

**KTM**

Industries AG ■

# REPORT Q1-3 2016



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## REVENUES

**+10%**  
+10%

## EBITDA

**+11%**  
+11%

## EBIT

**+7%**  
+7%

## EMPLOYEES

**+10%**  
+10%

# FIGURES

## Earnings Figures

		Q1-3 2015	Q1-3 2016	Change in %
Revenues	in m€	912.8	1,001.0	10
EBITDA	in m€	134.8	149.2	11
EBIT	in m€	89.7	95.8	7
Earnings for the period	in m€	50.7	61.4	21
EBITDA margin		14.8%	14.9%	-
EBIT margin		9.8%	9.6%	-

## Balance Sheet Figures

		Dec. 31, 2015	Sep. 30, 2016	Change in %
Balance sheet total	in m€	1,177.6	1,342.9	14
Equity	in m€	386.6	409.9	6
Equity ratio		32.8%	30.5%	-
Net debt	in m€	387.4	444.3	15
Gearing		100.2%	108.4%	-

## Employees

		Dec. 31, 2015	Sep. 30, 2016	Change in %
Number of employees as of reporting date (incl. contract workers and externals)		4,553	4,996	10





# INTERIM CONSOLIDATED MANAGEMENT REPORT

for the first three quarters of 2016



## Company

The KTM Industries Group is a leading Austrian vehicle group with a strategic focus on the global automotive niche segment. With its worldwide renowned brands KTM, Husqvarna Motorcycles, WP and Pankl the group is among the technology and market leaders in each niche. Within the group there is a high degree of technological network, which is, in this form, unique in Europe. Strategic partnerships at an operational level strengthen the competitiveness in the respective markets. All these factors are the basis for the high innovation level of KTM Industries Group and ensure the organic growth course sustainably.

In the course of an extraordinary shareholders meeting in July 2016 the renaming of the company from CROSS Industries AG to „KTM Industries AG“ was resolved and registered with the company register on July 29, 2016.

KTM Industries Group continues its successful course in its current financial year. In the first nine months 2016 record revenues in the amount of EUR 1 billion could be achieved. The growth in revenues was primarily driven by the positive development of the operating companies KTM AG, WP AG and Pankl Racing Systems AG. In the first three quarters 2016 they were above the previous year's level concerning revenues and EBIT.

In addition, the current business year was characterized by additional acquisitions of shares in Pankl Racing Systems AG, which thereby strengthens its strategic position effectively within the KTM Industries Group. In the first nine months KTM Industries AG increased its current share in Pankl Racing Systems AG from previous 55.9% to 92.6%.

In its capital market activities, the KTM Industries Group will intensify the focus on the stock exchange listing of KTM Industries AG. A delisting of the two subsidiaries KTM AG and WP AG was conducted in order to establish a leaner capital market structure. The free float in both entities was considerably below the threshold of one per cent. To the free float shareholders of KTM AG and WP AG tender offers had been submitted as accompanying measures in order to enable an exit from the companies. Shareholders, who did not accept the tender offers, are still shareholders of KTM AG and WP AG.

Effective as of the end of June 10, 2016 the WP-share was withdrawn from the Regulated Market (Geregelter Freiverkehr) of the Vienna Stock Exchange. Effective as of the end of June 24, 2016 the KTM-share was withdrawn from the Third Market (Dritter Markt) of

the Vienna Stock Exchange. After completion of the delistings of KTM AG and WP AG a conversion from bearer shares into registered shares is in progress. The necessary resolutions were passed during the extraordinary shareholders meetings of the companies in July 2016. The corresponding information has already been published on the websites of KTM AG and WP AG and distributed through the custodian banks. The registration of the shareholders in the share register of both companies is in progress.

The shares of KTM Industries AG are listed in the Official Market (Amtlicher Handel) (Segment prime market) of the Vienna Stock Exchange. KTM Industries AG intends a further listing of its issued shares at the Stock Exchange in Zurich, Switzerland. The respective preparation activities in accordance with the capital market requirements are currently being undertaken. The shares of KTM Industries AG are expected to be listed on November 14, 2016 on the SIX Swiss Exchange. Through the listing on SIX, KTM Industries expects a better access to Swiss and international institutional investors.

## Employees

The employee development within the group is very positive. In the first three quarters 2016 additional 443 employees could be hired, thereof 374 in Austria. As of September 30, 2016 the number of employees amounted to 4,996.

## Economic environment

According to the report of the International Monetary Fund (IMF) as of October 2016, the global economic growth will increase by 3.1% in 2016, unchanged to the prognosis of July 2016. However, the prognosis of April 2016 showed a growth rate of 3.2% and the prognosis of January 2016 showed 3.4%.

For advanced economies, a growth rate of 1.6% is projected for the current year and 1.8% for the next year. For the Euro area, a development of 1.7% is projected for 2016. For the year 2017, the IMF anticipates a global economic growth of 3.4% and for the Euro area a moderate growth of 1.5%.

For emerging markets and developing economies, a growth in economic output of 4.2 % is projected for the year 2016 and 4.6 % for the year 2017. For China, a growth rate of 6.6 % for the year 2016 and 6.2 % for the year 2017 is projected. The highest growth rate is expected for India, with 7.6 % for the current and the next year.



Brad Binder KTM RC 250 GP Phillip Island 2016

## Revenues and earnings

In the first three quarters of 2016 the KTM Industries Group achieved revenues in the amount of 1,001.0 m€ (previous year: 912.8 m€) and an EBIT in the amount of 95.8 m€, which increased by approximately 7% compared to the same period in the previous year (previous year: 89.7 m€).



The **KTM Group** was able to increase sales in the first three quarters 2016 to 151,621 vehicles (+12.0% to the previous year), including the sold motorcycles by KTM's partner Bajaj in India (200 Duke and 390 Duke, RC 200 and RC 390). The revenues increased to 850.2 m€ (+12.0% compared to previous year). Through this rise in sales and revenues KTM could increase its EBIT to 78.9 m€ compared to 76.1 m€ in the previous year (+3.7% to the previous year) and thus achieved an EBIT margin of 9.3% in the first three quarters 2016.



