



# KTM INDUSTRIES AG REPORT H1 2019

## KEY FIGURES

<b>EARNINGS RATIOS <sup>1)</sup></b>		<b>H1 2018</b>	<b>H1 2019</b>	<b>CHANGE IN %</b>
Revenue	in m€	724.5	754.9	4.2%
EBITDA	in m€	84.7	98.5	16.3%
EBIT	in m€	46.0	46.6	1.4%
Earnings after taxes	in m€	30.0	29.3	-2.3%
EBITDA margin	in %	11.7%	13.1%	
EBIT margin	in %	6.3%	6.2%	
<b>BALANCE SHEET RATIOS</b>		<b>12/31/2018</b>	<b>06/30/2019</b>	<b>CHANGE IN %</b>
Balance sheet total	in m€	1,353.9	1,462.3	8.0%
Equity	in m€	550.8	557.8	1.3%
Equity ratio	in %	40.7%	38.1%	
Working capital employed <sup>2)</sup>	in m€	245.3	270.6	10.3%
Net debt <sup>3)</sup>	in m€	323.3	420.4	30.0%
Gearing <sup>4)</sup>	in %	58.7%	75.4%	
<b>CASH-FLOW AND CAPEX</b>		<b>H1 2018</b>	<b>H1 2019</b>	<b>CHANGE IN %</b>
Cash-Flow from operating activities	in m€	-49.6	46.3	> 100%
Cash-Flow from investing activities	in m€	-38.6	-77.5	> 100%
Cash-Flow from financing activities	in m€	62.8	41.2	-34.4%
Capital expenditure <sup>1) 5)</sup>	in m€	80.2	80.1	-
<b>EMPLOYEES</b>		<b>12/31/2018</b>	<b>06/30/2019</b>	<b>CHANGE IN %</b>
Number of employees on reporting date <sup>6)</sup>	Number	4,303	4,427	2.9%
<b>VALUE CREATION</b>		<b>12/31/2018</b>	<b>06/30/2019</b>	
ROCE (Return on Capital Employed) <sup>7)</sup>	in %	16.6%	13.2%	
ROE (Return on Equity) <sup>8)</sup>	in %	21.2%	17.3%	
ROIC (Return on Invested Capital) <sup>9)</sup>	in %	13.6%	11.2%	
<b>STOCK EXCHANGE RATIOS <sup>10)</sup></b>		<b>06/30/2018</b>	<b>06/30/2019</b>	<b>CHANGE IN %</b>
Share price as of June 30; SIX Swiss Exchange	in CHF	74.80 CHF	56.00 CHF	-25.1%
Number of shares	in m units	22.539	22.539	-
Market capitalization	in m CHF	1,685.89	1,262.17	-25.1%
Earnings per share <sup>1)</sup>	in €	0.60	0.66	9.1%
Book value per share <sup>11)</sup>	in €	21.78	24.75	13.6%

1) Continued operation of the Group (previous year excluding Pankl Group)

2) Working Capital Employed = inventories + trade receivables - trade payables

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

4) Gearing = net debt/equity

5) Additions from property, plant and equipment and intangible assets according to schedule of investments; without first-time application effect of IFRS 16 as of January 1st 2019

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

7) ROCE = EBIT/average capital employed

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

8) ROE = earnings after taxes/average equity

9) ROIC = NOPAT/average capital employed; NOPAT = EBIT - taxes

10) since Nov. 14th 2016 Listing on SIX Swiss Exchange

11) Equity/Number of shares



## GROUP STRUCTURE

simplified presentation, 6/30/2019



**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

# INTERIM CONSOLIDATED MANAGEMENT REPORT FOR THE FIRST HALF-YEAR 2019

OF THE KTM INDUSTRIES AG, WELS

## DEVELOPMENT OF THE KTM INDUSTRIES GROUP

The KTM Industries Group is Europe's largest manufacturer of sports motorcycles with a strategic focus on sports motorcycles and electric mobility. There is a high degree of technological integration within the Group, which in this form is unique in Europe. Strategic partnerships at operating level strengthen our competitiveness in the relevant markets. All these factors form the foundation for the high level of innovation within the KTM Industries Group and secure our organic growth course in the long term.

### Sales and Development of Revenue in the First Half-Year 2019

The KTM Industries Group continued its growth in the first half-year of 2019, registering Group revenue of EUR 754.9 million. This corresponds to growth of +4.2 % compared with the same period of the previous year<sup>\*)</sup> and lies at the upper end of our expectations. With a total of 135,711 (+7 % compared to the previous year) motorcycles sold in the first half-year – 115,318 KTM motorcycles and 20,393 Husqvarna motorcycles – KTM Industries strengthened its position as Europe's largest motorcycle manufacturer. The first half-year of 2019 was partly characterized by the start of series production of the new KTM 690 Enduro R and 690 SMC R as well as performance revisions to the Enduro Competition model series. The market introduction of the completely new series 2-cylinder Adventure bikes – KTM 790 ADVENTURE and KTM 790 ADVENTURE R – was successfully started in the first quarter of 2019. The first Husqvarna E-motorcycle – the Minicycle EE5 – was brought onto the market in June, representing the next step into the future of electric mobility after the KTM FREERIDE E. The implementation of our global project strategy and expansion to all continents was consistently pursued in the first six months of the current financial year.

<sup>\*)</sup> for the purposes of better comparability in relation to the Group's continued operation (excluding Pankl Group)

In order to ensure the continuation of the steps taken in the 2018 efficiency program and to adjust the term of the Executive Board contracts to the current medium-term planning, the Supervisory Board of KTM Industries AG prematurely extended by five years the Executive Board contracts of Stefan Pierer (CEO), Friedrich Roithner (CFO), and Hubert Trunkenpolz (CSO), due to expire in spring 2020. Harald Plöckinger resigned from the Executive Board of KTM Industries AG on February 28<sup>th</sup> 2019.

### Market Share Gains on the U.S. and Indian Markets – Market Share in Europe at a high level

In the first six months of the current financial year, the KTM Industries Group ("KTM") performed better than expected in the most important motorcycle markets (>120 cc) with its brands KTM and Husqvarna Motorcycles with an increase in registrations of 5.2 % (overall market: +2.7 %).

In **Europe**, the overall market grew by around 8.5 % in the first half-year of 2019. In the same period, KTM increased registrations by 6.6 %, thereby maintaining its high market share in Europe at around 11.4 %. In the difficult **U.S. market**, which continued to decline (-2.3 %) in the first half-year of 2019, KTM was exceptionally successful in positioning itself. KTM increased its registrations by 5.2 %, thereby raising its market share as of June 30<sup>th</sup> 2019 from 8.4 % to 9.0 %. In the most important future market for KTM, **India**, its registrations (brand KTM) in the first half-year increased by over 35 % in comparison with the previous year. The newly launched models - the 125 DUKE and RC 125 - are celebrating a major success here, with their market share rose from around 4.3% to around 6.8%. 32,539 (+7,672) KTM bikes have already been sold in India and Indonesia via our strategic partner Bajaj.

### Electric Vehicle Alliance with Bajaj

In June 2019, KTM Industries AG and Bajaj Auto Ltd. decided to launch a series development project for PTW ("powered two wheeler") electric vehicles in the performance range of between 3 and 10 kW (48 V) at the level of KTM AG. The platform will support various product variants – powered two wheelers and electric bicycles – under the brands of both partners. Along with the KTM FREERIDE E, the current launch of the E-Miniserie and the existing activities with PEXCO in the HUSQVARNA e-bike sector, this strategic step is a significant milestone in the field of electromobility. Series production will begin by 2022 at Bajaj's production location in Pune, India. The required development budget is covered in the medium-term planning. This is a further important step in the deepening of the cooperation with Bajaj.

