



AUTOMOTIVE TECHNOLOGY.



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FIGURES

Earnings Figures

| | | H1 2015 | H1 2016 | Change in % |
|-------------------------|-------|---------|---------|-------------|
| Revenues | in m€ | 624.5 | 676.9 | 8 |
| EBITDA | in m€ | 91.2 | 104.4 | 14 |
| EBIT | in m€ | 61.6 | 69.6 | 13 |
| Earnings for the period | in m€ | 37.7 | 45.8 | 22 |
| EBITDA margin | | 14.6% | 15.4% | - |
| EBIT margin | | 9.9% | 10.3% | - |

Balance Sheet Figures

| | | Dec. 31, 2015 | Jun. 30, 2016 | Change in % |
|---------------------|-------|---------------|---------------|-------------|
| Balance sheet total | in m€ | 1,177.6 | 1,334.4 | 13 |
| Equity | in m€ | 386.6 | 380.4 | -2 |
| Equity ratio | | 32.8% | 28.5% | - |
| Net debt | in m€ | 387.4 | 465.1 | 20 |
| Gearing | | 100.2% | 122.3% | - |

Employees

| | | Dec. 31, 2015 | Jun. 30, 2016 | Change in % |
|--|--|---------------|---------------|-------------|
| Number of employees as of reporting date (incl. contract workers and externals) | | 4,553 | 4,821 | 6 |

REVENUES

+8%**+8%**

EBITDA

+14%**+14%**

EBIT

+13%**+13%**

EMPLOYEES

+6%**+6%**

INTERIM CONSOLIDATED MANAGEMENT REPORT

for the first half year of 2016

Company

The KTM Industries Group (formerly: CROSS Industries Group) is a global automotive niche player that includes worldwide renowned brands (KTM, Husqvarna Motorcycles, WP, Pankl), which are technology and market leaders in each niche. The group's primary target is the strategic industrial leadership and the development of the majority interests. Within the divisions the focus is on the mutual utilization of potential synergies and on the further development of cooperative projects. By bundling the core capabilities a competitive advantage is achieved.

In the course of an extraordinary shareholders meeting of CROSS Industries AG in July 2016 the renaming of the company from CROSS Industries AG to „KTM Industries AG“ was resolved and registered with the company register on July 29, 2016. As the participation in KTM AG is the main asset of the group, the brand „KTM“ has been incorporated into the company name of the holding entity.

Along with the encouraging results of the subsidiaries, the first half year was characterized by additional acquisitions of shares in the core shareholdings KTM AG, WP AG and Pankl Racing Systems AG as well as the delisting of the two subsidiaries KTM AG and WP AG.

Concentration on Stock Exchange listing of KTM Industries AG

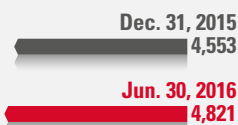
In March 2016 it was announced that, in the future, the CROSS Vehicle Group will intensify its focus on the listing of CROSS Industries AG (now: KTM Industries AG). A delisting of its two subsidiaries KTM AG and WP AG was conducted in order to establish a leaner capital market structure. The free-float in both entities was considerably below the threshold of one per cent. To the free-float shareholders of KTM AG and WP AG tender offers had been submitted as accompanying measures in order to enable an exit from the companies. Shareholders, who did not accept the tender offers, are still shareholders of KTM AG and WP AG. Effective as of the end of June 10, 2016 the WP-share was withdrawn from the Regulated Market (Geregelter Freiverkehr) of the Vienna Stock Exchange. Effective as of the end of June 24, 2016 the KTM-share was withdrawn from the Third Market (Dritter Markt) of the Vienna Stock Exchange.

After completion of the delistings of KTM AG and WP AG a conversion from bearer shares into registered shares is planned for early Autumn 2016. The necessary resolutions were passed during the extraordinary shareholders meetings of the companies in July 2016. The corresponding information has already been published on the websites of KTM AG and WP AG and distributed through the custodian banks.

Listing at Swiss Stock Exchange in Zürich intended

The shares of KTM Industries AG are currently listed in the Official Market (Amtlicher Handel) (Segment prime market) of the Vienna Stock Exchange. KTM Industries AG intends a further listing of its issued shares at the Stock Exchange in Zurich, Switzerland. The respective preparation activities in accordance with the capital market requirements are currently being undertaken.

Employees as of reporting date



Employees

The employee development within the group is very positive. In the first half year of 2016 additional 268 employees could be hired, thereof 215 in Austria. As of June 30, 2016 the number of employees amounted to 4,821.

Economic environment

According to the report of the International Monetary Fund (IMF) as of July 2016, the global economic growth will grow further in 2016 by 3.1%, whereas the prognosis of April 2016 showed a growth of 3.2% and the prognosis of January 2016 showed 3.4%. For advanced economies, a growth of 1.8% is projected for the current and the next year. For the Euro area, a development of 1.6% is projected for 2016. For the year 2017, the IMF anticipates a global economic growth of 3.4% and for the Euro area a moderate growth of 1.4%.

IMF lowered prognosis for global economic growth

For emerging markets and developing economies, a growth in economic output of 4.1% is projected for the year 2016 and 4.6% for the year 2017, unchanged to the prognosis of April 2016. For China, a growth rate of 6.6% for the year 2016 and 6.2% for the year 2017 is projected. The highest growth rate is expected for India, with 7.4% for the current and the next year.

Revenues and earnings

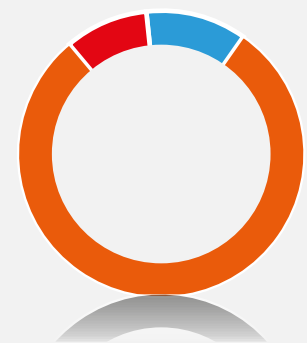
After the successful merger in June 2015 the comparability with the previous year's figures is possible because the consolidated financial statements of KTM Industries AG (formerly: CROSS Industries AG) are used.

In the first half of 2016 the KTM Industries Group achieved revenues in the amount of 676.9 m€ (previous year: 624.5 m€) and an EBIT in the amount of 69.6 m€, which increased by approximately 13% compared with the same period in the previous year (previous year: 61.6 m€).

The **KTM Group** was able to increase sales in the first half year 2016 to 99,734 vehicles (+12.7% to the previous year), including the sales of the 200 Duke and 390 Duke, RC 200 and RC 390 by KTM's partner Bajaj in India. The revenues increased to 572.3 m€ (+11.1% compared to previous year). Through this rise in sales and revenues KTM could increase its EBIT to 56.2 m€ compared to 50.3 m€ in the previous year (+11.7% to the previous year) and thus achieved an EBIT margin of 9.8% in the first half year 2016.

The **WP Group** increased revenues in the first half of 2016 by around 14% from 70.4 m€ in the comparison period of the previous year to a total of 80.4 m€. The increase in revenues was noted in almost all business segments and product groups. As a consequence of the higher revenues, the operating EBIT before extraordinary business transactions increased by approximately 5% compared to the previous year and amounted to 4.9 m€ in the first half (previous year: 4.7 m€). Due to the disposal of a non-operating property and various other fixed assets, an extraordinary income in the amount of 3.3 m€ was achieved. Also, extraordinary expenditures in the amount of 1.6 m€ were recorded. In total, this led to an EBIT of 6.6 m€. Therefore the EBIT margin increased from 6.7% to 8.2%. Adjusted for the extraordinary result an operating EBIT margin of 6.1% could be achieved. Purchase prices, especially within Asia, are still under pressure and lead to a burden of the operating margin.

