

KTM

Industries AG ■

REPORT H1 2017



HIGHLIGHTS H1 2017

Investments
in the amount of 87.6 m€

Record sales
of more than 110,000 motorcycles
in the first half year 2017

**Increase of
417 employees**

Stefan Pierer
elected for ACEM president
(European Association
of Motorcycle)

Record revenue
of 758.8 m€

KTM

Industries AG ■



Marvin Musquin
KTM SX-F 450 Spring Creek MX 2017

KTM Industries AG

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KEY FIGURES

REVENUE
+12%

EBITDA
+1%

EBIT
-5%

EMPLOYEES
+8%

Earnings Ratios

		H1 2016	H1 2017	Change
Revenue	in m€	676.9	758.8	12%
EBITDA	in m€	104.4	105.8	1%
EBIT	in m€	69.6	65.8	-5%
Result for the period	in m€	45.8	41.4	-10%
EBITDA margin		15.4%	13.9%	-
EBIT margin		10.3%	8.7%	-

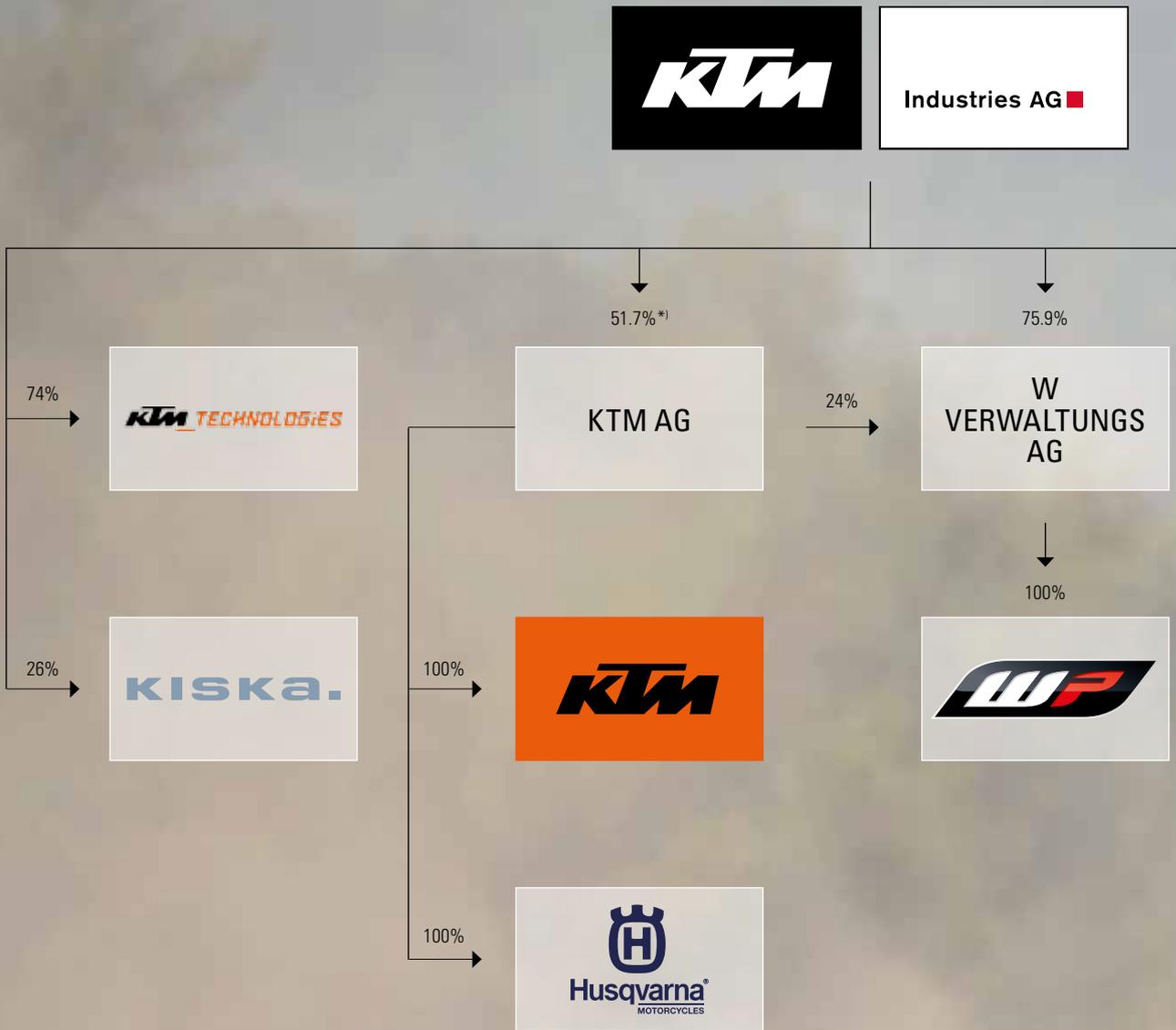
Balance Sheet Ratios

		12/31/2016	6/30/2017	
Balance sheet total	in m€	1,391.8	1,402.7	
Equity	in m€	454.9	486.2	
Equity ratio		32.7%	34.7%	
Net debt	in m€	364.6	474.2	
Gearing		80.1%	97.5%	

Employees

		12/31/2016	6/30/2017	Change
Number of employees as of reporting date		5,069	5,486	8%
<small>incl. contract workers and externals</small>				

Simplified presentation June 30, 2017



Other shareholdings:

- 100% K KraftFahrZeug Holding GmbH
- 100% PF Beteiligungsverwaltungs GmbH
- 12.7% Wethje Carbon Composites GmbH
- 12.3% ACStyria Mobilitätscluster GmbH

*) indirectly through K KraftFahrZeug Holding GmbH

GROUP STRUCTURE



94.5%

PANKL RACING
SYSTEMS AG

100%

pankl
RACING SYSTEMS



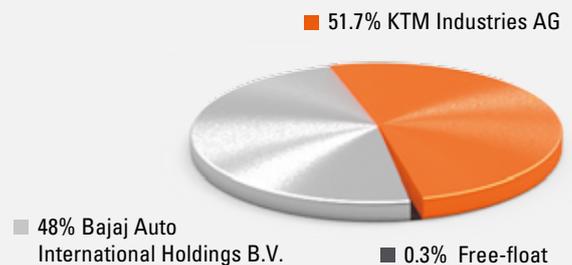


KTM AG (51.7%)

Business Development

The implementation of the global product strategy as well as the expansion into further Asian and South American markets has been consistently pursued in the first half year of 2017. In the first half year of 2017 KTM reported a pleasing business performance and thus achieved group revenues amounting to 654.5 m€ (+14.4% compared to prior year). Taking into account the 200 Duke, 390 Duke, RC 200 and RC 390 sold by the partner Bajaj in India and Indonesia, 110,518 vehicles were sold worldwide in the first half year of 2017 (+10.8% compared to prior year). For the first half year of 2017 KTM showed an EBITDA of 82.6 m€ (+1.0% compared to prior year) and an EBIT of 52.4 m€ (-6.8% compared to prior year).

