

REPORT OF THE SUPERVISORY BOARD



Dear Shareholders,

Once again, PIERER Mobility AG (formerly KTM Industries AG) can reflect on a successful business year. KTM was able to increase sales and revenue and outperformed the overall market in the key motorcycle markets (> 120 cc) with a registration increase of +14.5%, while the overall market declined by more than 6%, and thus expanded its market position. The implementation of the global product strategy and the expansion into other Asian and South American markets was consistently pursued in the past year and due to the take-over of the Australian importer, the market presence in Australia and New Zealand was further strengthened. The strategic alliance with the Indian partner Bajaj was further intensified and a serial production project for PTW ("Powered two wheeler") electric vehicles in the power range of 3 to 10 kW (48 volt) was started at the level of KTM AG. With the complete takeover of PEXCO GmbH it is possible to participate in the attractive e-bicycle market and also to play a prominent role there. With the takeover of the majority of the Spanish offroad brand GASGAS, the group now is also represented in the trial bike segment.

The Supervisory Board of PIERER Mobility AG fulfilled its duties required by law, under the articles of association and by-laws, was involved early in the fundamental decisions and provided advice to the Executive Board. Within the context of its regular reporting to the Chairman of the Supervisory Board, and on the basis of comprehensive reports submitted in all meetings, the Executive Board of PIERER Mobility AG regularly informed the Supervisory Board of the present business and the financial situation, the course of business and the position of the company including its Group companies during the 2019 financial year. Particular topics were handled in detail in the committees, established by the supervisory board, which then reported in detail about their activities to the whole supervisory board.

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

In the 2019 business year, the main areas of concern were focusing on the two-wheeler industry, the start of the joint electric platform with the Indian partner Bajaj as well as the complete take-over of the e-bicycle / bicycle business with the shareholding in PEXCO GmbH, the acquisition of the Spanish motorcycle brand GASGAS as well as the continuation of the extensive efficiency program. Between meetings of the Supervisory Board, the Chairman of the Supervisory Board was in constant contact with the

Executive Board and was kept informed on an ongoing basis about current business developments, the status of projects and other important events and decisions – also in personal discussions.

At the extraordinary general meeting of PIERER Mobility AG held on 4 October 2019, the resolutions on the authorization to acquire treasury shares in accordance with § 65 para. 1 no. 8 AktG and to sell treasury shares as well as the re-naming of the company into PIERER Mobility AG were taken.

FOCUS OF THE SUPERVISORY BOARD MEETINGS

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

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

At its first meeting on **March 19, 2019**, the Supervisory Board dealt primarily with the discussion and resolution on the audit and adoption of the 2018 annual financial statements and the 2018 consolidated financial statements, the agenda and the proposed resolutions for the Annual General Meeting, the corporate governance report and the sustainability report (non-financial report pursuant to Section 267a of the Austrian Commercial Code UGB) as well as the external evaluation by Oberhammer Rechtsanwälte GmbH with regard to PIERER Mobility AG's compliance with the corporate governance rules. At the meeting of the Supervisory Board on **April 25, 2019**, the current business development and the business performance of the Group companies in the first quarter of 2019 were discussed. In addition, capital market issues and the financial status were reported on. The meeting on **July 23, 2019** focused on the course of business in the first half of 2019 and the outlook for the full year of the PIERER Mobility-Group, the reports of the Group companies, capital market issues and the financial status. At the Supervisory Board meeting on **October 29, 2019**, the business development (Q1-Q3/2019) and the outlook for the full year of the PIERER Mobility-Group were reported on.

Another topic included the resolution of the Executive Board to implement a buyback program and to acquire up to 7.404% (corresponding to 20% of the free float) of the share capital, based on the resolution of the extraordinary general meeting held on October 4, 2019. The acquired treasury shares may be used as consideration for the acquisition of companies (acquisition financing), for resale or for reducing the share capital by redeeming treasury shares. In addition, the Group companies and their financial status were reported on. The last meeting of the reporting year 2019 took place on **December 19, 2019** and dealt with the course of business after 11 months and the outlook for the 2019 business year as a whole. The 2020 budget was also presented and discussed, but not resolved upon. Due to the early and complete take-over of the e-bicycle / bicycle division (PEXCO) into the group, the budget as well as the medium- term planning had to be revised and resolved upon in an extraordinary meeting in 2020. At the meeting held on December 19, 2019, Viktor Sigl, MBA was appointed by the Supervisory Board as additional member of the Executive Board of PIERER Mobility AG. Furthermore, it was reported on the group companies and the financial status.

Every member of the Supervisory Board attended at least half the meetings in the 2019 financial year.