EBIT of the group companies
in m€



| | | |
|------|-------|-------------|
| 56.2 | | KTM Group |
| 6.6 | | WP Group |
| 8.0 | | Pankl Group |

The **Pankl Group** achieved revenues in the amount of 95.4 m€ in the first half of the business year 2016 and could therefore increase its revenues by 8.0% compared to the previous year's period (previous year: 88.3 m€). The racing business of the Racing/High Performance Segment grew strongly and also the high performance business continued to grow. The market environment in the Aerospace Segment continued to be very difficult. Compared to the previous year, the EBIT increased by 20.3% from 6.7 m€ in the first half year 2015 to 8.0 m€ in the first six months of the business year 2016. The EBIT margin amounted to 8.4% (previous year: 7.5%).

Balance sheet and financial position

Equity
in m€



The balance sheet total of the KTM Industries Group increased from 1,177.6 m€ to 1,334.4 m€ compared to the consolidated financial statements of December 31, 2015 which is mainly attributable to the growth-related increase in trade receivables and advance payments to suppliers. As of balance sheet date June 30, 2016 equity decreased to 380.4 m€ compared to 386.6 m€ as of December 31, 2015. The decrease in equity in the first half of 2016 is negatively influenced by acquisitions of shares in companies in the amount of 32.7 m€ as well as dividends in the amount of 18 m€. The net debt amounted to 465.1 m€.

Cash flow

Cash flow from operating activities amounted to 20.6 m€ in the first half year 2016 and was above the previous year's figure of 19.7 m€. The improvement of the cash flow from operating activities is attributable to the positive group results as well as to the various measures of improving the working capital. The cash flow from investing activities amounted to -64.0 m€ in the first six months of the current business year. Taking into account the cash flow from financing activities in the amount of 100.1 m€, the liquid funds increased by 56.4 m€ (including foreign currency effects in the amount of -0.3 m€) to 191.5 m€ in the first half year of 2016 compared to December 31, 2015.

Shareholder structure
as of June 30, 2016

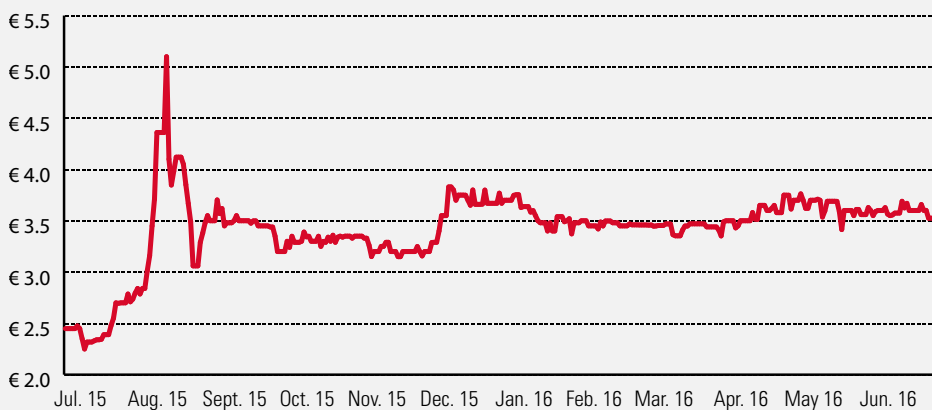


- 74.89% Pierer Industrie AG
- 0.01% Treasury shares
- 25.10% Free float

Development of the KTM Industries share

The KTM Industries share showed a rather stable development during the last twelve months, but gratifying. In August 2015 the share price reached an enormous peak for a few days, which was due to a "shortage" in the market. The situation normalized again shortly afterwards. As of June 30, 2016 the market capitalization for 225,386,742 shares admitted for trading amounted to 802.4 m€. The share remained at a constant level and closed at € 3.56 on the last trading day (June 30, 2016). The highest closing price in the first half year 2016 was € 3.76; the lowest was € 3.35.

Development of the KTM Industries share July 1, 2015 - June 30, 2016



Risk report

In this context we refer to the information given in the consolidated financial statements of December 31, 2015. Since then there have been no changes in evaluation of risks.

Related party transactions

In this context we refer to the notes of the interim financial statements.

Significant events after the period under review

In this context we refer to the notes of the interim financial statements.

Outlook

In the business year 2016 the KTM Industries Group still continues to focus on organic growth in its core areas through further expansion of market share and global growth, whereby the focus is on emerging markets. Within the corporate divisions the focus is on the mutual utilization of synergy potentials and on the further development of cooperative projects.

In the view of the current order situation the Management's assessment predicts a further positive development for the remaining business year 2016. As in the previous years the markets on the different continents will develop differently in the future. Therefore, continuous assessment and critical evaluation of the market-, production- and cost situation is emphasized in order to take immediate action for stabilizing the striven profit situation if necessary.

Within the **KTM Group** extensive investments will again be made in the business year 2016. Furthermore, work will begin on the construction of the KTM Experience World in Mattighofen, which will include a museum and demonstration workshop. KTM will make its debut in the MotoGP racing series in 2017. The team was unveiled in August 2016 at the Austrian Grand Prix, which was held at the Red Bull Ring in Spielberg.

For the business year 2016 the **WP Group** expects a significant increase in revenues compared to the previous year. This increase is expected across almost all segments of the group. Due to the extraordinary effect on earnings resulting from the sale of property and various other fixed assets in the first half 2016, a better result than in the previous year is expected for 2016.

In the coming months **Pankl Group** anticipates increasing volatility in the high performance business and an ongoing adverse market environment in the civil helicopter business. Nevertheless, financial results should continue to remain solid.