KTM and Bajaj celebrate their 10th anniversary of strategic partnership. At the beginning of July, KTM AG and its strategic partner Bajaj Auto Ltd., India, announced the global roll-out of the Husqvarna Motorcycles brand. The production of the models Vitpilen 401 and Svartpilen 401 will be relocated to the factory in Chakan/India already at the end of 2018. The level of investment planned for 2017 remains high. KTM is investing at its Mattighofen site on expanding and extending its research and development center and at the site in Munderfing on extending the logistics center.



Following years of success in the Moto3 championship, the 2017 season will see KTM enter the Moto2 championship with a chassis developed in collaboration with WP. The KTM MotoGP factory team is entering the fray for its first full season after competing as a wild card entry in the 2016 season finale in Valencia. With the RC 16 racing bike, both KTM drivers Pol Espargaro from Spain and Bradley Smith from Great Britain could successfully race at the first events in the 2017 season and they could already win some points.

As of June 30, 2017, the number of employees stood at 3,190.

Outlook

For 2017, KTM expects to see slight growth in the global motorcycle market. With the new products, consistent implementation of the strategy and by focusing on commercial business development to expand the quantity and quality of the sales partners, KTM expects to continue to gain market shares. In 2017, KTM expects to see a further increase in both revenues and volumes.

Key Figures

Earnings Ratios		H1 2016	H1 2017	Change
Revenue	in m€	572.3	654.5	14%
EBITDA	in m€	81.8	82.6	1%
EBIT	in m€	56.2	52.4	-7%
Result for the period	in m€	39.0	36.5	-6%

Balance Sheet Ratios		12/31/2016	6/30/2017
Balance sheet total	in m€	1,056.5	1,034.5
Equity	in m€	428.0	450.6
Equity ratio		40.5%	43.6%
Net debt	in m€	80.9	192.2
Gearing		18.9%	42.6%





WP PERFORMANCE SYSTEMS GMBH (88.3%)

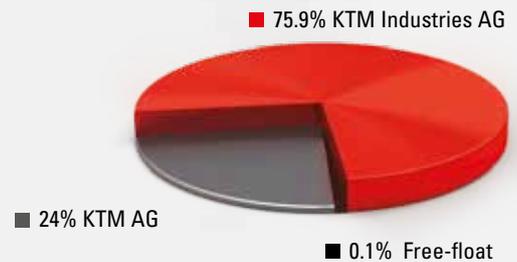
Business Development

In the first half year 2017, WP Group could realize further growth as the main Tier 1 supplier in the slipstream of the KTM Group. Compared to the record year 2016, revenues increased again by about 7% to a new half year peak value of 85.7 m€. The EBIT of the WP Group amounted to 3.9 m€ in the first half year (- 2.7 m€ compared to prior year). The difference to the previous year mainly results from the sale of a non-operating property in the business year 2016 with an accounting profit of 3.3 m€.

The investment program at the Munderfing site was further pursued ambitiously in the first half 2017. In this period 3.2 m€ were invested in the modernization and extension of the operational facilities. For all production divisions the WP Group holds four modern production plants on the Munderfing site as well as a plant for radiator production in Dalian (China).

To counter the margin's pressure in the price segment of motorcycle components, a global supply chain is immensely important. In the current business year, existing cooperations with strong Asian partner will be further extended and new cooperations will be examined. For the future, the expansion of production capacities as well as the development of production technology and increase in capacity is of major importance.

As of June 30, 2017, the number of employees stood at 629.



Outlook

For the business year 2017 a further increase in revenues, compared to the prior year, is anticipated. This increase is expected across almost all segments of the WP Group. Furthermore, earnings on previous year's level are expected for 2017, whereas after the reduction of the previous year's one-time effects, the rentability will improve.

Key Figures

Earnings Ratios		H1 2016	H1 2017	Change
Revenue	in m€	80.4	85.7	7%
EBITDA	in m€	8.7	6.5	-25%
EBIT	in m€	6.6	3.9	-41%
Result for the period	in m€	5.8	3.0	-48%

Balance sheet ratios		12/31/2016	6/30/2017
Balance sheet total	in m€	103.3	115.4
Equity	in m€	49.5	50.6
Equity ratio		47.9%	43.9%
Net debt	in m€	24.9	34.2
Gearing		50.2%	67.5%



PANKL RACING SYSTEMS AG (94.5%)

Business Development

In the first half year of the business year 2017, Pankl Group was again able to grow revenues and achieved record sales of 100.3 m€, which corresponds to a 5.2% growth. Operating earnings (EBIT) developed very favorably and increased over proportionately. In the first half of 2017, EBIT amounted to 9.1 m€ compared to 8.0 m€ in the prior year. This corresponds to an EBIT margin of 9.1%. Growth was recorded in both Racing/High Performance and Aerospace segments.

In the first six months of 2017, Racing/High Performance segment revenues grew by 4.9% to 88.1 m€ (prior year: 83.9 m€). The operating earnings (EBIT) increased from 7.4 m€ to 8.7 m€. High Performance was characterized by the expansion of the new transmission plant at the Kapfenberg site. The expansion is proceeding according to schedule and the first prototypes have already been manufactured.

Despite the adverse market development, the Aerospace segment was able to increase revenues to 12.7 m€ in the first half 2017 after 11.8 m€ in first half of 2016. The operating earnings (EBIT) amounted to 0.6 m€ (prior year: 0.4 m€).

As of June 30, 2017, the number of employees stood at 1,583.



■ 5.5% Free-float ■ 94.5% KTM Industries AG

Outlook

In the second half of 2017, Pankl will mainly focus on the start of serial production in the new plant, start of production of the new additive manufacturing capacities and the production of the first turbine shafts.

Key figures

Earnings figures		H1 2016	H1 2017	Change
Revenue	in m€	95.4	100.3	5%
EBITDA	in m€	14.5	15.8	8%
EBIT	in m€	8.0	9.1	14%
Result for the period	in m€	5.5	5.1	-7%

Balance sheet ratios		12/31/2016	6/30/2017
Balance sheet total	in m€	195.6	218.0
Equity	in m€	80.2	82.4
Equity ratio		41.0%	37.8%
Net debt	in m€	73.4	87.7
Gearing		91.5%	106.4%

SHARE & INVESTOR RELATIONS

Development of the KTM Industries Share

The shares of KTM Industries AG have had their primary listing in the International Reporting Standard of the SIX Swiss Exchange since November 14, 2016. The shares of KTM Industries AG were accepted into the Swiss Performance Index (SPI) of the SIX Swiss Exchange on March 29, 2017. The shares of KTM Industries AG remain listed on the Vienna Stock Exchange. Following their withdrawal from the prime market segment of the Vienna Stock Exchange, the shares of KTM Industries AG were initially traded in the "standard market" segment; the shares have been listed in the "standard market auction" segment since April 28, 2017.

