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INDUS
HOLDING AG

ANNUAL
REPORT
2021

[INDUS]

INDUS

... is a leading specialist in sustainable investment and in development of companies in the SME sector of the German-speaking countries. We primarily acquire owner-managed companies in attractive growth industries and assist them in their entrepreneurial development on a long-term basis.
Our subsidiaries stand out in particular due to their strong position in special niche markets. As a growth-oriented financial investor, we ensure that our companies retain their special strength – their SME idendity – while actively maintaining and supporting them in the areas of Innovation, Market Excellence, Operational Excellence, and Sustainability.

Goals

- Profitable Growth
- Value Enhancement
- Balanced Portfolio Structure

Contents

References

Follow link for more information on the internet

Follow link for further information within the document or in other documents

An online version of the Annual Report is available. Please scan the QR code or go to www.reporting.indus.de/en

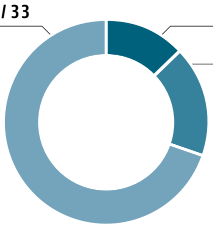
Key Figures 2021

in EUR million	2021	2020	2019
Sales	1,741.5	1,558.6	1,742.8
EBITDA	220.4	157.7	225.7
EBIT before impairment	123.6	65.7	135.2
EBIT margin before impairment (in %)	7.1	4.2	7.8
Impairments*	8.2	40.6	17.3
EBIT	115.4	25.1	117.9
EBIT margin (in %)	6.6	1.6	6.8
Group net income (earnings after taxes)	47.6	-26.9	60.1
Operating cash flow	136.4	174.4	167.7
Cash flow from operating activities	116.6	155.2	147.3
Cash flow from investing activities	-130.4	-52.4	-76.2
Cash flow from financing activities	-44.5	-42.0	-46.1
Earnings per share (in EUR)	1.78	-1.10	2.43
Cash flow per share (in EUR)	4.43	6.35	6.02
Dividend per share (in EUR)	1.05**	0.80	0.80
Dividend yield (in %)	3.2**	2.5	2.1
Payout ratio (in %)	51.9**	60.0	24.6
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Total assets	1,857.4	1,728.8	1,808.2
Equity	787.5	676.4	727.7
Equity ratio (in %)	42.4	39.1	40.2
Working capital	457.5	410.5	478.3
Net debt	504.2	518.9	546.2
Cash and cash equivalents	136.3	194.7	135.1
Total assets of INDUS Holding AG	1,689.1	1,650.1	1,593.0
Equity of INDUS Holding AG	1,068.2	950.0	934.7
Equity ratio INDUS Holding AG (in %)	63.2	57.6	58.7
Investments (number as of Dec. 31)	46	46	47
Employees within the Group (on average)	10,910	10,644	10,856

* Impairments of goodwill and property, plant, and equipment
** Subject to approval at Annual Shareholders' Meeting on May 31, 2022

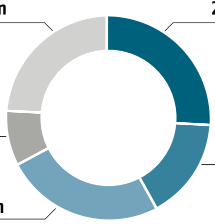
PORTFOLIO STRUCTURE BY AGE

(in % / number of portfolio companies)



SALES BREAKDOWN BY SEGMENT

(in % / EUR million)



01 COMPANY AND SHAREHOLDERS

Letter to the Shareholders

Dear shareholders, dear readers,
We did not believe that another war in the center of Europe was a possibility. We are all deeply concerned. We thought that things were getting back to normal in terms of the coronavirus pandemic, but for now we have to accept that there will be no return to normality for the foreseeable future.

At times like these, it is hard to get on with day-to-day business. But that is what has to be done so our portfolio companies can continue to respond flexibly and reliably to the everyday challenges. And our day-to-day business includes this report on last year.

We said that 2021 was a year of transition, and we made great progress getting back to where we were before the crisis. Sales and EBIT are back to 2019 levels. However, the macroeconomic consequences of the Russia-Ukraine war, including its potential effects on our portfolio, are currently unknowable.

The INDUS portfolio displayed its strengths last year in a difficult environment, boosting sales by some 12% to EUR 1.74 billion and increasing EBIT more than fourfold to EUR 115 million. That is a strong performance. And we still see plenty of potential, both in our long-standing portfolio companies and in our new acquisitions.

In a spirit of self-criticism, we should say that we had to adjust our forecast for the year 2021 several times. It has become fundamentally difficult to make accurate forecasts over longer periods, partly due to the coronavirus pandemic and the restrictions on our companies and their customers, but also because of materials shortages and supply bottlenecks. So after experiencing an economic upswing in the first half of 2021, we experienced a downturn in the third quarter. Companies in the Automotive Technology segment in particular suffered from a fall in call-offs due to the lack of computer chips. The second half of the fourth quarter then finished on an unexpectedly strong note, despite a decline in indicators of business confidence. We closed the year with a remarkable surge.