Wels, on August 22, 2016

The Management Board of KTM Industries AG



Stefan Pierer, CEO



Friedrich Roithner, CFO



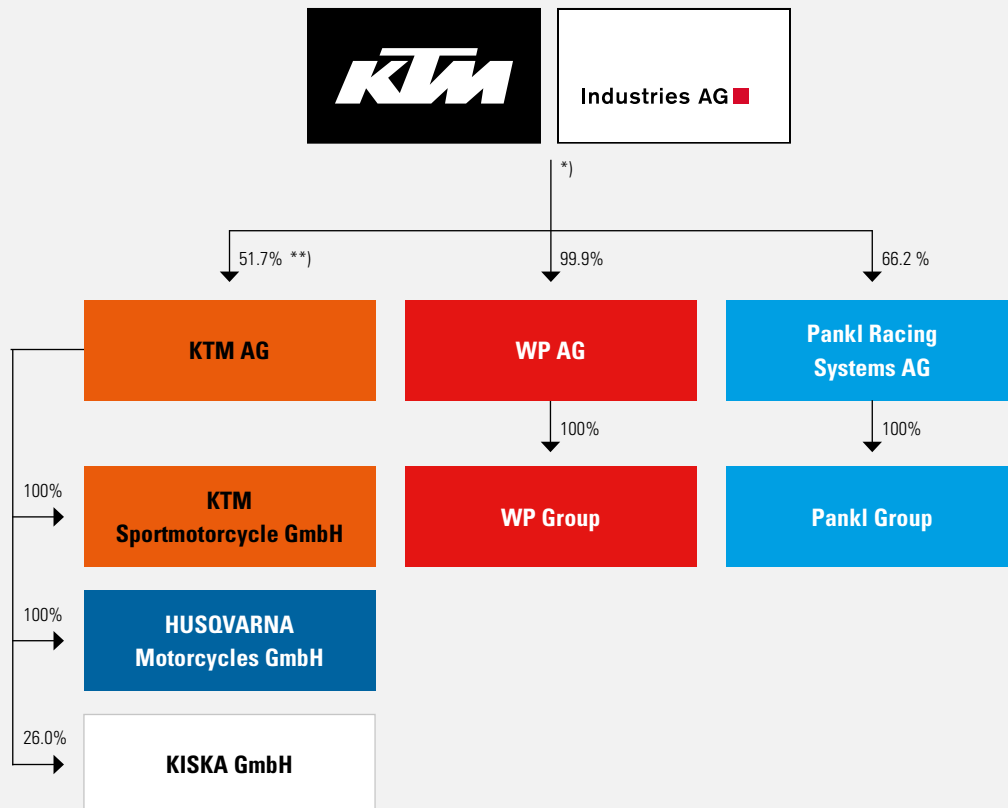
Alfred Hörtenhuber



Wolfgang Plasser

GROUP STRUCTURE

Simplified presentation, June 30, 2016



Other shareholdings:

| | |
|--|-------|
| K KraftFahrZeug Holding GmbH | |
| (formerly: CROSS KraftFahrZeug Holding GmbH) | 100% |
| PF Beteiligungsverwaltungs GmbH | 100% |
| Network Performance Channel GmbH | 100% |
| Durmont Teppichbodenfabrik GmbH | 24% |
| Wethje Carbon Composites GmbH | 18% |
| ACstyria Autocluster GmbH | 12,3% |

*) Change of the company name from CROSS Industries AG to KTM Industries AG registered with the company register on July 29, 2016

**) indirectly through K KraftFahrZeug Holding GmbH





GROUP COMPANIES

Business performance

The implementation of the global product strategy as well as the expansion into further Asian and South American markets has been consistently pursued in the first half year of 2016. In the first half year of 2016 KTM reported consolidated revenues amounting to 572.3 m€ (+11.1% compared to previous year). Taking into account the 200 Duke, 390 Duke, RC 200 and RC 390 sold by the partner Bajaj in India, 99,734 vehicles were sold worldwide in the first half of 2016 (+12.7% compared to previous year). In the first six months of 2016 KTM showed an EBITDA of 81.8 m€ (+16.5% compared to previous year) and an EBIT of 56.2 m€ (+11.7% compared to previous year).

In June 2016 a promissory note loan with a volume amounting to 120 m€ and a duration of five, seven and ten years was issued.

As of June 30, 2016 the number of employees amounted to 2,676.

KTM share

K KraftFahrZeug Holding GmbH (formerly: CROSS KraftFahrZeug Holding GmbH) submitted a public purchase offer to all shareholders of free float shares of KTM as accompanying measure to the delisting of the shares of KTM AG from the Third Market (MTF) of the Vienna Stock Exchange. The offer price amounted to € 122.5 per share. Until the end of the Acceptance Period on June 10, 2016, there have been 22,490 shares of KTM AG submitted for sale; this equals to approximately 0.21% of the share capital of KTM AG. Effective as of the end of June 24, 2016 the KTM-share was withdrawn from the Third Market (Dritter Markt) of the Vienna Stock Exchange.

Outlook

Although KTM expects the North American motorcycle market to enjoy significant growth in the current year and is also relatively bullish with regard to Europe, the emerging markets in South America and Asia are marked by numerous uncertainties. Asian markets are regarded to represent the biggest growth opportunities over the medium-term.

INVESTMENT

51.7 %

21.7 %

Shareholder structure KTM AG (June 30, 2016)



| | |
|---------|--|
| ■ 51.7% | KTM Industries AG |
| ■ 48.0% | Bajaj Auto International Holdings B.V. |
| ■ 0.3% | Free float |

Earnings figures

| | | H1 2015 | H1 2016 | Chg. in % |
|-------------------------|-------|---------|---------|-----------|
| Revenues | in m€ | 515.1 | 572.3 | 11% |
| EBITDA | in m€ | 70.2 | 81.8 | 17% |
| EBIT | in m€ | 50.3 | 56.2 | 12% |
| Earnings for the period | in m€ | 33.3 | 39.0 | 17% |

Balance sheet figures

| | | Dec. 31, 2015 | Jun. 30, 2016 | Chg. in % |
|---------------------|-------|---------------|---------------|-----------|
| Balance sheet total | in m€ | 848.9 | 1,003.1 | 18% |
| Equity | in m€ | 379.8 | 397.0 | 5% |
| Equity ratio | | 44.7% | 39.6% | - |
| Net debt | in m€ | 97.2 | 165.8 | 71% |
| Gearing | | 25.6% | 41.8% | - |

Stock exchange figures

| | | Dec. 31, 2015 | Jun. 30, 2016 | Chg. in % |
|-----------------------|-------|---------------|---------------|-----------|
| Number of shares | share | 10,845,000 | 10,845,000 | - |
| Market capitalization | in m€ | 1,323.1 | *) | - |
| Closing price | in € | 122.0 | *) | - |

*) last trading day of the KTM AG-share on the Vienna Stock Exchange was June 24, 2016



AUTOMOTIVE TECHNOLOGY.



GROUP COMPANIES

Business performance

The WP Group's operating business developed very successful in the first half year of 2016. Compared to the record year 2015, revenues increased again by 14% to a new half year peak value in the amount of 80.4 m€. This increase in revenues could be realized in almost all business segments and product groups. In total, the EBIT of WP AG amounted to about 6.6 m€ in the first half year 2016. Prior consideration of extraordinary business transactions in the amount of 1.7 m€, an operating EBIT of 4.9 m€ was achieved. This extraordinary result includes, among others, the disposal of a non-operating property.

The further expansion of manufacturing capacities is of central significance for the development of the WP Group. In 2015, the construction of a new exhaust manufacturing, a development center for exhaust and framework systems and the WP motorsports center started and was completed in July 2016.

As of June 30, 2016 the number of employees amounted to 691.

WP share

KTM Industries AG (formerly CROSS Industries AG) submitted a voluntary public takeover offer to all shareholders of WP AG as accompanying measure to the delisting of the shares of WP AG from the Regulated Market (Geregelter Freiverkehr) of the Vienna Stock Exchange. The offer price amounted to € 18.0 per share. Until the end of the Acceptance Period on May 25, 2016, there have been 5,945 shares of WP AG submitted for sale; this equals to approximately 0.12% of the share capital of WP AG. Effective as of the end of June 10, 2016 the WP-share was withdrawn from the Regulated Market (Geregelter Freiverkehr) of the Vienna Stock Exchange.

Outlook

For the business year 2016 a significant increase in revenues across almost all segments of the group, compared to the previous year, is anticipated. Due to the extraordinary effect on earnings a better result than in the previous year is expected for 2016.