### Stronger Market Presence in Australia

In July 2019, KTM AG increased its equity holding in Motorcycle Distributors Australia Pty Ltd from 26 % to 100 %, whereby the sales subsidiaries in Australia and New Zealand became wholly owned subsidiaries of the KTM Group as a result of the complete takeover of the company shares. With over 10,000 KTM and Husqvarna motorcycles sold, the Australian and New Zealand business has developed into the world's third-largest market, making Motorcycle Distributors Australia Pty Ltd KTM AG's third-largest subsidiary.

### New Models

The **KTM 790 Adventure** and **KTM 790 Adventure R**, presented in the fall of 2018 and awaited with anticipation, are already being sold via KTM's network of dealers. The completely new series 2 cylinder in these adventure bikes was developed together with KTM's Dakar-winning bike, the KTM 450 RALLY, and it forms the link between the Enduros and KTM's 2019 street model series. The **KTM 690 Enduro R** and the **KTM 690 SMC R** are also available from dealers. Both bikes are powered by the world's most powerful series-produced 1-cylinder engine. The new **KTM SX-Motocross** model series of 2020, from the KTM 50 SX to the KTM 450 SX-F, underwent improvements and performance revisions. The market leading **EXC model series** was also improved. This new generation of model year 2020 was presented in May 2019. The new Enduro lineup from KTM includes new 2-stroke and 4-stroke motorcycles, as well as the KTM SIX DAYS premium model and the special model KTM 300 EXC TPI ERZBERGRODEO. The first motorcycle with electric powertrain from Husqvarna Motorcycles – **Minicycle EE 5** – has also been on the market since June 2019.

### Participating Interests

In the first quarter of 2019, the KTM Industries Group increased its equity holding in **KTM Innovation GmbH** from 74 % to 100 %. The company, founded in 2018, focuses on trending topics from various technology fields in the area of **digitalization** such as artificial intelligence, big data, block chain and business modeling. It concentrates on digital products and services for the core product. The aim is to facilitate a profound digital transformation in all areas; on the motorcycle, in production and in the supply chain, in marketing, in sales and with dealers, in communication with riders and in services for riders.

The KTM Industries Group holds a 70 % stake in **AVOCODO GmbH** since the second quarter of 2019. The full-service provider is a specialist for mobile applications, web applications and business solutions, particularly in relation to digital solutions and custom developments.

## ECONOMY AND MARKET DEVELOPMENT

According to the report of the International Monetary Fund (IMF) as of July 2019, global economic output will grow by 3.2 % in 2019. It forecasts growth of 1.9 % for this year and 1.7 % for next year in industrialized nations. For the euro area, a development of 1.3 % is expected for 2019. For 2020, the IMF anticipates global economic growth of 3.5 %, and for the euro area growth of 1.6 %.

For emerging markets and developing economies, a growth in economic output of 4.1 % and 4.7 % is expected for 2019 and 2020 respectively. For China, a growth rate of 6.2 % for 2019 and 6.0 % for 2020 is forecast. The highest growth rate is expected for India, with a 7.0 % increase in economic output for the current year and 7.2 % for next year.

The **European motorcycle market**<sup>1</sup> grew by 8.5 % in the first half-year of 2019 compared with the previous year with 364,094 registered vehicles, and this increase is predominantly attributed to the development in European markets such as Germany (+6.0 %), France (+18.7 %) and Italy (+8.2 %). The market share of KTM and Husqvarna for motorcycles registered for road use in Europe stood at 11.4 % (previous year: 11.6 %) in the first half-year.

The number of registrations in the **U.S. motorcycle market**<sup>2</sup> fell during the first half-year 2019 with around 211,205 registered vehicles (-2.3 % compared with the previous year). However, KTM and Husqvarna increased their market share in the U.S. from 8.4 % last year to 9.0 %.

<sup>1</sup> Motorcycles >= 120 cc without Motocross, Scooters and ATVs, incl. electric motorcycles in the markets DE, FR, IT, UK, ES, SE, BE, AT, CH, FI, DN, NO

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

## BUSINESS DEVELOPMENT AND ANALYSIS OF EARNINGS RATIOS

In the first half-year 2019 the **KTM Industries Group** generated revenue of EUR 754.9 million (+4.2 %) following EUR 724.5 million in the same period of the previous year. Approximately 95 % of revenues were earned outside Austria. From a regional point of view, some 61 % of the revenue was attributable to Europe (-3 % compared with the previous year), 21 % to North America including Mexico (+3 % compared with the previous year) and 18 % to the rest of the world (no change compared with the previous year).

At EUR 46.6 million, the earnings before interest and taxes (EBIT) exceeded the planned expectations in the first half of 2019 (previous year: EUR 46.0 million). Adjusted for one-time effects in the previous year, the EBIT margin increased by 0.5 percentage points to 6.2%. At EUR 98.5 million, the earnings before interest, taxes, depreciation and amortization (EBITDA) is significantly above the previous year's figure of EUR 84.7 million. The net result after tax for the first half-year is EUR 29.3 million, a slim EUR 0.7 million below the previous year's level.

All earnings ratios of the Group described relate to improved comparability with the Group's continued operation (i.e. excluding the Pankl Group sold in June 2018 and the associated deconsolidation effects).

As a continuing division of the Group, KTM AG is now the main division of the KTM Industries Group due to the disposal of the Pankl Group at the end of June 2018.

### KTM AG

The company generated revenue of EUR 749.9 million in the first half-year 2019, corresponding to an increase of 3.8 % compared with the same period of the previous year.

Taking into account the models sold in India and Indonesia by our partner Bajaj, sales increased in the first half-year of 2019 to **135,711** (+7.0 % compared with the previous year). Around 43 % of the motorcycles were sold in Europe. A further 24 % were sold in India and Indonesia by our partner Bajaj, 15 % in North America including Mexico, and 18 % in the remaining global regions.

KTM therefore achieved an EBITDA of EUR 97.5 million (+15.2 % compared with the previous year) and an EBIT of EUR 46.3 million (+0.2 % compared with the previous year) during the first six months of the current financial year. The net result after tax decreased in the first half-year from EUR 32.5 million to EUR 29.7 million.

#### UNIT SALES BY REGIONS H1 2019

- 43% Europe
- 15% North America incl. Mexico
- 24% India / Indonesia (by Bajaj)
- 18% remaining global regions



#### REVENUES BY REGIONS H1 2019

- 61% Europe
- 21% North America incl. Mexico
- 18% remaining global regions



## STATEMENT OF FINANCIAL POSITION ANALYSIS

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

	6/30/2019		12/31/2018	
	EUR million	in %	EUR million	in %
Non-current assets	804.4	55.0%	744.6	55.0%
Current assets	657.8	45.0%	609.3	45.0%
<b>Assets</b>	<b>1,462.3</b>	<b>100.0%</b>	<b>1,353.9</b>	<b>100.0%</b>
Equity	557.8	38.1%	550.8	40.7%
Non-current liabilities	577.3	39.5%	434.8	32.1%
Current liabilities	327.2	22.4%	368.3	27.2%
<b>Equity and liabilities</b>	<b>1,462.3</b>	<b>100.0%</b>	<b>1,353.9</b>	<b>100.0%</b>

The balance sheet total of the KTM Industries Group increased by 8.0 % from EUR 1,353.9 million to EUR 1,462.3 million compared to the consolidated financial statements as at December 31<sup>st</sup> 2018.