With the start of the listing on the SIX Swiss Exchange in November 2016, the KTM Industries share developed very successfully. As of June 30, 2017 the market capitalization for 225,386,742 shares admitted for trading amounted to CHF 1,169.8 million. The share remained relatively stable in the first half of 2017 except for the sharp rise associated with the private placement and closed at CHF 5.19 on the last day of trading (6/30/2017).

Price development of the KTM Industries Share

11/14/2016 - 6/30/2017

Stock Exchange: SIX Swiss Exchange



* Listing on the SIX Swiss Exchange

Significant Increase of the Free Float

As part of an international private placement to qualified investors carried out without a prospectus, 27,205,398 KTM Industries AG shares were sold by Pierer Industrie AG in February 2017, significantly increasing the free float of the share by around 12.1%. Additionally, shares amounting to around 0.9% of the company's share capital were sold by third parties. The larger free float expanded the shareholder group of KTM Industries, greatly improving the share's trading liquidity.

In May 2017, Pierer Konzerngesellschaft mbH, as direct sole shareholder of Pierer Industrie AG, took over all shares in KTM Industries AG from Pierer Industrie AG in the course of a spin-off. As of June 30, 2017 Pierer Konzerngesellschaft mbH holds 64.07% shares in KTM Industries AG.

More information on the KTM Industries Share

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 Stock Exchange Code: KTMI
 Reuters: KTMI:VI
 Bloomberg: KTMI:AV
 Stock category: No-par ordinary bearer shares



INTERIM CONSOLIDATED MANAGEMENT REPORT

for the First Half-Year 2017

Company

The KTM Industries Group is the largest European sport motorcycle manufacturer, making it a leading European vehicle group with a strategic focus on the racing motorcycle segment and on high-tech automotive components. There is a high degree of technological integration within the Group, which in this form is unique in Europe. Strategic partnerships at operating level strengthen the competitiveness in our relevant markets. All these factors are the foundation for the high level of innovation within the KTM Industries Group and secure the organic growth course over the long term.

In the first half of 2017, the KTM Industries Group continued its strong growth, registering record sales of 758.8 m€, equivalent to growth of +12% compared with the same period in the previous year. This growth means the KTM Industries Group is further expanding its leading position as the largest European motorcycle manufacturer, having generated record sales of over 110,000 motorcycles. In April of this year, Stefan Pierer, CEO of KTM Industries AG, was elected President of the European Association of Motorcycle Manufacturers (ACEM) effective July 1, 2017.

The implementation of the global product strategy as well as the expansion into further Asian and South American markets has been consistently pursued in the first half of 2017. At the beginning of July, KTM AG and its strategic partner BAJAJ Auto Ltd., India, also announced the global roll-out of the Husqvarna Motorcycles brand, significantly increasing sales as a result. Extending the cooperation to the Husqvarna Motorcycles brand will raise the partnership between Bajaj and KTM to the next level. As part of the cooperation with the Philippine partner Ayala Corporation, the KTM and Husqvarna importer in the Philippines, the assembly of models from the KTM DUKE and RC families up to 400 cm³ started as scheduled in the first half of 2017, opening up new distribution opportunities in the ASEAN region. In order to strategically further develop the important sales market of Oceania (Australia and New Zealand), KTM acquired a 26% equity stake in the Australian importer in July 2017.

For the purpose of supporting and strengthening the strategic competence Design Development and Product and Innovation within the KTM Industries Group 74% in KTM Technologies GmbH and 26% in Kiska GmbH were lifted from the operating KTM AG to the strategic management holding, in June 2017. KTM Technologies GmbH operates in technology, product development and consulting, focusing on high-performance composites and lightweight construction. The combination of vehicle construction expertise and many years of experience in the field of composites development and production are the central focus of the company. Europe's largest independent and owner-managed design company Kiska GmbH operates in the business areas of consultancy on issues of marketing, brand and design, transportation design, product design and environmental design.

As already reported on in the 2016 consolidated financial statements, the proceedings that have been pending for nearly four years at a German arbitration tribunal in relation to warranty claims arising from the sale of the Peguform Group in 2012 were decided in February 2017 entirely in favor of KTM Industries AG. The tribunal rejected the purchaser's action as unjustified. The remaining purchase price of around 20.4 m€, which has been held in a trust account since the sale of the holding, was paid in full to the KTM Industries Group in June. The claimant was ordered to reimburse the majority of the legal costs and court fees KTM Industries has incurred.

In March 2017, KTM Industries AG sold all of its minority interest (24%) in AGM Durmont Austria GmbH to the previous majority shareholder AGM group, a global manufacturer of interior, lighting and electronic components in the automotive sector.

Employees

Employee development in the Group is pleasing. In order to be able to realize the strong sales growth, a further 417 employees were taken on in the first half of 2017, 401 of which in Austria, taking the number of employees within the Group to 5,486 as of June 30, 2017. Around 15% of the Group's entire workforce are active in Research & Development.

Economic Environment

According to the report of the International Monetary Fund (IMF) as of July 2017, global economic output will grow by 3.5% in 2017. It expects growth of 2.0% for this year and 1.9% for next year for the industrialized nations. For the euro area, a development of 1.9% is projected for 2017. For 2018 the IMF anticipates global economic growth of 3.6% and for the euro area moderate growth of 1.7%.

For emerging markets and developing economies, a growth in economic output of 4.6% is projected for 2017 and 4.8% for 2018. For China, a growth rate of 6.7% for 2017 and 6.4% for 2018 is projected. The highest growth rate is expected for India, with a 7.2% increase in economic output for the current year and 7.7% for next year.

Development of the European and American Motorcycle Market

Compared to prior year, the overall European market¹⁾ decreased slightly by -2.6% to approximately 323,000 vehicles registered in the first half year of 2017. This decrease is primarily due to the European markets such as Germany (-12.2%), UK (-10.2%) and Sweden (-6.9%). However, at the markets in Italy (+6.7%) and France (+1.3%), an increase could be achieved.

In the overall US market²⁾ registrations declined, compared to prior year, by -4.1% to approximately 222,000 vehicles registered in the first half year of 2017.

¹⁾ Motorcycles >120 ccm, excl. Motocross, Scooters and ATVs, incl. electric motorcycles

²⁾ Motorcycles >120 ccm, including Motocross, excluding Scooters and ATVs, incl. electric motorcycles

Revenues and Earnings

With record sales of over 110,000 motorcycles, the KTM Industries Group generated revenue of 758.8 m€ in the first half of 2017 (+12%) following 676.9 m€ in the previous year, further expanding its leading position as Europe's largest motorcycle manufacturer.