INVESTMENT

99.9%

22.2%

Shareholder structure WP AG (June 30, 2016)



■ 99.9% KTM Industries AG
■ 0.1% Free float

| Earnings figures | | H1 2015 | H1 2016 | Chg. in % |
|-------------------------|-------|----------------|----------------|------------------|
| Revenues | in m€ | 70.4 | 80.4 | 14% |
| EBITDA | in m€ | 6.6 | 8.7 | 32% |
| EBIT | in m€ | 4.7 | 6.6 | 41% |
| Earnings for the period | in m€ | 3.7 | 5.8 | 56% |

| Balance sheet figures | | Dec. 31, 2015 | Jun. 30, 2016 | Chg. in % |
|------------------------------|-------|----------------------|----------------------|------------------|
| Balance sheet total | in m€ | 99.6 | 101.7 | 2% |
| Equity | in m€ | 42.3 | 44.8 | 6% |
| Equity ratio | | 42.4% | 44.0% | - |
| Net debt | in m€ | 20.0 | 22.1 | 10% |
| Gearing | | 47.3% | 49.4% | - |

| Stock exchange figures | | Dec. 31, 2015 | Jun. 30, 2016 | Chg. in % |
|-------------------------------|-------|----------------------|----------------------|------------------|
| Number of shares | share | 5,000,000 | 5,000,000 | - |
| Market capitalization | in m€ | 70.5 | *) | - |
| Closing price | in € | 14.1 | *) | - |

*) last trading day of the WP AG-share on the Vienna Stock Exchange was June 10, 2016



AUTOMOTIVE TECHNOLOGY.

GROUP COMPANIES

Business performance

In the first half of 2016, Pankl Group achieved revenues in the amount of 95.4 m€, which was an increase of 8.0%. The Group achieved a significant improvement in operating earnings (EBIT). In the first half of the business year 2016, EBIT increased by 20.3% from 6.7 m€ to 8.0 m€, which corresponds to an EBIT margin of 8.4%. The racing business of the Racing/High Performance Segment grew strongly and also the high performance business continued to grow. The market environment in the Aerospace Segment continued to be very difficult.

In the first half of 2016, in the segment Racing/High Performance revenues increased by 10% to 83.9 m€. The operating earnings (EBIT) increased from 5.2 m€ in the first half 2015 to 7.4 m€ in the first half 2016. In the Aerospace segment demand for civil helicopters continues to be very weak. As a result the revenues in the first half 2016 declined by 3% to 11.8 m€ compared to the previous year. Operating earnings amounted to 0.4 m€. (previous year: 0.5 m€)

As of June 30, 2016 the number of employees amounted to 1,443.

Pankl share

During the six-month period under review the highest closing price was € 30.0; the lowest was € 26.5. As of June 30, 2016 the Pankl share closed at € 28.5. The market capitalization for 3,150,000 shares admitted for trading amounted to 89.8 m€.

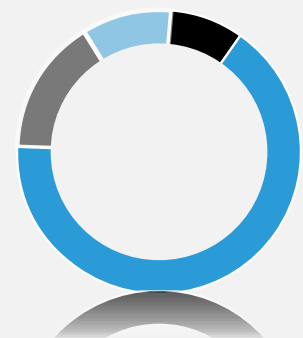
Outlook

In the second half year 2016 there will be intense preparation measures for two events which will be of major importance for the Pankl Group in the coming years. The first will be the start of production of the new Kapfenberg high performance drivetrain production facility and the second will be the new 2017 Formula 1 rules.

INVESTMENT

66.2%

Shareholder structure
Pankl Racing Systems AG
(June 30, 2016)



| | |
|-------|--------------------------------|
| 66.2% | KTM Industries AG |
| 20.2% | Pierer Industrie AG |
| 6.3% | Pierer Konzerngesellschaft mbH |
| 7.3% | Free float |

| Earnings figures | | H1 2015 | H1 2016 | Chg. in % |
|-------------------------|-------|----------------|----------------|------------------|
| Revenues | in m€ | 88.3 | 95.4 | 8% |
| EBITDA | in m€ | 13.3 | 14.5 | 9% |
| EBIT | in m€ | 6.7 | 8.0 | 20% |
| Earnings for the period | in m€ | 4.5 | 5.5 | 21% |

| Balance sheet figures | | Dec. 31, 2015 | Jun. 30, 2016 | Chg. in % |
|------------------------------|-------|----------------------|----------------------|------------------|
| Balance sheet total | in m€ | 182.3 | 188.5 | 3% |
| Equity | in m€ | 82.9 | 75.3 | -9% |
| Equity ratio | | 45.4% | 40.0% | - |
| Net debt | in m€ | 69.1 | 66.9 | -3% |
| Gearing | | 83.4% | 88.8% | - |

| Stock Exchange figures | | Dec. 31, 2015 | Jun. 30, 2016 | Chg. in % |
|-------------------------------|-------|----------------------|----------------------|------------------|
| Number of shares | share | 3,150,000 | 3,150,000 | - |
| Market capitalization | in m€ | 86.6 | 89.8 | 4% |
| Closing price | in € | 27.5 | 28.5 | 4% |

CONSOLIDATED INTERIM FINANCIAL STATEMENTS UNDER IFRS

for the first half year of 2016 of KTM Industries AG (formerly: CROSS Industries AG), Wels (condensed)

| Consolidated income statement for the first half year 2016 | Q2 2016 | Q2 2015 | H1 2016 | H1 2015 |
|---|----------------|----------------|----------------|----------------|
| from January 1, 2016 until June 30, 2016 in k€ | | | | |
| Revenues | 343,466 | 312,084 | 676,908 | 624,509 |
| Cost of goods sold | -234,700 | -214,048 | -467,520 | -435,837 |
| Gross profit | 108,766 | 98,036 | 209,388 | 188,672 |
| Sales and racing expenses | -42,115 | -39,069 | -81,992 | -75,760 |
| Research and development expenses | -6,145 | -4,469 | -12,115 | -7,873 |
| Administration expenses | -20,038 | -17,223 | -38,240 | -35,479 |
| Other operating expenses | -5,955 | -5,510 | -12,250 | -9,855 |
| Other operating income | 834 | 1,717 | 4,852 | 1,922 |
| Earnings from operating activities | 35,347 | 33,482 | 69,643 | 61,627 |
| Interest income | 295 | 232 | 758 | 577 |
| Interest expenses | -4,667 | -4,214 | -9,249 | -8,409 |
| Earnings from at-equity holdings | 129 | -247 | 129 | -595 |
| Other financial and investment income | -748 | -862 | -1,765 | -1,909 |
| Earnings before taxes | 30,356 | 28,391 | 59,516 | 51,291 |
| Income taxes | -7,477 | -7,222 | -13,717 | -13,636 |
| Earnings for the period | 22,880 | 21,169 | 45,799 | 37,655 |
| thereof owners of the parent company | 11,714 | 11,368 | 25,310 | 19,117 |
| thereof non-controlling interests | 11,166 | 9,801 | 20,489 | 18,538 |
| The undiluted (=diluted) earnings per share (EUR) | 0.05 | 0.05 | 0.11 | 0.08 |

| Consolidated statement of comprehensive income for the first half year 2016 | H1 2016 | H1 2015 |
|--|----------------|----------------|
| from January 1, 2016 until June 30, 2016 in k€ | | |
| Other income | | |
| Items that were reclassified into the income statement or that can be reclassified afterwards | | |
| Currency translation of foreign subsidiaries | -1,692 | 3,111 |
| Valuation of cash flow hedges | 1,541 | 759 |
| Deferred tax on the valuation of cash flow hedges | -385 | -190 |
| | -536 | 3,680 |
| Items that can not be reclassified into the income statement | | |
| Revaluation of the net debt from defined benefit plans | -1,263 | -16 |
| Tax effect | 316 | 4 |
| | -947 | -12 |
| Other income after taxes | -1,483 | 3,668 |
| Comprehensive income | 44,316 | 41,323 |
| thereof owners of the parent company | 24,255 | 20,842 |
| thereof non-controlling interests | 20,061 | 20,481 |