The **WP Group** increased revenues in the first three quarters of 2016 by around 14% from 106.2 m€ in the comparison period of the previous year to a total of 121.1 m€. The increase in revenues was noted in almost all business segments and product groups. As a consequence of the higher revenues, the operating EBIT before extraordinary business transactions increased by approximately 5% compared to the previous year and amounted to 7.7 m€ in the first three quarters (previous year: 7.3 m€). Due to the disposal of a non-operating property and various other fixed assets, an extraordinary income in the amount of 3.3 m€ was achieved. Also, extraordinary expenditures in the amount of 1.6 m€ were recorded. In total, this led to an EBIT of 9.4 m€. Therefore, the EBIT margin increased from 6.9% to 7.8%. Adjusted for the extraordinary result an operating EBIT margin of 6.4% could be achieved. Purchase prices, especially within Asia, are still under pressure and lead to a burden of the operating margin.



The **Pankl Group** achieved revenues in the amount of 138.6 m€ in the nine months of the business year 2016 and could therefore increase its revenues by 7.0% compared to the previous year's period (previous year: 129.6 m€). The racing business of the Racing/High Performance Segment grew strongly and also the high performance business continued to grow. The market environment in the Aerospace Segment continued to be very difficult. Compared to the previous year, the EBIT increased by 27.4% from 8.0 m€ in the first nine months 2015 to 10.2 m€ in the first nine months of the business year 2016. The EBIT margin amounted to 7.4% (previous year: 6.2%).

## Balance sheet and financial position

The balance sheet total of the KTM Industries Group increased from 1,177.6 m€ to 1,342.9 m€ compared to the consolidated financial statements of December 31, 2015 which is mainly attributable to the growth-related increase in trade receivables and advance payments to suppliers. As of balance sheet date September 30, 2016 equity increased to 409.9 m€ compared to 386.6 m€ as of December 31, 2015. In the first three quarters 2016 the acquisitions of shares in companies in the amount of 57.2 m€ reduced the equity. This was, however, largely compensated by the issuance of a perpetual bond in the amount of 40.0 m€, which is recognized in equity. Due to the positive result for the period in the amount of 61.4 m€ less dividends in the amount of 18.0 m€, the equity developed overall positive in the first nine months 2016. The net debt amounted to 444.3 m€ at the end of September 2016.

## Cash flow

Cash flow from operating activities amounted to 67.4 m€ in the first three quarters 2016 and was above the previous year's level of 16.7 m€. The improvement of the cash flow from operating activities is attributable to the positive group results as well as to the various measures of improving the working capital, compared to the previous year's development. The cash flow from investing activities amounted to -96.3 m€ in the first nine months of the current business year. Taking into account the cash flow from financing activities in the amount of 98.1 m€, the liquid funds increased by 69.2 m€ (including foreign currency effects in the amount of -0.1 m€) to 204.3 m€ in the first three quarters of 2016 compared to December 31, 2015.

## Development of the KTM Industries share

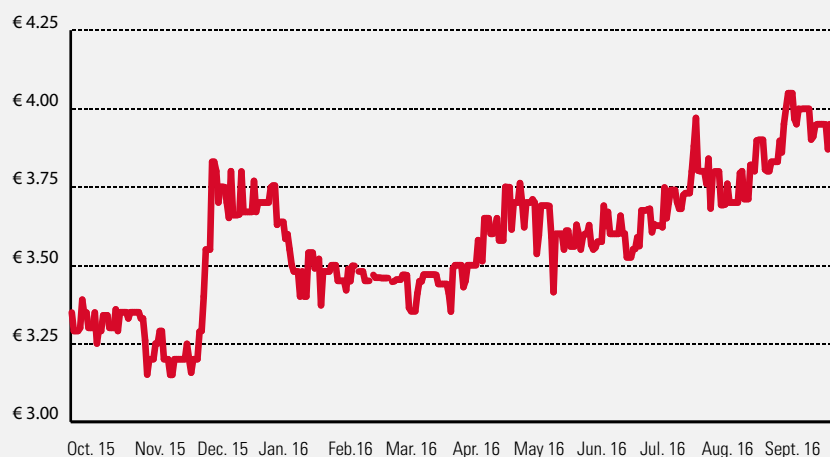
The KTM Industries share showed a very gratifying development during the last twelve months. During the first three quarters the share price rose almost steadily and closed at € 3.95 on the last trading day (September 30, 2016). As of September 30, 2016 the market capitalization for 225,386,742 shares admitted for trading amounted to 890.3 m€. The highest closing price during the first nine months 2016 was € 4.05; the lowest was € 3.15.

### Shareholder structure as of September 30, 2016

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

### Development of the KTM Industries share

Oct. 1, 2015 - Sep. 30, 2016



HIGHEST-PRICE  
**4.05**  
↑ '02

## Risk report

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

## Related party transactions

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

## Significant events after the period under review

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

## Outlook

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

In the view of the current order situation the Management's assessment predicts a further positive development for the remaining business year 2016. As in the previous years the markets on the different continents will develop differently in the future. Therefore, continuous assessment and critical evaluation of the market-, production- and cost situation is emphasized in order to take immediate action for stabilizing the striven profit situation if necessary. For the business year 2016 the group expects revenues of about 1.3 bn€ and an EBIT between 115 and 120 m€.

Within the **KTM Group** the planned investments for 2016 remain at a high level. In 2016 work began on the construction of the KTM Experience World in Mattighofen, which will include a museum and an demonstration workshop. Furthermore, KTM is investing around 25.0 m€ at the location in Mattighofen for the expansion of the research and development activities. In the medium-term, there will be 100 new, high qualified workplaces at the location in Mattighofen due to this expansion investment. The total investment should be completed until the end of 2017. KTM will make its debut in the MotoGP racing series in 2017. The team was unveiled in August 2016 at the Austrian Grand Prix, which was held at the Red Bull Ring in Spielberg.

For the business year 2016 the **WP Group** expects a significant increase in revenues compared to the previous year. Due to the extraordinary effect on earnings resulting from the sale of property and various other fixed assets in the first three quarters 2016, a better result than in the previous year is expected for 2016. In order to enable the planned growth process of the WP Group, the expansion of the manufacturing capacities is of central significance. In this context, the construction of a new exhaust manufacturing, a development center for exhaust and framework systems and the WP motorsports center started in 2015. The exhaust manufacturing was completed as scheduled in July. The completion of the development and motorsports center is planned in stages until November 2016.