Taking into account the budgeted burdens from starting up the drivetrain production plant at Pankl, the operating earnings (EBIT) of the first half 2017 are above the budget expectations and with 65.8 m€ slightly below the previous year's figure of 69.6 m€ (-5%). Due to one-time effects at the operating KTM AG and the WP Group, the previous year's EBIT margin of 10.3% was atypically high. At 105.8 m€, the EBITDA is above the previous year's level.

The **KTM Group** was able to increase sales in the first half-year 2017 to 110,518 vehicles (+11% to the previous year), including the sales of the KTM 200 DUKE and KTM 390 DUKE, KTM RC 200 and KTM RC 390 by KTM's partner Bajaj in India and Indonesia. Revenues increased to 654.5 m€ (+14.4% compared to the previous year). In the first six months of the current financial year KTM showed an EBITDA of 82.6 m€ (+1.0% compared to the previous year) and an EBIT of 52.4 m€ (-6.8% compared to the previous year), although the previous year's EBIT was influenced in 2016 by the positive one-time effects from non-recurrent price gains.

As KTM AG's largest tier 1 supplier, the **WP Group's** first half of 2017 was characterized by stable sales growth fueled by KTM's sales figures. At 85.7 m€, sales rose 6.5% compared with the previous year (80.4 m€). EBIT was 3.9 m€, 2.7 m€ lower than the previous year. The deviation is entirely the result of the positive results effect of the sale of a non-operating property in 2016. Adjusted for this effect, EBIT is slightly above the previous year's level.

The **Pankl Group** further increased its sales in the first half of the 2017 financial year by 5.2% compared with the first half of the

previous year, generating record sales of 100.3 m€. Growth was recorded in both Racing/High Performance and Aerospace segments. Racing benefited in the first half of 2017 primarily from the changes to the racing sport regulations. High Performance was characterized by the expansion of the new transmission plant at the Kapfenberg site. The expansion is proceeding according to schedule and the first prototypes have already been manufactured. Sales were also increased in the Aerospace segment in the first half of 2017 compared with the comparable period of the previous year despite the difficult market environment.

Balance Sheet and Financial Position

The balance sheet total of the KTM Industries Group increased slightly from 1,391.8 m€ to 1,402.7 m€ compared to the consolidated financial statements as of December 31, 2016 (+0.8%). On the one hand, non-current assets increased due to the investment level still in excess of amortization (+5.8%). On the other hand, current assets declined primarily due to the scheduled repayment of the bond issued by KTM AG in 2012 of 85 m€. Taking into account the growth-related rise in trade receivables and inventories, current assets declined by 4.2%. The balance sheet total in the first six months therefore remained at the previous year's level.

As of balance sheet date June 30, 2017 equity increased to 486.2 m€ compared to 454.9 m€ as of December 31, 2016. On the one hand, equity was increased by the net result for the period and by the positive effect of the measurement of the cash flow hedge reserve, and on the other hand dividends led to a decline of equity.

Cash Flow

Cash flow from operating activities amounted to -8.8 m€ in the first half of 2017 and was therefore below the previous year's figure of 20.6 m€. The difference to the previous year is mainly attributable to the increase of the working capital on the reporting date. The cash flow from investing activities amounted to -63.5 m€ in the first six months of the current financial year. Taking into account the cash flow from financing activities in the amount of -94.0 m€, the liquid funds decreased by 167.7 m€ (including foreign currency effects in the amount of -1.5 m€) compared to December 31, 2016, to 83.8 m€ in the first half of 2017.

Investments

In the first half year 2017 the investment program at the Austrian sites was continued in the amount of about 40m€ (excluding product development). The investments of the first half year, including product development, amounted to approximately 87.6 m€ in total. At the high performance drivetrain production facility in Kapfenberg, the ramp-up phase has already been started successfully. KTM is investing some 25 m€ at its Mattighofen site on expanding and extending its research and development center. Investing in this expansion will create around 100 new jobs at Mattighofen for highly qualified employees. Work also began on extending the logistics center at the site in Munderfing and will be completed in 2017. In the first half year WP invested 3.2 m€ in the modernization and extension of the operational facilities.

The sustainably high investments into the serial production development represent an essential success factor for the present and future success of the KTM Industries Group.

Risk Report

For details relating to the risk report please refer to the consolidated financial statements as of December 31, 2016. Since then there have been no changes in evaluation of risks.

Related Party Transactions

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

Significant Events After the Period Under Review

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

Outlook

In the 2017 financial year the KTM Industries Group consistently focuses on organic growth in its core areas through further expansion of its market shares and global growth. The further development of cooperative technology projects and more intensive utilization of synergy potentials will be driven forward within the Group divisions.

In the view of the current order situation the Management's assessment predicts further positive development for the rest of the 2017 financial year. As in recent years, markets will also develop differently across the different continents in the future. For that reason importance is attached to the continuous review and critical evaluation of the market, productivity and cost situation to allow implementation of any necessary immediate measures to stabilize the target earnings position.

Extensive investment will again be made in 2017 within the **KTM Group**. The main areas of focus for investment cover in particular new series development projects as well as investments in infrastructure and expansion in the area of development. KTM expects to see a further increase in both revenues and volumes in the 2017 financial year. KTM has set the medium-term objective of achieving global sales of 300,000 units significantly earlier than 2021, as originally planned.

For the 2017 financial year the **WP Group** expects another increase in revenues compared to the previous year. The sales increase, driven by KTM's sales growth, is expected for almost all Group segments.

Given the seasonal nature of the racing sport business, the **Pankl Group** anticipates a weaker result for the coming six months of the 2017 financial year compared to the first half of the year. However, despite exceptional negative impacts resulting from ramping up the transmission production, Pankl will generate a very solid business result overall in 2017.

For the 2017 financial year the Management Board expects consolidated sales of over 1.5 bn€ and operating EBIT of over 130 m€.