The Construction/Infrastructure, Engineering and Metals Technology segments all put in a highly dynamic performance. The portfolio companies in these three segments significantly increased their sales and operating income (EBIT), despite the considerable difficulties caused by supply shortages and steep increases in materials prices. Particularly gratifying was the speed at which the Engineering segment returned to an EBIT margin of 13%. Sales and operating income (EBIT) in the Medical Engineering/Life Science segment went up moderately.

The automotive industry is going through a root-and-branch transformation. The portfolio companies in this segment are rising to the challenge, but they need time to get there. One of the Board of Management's core tasks is to reduce the weight of the Automotive Technology segment in the INDUS portfolio. We took the next step in this direction with the sale of the WIESAUPLAST Group at year-end 2021.

We intend to grow further by acquiring hidden champions. In 2022 we successfully completed the acquisition of JST and WIRUS at the portfolio level and of FLACO as a complementary addition. Along with the purchases of additional shares in smaller portfolio companies, this required a total investment of some EUR 67 million. In December, contracts were also signed for the acquisition of HEIBER + SCHRÖDER with the closing expected in the second quarter of 2022. All the new acquisitions are in the growth industries we have defined, and our portfolio benefits from their dynamism and profitability. The funds from

From the left: Dr. Jörn Großmann (Board Member), Rudolf Weichert (Board Member), Dr.-Ing. Johannes Schmidt (Chairman of the Board), Axel Meyer (Board Member)

March 2021 of some EUR 85 million raised by the capital increase enabled us to make these acquisitions.

We also significantly increased our capital expenditure on our existing portfolio again after a year of the coronavirus, investing around EUR 76 million to strengthen organic growth. An increase in the volume of business, combined with massive rises in material prices over the course of the year, resulted in higher working capital. Cash flow from operating activities of around EUR 136 million was therefore lower than the previous year's high figure. We reduced our net debt despite high capital expenditure of EUR 143 million in total. The equity ratio came to 42.4% at year-end and the repayment term was reduced to 2.3 years.

In line with our long-term dividend policy, our intention is that you, our shareholders, should again participate in our success in the last financial year. We and the Supervisory Board will therefore be proposing to pay a dividend of EUR 1.05 per share at the Annual Shareholders' Meeting. This represents a dividend yield of 3.2% on the basis of the closing price of our share at year-end.

Our portfolio companies made a good start to the year 2022. Even though the war in Ukraine is causing increasing uncertainty on the markets and further shortages and price rises are expected for energy and raw materials, the pace of economic growth is currently still intact and the majority of portfolio companies can point to a good volume of back orders. The development of sales in the Automotive Technology segment remains unclear due to the ongoing shortage of computer chips and the Russia-Ukraine war. For the managers and employees of our portfolio companies, it is still an operational challenge to satisfy the high demand in the face of staff absences due to the pandemic and numerous supply shortages. Agility and decisive action are called for. And this is precisely the strength of our business model, of course, which stays true to the best traditions of SMEs and lets the entrepreneurs "on the ground" make the operational decisions. We greatly appreciate the dedication of everyone involved and send them our heartfelt thanks.

In 2022, the focus of our work will again be on supporting the further development of our portfolio companies. Our businesses are involved in the big topics of the future, whether that is sustainable construction, e-mobility or intelligent logistics systems. This is how they generate significant organic growth. Our focus for acquisitions will be on growth industries such as construction technology, automation components, medical devices and healthcare. They form the basis of our strategy going forward. We are pleased that our Supervisory Board supports this strategy and are grateful for the good working relationship in the past year.

We hope that you will continue to accompany us on this exciting journey as our shareholders. Thank you for your confidence.

Yours sincerely,

Dr. Johannes Schmidt — Dr. Jörn Großmann — Axel Meyer — Rudolf Weichert

Bergisch Gladbach, March 2022

Management Bodies

The INDUS Board of Management

DR.-ING. JOHANNES SCHMIDT
CHAIRMAN OF THE BOARD

Dr. Johannes Schmidt (German citizen, born 1961) has been a member of the Board of Management of INDUS Holding AG since January 2006. He assumed the position of Chairman of the Board of Management in July 2018. Dr. Schmidt was previously the sole managing director of ebm-papst Landshut GmbH, a manufacturer of ventilation motors and fans. During his tenure there, his main achievements included advancing the development of new product platforms and internationalization of production sites. Dr. Schmidt began his career at Richard Bergner GmbH, a manufacturer of electrical instruments from Schwabach. He initially assumed development tasks before rising to the position of managing director during his 12 years at the company. Schmidt, who studied mathematics, gained an engineering doctorate in mechanics at the Technical University of Darmstadt.