Due to the current order situation for the remaining months of the business year 2016 and despite increasing volatility in the high performance segment and an ongoing adverse market environment in the civil helicopter business, **Pankl Group** expects a solid result for the fourth quarter 2016. Preparations for the 2017 start of production at the new high performance drivetrain facility are running at full speed according to plan.



Wels, on November 11, 2016

**The Management Board of KTM Industries AG**



A handwritten signature in black ink, appearing to read 'Pierer'.

Stefan Pierer, CEO



A handwritten signature in black ink, appearing to read 'Roithner'.

Friedrich Roithner, CFO



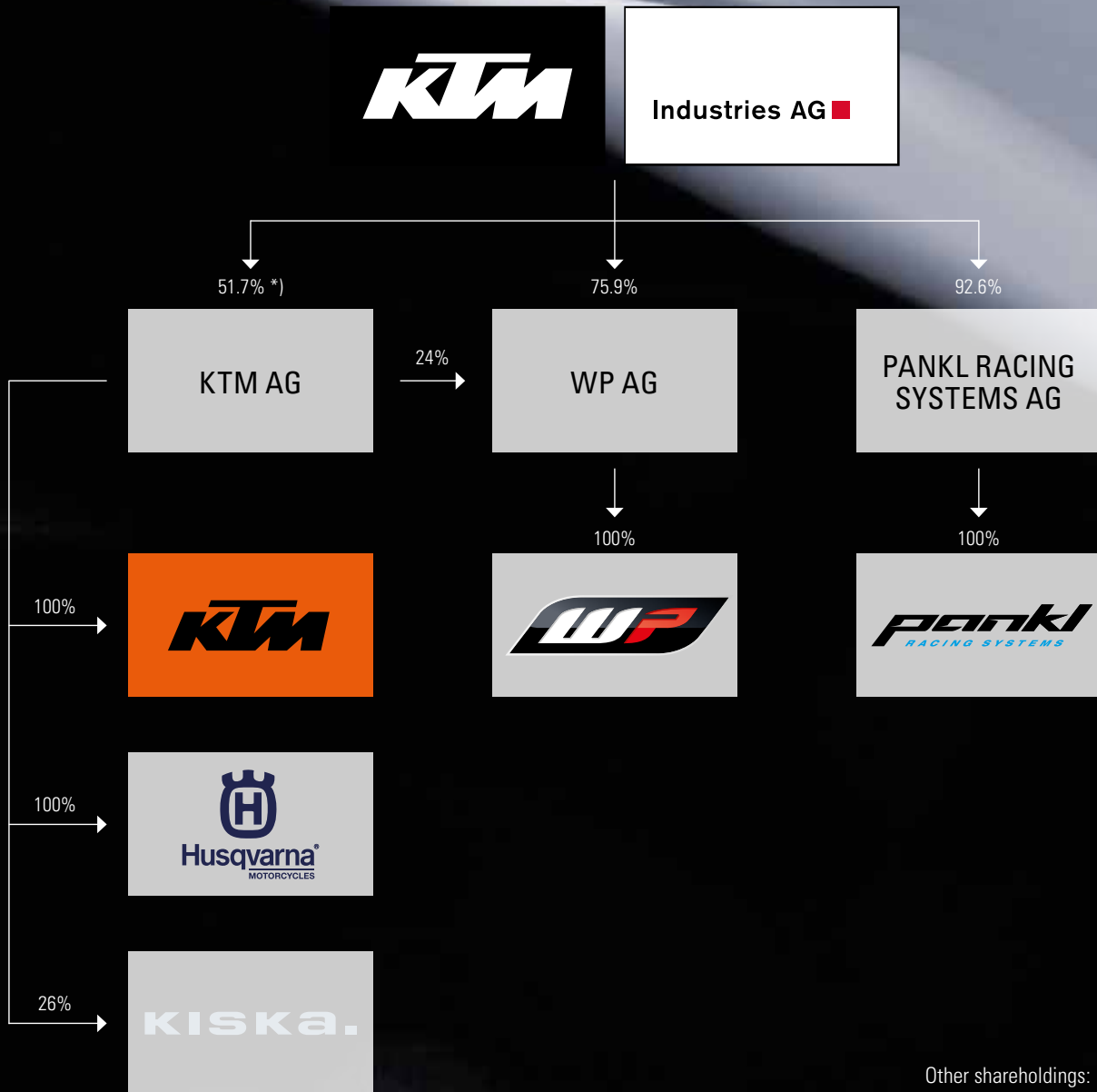
A handwritten signature in black ink, appearing to read 'Alfred Hörtenhuber'.

Alfred Hörtenhuber



A handwritten signature in black ink, appearing to read 'Plasser'.

Wolfgang Plasser



Other shareholdings:

K KraftFahrZeug Holding GmbH	100%
(formerly: CROSS KraftFahrZeug Holding GmbH)	100%
PF Beteiligungsverwaltungs GmbH	100%
AGM Durmont Austria GmbH	24%
(formerly: Durmont Teppichbodenfabrik GmbH)	24%
Wethje Carbon Composites GmbH	18%
ACstyria Autocluster GmbH	12.3%

\*) indirectly through K KraftFahrZeug Holding GmbH

# GROUP

## STRUCTURE

Simplified presentation,  
September 30, 2016









# KTM AG (51.7%)

## Business performance

The implementation of the global product strategy as well as the expansion into further Asian and South American markets has been consistently pursued in the first nine months of 2016. In the first three quarters 2016 KTM reported a pleasing business performance and thus achieved consolidated revenues amounting to 850.2 m€ (+12.0% compared to the previous year). Taking into account the 200 Duke, 390 Duke, RC 200 and RC 390 sold by the partner Bajaj in India, 151,621 vehicles were sold worldwide in the first nine months 2016 (+12.0% compared to previous year). In the first nine months of 2016 KTM showed an EBITDA of 118.3 m€ (+10.8% compared to previous year) and an EBIT of 78.9 m€ (+3.7% compared to previous year).

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

As of September 30, 2016 the number of employees amounted to 2,869.