Wels, August 29, 2017

The Management Board of KTM Industries AG



Stefan Pierer, CEO



Friedrich Roithner, CFO



Alfred Hörtner



Wolfgang Plasser



CONSOLIDATED INTERIM FINANCIAL STATEMENTS UNDER IFRS

**for the first six months of 2017 of
KTM Industries AG, Wels (condensed)**

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Consolidated balance sheet	6/30/2017	12/31/2016
Assets		
in EURk		
Non-current assets		
Property, plant and equipment	328,727	303,217
Goodwill	117,334	117,732
Intangible assets	263,028	244,274
Investments accounted for using the equity method	6,222	6,312
Deferred tax assets	9,207	9,836
Receivables from affiliated companies	785	245
Other non-current assets	6,892	10,649
	732,195	692,265
Current assets		
Inventories	291,725	251,986
Trade receivables	173,501	121,873
Receivables from affiliated companies	20,390	1,810
Receivables and other assets	88,918	63,870
Current tax assets	12,098	8,377
Cash and cash equivalents	83,840	251,578
	670,472	699,494
	1,402,667	1,391,759

Consolidated balance sheet**6/30/2017****12/31/2016****Equity and liabilities**

in EURk

Equity

Share capital	225,387	225,387
Capital reserves	9,949	9,949
Perpetual bond	60,000	60,000
Other reserves including retained earnings	-647	-21,050
Equity of the owners of the parent company	294,688	274,286
Non-controlling interests	191,527	180,651
	486,215	454,937

Non-current liabilities

Financial liabilities	446,173	425,475
Liabilities for employee benefits	22,721	23,536
Deferred tax liabilities	52,114	42,741
Other non-current liabilities	11,212	11,142
	532,220	502,894

Current liabilities

Financial liabilities	111,913	190,700
Trade liabilities	171,596	130,864
Liabilities to affiliated companies	96	1,859
Provisions	12,176	16,799
Current tax liabilities	2,288	707
Other current liabilities	86,163	92,999
	384,232	433,928
	1,402,667	1,391,759

Consolidated income statement	H1 2017	H1 2016 ¹⁾
<i>in EURk</i>		
Revenue	758,812	676,908
Production costs of sales	-536,506	-463,207
Gross profit from sales	222,306	213,701
Selling and racing expenses	-88,723	-81,251
Research and development expenses	-17,525	-19,105
Administration expenses	-39,488	-36,320
Other operating expenses	-14,714	-12,234
Other operating income	3,911	4,852
Earnings from at-equity holdings	56	0
Result from operating activities	65,823	69,643
Interest income	857	758
Interest expenses	-7,690	-9,249
Earnings from at-equity holdings	10	129
Other financial and investment income	-3,013	-1,765
Result before taxes	55,987	59,516
Income taxes	-14,549	-13,717
Profit or loss for the period	41,438	45,799
thereof owners of the parent company	23,397	25,310
thereof non-controlling interests	18,041	20,489
Undiluted (=diluted) earnings per share (EUR)	0,10	0,11
Consolidated statement of comprehensive income		
<i>in EURk</i>		
Profit or loss for the period	41,438	45,799
Items reclassified to profit or loss or which can be subsequently reclassified		
Foreign currency translation	-3,114	-1,692
Valuation of cash flow hedges	12,677	1,541
Deferred tax on valuation of cash flow hedges	-3,169	-385
	6,394	-536
Items not reclassified to profit or loss		
Revaluation of net debt from defined benefit plans	1,260	-1,263
Tax effect	-315	316
	945	-947
Other net result after tax	7,339	-1,483
Total comprehensive income	48,777	44,316
thereof owners of the parent company	26,813	24,255
thereof non-controlling interests	21,964	20,061

¹⁾ adjusted, see Annex "Accounting Principles".

Condensed consolidated statement of cash flows**H1 2017****H1 2016**

in EURk

	H1 2017	H1 2016
Operations		
Profit or loss for the period	41,438	45,799
+ (-) Interest expenses / interest income	6,833	8,491
+ Tax expenses	14,549	13,717
+ Depreciation/amortization of property, plant and equipment and intangible assets	40,016	34,795
+ (-) Other non-cash expenses (income)	-5,062	-1,176
+ Interest received	976	682
- Interest payments	-7,049	-6,428
- Tax payments	-5,807	-2,353
+ Dividends received	146	0
Gross cash flow	86,040	93,527
+ (-) Increase (decrease) in the net current assets	-94,825	-72,977
Cash flow from operations	-8,785	20,550
Investing activity		
- Payments made for the acquisition of intangible assets and property, plant and equipment	-88.106	-66.752
+ Payments received from the disposal of intangible assets and property, plant and equipment	1.626	5.892
+ Dividends received	183	0
+ (-) Payments/receipts from other assets	22.836	-3.112
Cash flow from investing activity	-63.461	-63.972
Free cash-flow	-72,246	-43,422
Financing activity		
- Dividend payments to third parties	-17,508	-12,886
+ (-) Disposal/acquisition of non-controlling interests	5	-18,506
+ Taking out a bonded loan	0	119,543
- Repayment of bonds	-85,000	0
+ Repurchase of own bonds	1,900	0
+ (-) Increase (decrease) from other financing activities	6,576	11,942
Cash flow from financing activity	-94,027	100,093
Total cash flow	-166,273	56,671
+ Opening balance of liquid funds within the Group	251,578	135,124
+ Effect of foreign currency fluctuations	-1,465	-261
Closing balance of liquid funds within the Group	83,840	191,534

Consolidated statement of changes in equity

in EURk

	Share capital	Capital reserves	Perpetual bond	Reserves including retained earnings
As at January 1, 2017	225,387	9,949	60,000	-16,214
Total comprehensive income				
Period comprehensive income	0	0	0	23,397
Other income	0	0	0	0
Total comprehensive income	0	0	0	23,397
Transactions with shareholders				
Dividends to third parties	0	0	0	-6,762
Disposal of shares to subsidiaries	0	0	0	3
Other	0	0	0	348
As of June 30, 2017	225,387	9,949	60,000	772
As at January 1, 2016	225,387	9,798	0	-36,789
Total comprehensive income				
Period comprehensive income	0	0	0	25,310
Other income	0	0	0	0
Total comprehensive income	0	0	0	25,310
Transactions with shareholders				
Dividends to third parties	0	0	0	-6,760
Acquisition/disposal of shares to subsidiaries	0	0	0	-14,006
Treasury shares	0	0	0	80
As of June 30, 2016	225,387	9,798	0	-32,165

Provision as per IAS 39	IAS 19 provision for actuarial losses	Foreign currency translation reserve	Provision for treasury shares	Total	Interests of noncontrolling shareholders	Total consolidated equity
-1,588	-3,968	720	0	274,286	180,651	454,937
0	0	0	0	23,397	18,041	41,438
4,940	572	-2,096	0	3,416	3,923	7,339
4,940	572	-2,096	0	26,813	21,964	48,777
0	0	0	0	-6,762	-10,746	-17,508
0	0	0	0	3	2	5
0	0	0	0	348	-344	4
3,352	-3,396	-1,376	0	294,688	191,527	486,215
14	-3,401	1,761	-101	196,669	189,947	386,616
0	0	0	0	25,310	20,489	45,799
564	-595	-1,024	0	-1,055	-428	-1,483
564	-595	-1,024	0	24,255	20,061	44,316
0	0	0	0	-6,760	-11,190	-17,950
0	0	0	0	-14,006	-18,727	-32,733
0	0	0	66	146	0	146
578	-3,996	737	-35	200,304	180,091	380,395

CONDENSED NOTES

for the First Half-Year 2017

Company

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

The KTM Industries Group is a leading European vehicle group with a strategic focus on niche areas of the global automotive sector. Its globally recognized brands KTM, Husqvarna Motorcycles, WP and Pankl make it a technology and market leader in its respective segments.