DR. JÖRN GROSSMANN
BOARD MEMBER

Dr. Jörn Großmann (German citizen, born 1968) has been a member of the INDUS Holding AG Board of Management since January 2019. Up until his move to the INDUS Board of Management, he worked for the Dutch Group Aalberts Industries N.V., with his last position being sole managing director of Impreglon GmbH in Lüneburg. He previously held various positions at the Georgsmarienhütte Group, initially becoming managing director of Mannstaedt GmbH in Troisdorf and later managing director of GMH Edelstahl Service Center Burg GmbH and GMH Engineering GmbH. Before Dr. Großmann became the managing director of Buderus Feinguss GmbH in Moers, he worked as a development engineer and as technical director for Doncasters Precision Castings GmbH in Bochum, Germany. He studied material sciences and earned a doctorate in the field of natural sciences.

AXEL MEYER
BOARD MEMBER

Axel Meyer (German citizen, born 1968) has been a member of the INDUS Holding AG Board of Management since October 2017. He previously worked in various management positions at Schuler AG, most recently as managing director of Schuler Pressen GmbH and head of the Schuler Group service division in Göppingen. Between 2003 and 2008, Axel Meyer was a managing partner and a management board member at the management consultancy firm IMAGIN Prof. Bochmann AG in Eppstein im Taunus. He began his career at the Schuler Group in the massive forming segment – first in international sales and then as division manager. Axel Meyer studied industrial engineering in Germany and the United States and also completed a Master of Mergers & Acquisitions (LL.M.) from the Frankfurt School of Finance & Management while working.

RUDOLF WEICHERT
BOARD MEMBER

Rudolf Weichert (German citizen, born 1963) has been a member of the INDUS Holding AG Board of Management since June 2012. Before joining the INDUS Board of Management, he was a partner at accounting firm KPMG for nine years. He spent three of these years in Detroit, Michigan, United States, where he worked mainly with companies in the automotive, engineering, and materials trading industries. Mr. Weichert, who holds a business degree, worked for KPMG for about 20 years, primarily in the firm's Düsseldorf offices, where he worked mainly with multi-national manufacturing corporations.

Detailed information concerning memberships of the Board members on other Supervisory Boards can be found on p. 153 and online at www.indus.de/en/about-indus/board-of-management

The INDUS Supervisory Board

Supervisory Board members representing shareholders are elected for no longer than the period until the end of the Annual Shareholders' Meeting that resolves the approval of the actions for the fourth financial year after the start of the term in office. The financial year in which the term of office begins is not taken into account here. The Annual Shareholders' Meeting can define a shorter term of office for the Supervisory Board members representing shareholders on their election. Re-election is permitted. Candidates must not be above the age of 70 at the time of their election or re-election. The terms of office of the serving members of the Supervisory Board end with the end of the Annual Shareholders' Meeting in 2023.

JÜRGEN ABROMEIT
Supervisory Board Chairman (since 2018)

WOLFGANG LEMB*
Deputy Supervisory Board Chairman (since 2018)

DR. JÜRGEN ALLERKAMP
Member of the Supervisory Board (since 2007)

DR. DOROTHEE BECKER
Member of the Supervisory Board (since 2014)

DOROTHEE DIEHM*
Member of the Supervisory Board (since 2018)

PIA FISCHINGER*
Member of the Supervisory Board (since 2018)

CORNELIA HOLZBERGER*
Member of the Supervisory Board (since 2018)

GEROLD KLAUSMANN*
Member of the Supervisory Board (since 2018)

ISABELLA PFALLER
Member of the Supervisory Board (since 2018)

HELMUTH SPÄTH
Member of the Supervisory Board (since 2012)

UWE TRINOGGA*
Member of the Supervisory Board (since 2018)

CARL MARTIN WELCKER
Member of the Supervisory Board (since 2010)

Supervisory Board Committees

Nomination Committee

Jürgen Abromeit (Chairman of the Board)/Isabella Pfaller/Carl Martin Welcker

Personnel Committee

Jürgen Abromeit (Chairman of the Board)/Dr. Dorothee Becker/Dorothee Diehm/Wolfgang Lemb