## KTM share

K KraftFahrZeug Holding GmbH (formerly: CROSS KraftFahrZeug Holding GmbH) submitted a public purchase offer to all shareholders of free float shares of KTM as accompanying measure to the delisting of the shares of KTM AG from the Third Market (MTF) of the Vienna Stock Exchange. The offer price amounted to €22.5 per share. Until the end of the Acceptance Period on June 10, 2016, there have been 22,490 shares of KTM AG submitted for sale; this equals to approximately 0.21% of the share capital of KTM AG. Effective as of the end of June 24, 2016 the KTM-share was withdrawn from the Third Market (Dritter Markt) of the Vienna Stock Exchange.

## Outlook

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

## KTM figures

<b>Earnings figures</b>		<b>Q1-3 2015</b>	<b>Q1-3 2016</b>	<b>Chg. in %</b>
Revenues	in m€	759.1	850.2	12%
EBITDA	in m€	106.8	118.3	11%
EBIT	in m€	76.1	78.9	4%
Earnings after taxes	in m€	50.8	54.2	7%

<b>Balance sheet figures</b>		<b>Dec. 31, 2015</b>	<b>Sep. 30, 2016</b>	<b>Chg. in %</b>
Balance sheet total	in m€	848.9	996.3	17%
Equity	in m€	379.8	411.2	8%
Equity ratio		44.7%	41.3%	-
Net debt	in m€	97.2	148.8	53%
Gearing		25.6%	36.2%	-

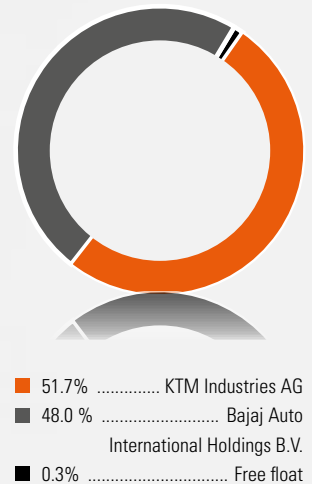
  

<b>Stock exchange figures</b>		<b>Dec. 31, 2015</b>	<b>Sep. 30, 2016</b>	<b>Chg. in %</b>
Number of shares	share	10,845,000	10,845,000	-
Market capitalization	in m€	1,323.1	*)	-
Closing price	in €	122.0	*)	-

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



Shareholder structure KTM AG (September 30, 2016)











# WP AG (88.3%)

## Business performance

The WP Group's operating business developed very successful in the first three quarters 2016. Compared to the record year 2015, revenues increased again by 14% to a new peak value in the amount of 121.1 m€. This increase in revenues could be realized in almost all business segments and product groups. In total, the EBIT of WP AG amounted to about 9.4 m€ in the first nine months 2016. Prior consideration of extraordinary business transactions in the amount of 1.7 m€, an operating EBIT of 7.7 m€ was achieved. This extraordinary result includes, among others, the disposal of a non-operating property.

In July 2016 the segments research & development and factory racing were taken over by KTM Group for strategic reasons. Since then, a project group has been implemented, which is responsible for a smooth integration of the mentioned segments into the KTM Group.

As of September 30, 2016 the number of employees amounted to 640.

## WP share

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

## Outlook

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

## WP figures

<b>Earnings figures</b>		<b>Q1-3 2015</b>	<b>Q1-3 2016</b>	<b>Chg. in %</b>
Revenues	in m€	106.2	121.1	14%
EBITDA	in m€	10.2	12.6	24%
EBIT	in m€	7.3	9.4	29%
Earnings after taxes	in m€	5.5	7.8	42%

<b>Balance sheet figures</b>		<b>Dec. 31, 2015</b>	<b>Sep. 30, 2016</b>	<b>Chg. in %</b>
Balance sheet total	in m€	99.6	106.6	7%
Equity	in m€	42.3	47.0	11%
Equity ratio		42.4%	44.1%	-
Net debt	in m€	20.0	30.7	53%
Gearing		47.3%	65.3%	-

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

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



Shareholder structure WP AG (September 30, 2016)







# PANKL RACING SYSTEMS AG (92.6%)

## Business performance

In the first nine months of 2016, Pankl Group achieved record revenues in the amount of 138.6 m€, which was an increase of 7.0%. The group achieved a significant improvement in operating earnings (EBIT). In the first three quarters of the business year 2016, EBIT increased by 27.4% from 8.0 m€ to 10.2 m€, which corresponds to an EBIT margin of 7.4%. This was due to ongoing good utilization in the high performance business and a stable motor racing business. The market environment in the aerospace segment continued to be difficult.

In the first nine months 2016 in the segment racing/high performance, revenues increased by 7.5% to 120.4 m€. The operating earnings (EBIT) increased by 42.7% to 9.3 m€ in the first nine months 2016, compared to the previous year's level. Due to ongoing adverse market environment for helicopters, aerospace segment orders remained at weak levels. Nevertheless, revenues increased by 5.9% to 18.7 m€ in the first nine months 2016. The operating earnings (EBIT) amounted to 0.6 m€ (previous year: 0.5 m).

As of September 30, 2016 the number of employees amounted to 1,476.

## Pankl share

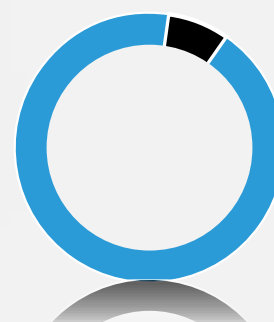
During the nine-month period under review the highest closing price was € 35.0; the lowest was € 26.5. As of September 30, 2016 the Pankl share closed at € 33.5. The market capitalization for 3,150,000 shares admitted for trading amounted to € 105.5 m.

## Outlook

Profitability improved over proportionally due to a more favorable product mix and significant productivity improvements in the first nine months. The helicopter market, which was extremely difficult, seems to have reached a bottom and started to stabilize at low levels. Due to current order situation Pankl expects solid results in the fourth quarter.