Consolidated balance sheet as at June 30, 2016**Jun. 30. 2016 Dec. 31. 2016****Assets in k€****Non-current assets:**

| | | |
|---|----------------|----------------|
| Property, plant and equipment | 287,253 | 276,093 |
| Goodwill | 117,581 | 117,724 |
| Intangible assets | 226,110 | 207,805 |
| Investments accounted for using the equity method | 3,064 | 3,968 |
| Deferred tax assets | 6,252 | 7,160 |
| Receivables from affiliated companies | 245 | 105 |
| Other non-current assets | 29,239 | 26,360 |
| | 669,744 | 639,215 |

Current assets:

| | | |
|---------------------------------------|------------------|------------------|
| Inventories | 241,727 | 242,678 |
| Trade receivables | 133,590 | 110,831 |
| Receivables from affiliated companies | 4,514 | 6,084 |
| Receivables and other assets | 93,309 | 42,797 |
| Cash and cash equivalents | 191,534 | 135,124 |
| Assets held for sale | 0 | 855 |
| | 664,674 | 538,369 |
| | 1,334,418 | 1,177,584 |

Consolidated balance sheet as at June 30, 2016

Consolidated equity and liabilities in k€

| | Jun. 30. 2016 | Dec. 31. 2016 |
|---|----------------------|----------------------|
| Consolidated equity: | | |
| Share capital | 225,387 | 225,387 |
| Capital reserves | 9,798 | 9,798 |
| Other reserves including retained earnings | -34,881 | -38,516 |
| Equity of the owners of the parent company | 200,304 | 196,669 |
| Non-controlling interests | 180,091 | 189,947 |
| | 380,395 | 386,616 |
| Non-current liabilities: | | |
| Financial liabilities | 502,679 | 465,224 |
| Employee benefits | 23,585 | 20,905 |
| Deferred tax liabilities | 40,882 | 38,313 |
| Other non-current liabilities | 15,423 | 8,471 |
| | 582,569 | 532,913 |
| Current liabilities: | | |
| Financial liabilities | 153,940 | 57,343 |
| Trade liabilities | 106,584 | 111,399 |
| Liabilities to affiliated companies | 6,989 | 2,158 |
| Provisions | 11,558 | 10,226 |
| Tax liabilities | 8,496 | 1,643 |
| Other current liabilities | 83,888 | 75,286 |
| | 371,455 | 258,055 |
| | 1,334,418 | 1,177,584 |

Condensed consolidated cash flow statement as at June 30, 2016

in k€

| | H1 2016 | H1 2015 |
|--|----------------|----------------|
| Consolidated cash flow from operating activities: | | |
| Earnings for the period | 45,799 | 37,655 |
| + (-) Interest expenses/Interest income | 8,491 | 7,832 |
| + Tax expenses | 13,717 | 13,636 |
| + (-) Depreciation/Amortization of property, plant and equipment and intangible assets | 34,795 | 29,614 |
| + (-) Other non-cash expenses (income) | -1,176 | 610 |
| | 101,626 | 89,347 |
| - (+) Increase (decrease) of the net current assets | -72,977 | -60,210 |
| + Interest received | 682 | 577 |
| - Interest paid | -6,428 | -6,552 |
| - Tax payments | -2,353 | -3,428 |
| | 20,550 | 19,734 |
| Consolidated cash flow from investing activities: | | |
| - Payments made for the acquisition of intangible assets and property, plant and equipment | -66,752 | -56,615 |
| + Payments received from the disposal of intangible assets and property, plant and equipment | 5,892 | 317 |
| + (-) Payments received/made from other assets | -3,112 | 3,476 |
| | -63,972 | -52,822 |
| Consolidated cash flow from financing activities: | | |
| - Dividend payments to third parties | -12,886 | -12,351 |
| + (-) Disposal/Acquisition of non-controlling interests | -18,506 | -1,780 |
| + Placement of promissory note loan | 119,543 | 0 |
| + Raising of research loan | 0 | 45,000 |
| + (-) Increase (Decrease) in other financing activities | 11,942 | 4,010 |
| | 100,093 | 34,879 |
| Change in liquid funds within the group | 56,671 | 1,791 |
| + Effect of foreign currency fluctuations | -261 | -536 |
| + Opening balance of liquid funds within the group | 135,124 | 89,404 |
| Closing balance of liquid funds within the group | 191,534 | 90,659 |

Consolidated statement of changes in equity

| in k€ | Share capital | Capital reserves | Perpetual bond | Reserves including retained earnings |
|--|----------------|------------------|----------------|--------------------------------------|
| As at January 1, 2016 | | | | |
| Comprehensive income | 225,387 | 9,798 | 0 | -36,789 |
| Earnings for the period | 0 | 0 | 0 | 25,310 |
| Other income | 0 | 0 | 0 | 0 |
| Comprehensive income | 0 | 0 | 0 | 25,310 |
| Transactions with shareholders | | | | |
| Dividends to third parties | 0 | 0 | 0 | -6,760 |
| Acquisition/disposal of shares in subsidiaries | 0 | 0 | 0 | -14,006 |
| Treasury shares | 0 | 0 | 0 | 80 |
| As at June 30, 2016 | 225,387 | 9,798 | 0 | -32,165 |
| As at January 1, 2015 | | | | |
| Comprehensive income | 1,332 | 137,825 | 58,987 | 11,425 |
| Result for the period | 0 | 0 | 0 | 19,117 |
| Other income | 0 | 0 | 0 | 0 |
| Comprehensive income | 0 | 0 | 0 | 19,117 |
| Transactions with shareholders | | | | |
| Dividends to third parties | 0 | 0 | 0 | -3,094 |
| Merger into BF HOLDING AG | 224,055 | -128,027 | 0 | -70,805 |
| Acquisition/disposal of shares in subsidiaries | 0 | 0 | 0 | 5 |
| Treasury shares | 0 | 0 | 0 | 0 |
| As at June 30, 2015 | 225,387 | 9,798 | 58,987 | -43,352 |

| IAS 39 reserve | IAS 19 reserve for actuarial losses | Currency translation adjustments | Reserve for treasury shares | Total | Non-controlling interests | Total consolidated equity |
|-------------------|---|--|-----------------------------------|----------------|------------------------------|---------------------------------|
| 14 | -3,401 | 1,761 | -101 | 196,669 | 189,947 | 386,616 |
| 0 | 0 | 0 | 0 | 25,310 | 20,489 | 45,799 |
| 564 | -595 | -1,024 | 0 | -1,055 | -428 | -1,483 |
| 564 | -595 | -1,024 | 0 | 24,255 | 20,061 | 44,316 |
| 0 | 0 | 0 | 0 | -6,760 | -11,190 | -17,950 |
| 0 | 0 | 0 | 0 | -14,006 | -18,727 | -32,733 |
| 0 | 0 | 0 | 66 | 146 | 0 | 146 |
| 578 | -3,996 | 737 | -35 | 200,304 | 180,091 | 380,395 |
| -2,303 | -3,544 | 605 | 0 | 204,327 | 166,601 | 370,928 |
| 0 | 0 | 0 | 0 | 19,117 | 18,538 | 37,655 |
| 322 | -7 | 1,410 | 0 | 1,725 | 1,943 | 3,668 |
| 322 | -7 | 1,410 | 0 | 20,842 | 20,481 | 41,323 |
| 0 | 0 | 0 | 0 | -3,094 | -9,257 | -12,351 |
| 0 | 0 | 0 | 0 | 25,223 | -1,514 | 23,709 |
| 0 | 0 | 0 | 0 | 5 | -1,784 | -1,779 |
| 0 | 0 | 0 | -118 | -118 | 0 | -118 |
| -1,981 | -3,551 | 2,015 | -118 | 247,184 | 174,527 | 421,711 |

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the first half year 2016

Company

KTM Industries AG (formerly: CROSS Industries AG) has its headquarter in 4600 Wels, Edisonstraße 1, and is registered with the commercial register at the regional court Wels as commercial court, under the registration number FN 78112 x.