The initial application of IFRS 16 “Leases” meant right-of-use assets of around EUR 39 million were capitalized within property, plant and equipment, leading to a significant balance-sheet extension. In addition, the current assets also increased due to the growth-related rise in trade receivables.

The liabilities (current and non-current) increased by a total of EUR 101.4 million. On the one hand, the non-current liabilities increased essentially due to the uptake of a loan from the European Investment Bank of EUR 120.0 million and the first-time application of IFRS 16 and the associated recognition of leasing liabilities of around EUR 39 million. On the other hand, the decrease in current liabilities is for the most part due to the fact that a Supplier Finance Program existing between Group companies was not utilized by June 30<sup>th</sup> 2019 (effect on current financial liabilities of EUR -36.9 million).

In the first half-year of 2019 it was possible to return the capital commitment in working capital, which was increased on December 31<sup>st</sup> 2018 due to short-term shifts in production plans at year end, to the normal level. The increase of EUR 29 million compared to the previous year was due to higher revenues.

The equity increased during the first six months by EUR 7.0 million from EUR 550.8 million to EUR 557.8 million. On the one hand, equity was boosted by the net result for the period of EUR 29.3 million, while on the other hand, it was reduced by dividend payments of EUR 20.2 million. The other effects essentially concern the recognition of foreign currency differences with no effect on profit or loss, the measurement of financial instruments and the revaluation of net debt from defined benefit plans.

## LIQUIDITY ANALYSIS

The cash flow from operating activities was EUR 46.3 million in the first half-year of 2019, and was therefore significantly above the previous year's value of EUR -49.6 million, for which in particular the planned reduction in working capital was primarily responsible.

The cash outflow from investments amounted to EUR -77.5 million and overall stands below the previous year's level of EUR -38.6 million. The previous year's figure is positively influenced by payments received from the sale of the Pankl Group of EUR 58.5 million (including disposed cash of the Pankl Group of EUR 9.1 million). Adjusted for the Pankl effect, the investment cash flow was therefore also improved.

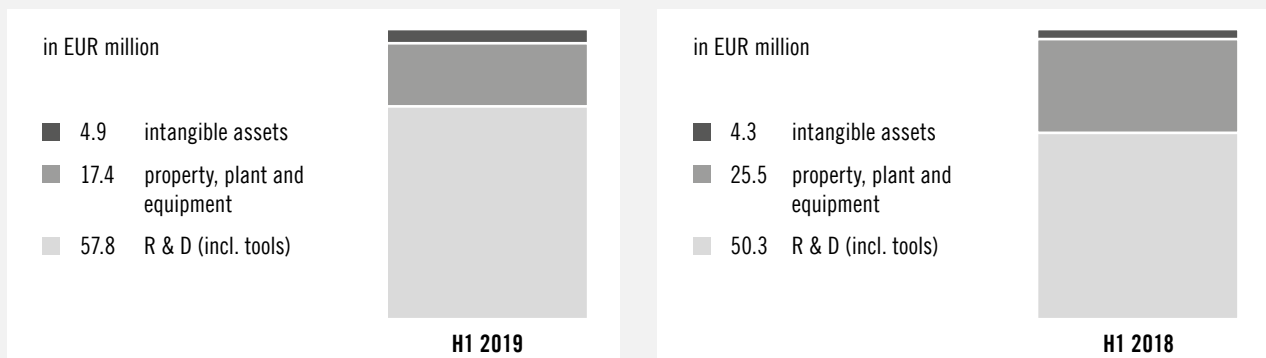
As a result, the free cash flow was significantly increased in the first half-year by around EUR 57 million compared with the same period of the previous year.

After taking into account the cash flow from financing activities amounting to EUR 41.2 million, cash and cash equivalents increased by EUR 9.4 million (including foreign currency effects of EUR -0.5 million) to EUR 98.8 million compared to December 31<sup>st</sup> 2018. In addition to dividend payments of EUR -20.2 million, the financing cash flow was primarily characterized by the uptake of a loan from the European Investment Bank of EUR 120.0 million and the repayment of financial liabilities of EUR 58.6 million.

## INVESTMENTS

In the first half-year 2019, total investments of EUR 80.1 million<sup>\*)</sup> were made in the KTM Industries Group (previous year: EUR 80.2 million – excluding Pankl Group in an amount of EUR 16.0 million).

The investments break down into development projects (including tools), property, plant and equipment and intangible assets as shown below: <sup>\*\*)</sup>



The proportion of investments in development projects (including tools) of total investment rose in comparison with the same period of the previous year from 63 % to 72 %. The consistently high investments in series product development represent one of the key success factors of the KTM Industries Group.

The investments in the infrastructure (property, plant and equipment) make up 22 % (previous year: 32 %) of total investment. Due to the intensive investment program over the last few years, investments in the infrastructure declined in the current financial year.

Another 6 % (previous year: 5 %) is attributable to intangible assets (IT and licenses).

<sup>\*)</sup> excluding right-of-use additions from initial application of IFRS 16 of EUR 38.9 million

<sup>\*\*)</sup>  for the purposes of better comparability in relation to the Group's continued operation

## EMPLOYEES

On June 30<sup>th</sup> 2019, the KTM Industries Group employed 4,427 staff, 3,734 of whom in Austria (84 %). Around 16 % of the Group's entire workforce are active in research & development.

KTM places an important focus on apprentice training and will invest around EUR 2.5 million in expanding its apprentice workshop over the coming years. This will create the conditions necessary to significantly increase the number of apprentices within the next two years from currently 150 to 200. For employee development, the KTM Academy offers various training programs such as a new and tailored MBA program in digitalization. There are KTM-specific additional apprenticeship programs that offer apprentices guaranteed employment following successful graduation. To increase worker satisfaction over the long term, KTM focuses on flexibility in working location and working times.



## RISK REPORT

For details of the risk report, please refer to the consolidated financial statements as at December 31<sup>st</sup> 2018. There have been no changes to the risk assessment since that time.

## RELATED PARTY DISCLOSURES

Please refer to the notes to the interim financial statements for information.

## EVENTS AFTER THE REPORTING DATE

Please refer to the notes to the interim financial statements for information.

## OUTLOOK

In the 2019 financial year, KTM Industries Group expects a positive trend in the European motorcycle market. A further slight market decline is expected for the American market due to the continuing weakness of the Cruiser segment. The objective is to further increase the market shares in the markets that are important to KTM and Husqvarna, despite a challenging global economic environment. Following the relocation of production of Husqvarna road motorcycles (up to 400 cm<sup>3</sup>) to our strategic partner Bajaj at the end of 2019, we anticipate the largest relative growth rates above all in the ASEAN region and in India.

The complete takeover of the company shares in Motorcycle Distributors Australia Pty Ltd, means the subsidiaries in Australia and New Zealand are supported and our presence in the Australian and New Zealand market is given a boost from the second half-year of 2019.

The investment focus for 2019 will be on new development projects in particular.

At around 8 % of revenue, investments in research & development will remain at the high level seen in previous years.

For the 2019 financial year the Executive Board expects consolidated sales growth (continued operation) between 3 % and 5 % and operating EBIT of over EUR 130 million. As a result of the measures taken in the first half of the year to reduce the working capital, the free cash flow will be above the guidance.

