

# REPORT OF THE SUPERVISORY BOARD



Dear Shareholders,

The second year of the pandemic year was also full of challenges, and international supply chains were affected by instability and delays in some places. Despite these difficulties, the PIERER Mobility Group can reflect on another record-breaking year and managed to improve its revenue by around 1/3 with an EBIT increase of around 80% in the 2021 financial year. Driven by the high global demand for motorcycles, a 23% increase in sales (KTM, Husqvarna, GASGAS) was achieved. In addition, the Bicycle Division sold over 100,000 (e-)bicycles (Husqvarna, R Raymon, GASGAS) – an increase of more than 40%. In the 2021 financial year, the PIERER Mobility Group was able to reaffirm the excellent vehicle registration figures of the previous year and maintain global registrations at a high level. The market environment of the motorcycle market rose by approx. 9% compared to 2020. The overall Indian motorcycle market, which was hit hard by the COVID crisis, is on a slight upswing (+2%). The completion of the simplification of the ownership structure between the Pierer Group and the Indian Bajaj Group in Q4 2021 was an important milestone for the company. The major successes achieved in motorcycle racing also deserve special mention. Under the three KTM, Husqvarna, and GASGAS brands, 21 world championship titles were won in both road and off-road racing. In January 2022, Sam Sunderland won the illustrious Dakar Rally riding a GASGAS motorcycle. Matthias Walkner, the reigning Cross Country Rallies World Champion, claimed the second podium spot, finishing third in the standings. An important highlight was the acquisition of the US brand “FELT” in November.

## SUPERVISORY AND ADVISORY ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board of PIERER Mobility AG performed the duties incumbent upon it under Austrian law, the Articles of Association and the Rules of Procedure, was involved in fundamental decisions at an early stage and advised 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 financial situation, the course of business and the position of the company including its Group companies during the 2021 financial year. Individual areas were dealt with in greater depth in the committees set up by the Supervisory Board, which in turn reported on their activities to the full Supervisory Board.

Furthermore, after careful review and consultation, the Supervisory Board approved many of the business transactions that were subject to its approval. In addition to financial and investment planning, these included cooperation projects, significant equity measures in Group companies, and the conclusion of contracts of particular importance to the company.

The simplification of the ownership structure between the Pierer Group and the Indian Bajaj Group was successfully implemented in the 4th quarter of 2021. As planned, in a first step the Bajaj Group contributed a 46.5% share package in the operating subsidiary KTM AG to Pierer Bajaj AG, the majority shareholder of PIERER Mobility AG held by the Pierer Group. In return, Bajaj received a 49.9% stake in Pierer Bajaj AG. In a second step, this 46.5% KTM share package now held by Pierer Bajaj AG was contributed to PIERER Mobility AG as part of an almost 50% capital increase through contributions in kind. 11,257,861 new shares were issued in the process. This capital increase through contributions in kind from the authorized capital amounting to € 895 million, corresponding to exactly 49.9% of the existing share capital, was carried out with exclusion of subscription rights. Only Pierer Bajaj AG was admitted to subscribe. As a result of this “uplifting project” including the capital increase, PIERER Mobility's stake in the operating KTM AG (after acquisition of the remaining approximately 1.5% KTM AG shares held by Bajaj) increased to 99.8% (previous year: 51.7%).

The Executive Board informed the Supervisory Board about a large number of other measures and business transactions and discussed with them in great detail and depth, for example the impact of the COVID-19 pandemic on the company and the countermeasures taken. There was no cause for additional audit measures by the Supervisory Board.

In 2021, all three motorcycle brands made a clear statement with innovative upgrades and new models, both in the on-road and off-road segments. In the Bicycle Division, activities in 2021 focused on establishing the three Husqvarna E-Bicycles, R Raymon and GasGas brands, as well as on further technical development and enhancing the quality of the product range. This segment will also be expanded with the FELT brand from 2022. In this context, the two strategic partnerships entered into in 2021 in the area of e-mobility firstly with Bajaj and secondly with VARTA, the leading European manufacturer of lithium-ion cells

and a global innovation and technology leader, should be highlighted. PIERER Mobility AG and Bajaj Auto Limited, India's second largest motorcycle manufacturer, have now consolidated their 15-year strategic partnership in the international motorcycle industry to include the development of electric products in the two-wheeler sector. This is in order to meet the growing demand for innovative e-mobility concepts. To expand the bicycle and e-bike production capacity, in 2021 a 50:50 joint venture was established with MAXCOM Ltd. for e-bike production in Plovdiv. CFMOTO should also be mentioned as another important joint venture partner. The deeper cooperation with partner CFMOTO to establish an additional production facility and supply chain in China has started successfully with the assembly of around 10,000 mid-range motorcycles in 2021.