The corporate purpose of KTM Industries AG is to act as a holding company, with a particular focus on the acquisition and administration of industrial companies as well as companies and shareholdings in industrial companies, the management of companies and shareholdings being part of the KTM Industries Group, the performance of services for these companies (group services) as well as, in general, services in the field of management consultancy.

In the first half year of 2016 KTM Industries AG increased its shares in Pankl Racing Systems AG by 10.3%, in WP AG by 10.4% and in KTM AG by 0.4%.

As of June 30, 2016 the major shareholdings are

- KTM AG, Mattighofen, with 51.7%
- WP AG, Munderfing, with 99.9% as well as
- Pankl Racing Systems AG, Kapfenberg, with 66.2%

As of the effective date of the merger, January 1, 2015, KTM Industries AG (formerly: CROSS Industries AG) as transferring company was merged into BF HOLDING AG as receiving company. The merger took place on June 2, 2015. From an economic point of view and analogous to the regulations for reverse acquisitions a takeover by the receiving company BF HOLDING AG through the transferring company KTM Industries AG (formerly: CROSS Industries AG) takes place in the course of the merger process. Therefore, the figures of the previous year's consolidated financial statements of KTM Industries AG (formerly: CROSS Industries AG) are presented as comparative values.

Accounting principles

The condensed interim consolidated financial statements for the reporting period from January 1 until June 30, 2016 of KTM Industries AG were prepared in accordance with the International Financial Reporting Standards (IFRS), to the extent used in the EU, applying IAS 34 (interim reporting).

These condensed interim consolidated financial statements for the first half year 2016 have been reviewed by KPMG Austria GmbH, Linz.

The condensed interim consolidated financial statements do not include all of the notes and disclosures required for year-end consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2015.

The interim consolidated financial statements are prepared in Euros, which is the functional currency of the parent company. Unless otherwise indicated, all amounts are given in 1,000,000 Euros (m€) rounded to one decimal place, whereby rounding differences can occur.

Through the application of automated calculating tools rounding differences can occur with accumulation of rounded figures and with percentages.

The balancing and valuation methods of the consolidated financial statements of December 31, 2015 remain fundamentally unchanged. For further information on balancing and valuation methods, please refer to the consolidated financial statements of the business year 2015, which form the basis for this interim consolidated financial statements of the first half year 2016.

The accounts of the companies included in the condensed interim consolidated financial statements, are subject to uniform accounting principles. These principles were applied by all companies included in the consolidated financial statements.

Pursuant to IAS 34, income tax expenses for the interim consolidated financial statements have been calculated using the average annual tax rate expected for the business year as a whole.

Accounting rules

The following revised IFRS standards were to be applied in the reporting period for the first time:

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to IAS 16 and IAS 41: Bearer plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual improvements in IFRS 2012-2014: Amendments and clarifications regarding various IFRS

The new, revised or adjusted standards and interpretations that will be effective for the first time in the business year 2016 have no or no significant impact on the presentation of the assets, financial and earnings position of these interim consolidated financial statements.

Scope of consolidation

All major subsidiaries that are either legally or factually under the control of KTM Industries AG are included in the interim consolidated financial statements as of June 30, 2016.

The number of companies included in the scope of consolidation has developed in the first half year 2016 as follows:

| | Fully consolidated companies | At equity companies |
|---|---|--------------------------------|
| As at December 31, 2015 | 62 | 5 |
| Additions to the scope of consolidation | 1 | 0 |
| Disposals from the scope of consolidation | -1 | -2 |
| As at June 30, 2016 | 62 | 3 |
| thereof foreign companies | 41 | 2 |

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

As of January 4, 2016 Pankl Holdings, Inc. increased its share in CP-CARRILLO, LLC and in Performance Equipment Company, LLC from 70% to 100%. Subsequently all assets and liabilities of the Performance Equipment Company, LLC were taken over by CP-CARRILLO, LLC. The company was subsequently liquidated. On May 5, 2016 Pankl Aerospace Systems Europe GmbH acquired 100% of S-Beschichtungstechnik GmbH.

The two disposals of the companies that are included at equity, relate to the companies of Wethje Group, in which KTM Industries AG holds about 18.0% of the shares at June 30, 2016 (Dec. 31, 2015: 49.0%).

Estimates

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

Estimates and uncertainties with regard to discretionary decisions are explained in the consolidated financial statements of KTM Industries AG (formerly: CROSS Industries AG) as of December 31, 2015 under item (6) accounting policies.

Seasonality

At KTM AG seasonality effects occur due to a different seasonality of offroad- and street motorcycles. In the street segment, there are higher sales in the first half of the year, whereas in the offroad division, the main focus is on the second half of the year. Due to the increasing importance of the street segment in total revenues, seasonal effects are straightened over the year to a great extent. At Pankl Racing Systems AG seasonal fluctuations exist in the segments Racing/High Performance because the racing season for the essential racing categories starts in spring and is due in autumn. Consequently the first quarter tends to be the strongest one.

Notes to the consolidated income statement

In the first half year 2016 the group revenues amounted to 676.9 m€. This corresponds to an increase of 52.4 m€ respectively 8.4% compared to the same period of the previous year. The KTM Group (+11.1%), the WP Group (+14.2%) as well as the Pankl Group (+8.0%) achieved growth in revenues. In the KTM Industries Group the EBIT for the first half year 2016 increased by 13.0% to 69.6 m€ compared to the previous year. This corresponds to an EBIT margin of 10.3% (previous year: 9.9%). The EBIT includes an income deriving from the sale of a non-operating property and various other fixed assets in the amount of 3.3 m€.

The earnings after taxes amounted to 45.8 m€ (+21.6% to the previous year). Thereof KTM Group achieved a result in the amount of 39.0 m€, WP Group 5.8 m€ and Pankl Group 5.5 m€. The other companies (incl. consolidation effects) achieved a result in the amount of -4.5 m€.

Notes to the consolidated statement of comprehensive income

The currency-translation differences that have no effect on income, in the amount of -1.7 m€ in the reporting period (including non-controlling interests) result mainly from the US Dollar as well as the British Pound. In the reporting period the cash flow hedge reserve increased the equity by 1.2 m€. Furthermore actuarial losses in the amount of -0.9 m€ are recorded in equity.

Earnings per share

The number of shares of KTM Industries AG amounts to 225,386,742. As of June 30, 2016 the company held 21,000 treasury shares (previous year: 71,038 units).