Wels, August 26<sup>th</sup> 2019

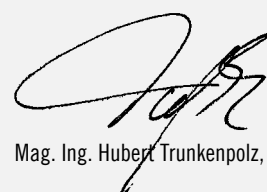
The Executive Board of KTM Industries AG



Dipl.-Ing. Stefan Pierer, CEO



Mag. Friedrich Roithner, CFO



Mag. Ing. Hubert Trunkenpolz, CSO

# CONSOLIDATED INCOME STATEMENT

FOR THE FIRST HALF-YEAR FROM 1/1/2019 THROUGH 6/30/2019

EURk

Revenue

Production costs of the services provided to generate the revenue

**Gross profit from sales**

Selling and racing expenses

Research and development expenses

Administration expenses

Other operating expenses

Other operating income

Earnings from at-equity holdings

**Result from operating activities**

Interest income

Interest expenses

Other financial and investment income (expenses)

**Result before taxes**

Income taxes

**Profit or loss for the period**

thereof owners of the parent company

thereof non-controlling shareholders

**Undiluted (=diluted) earnings per share (EUR)**

Presentation of income statement in accordance with IAS 1

1) adjusted, see Notes „Principles of financial reporting“

	H1 2019				H1 2018			
	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	
	754,881	0	0	754,881	724,490	97,342	0	821,832
	-542,381	0	0	-542,381	-539,905 <sup>1)</sup>	-66,018	0	-605,923
	<b>212,500</b>	<b>0</b>	<b>0</b>	<b>212,500</b>	<b>184,585</b>	<b>31,324</b>	<b>0</b>	<b>215,909</b>
	-99,925	0	0	-99,925	-93,507	-6,335	0	-99,842
	-16,621	0	0	-16,621	-13,608	-8,067	0	-21,675
	-48,760	0	0	-48,760	-31,572	-12,704	0	-44,276
	-138	0	0	-138	71 <sup>1)</sup>	-122	0	-51
	0	0	0	0	332	2,194	26,150	28,676
	-469	0	0	-469	-346	0	0	-346
	<b>46,586</b>	<b>0</b>	<b>0</b>	<b>46,586</b>	<b>45,955</b>	<b>6,290</b>	<b>26,150</b>	<b>78,395</b>
	1,127	0	0	1,127	1,213	32	0	1,245
	-8,895	0	0	-8,895	-6,319	-885	0	-7,204
	-503	0	0	-503	-789	-437	0	-1,226
	<b>38,315</b>	<b>0</b>	<b>0</b>	<b>38,315</b>	<b>40,060</b>	<b>5,000</b>	<b>26,150</b>	<b>71,210</b>
	-8,978	0	0	-8,978	-10,030	352	-8,800	-18,478
	<b>29,337</b>	<b>0</b>	<b>0</b>	<b>29,337</b>	<b>30,031</b>	<b>5,352</b>	<b>17,350</b>	<b>52,733</b>
	14,823	0	0	14,823	13,581	5,334	14,737	33,652
	14,514	0	0	14,514	16,450	18	2,613	19,081
	0.66	0.00	0.00	0.66	0.60	0.24	0.65	1.49

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIRST HALF-YEAR FROM 1/1/2019 THROUGH 6/30/2019

EURk

## Profit or loss for the period

### Items reclassified to profit or loss or which can be subsequently reclassified

Foreign currency translation

Valuation of cash flow hedges

Deferred tax on valuation of cash flow hedges

### Items not reclassified to profit or loss

Revaluation of net debt from defined benefit plans

Tax effect

## Other net result after tax

## Total comprehensive income

thereof owners of the parent company

thereof non-controlling shareholders

Presentation of comprehensive income statement in accordance with IAS 1

	H1 2019				H1 2018			
	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>29,337</b>	<b>0</b>	<b>0</b>	<b>29,337</b>	<b>30,031</b>	<b>5,352</b>	<b>17,350</b>	<b>52,733</b>
	506	0	0	506	-130	644	-1,371	-857
	-1,556	0	0	-1,556	-1,978	0	0	-1,978
	389	0	0	389	494	0	0	494
	<b>-661</b>	<b>0</b>	<b>0</b>	<b>-661</b>	<b>-1,613</b>	<b>644</b>	<b>-1,371</b>	<b>-2,340</b>
	-1,955	0	0	-1,955	-12	0	0	-12
	489	0	0	489	3	0	0	3
	<b>-1,466</b>	<b>0</b>	<b>0</b>	<b>-1,466</b>	<b>-9</b>	<b>0</b>	<b>0</b>	<b>-9</b>
	<b>-2,127</b>	<b>0</b>	<b>0</b>	<b>-2,127</b>	<b>-1,622</b>	<b>644</b>	<b>-1,371</b>	<b>-2,349</b>
	<b>27,210</b>	<b>0</b>	<b>0</b>	<b>27,210</b>	<b>28,408</b>	<b>5,996</b>	<b>15,979</b>	<b>50,383</b>
	13,723	0	0	13,723	12,750	5,983	17,261	35,994
	13,487	0	0	13,487	15,658	13	-1,282	14,389

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

EURk	06/30/2019	12/31/2018
<b>Assets:</b>		
<b>Non-current assets:</b>		
Property, plant, and equipment	324,566	283,353
Goodwill	97,116	96,172
Intangible assets	351,991	326,561
Investments accounted for using the equity method	19,158	26,138
Deferred tax assets	3,141	3,026
Other non-current assets	8,458	9,354
	<b>804,430</b>	<b>744,604</b>
<b>Current assets:</b>		
Inventories	284,127	286,530
Trade receivables	173,737	149,357
Receivables and other assets	88,537	70,539
Tax refund claims	12,678	13,499
Cash and cash equivalents	98,761	89,347
	<b>657,840</b>	<b>609,272</b>
	<b>1,462,269</b>	<b>1,353,876</b>

EURk	06/30/2019	12/31/2018
<b>Equity and liabilities:</b>		
<b>Equity:</b>		
Share capital	22,539	22,539
Capital reserves	9,949	9,949
Other reserves including retained earnings	271,849	264,933
<b>Equity of the owners of the parent company</b>	<b>304,338</b>	<b>297,421</b>
Non-controlling interests	253,446	253,355
	<b>557,784</b>	<b>550,776</b>
<b>Non-current liabilities:</b>		
Financial liabilities	474,294	339,449
Liabilities for employee benefits	27,497	25,036
Deferred tax liabilities	68,509	63,039
Other non-current liabilities	6,994	7,303
	<b>577,294</b>	<b>434,827</b>
<b>Current liabilities:</b>		
Financial liabilities	44,841	73,163
Trade payables	187,236	190,611
Provisions	16,026	14,731
Tax liabilities	3,574	2,864
Other current liabilities	75,515	86,904
	<b>327,192</b>	<b>368,273</b>
	<b>1,462,269</b>	<b>1,353,876</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIRST HALF-YEAR FROM 1/1/2019 THROUGH 6/30/2019