Audit Committee

Isabella Pfaller (Chairwoman, Financial Expert)/
Dr. Jürgen Allerkamp (Financial Expert)/Gerold Klausmann (Financial Expert)

Mediation Committee in Accordance With Section 27 (3) of the German Codetermination Act (MitbestG)

Jürgen Abromeit (Chairman)/Pia Fischinger/Wolfgang Lemb/Isabella Pfaller

Detailed information concerning memberships on other Supervisory Boards can be found on p. 152 and online at www.indus.de/en/about-indus/supervisory-board

* Employee representative

Report of the Supervisory Board

**Dear Shareholders,
I would like to take this opportunity to inform you of the Supervisory Board's work over the past financial year.**

Cooperation Between the Board of Management and the Supervisory Board

In the reporting year, the Supervisory Board diligently fulfilled its duties under applicable law and the company's Articles of Incorporation. The Supervisory Board continually advised the Board of Management, supervised its management of the company, and ensured that all actions taken were legal and proper and served their intended purpose. The Board of Management fulfilled its informational duties at all times and regularly, promptly, and comprehensively informed the Supervisory Board, both in writing and orally, of all issues relating to strategy, planning, business performance, risk exposure, risk management, and compliance that were of material importance to the company and the INDUS Group. This included information about any divergence between the actual performance of the INDUS Group and previously reported goals and of the actual course of business from the originally communicated planning as well as information relating to significant other events.

The members of the Supervisory Board always had sufficient opportunity to critically review, in their plenary sessions and committees, the reports and proposed resolutions presented by the Board of Management, and to introduce suggestions of their own. This kept them informed of current business performance and asset development at all times. Matters to which the Supervisory Board devoted its attention included, in addition to corporate, financial, and investment planning, the company's risk exposure and risk management. Where necessary due to the law, the Articles of Incorporation, or the rules of procedure, the Supervisory Board provided approval on a case-by-case basis for business transactions requiring approval. Between board meetings, the Supervisory Board Chair also engaged in an intensive exchange of information and ideas with the Board of Management and was kept regularly informed of significant company developments as they happened. The Chair of the Audit Committee conferred bilaterally with the Chief Financial Officer and the Supervisory Board Chair on specific subjects. The Supervisory Board as the supervisory body was always included in all fundamental decisions.

Composition of the Supervisory Board

There have been no changes in the composition of the Supervisory Board compared with the previous year. Details of the composition of the Supervisory Board and its committees can be found in the Annual Report in the "Management Bodies" section and on the INDUS website. See p. 7 and p. 152 as well as www.indus.de/en/about-indus/supervisory-board

Meeting Frequency and Attendance

The Supervisory Board held six ordinary meetings and one extraordinary meeting in 2021. One resolution was also taken by circulation of documents. In view of the COVID-19 pandemic, the first three ordinary meetings of the year were held as video conferences. The fourth, fifth and sixth ordinary Supervisory Board meetings were held as physical meetings, with the option for individual members of attending by video link. Because the matter was urgent, the Supervisory Board passed a resolution on using Authorized Capital 2019 in an extraordinary meeting held by conference call. An ad hoc committee was formed to take the other resolutions required for the capital increase. In addition, the resolutions of the shareholder representatives on the Supervisory Board on independence were adopted in a video conference on February 10. The Board of Management attended all Supervisory Board meetings except for the aforementioned video conference for shareholder representatives, although the Supervisory Board also regularly discussed agenda items without the Board of Management. Apart from the excused absence of one member at the Supervisory Board meeting on May 25, 2021 and of one member at the Personnel Committee meeting and the Supervisory Board meeting on October 19, 2021, all members of the Supervisory Board and the committees always took part in all meetings of the Supervisory Board and its committees. All the shareholder representatives apart from one took part in the meeting of the shareholder representatives on the Supervisory Board.

Conflicts of Interest

There were no indications that members of the Supervisory Board or Board of Management had conflicts of interest, which must be promptly disclosed to the Supervisory Board and of which the Annual Shareholders' Meeting is to be informed.