Notes to the consolidated balance sheet

The balance sheet total increased significantly by 13.3% compared to December 31, 2015 from 1,177.6 m€ to 1,334.4 m€ and is mainly attributable to higher investment activities in the first half year as well as to the increase in trade receivables because of revenue growth and advance payments for inventories. Corresponding to the growth in revenues the working capital increased in the first half year 2016 by 12.2% to 273.0 m€ compared to December 31, 2015. In June 2016 KTM AG placed a promissory note loan with a total issue volume of 120 m€ and maturities of five, seven and ten years in order to refinance the bond, which expires in April 2017. This led to a higher amount of cash and cash equivalents.

As of the reporting date the equity amounts to 380.4 m€ and declined by 6.2 m€ compared to December 31, 2015. On the one hand, due to the result for the period in the amount of 45.8 m€, the equity increased; on the other hand, acquisitions of non-controlling interests in subsidiaries in the amount of 32.7 m€ and dividends in the amount of 18.0 m€ led to a decrease in equity. As of the reporting date the equity ratio amounts 28.5% (Dec. 31, 2015: 32.8%).

Contingencies, lien rights and responsibilities

The declarations of surety and liability guarantees that existed at December 31, 2015 towards Wethje Group and Durmont Teppichbodenfabrik GmbH in the amount of 14.0 m€, expired in the first half year 2016 without being claimed.

As of June 30, 2016 there have been no further significant changes compared to December 31, 2015

Notes to the consolidated cash flow statement

In the first half year the group liquid funds increased by 56.4 m€ to 191.5 m€. The change is comprised of the cash flow from operating activities in the amount of 20.6 m€, the cash flow from investing activities in the amount of -64.0 m€ as well as the cash flow from financing activities in the amount of +100.1 m€. The impact of exchange rate changes amounted to -0.3 m€.

The improvement of the cash flow from operating activities is caused by the positive consolidated results as well as by various measures in order to improve the working capital.

Because of the promissory note loan, placed by KTM AG in June, in the amount of 120 m€, a significant positive cash flow from financing activities could be reported.

Disclosures of financial instruments

The time value (fair value) of a financial instrument is based on quoted market prices for an identical financial instrument in an active market (step 1). If there are no quoted market prices available on active markets for the financial instrument, then the time value shall be based on valuation methods with the major parameters being derived from observed market data only (step 2). In any other event, the time value shall be derived from valuation methods with at least one parameter not being based on observed market data (step 3).

The following table shows the carrying amounts and fair values of the financial assets (financial instruments shown on the assets side), broken down by class or measurement category according to IAS 39. But it does not provide information on financial instruments not measured at fair value where the carrying amount is a reasonable approximation of fair value.

| in m€ | Book value | Fair Value | Fair value | | | Total |
|---|---------------|---------------|------------|---------|---------|-------|
| | Jun. 30, 2016 | Jun. 30, 2016 | Level 1 | Level 2 | Level 3 | |
| Loans and receivables | | | | | | |
| Cash and cash equivalents | 191.5 | | | | | |
| Trade receivables | 133.6 | | | | | |
| Receivables to affiliated companies | 4.8 | | | | | |
| Other financial assets (current and non-current) | 31.7 | | | | | |
| Financial asstes - Loans | 1.9 | | | | | |
| Total | 363.5 | | | | | |
| Available for sale | | | | | | |
| Other non-current financial assets | 20.9 | | | | | |
| Total | 20.9 | | | | | |
| Held for trading | | | | | | |
| Other current assets - securities | 1.7 | 1.7 | 1.7 | 0.0 | 0.0 | 1.7 |
| Total | 1.7 | | | | | |
| Fair value - hedging instruments | | | | | | |
| Other current assets - derivatives with positive market value | 7.1 | 7.1 | 0.0 | 7.1 | 0.0 | 7.1 |
| Total | 7.1 | | | | | |
| Total | 393.3 | | | | | |

| in m€ | Book value | Fair Value | Fair value | | | Total |
|---|---------------|---------------|------------|---------|---------|-------|
| | Dec. 31, 2015 | Dec. 31, 2015 | Level 1 | Level 2 | Level 3 | |
| Loans and receivables | | | | | | |
| Cash and cash equivalents | 135.1 | | | | | |
| Trade receivables | 110.8 | | | | | |
| Receivables to affiliated companies | 6.2 | | | | | |
| Other financial assets (current and non-current) | 26.2 | | | | | |
| Financial assets - Loans | 2.0 | | | | | |
| Total | 280.4 | | | | | |
| Available for sale | | | | | | |
| Other non-current financial assets | 17.9 | | | | | |
| Total | 17.9 | | | | | |
| Held for trading | | | | | | |
| Other current assets - securities | 1.6 | 1.6 | 1.6 | 0.0 | 0.0 | 1.6 |
| Total | 1.6 | | | | | |
| Fair value - hedging instruments | | | | | | |
| Other current assets - derivatives with positive market value | 3.6 | 3.6 | 0.0 | 3.6 | 0.0 | 3.6 |
| Total | 3.6 | | | | | |
| Total | 303.5 | | | | | |

The following table shows the carrying amounts and fair values of the financial liabilities (financial instruments shown on the liabilities side), broken down by class or measurement category according to IAS 39. But it does not provide information on financial liabilities not measured at fair value where the carrying amount is a reasonable approximation of fair value.

| in m€ | Book value | Fair Value | Fair value | | | Total |
|---|---------------|---------------|------------|---------|---------|-------|
| | Jun. 30, 2016 | Jun. 30, 2016 | Level 1 | Level 2 | Level 3 | |
| At amortized cost | | | | | | |
| Interest bearing liabilities | 466.5 | 488.3 | 0.0 | 0.0 | 488.3 | 488.3 |
| Bonds | 168.2 | 163.7 | 153.0 | 0.0 | 10.6 | 163.7 |
| Liabilities finance lease | 21.9 | | | | | |
| Trade liabilities | 106.6 | | | | | |
| Liabilities to affiliated companies | 7.0 | | | | | |
| Other financial liabilities (current and non-current) | 50.4 | | | | | |
| Total | 820.5 | | | | | |

| in m€ | Book value | Fair Value | Fair value | | | Total |
|--|---------------|---------------|------------|---------|---------|-------|
| | Jun. 30, 2016 | Jun. 30, 2016 | Level 1 | Level 2 | Level 3 | |
| Held for trading | | | | | | |
| Other financial liabilities - derivatives with negative market value | 0.4 | 0.4 | 0.0 | 0.4 | 0.0 | 0.4 |
| Total | 0.4 | | | | | |
| Fair value - hedging instruments | | | | | | |
| Other financial liabilities - derivatives with negative market value (cash flow hedge) | 2.7 | 2.7 | 0.0 | 2.7 | 0.0 | 2.7 |
| Total | 2.7 | | | | | |
| Total | 823.6 | | | | | |

| in m€ | Book value | Fair Value | Fair value | | | Total |
|--|---------------|---------------|------------|---------|---------|-------|
| | Dec. 31, 2015 | Dec. 31, 2015 | Level 1 | Level 2 | Level 3 | |
| At amortized cost | | | | | | |
| Interest bearing liabilities | 329.6 | 342.2 | 0.0 | 0.0 | 342.2 | 342.2 |
| Bonds | 170.5 | 178.5 | 167.9 | 0.0 | 10.6 | 178.5 |
| Liabilities finance lease | 22.5 | | | | | |
| Trade liabilities | 111.4 | | | | | |
| Liabilities to affiliated companies | 2.2 | | | | | |
| Other financial liabilities (current and non-current) | 41.3 | | | | | |
| Total | 677.5 | | | | | |
| Held for trading | | | | | | |
| Other financial liabilities - derivatives with negative market value | 0.6 | 0.6 | 0.0 | 0.6 | 0.0 | 0.6 |
| Total | 0.6 | | | | | |
| Fair value - hedging instruments | | | | | | |
| Other financial liabilities - derivatives with negative market value (cash flow hedge) | 2.9 | 2.9 | 0.0 | 2.9 | 0.0 | 2.9 |
| Total | 2.9 | | | | | |
| Total | 681.0 | | | | | |

Fair value determination

Concerning the valuation technique reference is made to the consolidated financial statements of KTM Industries AG (formerly: CROSS Industries AG) as of December 31, 2015, pointed out in 34.2 (Classification and fair value).