EURk	H1 2019	H1 2018
<b>Operations</b>		
<b>Profit or loss for the period</b>	<b>29,337</b>	<b>52,733</b>
+ (-) Interest expenses / interest income	7,768	5,959
+ Tax expenses	8,978	18,478
+ Depreciation/amortization of property, plant and equipment and intangible assets	51,943	47,819
+ (-) Other non-cash expenses (income)	-5,055	-18,759
+ Interest received	1,126	1,071
- Interest payments	-9,188	-5,287
- Tax payments	-1,650	-7,618
+ Dividends received	893	221
<b>Gross cash flow</b>	<b>84,152</b>	<b>94,617</b>
- (+) Increase (decrease) in the net current assets	-37,893	-144,204
<b>Cash flow from operations</b>	<b>46,259</b>	<b>-49,588</b>
of which discontinued operation	0	1,469
<b>Investing activity</b>		
- Payments for the acquisition of intangible assets and property, plant and equipment	-72,026	-84,014
- Payments for the acquisition of financial assets accounted for using the equity method	-6,000	0
+ Receipts from the sale of intangible assets and property, plant and equipment	194	489
+ Receipts from the disposal of financial assets accounted for using the equity method	5,676	0
+ Disposal of Pankl Racing Systems AG less cash and cash equivalents sold	0	58,498
- Other changes to the scope of consolidation	-1,040	-2,099
+ (-) Payments/receipts from other assets	-4,319	-11,507
<b>Cash flow from investing activity</b>	<b>-77,515</b>	<b>-38,633</b>
of which discontinued operation	0	42,636
<b>Free cash flow</b>	<b>-31,256</b>	<b>-88,221</b>



EURk	H1 2019	H1 2018
<b>Financing activity</b>		
- Dividend payments to third parties	-20,168	-18,588
+ (-) Disposal/acquisition of non-controlling interests	-202	-5,037
+ Taking out a promissory note loan	0	135,000
+ Taking out non-current interest-bearing liabilities	119,880	33,547
- Repayment of promissory note loan	0	-32,500
- Repayment of lease liabilities	-7,195	-826
- Repayment of non-current interest-bearing liabilities	-14,478	-26,216
+ (-) Change in other current financial liabilities	-36,906	-22,551
+ (-) Increase (decrease) from other financing activities	276	0
<b>Cash flow from financing activity</b>	<b>41,207</b>	<b>62,830</b>
of which discontinued operation	0	14,356
<b>Total cash flow</b>	<b>9,952</b>	<b>-25,391</b>
of which discontinued operation	0	58,461
+ Opening balance of liquid funds within the Group	89,347	169,068
+ (-) Effect of foreign currency fluctuations	-538	-7
<b>Closing balance of liquid funds within the Group</b>	<b>98,761</b>	<b>143,670</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FIRST HALF-YEAR FROM 1/1/2019 THROUGH 06/30/2019

EURk

## Balance as of January 1, 2019

Profit or loss for the period

Other comprehensive income

## Total comprehensive income

## Transactions with shareholders

Dividends to third parties

Acquisition/disposal of shares to subsidiaries

First-time consolidation of Avocado GmbH

Miscellaneous

## Balance as of June 30, 2019

EURk

## Balance as of January 1, 2018

Amendments due to the initial application of IFRS 15

Amendments due to the initial application of IFRS 9

## Balance as of January 1, 2018 after amendments

Profit or loss for the period

Other comprehensive income

## Total comprehensive income

## Transactions with shareholders

Dividends to third parties

Perpetual bond

Acquisition/disposal of shares to subsidiaries

Capital measures <sup>1)</sup>

Deconsolidation of Pankl Racing Systems AG

Miscellaneous

## Balance as of June 30, 2018

1) As a result of share consolidation in the ratio 10:1 the issued number of shares were reduced from 225,386,742 to 22,538,674. For further detail please refer to the consolidated financial statements as of December 31<sup>st</sup> 2018 under point (5) „Consolidated Equity“.

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>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>	
0	0	0	14,823	0	0	14,823	14,514	29,337	
0	0	0	-758	-603	261	-1,100	-1,027	-2,127	
<b>0</b>	<b>0</b>	<b>0</b>	<b>14,065</b>	<b>-603</b>	<b>261</b>	<b>13,723</b>	<b>13,487</b>	<b>27,210</b>	
0	0	0	-6,762	0	0	-6,762	-13,406	-20,168	
0	0	0	-83	0	0	-83	-119	-202	
0	0	0	0	0	0	0	177	177	
0	0	0	39	0	0	39	-48	-9	
<b>22,539</b>	<b>9,949</b>	<b>0</b>	<b>271,815</b>	<b>96</b>	<b>-61</b>	<b>304,338</b>	<b>253,446</b>	<b>557,784</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	33,652	0	0	33,652	19,081	52,733	
0	0	0	-14	-750	3,106	2,342	-4,692	-2,349	
<b>0</b>	<b>0</b>	<b>0</b>	<b>33,638</b>	<b>-750</b>	<b>3,106</b>	<b>35,994</b>	<b>14,389</b>	<b>50,383</b>	
0	0	0	-6,762	0	0	-6,762	-11,826	-18,588	
0	0	-60,000	-2,877	0	0	-62,877	0	-62,877	
0	0	0	-21,012	0	0	-21,012	15,975	-5,037	
-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	146	0	0	146	-112	34	
<b>22,539</b>	<b>9,949</b>	<b>0</b>	<b>231,253</b>	<b>1,019</b>	<b>-653</b>	<b>264,107</b>	<b>226,835</b>	<b>490,942</b>	

# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE FIRST HALF-YEAR 2019

### 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 Court as Commercial Court of Wels, under the registration number FN 78112 x.

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.

### PRINCIPLES OF FINANCIAL REPORTING

The condensed interim consolidated financial statements for the reporting period from January 1<sup>st</sup> until June 30<sup>th</sup> 2019 of KTM Industries AG were prepared in accordance with the International Financial Reporting Standards (IFRS), as applied in the EU, applying IAS 34 (interim reporting).

These condensed interim consolidated financial statements for the first half-year 2019 have not been audited or been subject to review.

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<sup>st</sup> 2018.

The interim consolidated financial statements are prepared in euros, which is the functional currency of the parent company. Unless specifically indicated, all amounts are rounded to the nearest 1,000 euros (EURk), 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.

The accounting policies used on December 31<sup>st</sup> 2018 were applied without change, with the exception of the IFRS, the use of which is mandatory from January 1<sup>st</sup> 2019. The financial reporting of the companies included in the condensed interim consolidated financial statements is subject to uniform accounting principles, and these principles were applied by all consolidated entities.

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 financial year as a whole.

The provisions for obligations for severance pay and anniversary bonuses were measured according to the years of service method (projected unit credit method). Actuarial reports for the measurement are generated as of the end of the reporting period. These values are adjusted for the interim consolidated financial statements. If significant changes to the parameters occur during the year the net debt is revalued. As of June 30<sup>th</sup> 2019 the applicable interest rate was reduced from 2.0 % to 1.3 %.

At the start of the financial year, the presentation of product-specific warranty expenses within the Group's income statement was adjusted with retroactive effect. As of 2019, product-specific warranty expenses of EUR 11.8 million (previous year: EUR 14.9 million) will be reported in the cost of sales. These were previously reported in the other operating expenses.

## 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 January 1<sup>st</sup> 2019:

First-time application	New 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
	Annual Improvements to IFRS 2015-2017: Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	December 12 <sup>th</sup> 2017
	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	February 7 <sup>th</sup> 2018
	Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures	October 12 <sup>th</sup> 2017
	IFRS 16 Leases	January 13 <sup>th</sup> 2016

The first-time application of **IFRS 16** has **effects** on the consolidated financial statements of KTM Industries AG. All other amended standards and interpretations are either irrelevant to the KTM Industries Group or have no material impact.