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



■ 92.6% ..... KTM Industries AG  
 ■ 7.4% ..... Free float

## PANKL figures

<b>Earnings figures</b>		<b>Q1-3 2015</b>	<b>Q1-3 2016</b>	<b>Chg. in %</b>
Revenues	in m€	129.6	138.6	7%
EBITDA	in m€	18.0	19.9	11%
EBIT	in m€	8.0	10.2	27%
Earnings after taxes	in m€	5.0	6.8	35%

<b>Balance sheet figures</b>		<b>Dec. 31, 2015</b>	<b>Sep. 30, 2016</b>	<b>Chg. in %</b>
Balance sheet total	in m€	182.3	187.5	3%
Equity	in m€	82.9	76.3	-8%
Equity ratio		45.4%	40.7%	-
Net debt	in m€	69.1	69.1	0%
Gearing		83.4%	90.5%	-

<b>Stock exchange figures</b>		<b>Dec. 31, 2015</b>	<b>Sep. 30, 2016</b>	<b>Chg. in %</b>
Number of shares	share	3,150,000	3,150,000	-
Market capitalization	in m€	86.6	105.5	22%
Closing price	in €	27.5	33.5	22%

## CONSOLIDATED INTERIM FINANCIAL STATEMENTS UNDER IFRS

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

<b>Consolidated balance sheet as at September 30, 2016</b>	<b>Sep. 30, 2016</b>	<b>Dec. 31, 2015</b>
<b>Assets in k€</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	293,036	276,093
Goodwill	117,458	117,724
Intangible assets	234,422	207,805
Financial assets accounted for using the equity method	3,674	3,968
Deferred tax assets	5,577	7,160
Receivables from affiliated companies	245	105
Other non-current assets	28,703	26,360
	<b>683,115</b>	<b>639,215</b>
<b>Current assets:</b>		
Inventories	224,595	242,678
Trade receivables	142,976	110,831
Receivables from affiliated companies	3,494	6,084
Receivables and other assets	84,447	42,797
Cash and cash equivalents	204,276	135,124
Assets held for sale	0	855
	<b>659,788</b>	<b>538,369</b>
	<b>1,342,903</b>	<b>1,177,584</b>

<b>Consolidated balance sheet as at September 30, 2016</b>	<b>Sep. 30, 2016</b>	<b>Dec. 31, 2015</b>
<b>Consolidated equity and liabilities</b> in k€		
<b>Consolidated equity:</b>		
Share capital	225,387	225,387
Capital reserves	9,798	9,798
Perpetual bond	40,000	0
Other reserves including retained earnings	-38,246	-38,516
<b>Equity of the owner of the parent company</b>	<b>236,938</b>	<b>196,669</b>
Non-controlling interests	172,964	189,947
	<b>409,902</b>	<b>386,616</b>
<b>Non-current liabilities:</b>		
Financial liabilities	490,669	465,224
Employee benefits	23,239	20,905
Deferred tax liabilities	39,584	38,313
Other non-current liabilities	11,127	8,471
	<b>564,619</b>	<b>532,913</b>
<b>Current liabilities:</b>		
Financial liabilities	157,939	57,343
Trade liabilities	106,767	111,399
Liabilities to affiliated companies	841	2,158
Provisions	11,817	10,226
Tax liabilities	4,919	1,643
Other current liabilities	86,099	75,286
	<b>368,382</b>	<b>258,055</b>
	<b>1,342,903</b>	<b>1,177,584</b>

**Consolidated income statement  
for the first nine months 2016**

	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015
from January 1, 2016 until September 30, 2016 in k€				
Revenues	324,117	288,290	1,001,025	912,799
Cost of goods sold	-220,730	-194,639	-688,250	-630,476
<b>Gross profit</b>	<b>103,387</b>	<b>93,651</b>	<b>312,775</b>	<b>282,323</b>
Sales and racing expenses	-42,673	-38,818	-124,665	-114,578
Research and development expenses	-7,784	-4,304	-19,899	-12,177
Administration expenses	-19,139	-17,301	-57,379	-52,780
Other operating expenses	-8,146	-5,856	-20,396	-15,711
Other operating income	550	726	5,402	2,648
<b>Earnings from operating activities</b>	<b>26,195</b>	<b>28,098</b>	<b>95,838</b>	<b>89,725</b>
Interest income	475	451	1,233	1,028
Interest expenses	-5,251	-4,807	-14,500	-13,216
Earnings from at-equity holdings	56	-1,732	185	-2,327
Other financial and investment income	-225	-1,469	-1,990	-3,378
<b>Earnings before taxes</b>	<b>21,250</b>	<b>20,541</b>	<b>80,766</b>	<b>71,832</b>
Income taxes	-5,664	-7,533	-19,381	-21,169
<b>Earnings for the period</b>	<b>15,587</b>	<b>13,008</b>	<b>61,385</b>	<b>50,663</b>
thereof owner of the parent company	8,553	4,565	33,862	23,682
thereof non-controlling interests	7,034	8,443	27,523	26,981
<b>Undiluted (=diluted) earnings per share (EUR)</b>	<b>0.04</b>	<b>0.02</b>	<b>0.15</b>	<b>0.11</b>

**Consolidated statement of comprehensive income  
for the first nine months 2016**

	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015
from January 1, 2016 until September 30, 2016 in k€				
<b>Other income</b>				
<b>Items that were reclassified into the income statement or that can be reclassified afterwards</b>				
Currency translation of foreign subsidiaries	-1,323	-1,070	-3,015	2,039
Valuation of cash flow hedges	-476	4,832	1,065	5,591
Deferred tax on the valuation of cash flow hedges	119	-1,208	-266	-1,398
	-1,680	2,554	-2,216	6,232
<b>Items that can not be reclassified into the income statement</b>				
Revaluation of the net debt from defined benefit plans	103	-7	-1,160	-20
Tax effect	-26	2	290	5
	77	-5	-870	-15
<b>Other income after taxes</b>	<b>-1,603</b>	<b>2,549</b>	<b>-3,086</b>	<b>6,217</b>
<b>Comprehensive income</b>	<b>13,984</b>	<b>15,557</b>	<b>58,299</b>	<b>56,880</b>
thereof owner of the parent company	6,369	5,840	30,623	26,682
thereof non-controlling interests	7,615	9,717	27,676	30,198