On March 1st 2022, trading also commenced in official trading (segment: Prime Market) of the Vienna Stock Exchange, which means that the shares of PIERER Mobility AG are listed in the top segment of the Vienna Stock Exchange. This step is intended to satisfy the great level of interest among investors in Austria and abroad. In the 2021 financial year, all existing 193,340 treasury shares were sold to institutional investors.

#### WORKING CULTURE AND FOCUS OF THE SUPERVISORY BOARD MEETINGS

The Supervisory Board held seven meetings in the reporting year, some of which were conducted by telephone or video conference due to the pandemic. In addition, there were further coordination discussions by telephone and resolutions passed by electronic, telephone, or written means. Attendance by members was again at a very high level, as can be seen in the detailed overview at the end of this report. The Supervisory Board's work was characterized by an open and intensive exchange of views. At the meetings of the Supervisory Board, its members discussed the measures and transactions to be decided upon in detail with the Executive Board. The members of the Supervisory Board regularly prepared for upcoming resolutions on the basis of documents provided by the Executive Board.

In its meetings, the Supervisory Board regularly monitored the work of the Executive Board, was informed by the Executive Board about projects and the course of business and business planning - including non-financial performance indicators, and also advised the Executive Board on key strategic decisions. The Supervisory Board also dealt with the corporate governance of the company and compliance management. In the 2021 financial year, the Code of Conduct of the PIERER Mobility Group was also revised and published in the new version dated September 1, 2021. Other focal points of the Supervisory Board's activities included dealing with new legislation, the legal framework and new, pioneering technologies. Outside of the regular meetings, the Supervisory Board was notified about special events. In addition, the members of the Supervisory Board and the Executive Board held bilateral meetings to exchange views. The Executive Board also informed the Supervisory Board about the most important indicators of business development and existing risks by providing verbal reports.

At its first meeting on **February 24, 2021**, the Supervisory Board adopted the budget for the 2021 financial year. In line with the 2021 draft budget which was submitted in December 2020, this was assessed again and the 2021 budget was determined on the basis of the business development in the first two months of 2021 and the estimate for the 2021 financial year. The new medium-term planning was also presented to the Supervisory Board. Furthermore, a (virtual) Extraordinary General Meeting was held on February 26, 2021 and addressed and resolved on the amendment of the Articles of Association in Section 8 and the supplement to the Articles of Association by adding Section 17 relating to an opting-out clause in accordance with Swiss takeover law.

In the meeting on **March 23, 2021**, the Supervisory Board dealt primarily with the discussion and resolution on the audit and adoption of the 2020 annual financial statements, the 2020 management report, and the audit of the 2020 consolidated financial statements, the 2020 consolidated management report, the corporate governance report and the sustainability report (non-financial report pursuant to Section 267a of the Austrian Commercial Code (UGB)). Furthermore, the Supervisory Board dealt with the agenda and the proposed resolutions, as well as the COVID measures for the Annual General Meeting.

Out of a total of 238 reports (online and print version) examined in the Swiss Annual Report Rating 2021, PIERER Mobility AG was among the top 20 best-rated companies and came fifth in the "Value Reporting" category. The Swiss Annual Report Rating evaluates annual reports of those companies that are represented in the Swiss Performance Index SPI on the SIX Swiss Exchange, as well as the fifty Swiss companies that generate the highest revenue.

The meeting on **May 28, 2021** focused on the course of business over the first four months of 2021, the reports of the group companies, and the financial status. Furthermore, the status of the "Uplifting Bajaj" project and the sale of treasury shares was reported. The Supervisory Board meeting on **August 26, 2021** focused on the 2021 half-year report, the status report on the "Uplifting Bajaj" project, and the revenue forecast for 2021. Due to the continued positive global demand for motorized two-wheelers (motorcycles and e-bicycles), the Executive Board announced on August 26, 2021 that it would again raise the revenue forecast for the 2021 financial year which was published in April 2021. At the meeting on **September 29, 2021**, the Supervisory Board was notified of a current interim assessment of the KTM AG Group, which provides the auditors with a basis for the planned contribution. The Supervisory Board meeting held on **October 19, 2021** dealt with the resolution on the approval of the utilization of the authorized capital and the implementation of the capital increase in return for a contribution in kind as part of the "Uplifting Bajaj" project as well as the resolution on the amendment of the Articles of Association as a result of the utilization of the authorized capital. The last meeting of the 2021 reporting year took place on **December 17, 2021** and dealt with the course of business after eleven months and the outlook for the 2021 financial year as a whole. The Group companies and the financial status were also reported on at this meeting. Furthermore, the budget for 2022 was

presented, discussed and approved. The earnings forecast for the current 2022 financial year of the Pierer Mobility AG Group was published on January 31, 2022.