AUDIT COMMITTEE

The Audit Committee monitors in particular the accounting process, the effectiveness of the internal control system and the risk management system, as well as the audit of the financial statements, the independence and qualification of the auditor and their services, including the commissioning of additional non-audit services. The Audit Committee consisted of three members in the financial year 2019. The Chairman of the Committee is the Member of the Supervisory Board Klaus Rinnerberger (financial expert). In addition, in the reporting year 2019 under review the Audit Committee included the Chairman of the Supervisory Board Josef Blazicek and the Deputy Chairman of the Supervisory Board Ernst Chalupsky. The Audit Committee held two meetings in the year under review. The Audit Committee dealt in detail with individual specialized issues and subsequently reported its findings to the Supervisory Board. Moreover, during the year the Audit Committee was in continuous exchange with the Executive Board and the auditor with regard to the significant topics of the annual and consolidated financial statement. In particular, discussions on the status and on important topics of the annual and consolidated financial statement were held with the auditor. The Executive Board was regularly asked for additional information on their reports and recommendations were given. The meeting in **March 2019** focused on the in-depth discussion of all topics in connection with the 2018 annual financial statements and consolidated financial statements. In addition, the appointment of the auditor for the 2019 annual financial statements and consolidated financial statements was initiated and submitted by the Supervisory Board – based on the recommendation of the Audit Committee – to the Annual General Meeting on April 25, 2019 as a proposal to be voted on. At the meeting in December 2019, the auditor provided an overview of the planned course of the audit as well as the focal points of the audit for the 2019 financial year.

Since the Supervisory Board consists of no more than six members, the

tasks of the Remuneration and Nomination Committee are fulfilled by the entire Supervisory Board.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, (“KPMG”) was appointed by the Annual General Meeting of PIERER Mobility AG on April 25, 2019 as auditor of the financial statements and consolidated financial statements for the 2019 financial year. The Audit Committee commissioned KPMG to conduct the audit. The annual financial statements and the management report for the 2019 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, together with the consolidated financial statements and the consolidated management report for the 2019 financial year. The audit did not give rise to any objections and the annual and consolidated financial statements for the 2019 financial year were granted an unqualified audit opinion.

The auditor confirmed that the company's annual financial statements as at December 31, 2019 are consistent with applicable laws, that they give a true and fair view in all material aspects of the net asset and financial position as at December 31, 2019, that the company's earnings position for the financial year ending on this reporting date is in accordance with the regulations under Austrian company law, and that the management report is consistent with the annual financial statements.

Furthermore, the auditor also certified that the consolidated financial statements are consistent with applicable laws and give a true and fair view in all material respects of the Group's net assets and financial position as at December 31, 2019, as well as of the earnings position and cash flows for the financial year ended in accordance with the International Financial Reporting Standards (IFRS), and that the consolidated management report is consistent with the consolidated financial statements.

The documents relating to the financial statements and the auditor's reports (including the “Supplementary Report to the Audit Committee on the audit of the annual financial statements in accordance with Art. 11 of EU Regulation No. 537/2014 as at December 31, 2019”) were discussed in detail with the auditors in the **Audit Committee meeting**, which was brought forward to March 20, 2020 and presented to the Supervisory Board pursuant to Section 96 (1) of the Austrian Stock Corporation Act (AktG) together with the management reports drawn up by the Executive Board, the corporate governance report and the sustainability report (non-financial report) in its subsequent meeting. The auditor reported on the results of its audit to the Audit Committee meeting. Its explanations, in particular on the net assets, financial position and earnings position of the company and the Group, were discussed in detail. All questions from the Audit Committee were answered. In addition, the Audit Committee was able to satisfy itself that there were no circumstances of bias on the part of the auditor. The Audit Committee also exchanged information on other services provided by KPMG outside the scope of the audit. The Audit Committee discussed and reviewed the summarized “non-financial report”. All questions relating to this were answered by the Executive Board. The non-financial report has not been externally audited.

The **Audit Committee** stated in its report to the Supervisory Board that it agreed with the result from the auditor, and, following its audit of the annual financial statements and management report, together with the consolidated financial statements, the consolidated management report, the corporate governance report and the sustainability report for the 2019 financial year, it concluded that the documents submitted for auditing are correct and in compliance with the law, that the Executive Board's decisions regarding accounting policy are cost-effective and appropriate, and there is no reason for any objections.

The **Supervisory Board** agrees with the report of the Audit Committee and thereby with the result of the final audit. In its assessment of the situation of the company and the Group, the Supervisory Board concurs with the assessment expressed by the Executive Board in the consolidated management report and the management report. All questions posed by the Supervisory Board were answered by the auditor and the Executive Board. The final result of the Supervisory Board's audit of the annual financial statements and the management report, as well as the consolidated financial statements, the consolidated management report, the corporate governance report and the sustainability report (non-financial report) for the 2019 financial year, also gives no reason for any objections. Having been accepted by the Supervisory Board, the 2019 annual financial statements can be deemed to have been approved pursuant to Art. 96 (4) of the Austrian Stock Corporation Law (AktG). The Supervisory Board acknowledged the consolidated financial statements and the consolidated management report for the 2019 financial year. In the 2019 financial year, the Executive Board and Supervisory Board again paid attention to the further development of corporate governance at PIERER Mobility AG. The Supervisory Board examined and approved the corporate governance report for the 2019 financial year. The Supervisory Board concurs with the Executive Board with regard to the proposal concerning the distribution of the net profit achieved during the 2019 financial year.

Moreover, following a proposal by the Audit Committee, a proposal for the election of the auditor for the 2020 financial year was prepared for the 23rd Annual General Meeting. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, has been proposed as auditor for the financial year commencing on January 1, 2020 and ending on December 31, 2020.

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

Wels, March 2020

Chairman of the Supervisory Board



Josef Blazicek



2020 Dakar Rally, Saudi Arabia, Photo: Rally Zone