<b>Condensed consolidated cash flow statement as at September 30, 2016</b>	<b>Q1-Q3 2016</b>	<b>Q1-Q3 2015</b>
in TEUR		
<b>Operating activities</b>		
<b>Earnings for the period</b>	<b>61,385</b>	<b>50,663</b>
+/- Interest expenses / interest income	13,267	12,188
+ Tax expenses	19,381	21,169
+/- Depreciation / amortization of property, plant and equipment and intangible assets	53,312	46,493
+/- Other non-cash expenses (income)	-5,726	2,660
+ Interest received	1,121	1,014
- Interest paid	-11,146	-9,094
- Tax payments	-9,604	-6,932
<b>Gross cash flow</b>	<b>121,990</b>	<b>118,161</b>
-/+ Increase (decrease) of the net current assets	-54,594	-101,495
<b>Cash flow from operating activities</b>	<b>67,396</b>	<b>16,666</b>
<b>Investing activities</b>		
- Payments made for the acquisition of intangible assets and property, plant and equipment	-103,153	-83,901
+ Payments received from the disposal of intangible assets and property, plant and equipment	6,074	1,457
+/- Payments received/made from other assets	801	3,329
<b>Cash flow from investing activities</b>	<b>-96,278</b>	<b>-79,115</b>
<b>Financing activities</b>		
- Dividend payments to third parties	-17,950	-14,676
+/- Disposal/acquisition on non-controlling interests	-47,273	-12,152
+ Raise of a promissory note loan	119,540	56,500
+ Raise of a research loan	0	45,000
+ Raise of a perpetual bond	40,000	0
- Repayment perpetual bond	-1,010	-58,990
- Repurchase of own bonds	-7,100	0
+/- Increase (decrease) in other financing activities	11,915	27,368
<b>Cash flow from financing activities</b>	<b>98,122</b>	<b>43,050</b>
<b>Total cash flow</b>	<b>69,240</b>	<b>-19,399</b>
+ Opening balance of liquid funds within the group	135,124	89,404
+ Effect of foreign currency fluctuations	-88	-1,933
<b>Closing balance of liquid funds within the group</b>	<b>204,276</b>	<b>68,072</b>

**Consolidated statement of changes in equity**

in k€

	Share capital	Capital reserves	Perpetual Bond	Reserves including retained earnings
<b>As at January 1, 2016</b>				
<b>Comprehensive income</b>	<b>225,387</b>	<b>9,798</b>	<b>0</b>	<b>-36,789</b>
Earnings for the period	0	0	0	33,862
Other income	0	0	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,862</b>
<b>Transactions with shareholders</b>				
Dividends to third parties	0	0	0	-6,760
Acquisition/disposal of shares in subsidiaries	0	0	0	-23,740
Perpetual bond	0	0	40,000	0
Treasury shares	0	0	0	80
<b>As at September 30, 2016</b>	<b>225,387</b>	<b>9,798</b>	<b>40,000</b>	<b>-33,347</b>
<b>As at January 1, 2015</b>				
<b>Comprehensive income</b>	<b>1,332</b>	<b>137,825</b>	<b>58,987</b>	<b>11,425</b>
Earnings for the period	0	0	0	23,682
Other income	0	0	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,682</b>
<b>Transactions with shareholders</b>				
Dividends to third parties	0	0	0	-5,313
Merger into BF HOLDING AG	224,055	-128,027	0	-70,805
Acquisition/disposal of shares in subsidiaries	0	0	0	-2,600
Repurchase perpetual bond	0	0	-57,994	-996
Treasury shares	0	0	0	0
<b>As at September 30, 2015</b>	<b>225,387</b>	<b>9,798</b>	<b>993</b>	<b>-44,607</b>

IAS 39 reserve	IAS 19 reserve for actuarial losses	Currency translation adjustments	Reserve for treasury shares	Total	Non-controlling interests	Consolidated equity total
<b>14</b>	<b>-3,401</b>	<b>1,761</b>	<b>-101</b>	<b>196,669</b>	<b>189,947</b>	<b>386,616</b>
0	0	0	0	33,862	27,523	61,385
398	-582	-3,055	0	-3,239	153	-3,086
<b>398</b>	<b>-582</b>	<b>-3,055</b>	<b>0</b>	<b>30,623</b>	<b>27,676</b>	<b>58,299</b>
0	0	0	0	-6,760	-11,190	-17,950
0	0	0	0	-23,740	-33,469	-57,209
0	0	0	0	40,000	0	40,000
0	0	0	66	146	0	146
<b>412</b>	<b>-3,983</b>	<b>-1,294</b>	<b>-35</b>	<b>236,938</b>	<b>172,964</b>	<b>409,902</b>
<b>-2,303</b>	<b>-3,544</b>	<b>605</b>	<b>0</b>	<b>204,327</b>	<b>166,601</b>	<b>370,928</b>
0	0	0	0	23,682	26,981	50,663
2,172	-10	838	0	3,000	3,217	6,217
<b>2,172</b>	<b>-10</b>	<b>838</b>	<b>0</b>	<b>26,682</b>	<b>30,198</b>	<b>56,880</b>
0	0	0	0	-5,313	-9,364	-14,677
0	0	0	0	25,223	-1,514	23,709
0	0	0	0	-2,600	-9,552	-12,152
0	0	0	0	-58,990	0	-58,990
0	0	0	-118	-118	0	-118
<b>-131</b>	<b>-3,554</b>	<b>1,443</b>	<b>-118</b>	<b>189,211</b>	<b>176,369</b>	<b>365,580</b>

# CONDENSED NOTES

to the consolidated financial statements for the first three quarters 2016

## Company

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

KTM Industries Group is a leading Austrian vehicle group with a strategic focus on the global automotive niche segment. With its worldwide renowned brands KTM, Husqvarna Motorcycles, WP and Pankl the group is among the technology and market leaders in each niche.

During the first three quarters 2016 KTM Industries AG increased its share in Pankl Racing Systems AG by 36.8% and in KTM AG by 0.4%. The share in WP AG decreased by 1.2%.

As of September 30, 2016 the major shareholdings are

- KTM AG, Mattighofen, with 51.7%
- WP AG, Munderfing, with 88.3% (thereof 75.9% directly) as well as
- Pankl Racing Systems AG, Kapfenberg, with 92.6%

## Accounting principles

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

These condensed interim consolidated financial statements for the first nine months 2016 were neither audited nor reviewed by an auditor.