In March 2017, KTM Industries AG sold its minority interest (24%) in AGM Durmont Austria GmbH to the AGM Group, Troy Michigan, USA.

As of June 30, 2017, equity interests in the major shareholdings remained unchanged compared with December 31, 2016. As of June 30, 2017 the major shareholdings are

- KTM AG, Mattighofen, with 51.7%
- WP Performance Systems GmbH, Munderfing, with 88.3% (of which 75.9% directly) and
- Pankl Racing Systems AG, Kapfenberg, with 94.5%

Principles of Financial Reporting

The condensed interim consolidated financial statements for the reporting period from January 1 until June 30, 2017 of KTM Industries AG were prepared in accordance with the International Financial Reporting Standards (IFRS), as applied in the EU, applying IAS 34 (interim reporting).

These interim condensed consolidated financial statements for the first half of 2017 have not been audited or been subject to review.

The condensed interim consolidated financial statements do not include all of the notes and disclosures required for year-end consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2016.

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 also occur with accumulation of rounded figures and with percentages.

The balancing and valuation methods applied as of December 31, 2016 remain unchanged. Similarly to the 2016 consolidated financial statements, research expenses are disclosed exclusively in the item "Research and development expenses" in the income statement. The previous year's figures for the first half-year were adjusted accordingly. The adjustments had no impact on the operating result; there were merely reclassifications within individual expense items in the income statement. The R&D expenses of the corresponding previous period last year increased by EUR 6,990k. For further information on balancing and valuation methods, please refer to the notes to the consolidated financial statements for the 2016 financial year, which form the basis for these interim consolidated financial statements for the first half of 2017.

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

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

The provisions for obligations for severance pay and anniversary bonuses were measured according to the years of service method (projected unit credit method). Actuarial reports for the measurement are generated as of the end of the reporting period. These values are adjusted for the interim consolidated financial statements. If significant changes to the parameters occur during the year the net debt is revalued.

Scope of Consolidation

All major subsidiaries that are either legally or factually under the control of KTM Industries AG are included in the interim consolidated financial statements as of June 30, 2017.

The number of companies included in the scope of consolidation changed in the first half of 2017 as shown below:

	Fully consolida- ted companies	At Equity companies
As of 12/31/2016	63	5
Additions to the scope of consolidation	1	0
Disposals from contribution	-3	0
As of 6/30/2017	61	5
Foreign companies	40	3

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

The operations of Pankl Drivetrain Systems GmbH & Co KG, Pankl Engine Systems GmbH & Co KG and Pankl Schmiedetechnik GmbH & Co KG were incorporated into Pankl Systems Austria GmbH on the basis of an agreement on contribution and contribution in kind dated February 17, 2017. The additions to the scope of consolidation concern Pankl Vermögensverwaltung AG, which was re-established in the current financial year.

Estimates

In the consolidated financial statements, certain estimates and assumptions have to be made that affect the recognized assets and liabilities, the disclosure of contingent liabilities as at the reporting date and the presentation of income and expenses for the financial year. Estimates and assumptions are based on empirical values that the Management Board deems appropriate. The amounts actually arising may differ from the estimates if assumed parameters develop contrary to expectations. If new conditions become known, they are duly taken into account and previous assumptions are revised accordingly.

Estimates and uncertainties in judgments and assumptions are explained in the consolidated financial statements of KTM Industries AG as of December 31, 2016 under Point (5) Accounting policy.

Seasonality

At KTM AG seasonality effects occur due to the 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 large extent. At Pankl Racing Systems AG seasonal fluctuations exist in Racing/High Performance because the racing season for the most important racing categories begins in spring and ends in the fall. Consequently the first quarter tends to be the strongest one.

Notes to the Consolidated Income Statement

In the first half-year Group revenue amounted to 758.8 m€, equivalent to an increase of 81.9 m€ or 12.1% compared to the same period of the previous year. The KTM Group (+14.4%), the WP Group (+6.5%) as well as the Pankl Group (+5.2%) achieved growth in revenues. In the KTM Industries Group the EBIT for the first half of 2017 decreased by 5.5% to 65.8 m€ compared to the previous year, equivalent to an EBIT margin of 8.7% (previous year: 10.3%). The EBIT for the corresponding period last year included an income deriving from the sale of a non-operating property and various other fixed assets in the amount of 3.3 m€.

The result for the period amounted to 41.4 m€ (down 9.5% from the previous year). The KTM Group achieved a result in the amount of 36.5 m€, WP Group 3.0 m€ and Pankl Group 5.1 m€. The other companies (incl. consolidation effects) achieved a result in the amount of -3.2 m€.

Notes to the Consolidated Statement of Comprehensive Income

The currency-translation differences that have no effect on income in the amount of -3.1 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 9.5 m€. Furthermore, actuarial gains of 0.9 m€ were recorded in equity.

Earnings per Share

The number of shares of KTM Industries AG is 225,386,742. As of June 30, 2017 the company held no treasury shares (June 30, 2016: 21,000). The earnings per share were € 0.10 in the first half of 2017 (prior year: € 0.11).

Notes to the Consolidated Balance Sheet

In the first half of 2017, the investment level in excess of amortization led to an increase in property, plant and equipment and intangible assets. The increase in property, plant and equipment is essentially due to investments in tools and the new high-performance drivetrain plant in Kapfenberg. Additions from development costs and investments in the IT infrastructure increased intangible assets in the first half of the year. The decline in current assets and current liabilities is primarily due to the scheduled repayment in February 2017 of the bond issued by KTM AG in 2012 with a volume of 85.0 m€. Allowing for the effects explained, the balance sheet total remained virtually unchanged (+0.8%) compared with December 31, 2016 and amounted to 1,402.7 m€ as of the June 30, 2017 reporting date.

As of the reporting date the equity amounts to 486.2 m€, increasing 31.3 m€ compared to December 31, 2016. On the one hand, equity was increased by the net result for the period of 41.4 m€ and by the positive effect of the measurement of the cash flow hedge reserve of 9.5 m€, and on the other hand dividends of 17.5 m€ led to a decline of equity. As of the reporting date the equity ratio amounts to 34.7% (December 31, 2016: 32.7%).

Contingencies, Lien Rights and Responsibilities

As of June 30, 2017 there have been no further significant changes compared to December 31, 2016.