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 recognized from January 1<sup>st</sup> 2019 using modified retrospective recognition. The comparative figures for the 2018 financial year were therefore not adjusted. In applying IFRS 16 for the first time, the KTM Industries Group made use of the following concessions:

- All leasing contracts that expire within 12 months from the date of initial application (i.e. by December 31<sup>st</sup> 2019) can be recognized as short-term leases. This option can be applied to each individual lease.
- 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.
- The application of a single discount rate on a portfolio of similarly designed leasing contracts (similar characteristics).
- The non-consideration of initial direct costs in measuring the right-of-use assets on the date of first-time application.
- The retrospective determination of the term of leases in the case of contracts with extension or termination options.

The Group has also decided not to re-examine leasing contracts concluded and already recognized pursuant to IAS 17 before the transition date as to whether a contract is, or includes, a lease on the date of first-time application, but rather to maintain the assessment previously made under IAS 17.

In the case of finance leases for which KTM Industries is the lessee, assets and liabilities have already been recognized in the previous year pursuant to IAS 17. The existing carrying amount of the leased asset pursuant to IAS 17 existing immediately before the initial application of IFRS 16 and the carrying value of the leasing liability pursuant to IAS 17 is recognized as first-time carrying value of the right-of-use asset and the leasing liability pursuant to IFRS 16. The accounting principles of IFRS 16 will be applied from this point onwards; no measurement adjustments to that effect were made.

The irredeemable term of the lease was used to determine the present value of the lease payments. In determining the term, the management takes account of all facts and circumstances that offer economic incentive for the exercise of options for prolongation or non-exercise of termination options. Term alterations are then integrated into the contractual term only if an extension or non-exercise of a termination option is sufficiently certain.

On initial application of IFRS 16, the Group records leasing liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted with the lessee's incremental borrowing rate of interest as of January 1<sup>st</sup> 2019. This was determined using comparable external loans with similar term and country and currency specific adjustments. The weighted average lessee's incremental borrowing rate of interest applied to the leasing liability as of January 1<sup>st</sup> 2019 is 1.9 %.

As of December 31<sup>st</sup> 2018, there were payment obligations associated with irredeemable operating leases that amount to EUR 72.0 million. The first-time capitalization of leases leads to an increase in the carrying amounts of non-current assets and to an increase in financial liabilities of EUR 38.9 million as of January 1<sup>st</sup> 2019. In addition, the lease expense previously recorded was replaced by depreciation of the right-of-use asset and interest expense of the leasing liability. As expected, EBITDA, EBIT and cash flow from operating activities improved due to the amended presentation requirements.

The table below shows the derivation of the obligations arising from operating leases indicated as of December 31<sup>st</sup> 2018 on the leasing liabilities recognized as of January 1<sup>st</sup> 2019:

	EUR million
Obligations arising from operating leases indicated as of December 31 <sup>st</sup> 2018	72.0
<b>Discounted at the lessor's interest rate on borrowings on the date of first-time application of IFRS 16</b>	<b>69.7</b>
+ liabilities arising from finance leasing recognized as of December 31 <sup>st</sup> 2018	19.0
- Short-term leases and leases for assets of low value recorded directly as expenses	-16.2
- Adjustments due to differing assessment of extension and termination options	-14.5
- Adjustments due to changes in indices or (interest) rates that influence variable payments	-0.1
<b>Leasing liabilities recognized on January 1<sup>st</sup> 2019</b>	<b>57.9</b>
of which leasing liabilities recognized for the first time due to IFRS 16	38.9
of which liabilities arising from finance leasing already recognized pursuant to IAS 17	19.0

Lease obligations exist above all in the areas of vehicle-fleet leasing, rental of business premises and offices as well as rental of movable property.

The table below shows the effect of the IFRS 16 standard (now mandatory from 2019) on the statement of financial position, with the effects on the interim financial statements of the KTM Industries Group as at June 30<sup>th</sup> 2019:

Statement of financial position (condensed) EUR million	06/30/2019 Reported	Amendments in accordance with IFRS 16	06/30/2019 without application IFRS 16
<b>Current assets</b>	<b>657.8</b>	<b>0.0</b>	<b>657.8</b>
Tangible assets	324.6	36.9	287.6
Miscellaneous	479.9	0.2	479.6
<b>Non-current assets</b>	<b>804.4</b>	<b>37.2</b>	<b>767.3</b>
<b>ASSETS</b>	<b>1,462.3</b>	<b>37.2</b>	<b>1,425.1</b>
Financial liabilities	44.8	8.5	36.4
Miscellaneous	282.4	0	282.4
<b>Current liabilities</b>	<b>327.2</b>	<b>8.5</b>	<b>318.7</b>
Financial liabilities	474.3	29.0	445.3

Statement of financial position (condensed) EUR million	06/30/2019 Reported	Amendments in accordance with IFRS 16	06/30/2019 without application IFRS 16
Miscellaneous	103.0	0.0	103.0
<b>Non-current liabilities</b>	<b>577.3</b>	<b>29.0</b>	<b>548.3</b>
<b>Equity</b>	<b>557.8</b>	<b>-0.3</b>	<b>558.1</b>
<b>EQUITY AND LIABILITIES</b>	<b>1,462.3</b>	<b>37.2</b>	<b>1,425.1</b>

The right-of-use assets capitalized for the first time in property, plant and equipment relate to the following types of assets (presentation without the finance leases already recognized in the previous year):

EUR million	06/30/2019	01/01/2019
Land and buildings	27.4	28.8
Fixtures and fittings, tools and equipment (incl. motor vehicles)	8.0	8.2
Technical plant and machinery	1.5	1.9
<b>TOTAL</b>	<b>36.9</b>	<b>38.9</b>

In the first half-year 2019 the KTM Industries Group recorded in its income statement a total of EUR 4.6 million depreciations and amortizations and EUR 0.4 million interest expenses instead of rental expenses due to the initial application of IFRS 16. The EBITDA consequently increased by EUR 4.6 million from EUR 93.9 million to EUR 98.5 million.

In the statement of cash flows, the cash flow from operating activities increased on the one hand by EUR 4.6 million to EUR 46.3 million. On the other hand, the cash flow from financing activities decreased by the same amount to EUR 41.2 million, since the repayment of the leasing liabilities is reported in the financing cash flow. The interest component amounting to EUR -0.4 million is reported in the interest payments in the operating cash flow.

## ESTIMATES

To a certain degree some estimates and assumptions must be made in the consolidated financial statements. These influence the recognized assets and liabilities, the disclosure of contingent liabilities as at the reporting date and the presentation of income and expenses for the respective 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.

With the exception of the initial application of IFRS 16 (see pages 21ff.) and the associated estimate and assumption respectively to IFRS 16, no changes occurred.

Estimates and uncertainties in judgements and assumptions are explained in the consolidated financial statements of KTM Industries AG as of December 31<sup>st</sup> 2018 under Point (5) "Estimates and Uncertainties in Judgements and Assumptions".

## SEASONALITY

Seasonal effects occur due to the different seasonality of offroad- and street motorcycles. In the street segment, there are higher revenues in the first half of the year, whereas in the offroad segment, 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 large extent.

## SCOPE OF CONSOLIDATION

All subsidiaries that are either legally or de facto under the control of KTM Industries AG are included in the interim consolidated financial statements as at June 30<sup>th</sup> 2019.