With regard to the attendance of the Supervisory Board members at the meetings, it is noted that only one Supervisory Board member was excused from one Supervisory Board meeting; all members of the Supervisory Board were present at the other six Supervisory Board meetings. Due to the COVID situation, additional face-to-face meetings were not held in some cases, and resolutions were also discussed by telephone and passed by circular.

In the 2021 financial year, the Supervisory Board addressed the efficiency of its activities, in particular its organization and working method, and carried out a **self-evaluation** within the meaning of C Rule 36 of the Austrian Code of Corporate Governance (ÖCGK).

#### 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 final 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 2021 financial year. The committee was chaired by Supervisory Board member Klaus Rinnerberger (financial expert). In addition, in the 2021 reporting year 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 dialog with the Executive Board and the auditor with regard to the significant topics of the annual and consolidated financial statements. In particular, discussions on the status and on important issues in the final audit were held with the auditor. The meeting in **March 2021** focused on the in-depth discussion of all topics in connection with the 2020 annual financial statements and consolidated financial statements. In addition, the appointment of the auditor for the 2021 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 29, 2021 as a proposal to be voted on. At the meeting in **December 2021**, the auditor provided an overview of the planned process and the focal points of the audit for the 2021 financial year. Furthermore, the provision of the non-audit services of the auditor and its network in the 2022 financial year up to an amount limit was approved in accordance with the Audit Law Amendment Act 2016 and Regulation EU/537/2014.

Furthermore, the Chairman of the Supervisory Board as well as the Chairman of the Audit Committee participated in the final meeting to discuss the audit of the annual and consolidated financial statements as of December 31, 2021 with the auditor.

A **Remuneration Committee** of PIERER Mobility AG was established at the meeting of the Supervisory Board of PIERER Mobility AG on December 20, 2021, and therefore held its inaugural meeting in the 2021 financial year. As the Supervisory Board consists of no more than six members, the tasks of the Nomination Committee are performed by the entire Supervisory Board.

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

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, (“KPMG”) was appointed by the Annual General Meeting of PIERER Mobility AG on April 29, 2021 as auditor of the financial statements and consolidated financial statements for the 2021 financial year. The Chairman of the Supervisory Board commissioned KPMG to conduct the audit. The annual financial statements and the management report for the 2021 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 2021 financial year. The audit did not give rise to any objections and the annual and consolidated financial statements for the 2021 financial year were granted an unqualified audit opinion.

The auditor confirmed that the company's annual financial statements as at December 31, 2021 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, 2021, 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, 2021, 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 31st 2021”) were discussed in detail with the auditors in the Audit Committee in the meeting held on March 22, 2022 and subsequently 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). 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 final audit. The Audit Committee discussed and reviewed the summarized “non-financial report”. All questions relating to this were answered by the Executive Board. In addition, an independent limited assurance engagement on the consolidated non-financial report pursuant to Section 267a of the Austrian Commercial Code (UGB) was performed by KPMG again in the last financial year.

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 2021 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. In the 2022 financial year, risk reporting and reporting on CSR & sustainability will be further expanded in the Audit Committee.

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 for the 2021 financial year, also gives no reason for any objections. Having been accepted by the Supervisory Board, the annual financial statements for the 2021 financial year can be deemed to have been approved pursuant to Section 96 (4) of the Austrian Stock Corporation Act (AktG). The Supervisory Board acknowledged the consolidated financial statements and the consolidated management report for the 2021 financial year. In the 2021 financial year, the Executive Board and Supervisory Board again paid attention to the further development of corporate governance at PIERER Mobility AG. Awareness of, as well as a commitment to, the principles set out in the Code of Conduct and Compliance Guidelines was consistently promoted and expanded over the course of the 2021 financial year.

The Supervisory Board examined and approved the corporate governance report and the sustainability report (non-financial report pursuant to Section 267a of the Austrian Commercial Code (UGB)) for the 2021 financial year. Furthermore, the Supervisory Board has prepared a remuneration report together with the Management Board pursuant to Section 78c of the Austrian Stock Corporation Act (AktG). The Supervisory Board concurs with the Executive Board with regard to the proposal concerning the distribution of the net profit achieved during the 2021 financial year.

Moreover, at the recommendation of the Audit Committee, a proposal for the appointment of the auditor for the 2022 financial year was prepared for the 25th Annual General Meeting. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, is proposed as auditor for the financial year commencing on January 1, 2022 and ending on December 31, 2022.

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 2022

Chairman of the Supervisory Board



Josef Blazicek