SUPERVISORY BOARD MEETINGS IN FINANCIAL YEAR 2021

	Attendance at ordinary meetings	in %	Attendance at extraordinary meetings	in %
Supervisory Board				
Jürgen Abromeit (Chairman of the Board)	6/6	100	1/1	100
Wolfgang Lemb (Deputy Chairman of the Board)	5/6	83	1/1	100
Dr. Jürgen Allerkamp	6/6	100	1/1	100
Dr. Dorothee Becker	5/6	83	1/1	100
Dorothee Diehm	6/6	100	1/1	100
Pia Fischinger	6/6	100	1/1	100
Cornelia Holzberger	6/6	100	1/1	100
Gerold Klausmann	6/6	100	1/1	100
Isabella Pfaller	6/6	100	1/1	100
Helmut Späth	6/6	100	1/1	100
Uwe Trinogga	6/6	100	1/1	100
Carl Martin Welcker	6/6	100	1/1	100

COMMITTEE MEETINGS IN FINANCIAL YEAR 2021

	Attendance	in %
Personnel Committee		
Jürgen Abromeit (Chair of the Committee)	5/5	100
Dr. Dorothee Becker	5/5	100
Dorothee Diehm	5/5	100
Wolfgang Lemb	4/5	80
Audit Committee		
Isabella Pfaller (Chair of the Committee)	5/5	100
Dr. Jürgen Allerkamp	5/5	100
Gerold Klausmann	5/5	100
Ad hoc committee		
Jürgen Abromeit (Chair of the Committee)	1/1	100
Dr. Jürgen Allerkamp	1/1	100
Gerold Klausmann	1/1	100

Corporate Governance

The Supervisory Board and the Board of Management issued an updated Declaration of Conformity with the German Corporate Governance Code on March 18, 2021, and December 9, 2021, pursuant to Section 161 of the German Stock Corporation Act (AktG) and made them available on the INDUS website. Revised rules of procedure for the Supervisory Board and for the Board of Management were adopted at the meeting on March 18, 2021. The revised rules of procedure for the Supervisory Board can be downloaded from the INDUS Website. Both are in accordance with the revised Articles of Incorporation that were adopted on the same day. The revised Articles of Incorporation were amended to reflect the use of Authorized Capital 2019 on March 25, 2021. The revised Articles of Incorporation were approved as proposed at the Annual Shareholders' Meeting on May 26, 2021.

Main Topics of the Meetings

At the **first ordinary Supervisory Board meeting on February 10, 2021** the Supervisory Board primarily dealt with the Board of Management's strategy report on the Automotive Technology segment. Intense discussions were held on the progress and plans for the future repositioning of SELZER and S.M.A. In addition, the Board of Management explained the planned acquisition of WIRUS Fenster GmbH & Co. KG and its affiliates, which the Supervisory Board approved following a debate. Other topics included the implementation of the new remuneration system for the Board of Management, which was approved at the Supervisory Board meeting on December 9, 2020. It meets the requirements of the Shareholder Rights Directive as transposed into German law and of the revised German Corporate Governance Code. Updated financing scenarios for the current financial year were also discussed.

The **second ordinary Supervisory Board meeting on March 18, 2021**, focused on the presentation and discussion of the 2020 separate and consolidated financial statements of INDUS Holding AG and the Group and the resolutions on these. The Chair of the Audit Committee particularly explained significant aspects of accounting for the consolidated financial statements to the Supervisory Board. At the Audit Committee's recommendation and after in-depth discussion with the external auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Cologne branch, the Supervisory Board approved the annual financial statements and the consolidated financial statements as well as the separate non-financial Group report for the financial year 2020. After a thorough review the Supervisory Board had no objections to make to the joint management report and explanatory report by the Board of Management. The compensation report included in the management report was approved at the recommendation of the Personnel Committee. The Supervisory Board agreed with the dividend and resolutions proposed by the Board of Management for the 2021 Annual Shareholders' Meeting. On the basis of the proposal of the Audit Committee, the Supervisory Board resolved to propose to the Annual Shareholders' Meeting that Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, Cologne branch, be appointed as the external auditor for the company and the Group for the 2021 financial year.

Following the recommendations of the Personnel Committee, the necessary resolutions regarding the variable remuneration of the members of the Board of Management for financial year 2020 were passed. In the spirit of good corporate governance and in order to implement the new remuneration system for the Board of Management promptly, all the members of the Board of Management resigned and were reappointed as of April 1, 2021. Their new Board contracts include the rules for the new remuneration system. The members of the Board of Management were appointed for different periods of between three-and-a-half and five years.

Discussions also focused on the revised corporate governance documents and the rules of procedure for the Supervisory Board and the Board of Management, which were adopted. A resolution was also taken to propose revised Articles of Incorporation to the Annual Shareholders' Meeting and to issue an updated declaration of conformity. The Board of Management also informed the Supervisory Board about current financing scenarios.

In an **extraordinary meeting on March 25, 2021** the Supervisory Board approved a Board of Management resolution of the same date on increasing the capital stock using Authorized Capital 2019. The other resolutions required for the capital increase were taken on the same day by an ad hoc Supervisory Board committee formed for this purpose.