The number of companies included in the scope of consolidation changed in the first half-year 2019 as shown below:

	Fully consolidated companies	At equity companies
<b>Balance as of 12/31/2018</b>	<b>53</b>	<b>11</b>
Additions to the scope of consolidation	1	0
Disposals from scope of consolidation	0	-4
<b>Balance as of 6/30/2019</b>	<b>54</b>	<b>7</b>
Foreign companies	36	5

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

### ▪ CHANGES IN THE SCOPE OF CONSOLIDATION

In the first half-year, 70 % of the shares in Avocado GmbH were acquired from Pierer Industrie AG with effect from May 9<sup>th</sup> 2019. The following assets and liabilities were acquired:

in EURk	
Property, plant and equipment	200
Goodwill	945
Non-current assets	1,145
Current assets	687
<b>Assets</b>	<b>1,832</b>
Non-current liabilities	-105
Current liabilities	-193
<b>Liabilities</b>	<b>-298</b>
<b>Non-controlling interests</b>	<b>-177</b>
<b>Purchase price</b>	<b>-1,357</b>
Cash taken over	317
<b>Net cash outflow on acquisition</b>	<b>-1,040</b>

In the first half-year 2019, all the at-equity dealer holdings (in each case 26 % shares held indirectly via the KTM AG Group) KTM Wien GmbH, KTM Braumandl GmbH and MX - KTM Kini were sold.

Likewise, 39 % (indirectly held via the KTM AG Group) of the shares in KTM MOTOHALL GmbH were sold. The remaining stake in KTM MOTOHALL GmbH held by the KTM AG Group now amounts to 10 %.



## ▪ 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 EUR 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, ten fully consolidated companies of the Pankl Group were disposed of in the previous year's period.

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-year 2018 in the KTM Group were increased by EUR 12.1 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 EUR 58.5 million.

The following assets and liabilities were disposed of:

in EURk	6/30/2018
Non-current assets	-137,484
Current assets	-110,822
<b>Assets</b>	<b>-248,306</b>
Non-current liabilities	103,552
Current liabilities	36,775
<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>

<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 cash inflow resulting from the sale was as follows:

in EURk	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>

For further details on the individual items of the statement of financial position please refer to the consolidated financial statements as of December 31<sup>st</sup> 2018 under item 7. Changes in the Scope of Consolidation.

## 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 June 30<sup>th</sup> 2019, 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 same period of the previous year (June 30<sup>th</sup> 2018), the WP Group (now: KTM Components Group) was run as an independent segment. 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. To make it easier to compare the figures, the previous year's figures in the income statement were adapted (similarly to the consolidated financial statements December 31<sup>st</sup> 2018).

### 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. 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, Avocado GmbH and PF Beteiligungsverwaltungs GmbH.

Segment information for the first half-year 2019 and first half-year 2018 can be divided into the described segments as follows:

<b>H1 2019</b>	<b>KTM</b>	<b>PANKL</b>	<b>Other</b>	<b>Consolidation</b>	<b>TOTAL</b>
<b>EUR million</b>		<b>(discontinued)</b>			
Revenues (including revenues within the segments)	749.9	0.0	18.5	-13.5	<b>754.9</b>
External revenues	749.9	0.0	5.0	0.0	<b>754.9</b>
Result from operating activities	46.2	0.0	0.6	-0.2	<b>46.6</b>
Investments <sup>1)</sup>	78.8	0.0	1.3	0.0	<b>80.1</b>
Depreciation and amortization	51.3	0.0	0.6	0.0	<b>51.9</b>
Share in the result of companies accounted for using the equity method	-0.3	0.0	0.0	-0.2	<b>-0.5</b>
Balance sheet total	1,427.1	0.0	292.4	-257.2	<b>1,462.3</b>
Equity	551.2	0.0	241.1	-234.5	<b>557.8</b>

1) excluding IFRS 16 first-time adoption effect of € 38.9 million as at 01/01/2019

<b>H1 2018</b>	<b>KTM</b>	<b>PANKL</b>	<b>Other</b>	<b>Consolidation</b>	<b>TOTAL</b>
<b>EUR million</b>		<b>(discontinued)</b>			
Revenues (including revenues within the segments)	722.5	110.2	10.7	-21.6	<b>821.8</b>
External revenues	722.1	97.3	2.4	0.0	<b>821.8</b>
Result from operating activities	46.2	32.4	0.4	-0.6	<b>78.4</b>
Investments	80.1	16.0	0.1	0.0	<b>96.2</b>
Depreciation and amortization	38.5	8.6	0.7	0.0	<b>47.8</b>
Share in the result of companies accounted for using the equity method	0.3	0.0	0.0	-0.6	<b>-0.3</b>
Balance sheet total	1,301.9	0.0	376.9	-253.2	<b>1,425.6</b>
Equity	550.7	0.0	203.7	-263.5	<b>490.9</b>

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

In the first half-year, the Group's continuing operation generated revenue of EUR 754.9 million, equivalent to an increase of EUR 30.4 million or 4.2 % compared to the same period of the previous year. As in the previous year approximately 95 % of revenues were earned outside Austria. The breakdown of external revenue by geographical region is based on the location of the customers. The revenue by geographical region is made up as follows:

EUR million	H1 2019	H1 2018
Europe	462.2	462.3
North America (incl. Mexico)	159.1	130.1
Other	133.6	132.1
	<b>754.9</b>	<b>724.5</b>

The EBIT of the continuing operation increased in the first half-year 2019 compared with the previous year by 1.4 % to EUR 46.6 million. The EBIT margin remained virtually unchanged and amounted to 6.2 % (previous year: 6.3 %).

The net result for the period of the continuing operation amounts to EUR 29.3 million (previous year: EUR 30.0 million). Including the discontinued operation, the total net result for the period in the previous year amounted to EUR 52.7 million and was positively impacted by the profit from the sale of the Pankl Group and the ongoing business activities of the Pankl Group.

The earnings per share of the continuing operation were EUR 0.66 in the first half-year 2019 (previous year: EUR 0.60). Including the discontinued operation, the earnings per share of the same period of the previous year amounted to EUR 1.49.

## NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The cash flow hedge reserve decreased the equity during the reporting period by EUR 1.2 million. Changes to the foreign currency translation reserve resulting from currency translation of EUR 0.5 million were also recorded. Actuarial losses amounting to EUR -1.5 million were recognized as a result of the reduction in the interest rate applicable for the measurement of the obligations for employee benefits. All values are inclusive of non-controlling interests.

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Current and non-current assets both increased in the first half of the year by around 8 %. The increase in non-current assets is essentially due to the effect of the initial application of IFRS 16 "Leases". Current assets increased essentially due to the seasonal rise in trade receivables.

Non-current liabilities increased in the first half of the year by around 33 %. A loan of EUR 120.0 million was drawn from the European Investment Bank in March 2019. Another effect of the increase was the recognition of leasing liabilities on the liabilities side of the statement of financial position due to the initial application of IFRS 16 in the current financial year. The current liabilities were reduced by around 11 %. The decrease is the result of non-utilization of the existing Supplier Finance Program between Group companies and consequently the reduction in current financial liabilities.

Consolidated equity increased in the first six months by EUR 7.0 million to EUR 557.8 million. On the one hand, dividend payments of EUR 20.2 million led to a reduction in equity, on the other hand total comprehensive income increased internal funds by EUR 27.2 million. The equity ratio was 38.1 % on the reporting date (December 31<sup>st</sup> 2018: 40.7 %). The reduction in the equity ratio is for the most part due to the first-time capitalization of right-of-use assets in property, plant and equipment (IFRS 16) and the investment level (particularly in development projects), which continues to exceed amortizations, and the associated balance sheet extension.