Notes to the Consolidated Cash Flow Statement

In the first half year the Group liquid funds decreased by 167.7 m€ to 83.8 m€. The change is comprised of the cash flow from operations of -8.8 m€, the cash flow from investing activities in the amount of -63.5 m€ as well as the cash flow from financing activities in the amount of -94.0 m€. The effect of exchange rate changes amounted to -1.5 m€.

The slightly negative cash flow from operations is mainly attributable to the seasonal intrayear increase of the working capital. Due to the significant increase of investments and the settlement of the sale of Peguform Group as well as of the remaining shares in AGM Durmont Austria GmbH, the cash flow from investing activities remained on the previous year's level. The negative cash flow from financing activities resulted, among other, from the scheduled repayment of the bond, issued in 2012, with a volume of 85.0 m€.

Disclosures Relating to Financial Instruments

The fair value of a financial instrument is determined by means of quoted market prices for identical instruments in active markets (Level 1). If no quoted market prices in active markets are available for the instrument, the fair value is determined by means of measurement techniques for which the material inputs are based exclusively on observable market data (Level 2). In all other cases, the fair value is determined on the basis of measurement techniques for which at least one input is not based on observable market data (Level 3).

The table below shows the carrying amounts and fair values of financial assets (financial instruments shown on the assets side) by class and IAS 39 measurement category. 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€	Carrying amount 6/30/2017	Fair value 6/30/2017	Fair value			Total
			Level 1	Level 2	Level 3	
Loans and receivables						
Cash and cash equivalents	83.8					
Trade receivables	173.5					
Receivables from affiliated companies	21.2					
Other financial assets (current and non-current)	32.4					
Financial assets - lendings	1.8					
Total	312.6					
Available for sale						
Other non-current financial assets	1.2					
Total	1.2					
Held for trading						
Other current assets - securities	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0					
Fair value - hedging instruments						
Other current assets - derivatives with positive market value	13.9	13.9	0.0	13.9	0.0	13.9
Total	13.9					
Total	327.7					

in m€	Carrying amount 12/31/2016	Fair Value 12/31/2016	Fair value			Total
			Level 1	Level 2	Level 3	
Loans and receivables						
Cash and cash equivalents	251.6					
Trade receivables	121.9					
Receivables from affiliated companies	2.1					
Other financial assets (current and non-current)	50.0					
Financial assets - lendings	2.0					
Total	427.5					
Available for sale						
Other non-current financial assets	3.8					
Total	3.8					
Held for trading						
Other current assets - securities	2.0	2.0	2.0	0.0	0.0	2.0
Total	2.0					
Fair value - hedging instruments						
Other current assets - derivatives with positive market value	3.2	3.2	0.0	3.2	0.0	3.2
Total	3.2					
Total	436.5					

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

in m€	Carrying amount 6/30/2017	Fair value 6/30/2017	Fair value			Total
			Level 1	Level 2	Level 3	
At amortized cost						
Interest-bearing liabilities	488.6	504.8	0.0	0.0	504.8	504.8
Bonds	67.7	70.6	60.6	0.0	10.0	70.6
Liabilities under finance leases	1.8					
Trade liabilities	171.6					
Liabilities to affiliated companies	0.1					
Other financial liabilities (current and non-current)	40.9					
Total	770.7					
Held for trading						
Other financial liabilities - derivatives with negative market value	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0					
Fair value - hedging instruments						
Other financial liabilities - derivatives with negative market value (cash flow hedge)	2.5	2.5	0.0	2.5	0.0	2.5
Total	2.5					
Total	773.2					

in m€	Carrying amount 12/31/2016	Fair Value 12/31/2016	Fair value			Total
			Level 1	Level 2	Level 3	
At amortized cost						
Interest-bearing liabilities	463.8	481.5	0.0	0.0	481.5	481.5
Bonds	150.7	156.8	146.5	0.0	10.3	156.8
Liabilities under finance leases	1.6					
Trade liabilities	130.9					
Liabilities to affiliated companies	1.9					
Other financial liabilities (current and non-current)	55.1					
Total	804.0					
Held for trading						
Other financial liabilities - derivatives with negative market value	0.1	0.1	0.0	0.1	0.0	0.1
Total	0.1					
Fair value - hedging instruments						
Other financial liabilities - derivatives with negative market value (cash flow hedge)	7.5	7.5	0.0	7.5	0.0	7.5
Total	7.5					
Total	811.7					

Fair Value Determination

Please refer to the consolidated financial statements of KTM Industries as of December 31, 2016 Point 33.2 (Classification and Fair Value) in relation to valuation technique.

Segment Reporting

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

KTM:

KTM Group engages in the development, production and distribution of motorized vehicles for recreational purposes (power sports), in particular under the KTM and Husqvarna Motorcycles brands, and holds equity interests in entities engaging in the development, production and distribution of such equipment.

WP:

The WP Group operates in the motorcycle supplier segment. The WP Group develops, produces and distributes suspension elements, frames, radiators and exhaust systems at its headquarters 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 products.

Others:

The "Others" segment represents KTM Industries AG, K KraftFahrZeug Holding GmbH, W Verwaltungs AG and PF Beteiligungsverwaltungs GmbH. KTM Technologies was previously included in the KTM Group and from June 30, 2017 is presented under Others due to Group-internal restructuring (see Related Party Transactions). The prior-year amounts were not adjusted as they were not material.

Segment information for the first half of 2017 and first half of 2016 can be divided into the described segments as follows:

Segment reporting H1 2017	KTM	WP	PANKL	Other	Consoli- dation	GROUP
in m€						
Revenues (including revenues within the segments)	654.5	85.7	100.3	3.8	-85.6	758.8
External revenues	654.1	11.6	92.9	0.2	0.0	758.8
Result from operating activities	52.4	3.9	9.1	2.6	-2.3	65.8
Investments	64.1	3.2	20.3	0.0	0.0	87.6
Depreciation and amortization	30.2	2.6	6.7	0.5	0.0	40.0
Share in the result of companies accounted for using the equity method	0.8	0.0	0.0	0.0	-0.7	0.1
Balance sheet total	1,034.5	115.4	218.0	600.5	-565.7	1,402.7
Equity	450.6	50.6	82.4	396.1	-493.5	486.2

Segment reporting H1 2016	KTM	WP	PANKL	Other	Consoli- dation	GROUP
in m€						
Revenues (including revenues within the segments)	572.3	80.4	95.4	2.5	-73.7	676.9
External revenues	572.0	14.3	90.4	0.3	0.0	676.9
Result from operating activities	56.2	6.6	8.0	-1.9	0.7	69.6
Investments	51.4	5.1	9.4	0.0	0.0	65.9
Depreciation and amortization	25.5	2.0	6.5	0.7	0.0	34.8
Share in the result of companies accounted for using the equity method	0.1	0.0	0.0	0.0	0.0	0.1
Balance sheet total	1,003.1	98.8	188.5	549.0	-505.0	1,334.4
Equity	397.0	41.1	75.3	323.5	-456.6	380.4

Related Party Transactions

In June 2017 KTM Industries AG acquired 74.0% of KTM Technologies GmbH and 26.0% of Kiska GmbH from KTM AG within the Group. These transactions resulted in an increase in the holding within the KTM Industries Group in KTM Technologies GmbH from 38.2% (74.0% indirectly via KTM AG) to 74.0% and the holding in Kiska GmbH from 13.4% (26% indirectly via KTM AG) to 26.0% as of June 30, 2017.