Resolutions were passed by circulation of documents on **April 7, 2021** approving the changes and additions to the invitation to the Annual Shareholders' Meeting 2021 resulting in particular from the capital increase.

The Supervisory Board held a **third ordinary meeting on May 25, 2021.** The board dealt in depth with the Board of Management's report concerning business performance in the months from January to April 2021 at this meeting. The Board of Management also presented its Forecast I for year-end 2021 on the basis of the results in March 2021.

The main topics of the **fourth ordinary Supervisory Board meeting on September 23, 2021** were the company's current performance and the discussion and resolution on the sale of the WIESAUPLAST Group to the SCHERDEL Group. This continued the process of consistent portfolio enhancement and further reduced the percentage of series suppliers of Automotive Technology in the total portfolio. The Board of Management also presented the acquisition of FLACO GmbH by HORNGROUP Holding GmbH & Co. KG.

At the **fifth ordinary meeting on October 19, 2021** the Supervisory Board discussed the financial performance as of September 30, 2021. In its presentation the Board of Management dealt particularly with macroeconomic developments, focusing on supply chains, energy and raw materials prices. The discussion of strategic issues that began in the Supervisory Board meeting on September 23, 2021 was also continued.

The Supervisory Board held a **sixth ordinary meeting on December 9, 2021.** At the meeting, the Board of Management reported on the current financial performance as of October 31, 2021 and the outlook for the remainder of the 2021 financial year. The Board of Management then covered business planning for the 2022 financial year. In the discussion that followed, the Supervisory Board and the Board of Management considered the details and results of the planning process. The Supervisory Board adopted the annual planning without changes. In addition, the Board of Management explained the planned acquisition of Heiber + Schröder Maschinenbau GmbH and its affiliates, which the Supervisory Board approved following a debate.

The targets proposed by the Personnel Committee for the short-term variable compensation of the Board of Management for financial year 2022 were also discussed and adopted.

The Supervisory Board also dealt with the proposal to the Annual Shareholders' Meeting to elect new auditors for the separate and consolidated financial statements for financial year 2022. The Chair of the Audit Committee described the selection procedure. After a discussion, the Supervisory Board followed the Audit Committee's recommendation to propose PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft at the Annual Shareholders' Meeting as the first choice for auditor of the separate and consolidated financial statements.

Work of the Committees

The main task of the Supervisory Board committees is to prepare decisions and topics for the complete Board's sessions. Decision-making powers may be transferred to the committees for this purpose insofar as the law permits. The chairs of the committees reported to the Supervisory Board regularly and in detail on their committees' work. Both the Personnel Committee and the Audit Committee met several times in the past year. An ad hoc committee was formed to take the resolutions required for the capital increase. There was no need for the Mediation Committe, in accordance with Section 27 (3) of the Codetermination Act, or the Nomination Committe to convene. The composition of the committees is presented in the Annual Report under the heading "Management Bodies" and on the INDUS website. See p. 7 as well as www./indus.de/en/about-indus/supervisory-board

Since a number of resolutions were urgently required for the capital increase, the Supervisory Board formed an **ad hoc committee on March 25, 2021.** It was made up of the Supervisory Board Chair Mr Jürgen Abromeit (committee chair), Dr. Jürgen Allerkamp as shareholder representative and Mr Gerold Klausmann as employee representative. Following Supervisory Board's approval of the Board of Management's resolution on the capital increase using Authorized Capital 2019, the ad hoc committee discussed and voted on the Board of Management's resolutions on setting an issue price for the new shares and the final volume of the capital increase. The ad hoc committee also voted to amend the Articles of Incorporation to reflect the capital increase.

In the 2021 financial year, the **Personnel Committee** prepared the Supervisory Board's personnel decisions in five meetings on **February 10, March 3 and 18, October 19, and December 9, 2021.** Where necessary, decisions were made or resolutions to be taken were recommended to the Supervisory Board. One focus of its work was the implementation of the new system of remuneration for the Board of Management adopted on December 9, 2020. A recommendation was made to the Supervisory Board to reappoint the members of the Board of Management and to sign new Board contracts with them incorporating the new remuneration system. The members of the Board of Management were reappointed for different periods of between three-and-a-half and five years. The Personnel Committee also dealt with compensation paid to the Board of Management. Recommendations were made to the Supervisory Board for the resolutions needed for the compensation paid to the Board of Management in the previous system, as well as for the resolutions on the targets for short-term variable compensation in the new system. Details regarding compensation for the Board of Management members can be found in the compensation report. The Personnel Committee also discussed the effects on long-term succession planning of the second Act on Management Functions that took effect on August 12, 2021.