## NOTES TO THE STATEMENT OF CASH FLOWS

During the first half-year 2019, the level of cash and cash equivalents in the Group increased by EUR 9.4 million to EUR 98.8 million. The change comprised the cash flow from operating activities of EUR 46.3 million, the cash flow from investing activities of EUR -77.5 million, and the cash flow from financing activities of EUR 41.2 million. Foreign exchange effects of EUR -0.5 million also arose.

The free cash flow of the first half-year 2019 improved by around EUR 57 million compared with the same period of the previous year and amounted to EUR -31.3 million as of June 30<sup>th</sup> 2019. The significant improvement is the result essentially of the clear decline in net current assets compared with the same period of the previous year. The previous year was also positively impacted by the cash inflow from the Pankl sale in the amount of EUR 58.5 million, which when adjusted corresponds to an even greater improvement in the free cash flow.

## DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

The measurement categories of IFRS 9 were used to classify and measure the assets side. 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 input is not based on observable market data (Level 3).

The table below shows the carrying amounts and fair values of financial assets (financial instruments shown on the assets side), broken down by class and IFRS 9 measurement category. However, it does not provide any financial information in relation to financial assets not measured at fair value where the carrying amount is a reasonable approximation of fair value.

	Carrying amount 06/30/2019	Classification under IFRS 9	Fair value 06/30/2019
<b>EURk</b>			
<b>Financial assets measured at fair value</b>			
Other current assets - derivatives with positive market value that have already been assigned to receivables	364	FVPL	364
Other current assets - derivatives with positive market value (cash flow hedge)	2,500	FVOCI	2,500
Trade receivables	12,577	FVPL	-
Other non-current financial assets	216	FVOCI	216
<b>Total</b>	<b>15,657</b>		
<b>Financial assets not measured at fair value</b>			
Cash and cash equivalents	98,761	AC	-
Trade receivables	161,160	AC	-
Other financial assets	36,123	AC	-
<b>Total</b>	<b>296,044</b>		
<b>Total</b>	<b>311,701</b>		

	Carrying amount 12/31/2018	Classification under IFRS 9	Fair value 12/31/2018
<b>EURk</b>			
<b>Financial assets measured at fair value</b>			
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>		
<b>Financial assets not measured at fair value</b>			
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>		

Fair value				Carrying amount 06/30/2019				
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
-	364	-	364	-	-	-	-	364
-	2,500	-	2,500	-	-	-	-	2,500
-	-	-	12,577	-	-	-	12,577	-
-	-	216	216	-	-	216	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	98,761	-	-	-	-
-	-	-	-	161,160	-	-	-	-
-	-	-	-	36,123	-	-	-	-

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	-	-	-	-

The table below shows the carrying amounts and fair values of financial liabilities (financial instruments shown on the liabilities side), broken down by class and IFRS 9 measurement category. However, it does not provide any financial information in relation to financial liabilities not measured at fair value where the carrying amount is a reasonable approximation of fair value.

	Carrying amount 06/30/2019	Classification under IFRS 9	Fair value 06/30/2019
<b>EURk</b>			
<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	63	FVPL	63
Other financial liabilities - derivatives with negative market value (cash flow hedge)	2,008	FVOCI	2,008
<b>Total</b>	<b>2,071</b>		
<b>Financial liabilities not measured at fair value</b>			
<b>At amortized cost</b>			
Interest-bearing liabilities	461,555	AC	475,104
Lease liabilities	57,580	AC	-
Trade payables	187,236	AC	-
Other financial liabilities (current and non-current)	30,877	AC	-
<b>Total</b>	<b>737,248</b>		
<b>Total</b>	<b>739,319</b>		

	Carrying amount 12/31/2018	Classification under IFRS 9	Fair value 12/31/2018
<b>EURk</b>			
<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>		



Fair value				Carrying amount 06/30/2019				
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
-	63	-	63	-	-	-	-	63
-	2,008	-	2,008	-	-	-	-	2,008
-	-	475,104	475,104	461,555	-	-	-	-
-	-	-	-	57,580	-	-	-	-
-	-	-	-	187,236	-	-	-	-
-	-	-	-	30,877	-	-	-	-

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 DETERMINATION

Please refer to the consolidated financial statements of KTM Industries as of December 31<sup>st</sup> 2018 Point 43 (Classification and Fair Value) in relation to valuation technique.

## RELATED PARTY DISCLOSURES

The outstanding purchase price liability in respect of Kiska Holding GmbH as of December 31<sup>st</sup> 2018 arising from the acquisition of a further 24 % of shares in Kiska GmbH amounting to EUR 6.0 million was paid in the first half-year 2019.

In the first half-year, 70 % of shares in Avocodo GmbH were acquired from Pierer Industrie AG. The purchase price amounted to EUR 1.4 million.

KTM AG sold 39 % of the shares in KTM MOTOHALL GmbH to PIERER IMMOREAL GmbH at a sale price of EUR 5.7 million.

In the first half-year 2019, KTM Industries AG granted Pexco GmbH a short-term arm's-length, interest-bearing loan of EUR 6.0 million.

All business transactions within related companies and individuals as stated in the consolidated financial statements as of December 31<sup>st</sup> 2018 are carried out at arm's length.

## EVENTS AFTER THE BALANCE SHEET DATE

On July 1<sup>st</sup> 2019, the KTM Group increased its equity holding in Motorcycle Distributors Australia Pty Ltd., its importer for the markets in Australia and New Zealand, from 26 % to 100 %. This boosted the presence of both brands KTM and Husqvarna Motorcycles in Australia and New Zealand.

In addition, 100 % of shares in KTM Components (Dalian) Co. Ltd., China (previously: WP Cooling Systems (Dalian) Co. Ltd.), which acts as radiator manufacturer for KTM AG, were sold to Pankl Racing Systems AG in July 2019.

## DECLARATION OF THE EXECUTIVE BOARD

PURSUANT TO SECTION 87 PARA 1 NO. 3 OF THE AUSTRIAN STOCK EXCHANGE ACT

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

Wels, August 26<sup>th</sup> 2019

The Executive Board of KTM Industries AG



Dipl.-Ing. Stefan Pierer, CEO



Mag. Friedrich Roithner, CFO



Mag. Ing. Hubert Trunkenpolz, CSO

## FINANCIAL CALENDAR

<b>February 3, 2020</b>	<b>Announcement of preliminary results 2019</b> (after the close of trading)
<b>March 31, 2020</b>	<b>Publication of annual financial statements 2019</b>
April 20, 2020	Record date annual general meeting
April 30, 2020	23 <sup>rd</sup> annual general meeting
<b>August 31, 2020</b>	<b>Report on the 1<sup>st</sup> half-year 2020</b> (after the close of trading)

### MORE INFORMATION ON THE KTM INDUSTRIES SHARE

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ISIN Code ..... AT0000KTM102  
 Valor number (Switzerland) ..... 41860974  
 Share category ..... no-bar value bearer shares  
 Share capital..... EUR 22,538,674 divided into 22,538,674 shares  
 Number of listed shares ..... 22,538,674 shares  
 Authorized capital ..... up to 11,269,337 shares  
 Free Float ..... approx. 38 Percent  
 Securities Symbol ..... KTM1  
 Reuters ..... KTM1:VI  
 Bloomberg ..... KTM1: AV  
 Stock Listing: SIX Swiss Exchange, International Reporting Standard,  
 Vienna Stock Exchange, Official Market



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The present half-year 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 half-year report is published in German and English. In the event of ambiguity, the German version shall take precedence.

**KTM Industries AG**

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