All products and services rendered and received from related companies and individuals as stated in the consolidated financial statements as of December 31, 2016 are carried out at arm's length. As of June 30, 2017 there have been no material changes.

Significant Events After the Balance Sheet Date

At the beginning of July 2017 the KTM group acquired an equity holding of 26% in Motorcycle Distributors Australia Pty Ltd. KTM and Husqvarna products will be imported into the Australian market via this company.

One of the objectives of the process of streamlining the company's organizational structure within the Pankl group introduced in 2016 is to merge Capital Technology Beteiligungs GmbH with Pankl Racing Systems AG. In this connection, Pankl Emission Control Systems GmbH was also merged with Capital Technology Beteiligungs GmbH upon registration in the company register on July 4, 2017.

At the beginning of August, KTM Industries AG announced the strategic partnership with the German entrepreneurial family Puello. In July 2017 PEXCO GmbH was founded, a bicycle company, which focuses on electro-mobility. The strategic partnership covers all areas - from development through design to the manufacture of eBikes and bicycles. The clear vision: to take the technology leadership in the field of zero emission for lightweight vehicles and to reach the next level of eMobility together with PEXCO.

Other events which have occurred after June 30, 2017 and are material for the measurement of assets and liabilities have either been reflected in these interim financial statements or are not known.

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

Wels, on August 29, 2017

The Management Board of KTM Industries AG



Stefan Pierer



Friedrich Roithner



Alfred Hörtenhuber



Wolfgang Plasser

SERVICE

Financial calendar

January 30, 2018	Announcement of preliminary annual results 2017
March 27, 2018	Publication of annual financial statements 2017
April 16, 2018	Record date annual general meeting
April 26, 2018	21st annual general meeting
May 2, 2018	Ex-dividend day
May 3, 2018	Record date dividends
May 4, 2018	Dividend payment day
August 28, 2018	Report on the 1st half year 2018

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More information on the KTM Industries Share

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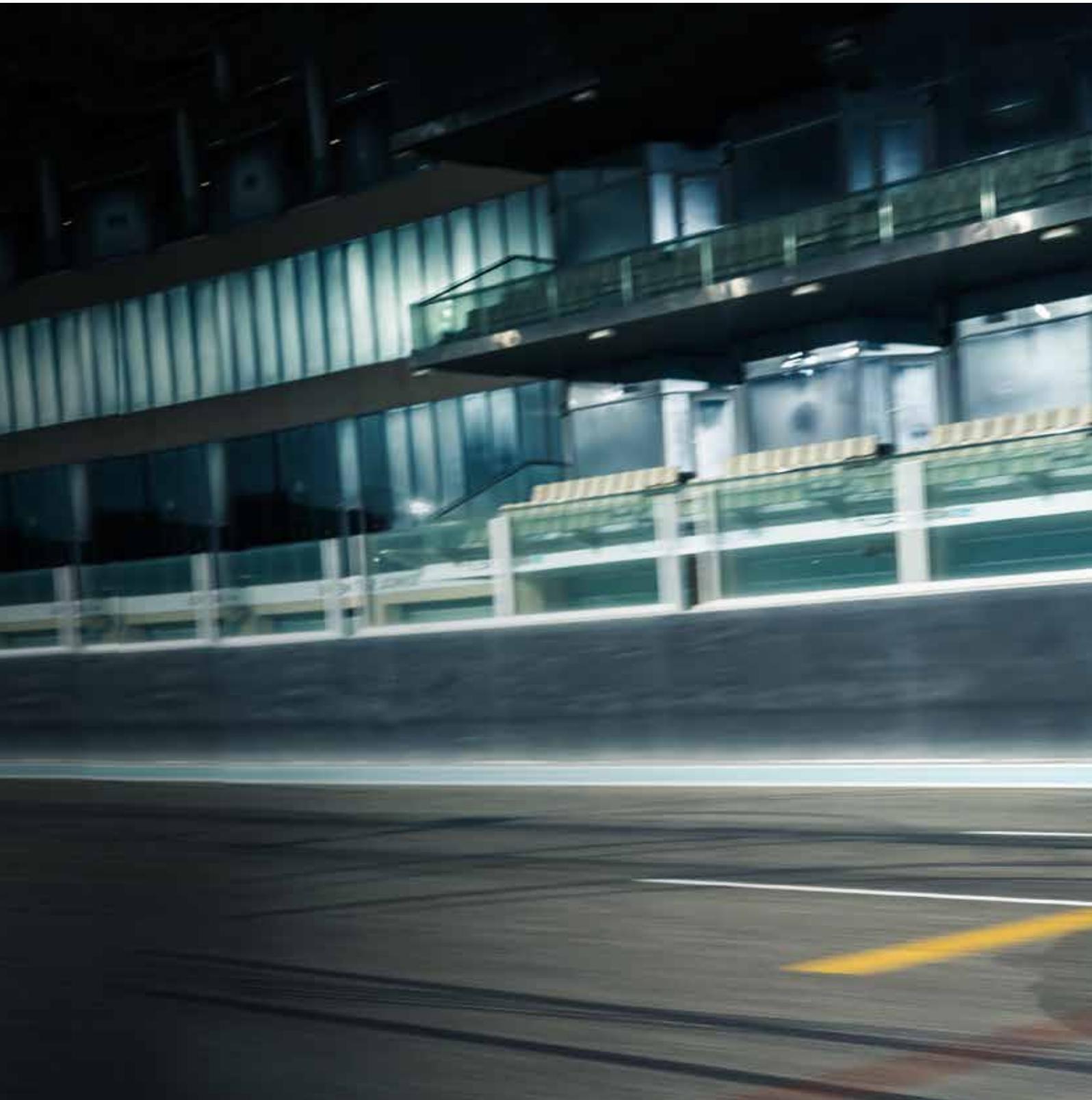
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The present interim report has been prepared with the utmost care and the correctness of the data was checked. Nevertheless, slight differences in the calculations may arise as result of the summation of rounded amounts and percentages, and typographical and printing errors cannot be ruled out.

References to persons such as “employees” or “staff members” are intended to be gender-neutral and insofar as the contrary appears this is solely for purposes of legibility.

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



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