The **Audit Committee** met five times in the 2021 financial year: **on March 18, May 25, November 18, and December 8 and 9, 2021**. Representatives of the auditors Ebner Stolz & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft Stuttgart, Cologne branch, attended the meetings on March 18 and December 9, 2021. Members of the Board of Management were required to attend all the committee meetings. The Audit Committee obtained the external auditors' Statement of Independence as required, verified their qualifications, signed the remuneration agreement, and established the focal points of the audit. The external auditors declared to the Audit Committee that there were no facts or circumstances that would constitute grounds for assuming a lack of impartiality on their part. Discussions focused on the separate and consolidated financial statements for 2020 and the selection procedure for the audit of the separate and consolidated financial statements for 2022. The selection procedure began in accordance with the European regulation once the audit quality indicators had been defined. The selection procedure was published in the German Federal Gazette on June 30, 2021. On the basis of its own selection criteria the Audit Committee gave a recommendation to the Supervisory Board that the first choice for the election proposal to the Annual Shareholders' Meeting was PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. Other topics included the review of the risk management system and the compliance report 2020, changes to the review of the risk early warning system to comply with IDW PS 340 as amended and the implementation of the EU Taxonomy in relation to sustainability reporting.

Approval of the Annual Financial Statements and the Consolidated Financial Statements as of December 31, 2021

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Cologne branch, appointed auditor of the separate and consolidated financial statements by resolution at the Annual Shareholders' Meeting of May 26, 2021, audited the annual financial statements, the consolidated financial statements, the combined management report and the compensation report of the Group and of INDUS Holding AG for the 2021 financial year pursuant to the Supervisory Board's instructions. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The external auditors provided the annual financial statements with an unqualified audit opinion. The auditors also confirmed that the risk management system complied with the provisions of law, and that there are no identifiable risks that might jeopardize the company as a going concern. As planned, the interim financial reports were not audited.

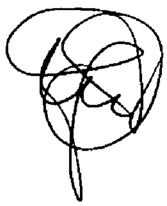
Annual financial statements, consolidated financial statements, the combined management report, the external auditor's audit report, the non-financial Group report and the compensation report were presented to all members of the Supervisory Board in good time. These were discussed in detail at the Supervisory Board meeting held on March 17, 2022, for adoption of the financial statements. This meeting was also attended by the external auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Cologne branch, which reported on the main results of the audit. The external auditor was also available to answer any further questions. The Supervisory Board discussed all of the submissions and audit reports in depth.

Following the final review of the documents submitted and the recommendations of the Audit Committee, the Supervisory Board raised no objections to the annual financial statements, the consolidated financial statements, or the combined management report, and agreed with the external auditor's findings. The Supervisory Board thus approved the 2021 annual financial statements and the 2021 consolidated financial statements. The annual financial statements for 2021 have therewith been adopted in accordance with Section 172 (1) of the German Stock Corporation Act (AktG). Following its review of the proposal, the Supervisory Board concurred with the Board of Management's proposed appropriation of distributable profit. The Supervisory Board also reviewed the separate non-financial report for the INDUS Group. To form its opinion, it drew on the review performed by the external auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Cologne branch. The Supervisory

Board raised no objections to the separate non-financial report for the INDUS Group. On the basis of the formal and material review of the compensation report by the external auditors the Supervisory Board approved the compensation report with no objections.

The Supervisory Board would like to thank the managing directors and all employees of the portfolio companies as well as all employees of INDUS Holding AG and the Board of Management for the extraordinary dedication they have displayed in the past financial year. The effects of the COVID-19 pandemic and INDUS' agility in this challenging time have once again shown us how important and valuable this successful work is.

Bergisch Gladbach, March 17, 2022



For the Supervisory Board
Jürgen Abromeit
Chairman of the Board

INDUS Share

The 2021 Stock Market Year: Benign, Despite the Ongoing Pandemic, Supply Bottlenecks and Inflation Worries

Capital markets were dominated again by the coronavirus pandemic in 2021. A sudden rise in inflation rates and supply shortages around the world also caused the global economic recovery to lose momentum. New mutations in the coronavirus had an additional adverse impact on the economic situation.

Despite the now familiar supply shortages, the DAX reached several highs between January and April. The DAX was expanded from 30 to 40 companies in the reporting year and reached a new high of 16,290 points in mid-November. In the recovery that began in December investors focused on cyclical shares in the automotive and aviation sectors, as well as on the index heavyweights. DAX closed the year at 15,884.86 and so only slightly below the 16,000 mark, which represents an increase of 16% over the year.

