherung darauf geben.

In Verbindung mit unserer Prüfung des Jahresabschlusses ist es unsere Verantwortung, diese sonstigen Informationen zu lesen, sobald diese vorhanden sind und abzuwägen, ob sie angesichts des bei der Prüfung gewonnenen Verständnisses wesentlich in Widerspruch zum Jahresabschluss stehen oder sonst wesentlich falsch dargestellt erscheinen.

### **Zusätzliche Angaben nach Artikel 10 AP-VO**

Wir wurden von der Hauptversammlung am 26. April 2018 als Abschlussprüfer gewählt und am 28. November 2018 vom Aufsichtsrat mit der Abschlussprüfung der Gesellschaft beauftragt. Wir sind ohne Unterbrechung seit dem Jahresabschluss zum 31. Dezember 2014 Abschlussprüfer der Gesellschaft.

Wir erklären, dass das Prüfungsurteil im Abschnitt "Bericht zum Jahresabschluss" mit dem zusätzlichen Bericht an den Prüfungsausschuss nach Artikel 11 der AP-VO in Einklang steht.

Wir erklären, dass wir keine verbotenen Nichtprüfungsleistungen (Artikel 5 Abs 1 der AP-VO) erbracht haben und dass wir bei der Durchführung der Abschlussprüfung unsere Unabhängigkeit von der geprüften Gesellschaft gewahrt haben.

### **Auftragsverantwortlicher Wirtschaftsprüfer**

Der für die Abschlussprüfung auftragsverantwortliche Wirtschaftsprüfer ist Herr Mag. Ernst Pichler.

Linz, am 7. März 2019

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



  
Mag. Ernst Pichler  
Wirtschaftsprüfer

## STATEMENT BY THE EXECUTIVE BOARD

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

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

Wels, March 2019

The Executive Board of KTM Industries AG



Stefan Pierer, CEO



Friedrich Roithner, CFO



Hubert Trunkenpözl, CSO