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

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

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

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

The accounts of the companies included in the condensed interim consolidated financial statements, are subject to uniform accounting principles. These principles were applied by all companies included in the consolidated financial statements. Pursuant to IAS 34, income tax expenses for the interim consolidated financial statements have been calculated using the average annual tax rate expected for the business year as a whole.



## Accounting rules

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

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

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

## Scope of consolidation

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

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

	Fully consolidated companies	At equity companies
As at December 31, 2015	62	5
Additions to the scope of consolidation	1	0
Disposals from the scope of consolidation	-3	-2
<b>As at September 30, 2016</b>	<b>60</b>	<b>3</b>
thereof foreign companies	39	2

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

So far, KTM AG held a participation of 10% in Oberbank Mattigtal Immobilienleasing GmbH, Linz. In September 2016, KTM acquired further 84% of the company. The name has been changed to KTM Logistikzentrum GmbH and the registered office has been relocated to Mattighofen. As a result, KTM AG holds 94% of shares and the company is included in the group financial statements by full consolidation.

As of January 4, 2016 Pankl Holdings, Inc. increased its share in CP-CARRILLO, Inc. (formerly: CP-CARRILLO, LLC) and in Performance Equipment Company, LLC from 70% to 100%. Subsequently all assets and liabilities of the Performance Equipment Company, LLC were taken over by CP-CARRILLO, Inc. The company was subsequently liquidated. Furthermore, during the current business year all assets and liabilities of Pankl Engine Systems Inc. and Carrillo Acquisitions Inc. were taken over by CP-CARRILLO Inc. and both companies were also liquidated subsequently.

On May 2, 2016 Pankl Aerospace Systems Europe GmbH acquired 100% of S-Beschichtungstechnik GmbH. This company was merged with Pankl Aerospace Systems Europe GmbH retroactively to January 1, 2016.

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

## Estimates

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

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

## Seasonality

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

## Notes to the consolidated income statement

In the first three quarters 2016 the consolidated revenues amounted to 1,001.0 m€. This corresponds to an increase of 88.2 m€ respectively 9.7% compared to the same period of the previous year. The KTM Group (+12.0%), the WP Group (+14.0%) as well as the Pankl Group (+7.0%) achieved growth in revenues. Within the KTM Industries Group the EBIT for the first three quarters 2016 increased by 6.8% to 95.8 m€ compared to the previous year. This corresponds to an EBIT margin of 9.6% (previous year: 9.8%). The EBIT includes an income deriving from the sale of a non-operating property and various other fixed assets in the amount of 3.3 m€.

The earnings after taxes amounted to 61.4 m€ (+21.2% to the previous year). Thereof KTM Group achieved a result in the amount of 54.2 m€, WP Group 7.8 m€ and Pankl Group 6.8 m€. The other companies (incl. consolidation effects) achieved a result in the amount of -7.4 m€.

## Notes to the consolidated statement of comprehensive income

The currency-translation differences that have no effect on income, in the amount of -3.0 m€ in the reporting period (including non-controlling interests) result mainly from the US Dollar as well as the British Pound. In the reporting period the cash flow hedge reserve increased the equity by 0.8 m€. Furthermore, actuarial losses in the amount of -0.9 m€ are recorded in equity.

## Earnings per share

The number of shares of KTM Industries AG amounts to 225,386,742. As of September 30, 2016 the company held 21,000 treasury shares (September 30, 2015: 71,038 shares). In the first three quarters 2016 the earnings per share amounted to € 0.15 (previous year: € 0.11).

## Notes to the consolidated balance sheet

The balance sheet total increased significantly by 14.0% compared to December 31, 2015 from 1,177.6 m€ to 1,342.9 m€. The investment level that is higher than the appreciations led to an increase in property, plant and equipment as well as intangible assets in the first nine months. Furthermore, the growth related increase in trade receivables as well as advance payments for inventories led to an increase in current assets. In June 2016 KTM AG placed a promissory note loan with a total issue volume of 120 m€ and maturities of five, seven and ten years in order to refinance the bond, which expires in April 2017. This led to a higher amount of cash and cash equivalents.

As of the reporting date the equity amounts to 409.9 m€ and increased by 23.3 m€ compared to December 31, 2015. On the one hand, due to the result for the period in the amount of 61.4 m€ and the emission of a perpetual bond in the amount of 40.0 m€, the equity increased; on the other hand, acquisitions of non-controlling interests in subsidiaries in the amount of 57.2 m€ and dividends in the amount of 18.0 m€ led to a decrease in the consolidated equity. As of the reporting date the equity ratio amounts 30.5% (Dec. 31, 2015: 32.8%).

## Contingencies, lien rights and responsibilities

The declarations of surety and liability guarantees that existed at December 31, 2015 towards Wethje Group and AGM Durmont Austria GmbH (formerly: Durmont Teppichbodenfabrik GmbH) in the amount of 14.0 m€, expired in the first three quarters 2016 without being claimed.

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

## Notes to the consolidated cash flow statement

In the first nine months the group liquid funds increased by 69.2 m€ to 204.3 m€. The change is comprised of the cash flow from operating activities in the amount of +67.4 m€, the cash flow from investing activities in the amount of -96.3 m€ as well as the cash flow from financing activities in the amount of +98.1 m€. The impact of exchange rate changes amounted to -0.1 m€.

The improvement of the cash flow from operating activities is caused by the positive consolidated results as well as by various measures in order to improve the working capital. Due to the increase in investments the cash flow from investing activities changed by -17.2 m€ compared to the previous year's period. The significant positive cash flow from financing activities resulted mainly from the promissory note load, placed by KTM AG in June 2016, in the amount of 120 m€. In addition, a perpetual bond in the amount of 40 m€ was placed by KTM Industries in order to finance the acquisitions made in 2016.