Segment reporting

KTM Industries AG comprises the segments KTM, WP, PANKL as well as Other and are explained below:

KTM:

KTM Group handles the development, production and the distribution of motorized leisure devices (power sports), especially under the brands "KTM" and "Husqvarna" and holds shares in enterprises in development, production and distribution of such devices.

WP:

WP Group operates in the motorcycle supplier sector. The WP Group develops, produces and distributes suspension elements, frames, radiators as well as exhaust systems at its headquarter in Munderfing, Austria.

PANKL:

Pankl Group is specialized in the production of high-strength lightweight components for special niche markets such as the international racing industry, the international luxury and high performance street vehicle industry as well as the aviation industry. Pankl mainly concentrates on developing, improving and testing of products.

Other:

In the segment „Other“ both holding companies KTM Industries AG and K KraftFahrZeug Holding GmbH (formerly: CROSS KraftFahrZeug Holding GmbH) are presented. In the previous year's period Durmont Teppichbodenfabrik GmbH was included, which was deconsolidated in April 2015.

Revenues, operating earnings, investments and depreciations can be divided into the described segments as follows:

Segment reporting H1 2016

| in m€ | KTM | WP | PANKL | Other | Consolidation | GROUP |
|---|-------|------|-------|-------|---------------|-------|
| Revenues (including revenues within the segments) | 572.3 | 80.4 | 95.4 | 2.5 | -73.7 | 676.9 |
| Revenues external | 572.0 | 14.3 | 90.4 | 0.3 | 0.0 | 676.9 |
| Earnings from operating activities | 56.2 | 6.6 | 8.0 | -1.9 | 0.7 | 69.6 |
| Investments | 51.4 | 5.1 | 9.4 | 0.0 | 0.0 | 65.9 |
| Depreciation | 25.5 | 2.0 | 6.5 | 0.7 | 0.0 | 34.8 |

Segment reporting H1 2015

| in m€ | KTM | WP | PANKL | Other | Consolidation | GROUP |
|---|-------|------|-------|-------|---------------|-------|
| Revenues (including revenues within the segments) | 515.1 | 70.4 | 88.3 | 13.8 | -63.1 | 624.5 |
| Revenues external | 514.8 | 13.4 | 84.8 | 11.5 | 0.0 | 624.5 |
| Earnings from operating activities | 50.3 | 4.7 | 6.7 | 0.0 | 0.0 | 61.6 |
| Investments | 53.7 | 3.6 | 7.0 | 0.2 | -0.2 | 64.2 |
| Depreciation | 20.0 | 1.9 | 6.7 | 1.1 | 0.0 | 29.6 |

Related party transactions

In the first half year of 2016 KTM Industries AG purchased 318,150 shares in Pankl Racing Systems AG in the amount of 8.9 m€ of Pierer Industrie AG.

Furthermore a non-operating property was sold to PIERER IMMOREAL GmbH for 4.7 m€ during the first half of the business year 2016. The purchase price was paid in April 2016.

All products and services rendered and received from related companies and individuals as stated in the consolidated financial statements as of December 31, 2015 are carried out at arm's lengths. As of June 30, 2016 there have been no material changes.

Significant events after the balance sheet date

On July 11, 2016 KTM Industries AG purchased in total 26.48% of shares in Pankl Racing Systems AG in the amount of 25.3 m€ from Pierer Industrie AG and Pierer Konzerngesellschaft mbH. Thus, the share of KTM Industries AG in Pankl Racing Systems increased from previously 66.15% to 92.63%. Due to this significant increase, Pankl Group will strengthen its strategic positioning within the KTM Industries Group permanently.

Furthermore, in July 2016, 24% of the shares in WP AG were sold within the Group from KTM Industries AG to KTM AG.

In order to strengthen the equity and for the financing of the acquisitions made in 2016 regarding the core participations KTM, WP and Pankl, having a total value of approximately 50 m€, KTM Industries AG has issued subordinated 5.00% notes without fix term (perpetual bond) in a nominal value of 40 m€. The perpetual bond has been privately placed and is therefore not subject to the prospectus requirements; the issuance strengthens the equity of the group's IFRS-financial statements.

In the extraordinary shareholders meeting of July 21, 2016 the change of the legal name of CROSS Industries AG into „KTM Industries AG“ was resolved and registered with the company register on July 29, 2016.

The shares of KTM Industries AG are currently listed in the Regulated Market (Amtlichen Handel) (Segment prime market) of the Vienna Stock Exchange (ISIN AT0000820659). The company intends a further listing of its issued shares at the Stock Exchange in Zürich, Switzerland (SIX Swiss Exchange).

STATEMENT OF ALL LEGAL REPRESENTATIVES

Declaration of the Management Board pursuant to Section 87 Para 1 No. 3 of the Austrian Stock Exchange Act (§ 87 Abs 1 Z 3 Börsegesetz)

We confirm to the best of our knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the KTM Industries Group as required by the applicable accounting standards and that the interim consolidated management report gives a true and fair view of important events that have occurred during the first six months of the business year and their impact on the condensed consolidated interim financial statements, of the principal risks and uncertainties for the remaining six months of the business year and of the major related party transactions to be disclosed.

Wels, on August 22, 2016

The Management Board of KTM Industries AG



Stefan Pierer, CEO



Friedrich Roithner, CFO



Alfred Wörtenhuber



Wolfgang Plasser

REPORT ON THE REVIEW

of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of KTM Industries AG (formerly: CROSS Industries AG) for the period from 1 January 2016 to 30 June 2016. These condensed interim consolidated financial statements comprise the condensed consolidated statement of financial position as of 30 June 2016 and the condensed consolidated income statement / condensed consolidated statement of comprehensive income, the condensed consolidated statements of cash flows and condensed consolidated statement of changes in equity for the period from 1 January 2016 to 30 June 2016 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 275 par. 2 of the Austrian Commercial Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 „Principles of Engagements to Review Financial Statements“, and with the International Standard on Review International Standard on Review Engagements (ISRE 2410) „Review of Interim Financial Information Performed by the Independent Auditor of the Entity“. A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and/or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the consolidated interim management report for the 6 month period ended 30 June 2016 and on management's statement in accordance with § 87 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

Linz, am 22. August 2016

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ernst Pichler
Austrian Chartered Accountant

Note: The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us.

SERVICE

Financial calendar

| | |
|-------------------|--|
| August 26, 2016 | Report on the 1 st half-year 2016 |
| November 11, 2016 | Report on the 3 rd quarter 2016 |

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Information on the share

| | |
|------------------------|-------------------------------------|
| ISIN: | AT0000820659 |
| Vienna Stock Exchange: | KTMI |
| Reuters: | KTMI:VI |
| Bloomberg: | KTMI:AV |
| Class of shares: | No-par-value ordinary bearer shares |

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

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



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