## Disclosures on financial instruments

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

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

in m€	Book value Sep. 30, 2016	Fair Value Sep. 30, 2016	Fair value			Total
			Level 1	Level 2	Level 3	
<b>Loans and receivables</b>						
Cash and cash equivalents	204.3					
Trade receivables	143.0					
Receivables from affiliated companies	3.7					
Other financial assets (current and non-current)	27.9					
Financial assets - loans	1.9					
<b>Total</b>	<b>380.8</b>					
<b>Available for sale</b>						
Other non-current financial assets	20.3					
<b>Total</b>	<b>20.3</b>					
<b>Held for trading</b>						
Other current assets - securities	1.8	1.8	1.8	0.0	0.0	1.8
<b>Total</b>	<b>1.8</b>					
<b>Fair value - hedging instruments</b>						
Other current assets - derivatives with positive market value	5.8	5.8	0.0	5.8	0.0	5.8
<b>Total</b>	<b>5.8</b>					
<b>Total</b>	<b>408.7</b>					

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

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

in m€	Book value	Fair Value	Fair value			Total
	Sep. 30, 2016	Sep. 30, 2016	Level 1	Level 2	Level 3	
<b>At amortized cost</b>						
Interest bearing liabilities	485.6	508.6	0.0	0.0	508.6	508.6
Bonds	162.6	168.9	158.5	0.0	10.3	168.9
Liabilities finance lease	0.5					
Trade liabilities	106.8					
Liabilities to affiliated companies	0.8					
Other financial liabilities (current and non-current)	49.3					
<b>Total</b>	<b>805.5</b>					



in m€	Book value	Fair Value	Fair value			Total
	Sep. 30, 2016	Sep. 30, 2016	Level 1	Level 2	Level 3	
<b>Held for trading</b>						
Other financial liabilities - derivatives with negative market value	0.2	0.2	0.0	0.2	0.0	0.2
<b>Total</b>	<b>0.2</b>					
<b>Fair value - hedging instruments</b>						
Other financial liabilities - derivatives with negative market value (cash flow hedge)	2.0	2.0	0.0	2.0	0.0	2.0
<b>Total</b>	<b>2.0</b>					
<b>Total</b>	<b>807.7</b>					

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

## Fair value determination

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

## Segment reporting

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

### KTM:

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

### WP:

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

### PANKL:

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

### Sonstige:

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

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

### Segment reporting Q1-3 2016

in m€	KTM	WP	PANKL	Other	Consolidation	GROUP
Revenues (including retained earnings within the segments)	850.2	121.1	138.6	4.7	-113.7	1.001.0
Revenues external	849.9	20.8	130.0	0.3	0.0	1.001.0
Earnings from operating activities	78.9	9.4	10.2	-2.8	0.1	95.8
Investments	75.2	9.6	15.3	0.1	0.0	100.3
Depreciation	39.5	3.2	9.7	1.0	0.0	53.3

### Segment reporting Q1-3 2015

in m€	KTM	WP	PANKL	Other	Consolidation	GROUP
Revenues (including retained earnings within the segments)	759.1	106.2	129.6	15.2	-97.2	912.8
Revenues external	758.7	18.3	123.8	12.0	0.0	912.8
Earnings from operating activities	76.1	7.3	8.0	-1.7	0.0	89.7
Investments	84.1	6.2	9.0	0.2	0.0	99.5
Depreciation	30.7	2.9	10.0	1.5	0.0	45.1

## Related party transactions

In the first nine months of the business year 2016 KTM Industries AG purchased 36.6% of shares in Pankl Racing Systems AG in the amount of 34.2 m€ from Pierer Industrie AG and Pierer Konzerngesellschaft mbH. Therefore the share from KTM Industries AG in Pankl Racing Systems AG increased from 55.9% (Dec. 31, 2015) to 92.6% (Sep. 30, 2016). Due to this significant increase Pankl Group's strategic position within the KTM Industries Group will be sustainably strengthened.

Furthermore, in July 2016, 24% of the shares in WP AG were sold within the group from KTM Industries AG to KTM AG. Due to this transaction and considering the acquisition of WP-shares in the amount of 10.4% from third parties, the share (direct and indirect) of KTM Industries AG in WP AG slightly reduced from 89.5% (Dec. 31, 2015) to 88.3% (Sep. 30, 2016).

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

In order to strengthen the equity and for financing the acquisitions of shares in the core holdings KTM, Pankl and WP made in 2016, with a total investment volume of 57.2 m€, KTM Industries AG issued a subordinated 5.00% bond without a fixed maturity (perpetual bond) in the amount of 40 m€. This perpetual bond was purchased from Pierer Industrie AG, it is not subject to the obligation to publish a prospectus and is presented in the consolidated equity in the IFRS consolidated financial statements.

KTM Industries AG and WP AG sold in total 6% of the shares in WP Immobilien GmbH to P Immobilienverwaltung GmbH.

Due to the strategic orientation of the KTM Industries Group towards the automotive niche sector, the Network Performance Channel GmbH, Germany was sold to Pierer Industrie AG.

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

## Significant events after the balance sheet date

The shares of KTM Industries AG are currently listed in the Regulated Market (Amtlicher Handel) (segment prime market) of the Vienna Stock Exchange (ISIN AT0000820659). The company intends a further listing of its issued shares at the Stock Exchange in Zürich, Switzerland (SIX Swiss Exchange). The respective preparation activities in accordance with the capital market requirements are currently being undertaken. The shares of KTM Industries AG are expected to be listed on November 14, 2016 on the SIX Swiss Exchange.

Further events after September 30, 2016 that are material for the valuation of assets and liabilities were either taken into account in the present interim financial statements or are unknown.

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

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

Wels, on November 11, 2016

### **The Management Board of KTM Industries AG**



Stefan Pierer, CEO



Friedrich Roithner, CFO



Alfred Hörtnerhuber



Wolfgang Plasser

## SERVICE

### Financial calendar

January 27, 2017	Announcement of preliminary annual results 2016
March 21, 2017	Publication of annual financial statements 2016
April 17, 2017	Record date annual general meeting
April 27, 2017	20 <sup>th</sup> annual general meeting
May 2, 2017	Ex-dividend day
May 3, 2017	Record date dividends
May 4, 2017	Dividend payment day
May 9, 2017	Report on the 1 <sup>st</sup> quarter 2017
August 29, 2017	Report on the 1 <sup>st</sup> half year 2017
November 14, 2017	Report on the 3 <sup>rd</sup> quarter 2017

### Investor Relations

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### Information on the share

ISIN: AT0000820659  
 Wiener Börse: KTM  
 Reuters: KTM:VI  
 Bloomberg: KTM:AV  
 Class of share: No-par-value ordinary bearer shares



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

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





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