The euro fell against the US dollar over the course of the year due to the different monetary policies pursued by the respective central banks. Whereas the Federal Reserve is reducing its bond purchases and signaling interest rate increases, the ECB is standing by its loose monetary policy. The Fed's less generous monetary policy boosted the US dollar accordingly, putting pressure on the euro.

KEY SHARE DATA (in EUR)

	2021	2020	2019
Earnings per share Group	1.78	-1.10	2.43
Cash flow per share Group	4.43	6.35	6.02
Dividend per share[1]	1.05	0.80	0.80
Dividend yield in %[1]	3.2	2.5	2.1
Distribution in EUR million[1]	28.2	19.6	19.6
Highest closing price for the year[2] (3/18/2021)	37.30	40.45	47.45
Lowest closing price for the year[2] (11/29/2021)	29.40	21.40	31.45
Final closing price for the year[2]	32.75	32.10	38.85
Market capitalization[3] in EUR million	880.81	784.85	949.90
Average daily trading volume in number of shares	15,110	28,585	21,940

1) Subject to approval at Annual Shareholders' Meeting expected on May 31, 2022
2) XETRA closing price
3) As of reporting date, based on complete capital stock of 26,895,559 shares

INDUS SHARE DATA

WKN/ISIN	620010/DE0006200108
Stock exchange code	INH.DE
Share class	No-par-value shares
Stock exchanges	XETRA, Düsseldorf, Frankfurt (regulated market), Berlin, Hamburg, Hanover, Munich, Stuttgart
Market segment/Index	Prime Standard/SDAX
Designated sponsors	Hauck Aufhäuser Lampe, ICF und ODDO BHF
Subscribed capital	EUR 69,928,453.64
Authorized capital 2021	EUR 34,964,225.52
Number of shares	26,895,559

The INDUS share: Capital Increase in March 2021

The INDUS share traded at around EUR 33.50 from the start of the year until early March. It reached a high of EUR 37.30 on March 18, 2021, followed by an unusually high daily trading volume of 67,529 shares on March 19, 2021.

INDUS completed a capital increase without subscription rights on March 26, 2021. A total of 2,445,050 new shares were issued at a price of EUR 34.90 as part of an accelerated book building and sold to long-term institutional investors, including family offices in Germany. Following the capital increase there are now 26,895,559 shares, compared with 24,450,509 on the previous year's reporting date.

From late March 2021 until the middle of the year the INDUS share settled down at around EUR 35 and moved sideways thereafter. A tentative new high was reached at EUR 37.20 on August 11, 2021, but it did not make it as the closing price for the day. Trading volumes were also not so significant as at the end of the first the first quarter

In the final quarter the share price fell from EUR 35.85 on November 8, 2021, to a low for the year of EUR 29.40 on November 29, 2021, before recovering to EUR 32.75 at year-end in moderate trading. In particular the press release on the acquisition of Heiber + Schröder Maschinenbau GmbH announced on December 17, 2021, prompted the share price to recover amid the highest daily trading volume of the year at 76,687 shares.

Over the full year the INDUS share therefore closed at the same level as the previous year or up +2%, whereas the SDAX index rose by 11% over the year. The MDAX was up by as much as +14% year-over-year.

Liquidity of the Share: Reduction in the Reporting Year

The liquidity of the INDUS share fell sharply in the reporting year. On average, according to the statistics of the German Stock Exchange, 21,244 shares were traded per day on XETRA and the German regional exchanges during the financial year. In 2020 the average trading volume was 28,585 shares a day. XETRA and regional German stock markets accounted for a good 74% of trading volume, according to Bloomberg, which was a similar percentage to prior years.

Stable Shareholder Structure with Many Institutional Investors

After the capital increase the largest shareholder in INDUS Holding AG remains Versicherungskammer Bayern in Munich. In line with its long-term capital investment strategy, it holds 17.7% of the capital stock (according to the Board of Management's knowledge). The other anchor is formed by a group of private investors who are represented jointly. The spokesman for the group of proxy shareholders is Hans Joachim Selzer of Driedorf, Germany. This group holds 5.7% of INDUS shares, according to its own statements. The capital increase on March 26, 2021, revealed a 3.7% stake held by WIRTGEN Invest Holding, Neustadt (Wied). Epina GmbH & Co. KG, Gütersloh, became one of INDUS Holding AG's larger shareholders in November 2017. The rest of the company's share capital (70.2%) is held by a broad range of investors. INDUS Holding AG currently does not hold any treasury shares.

Proposed Dividend of EUR 1.05 per Share

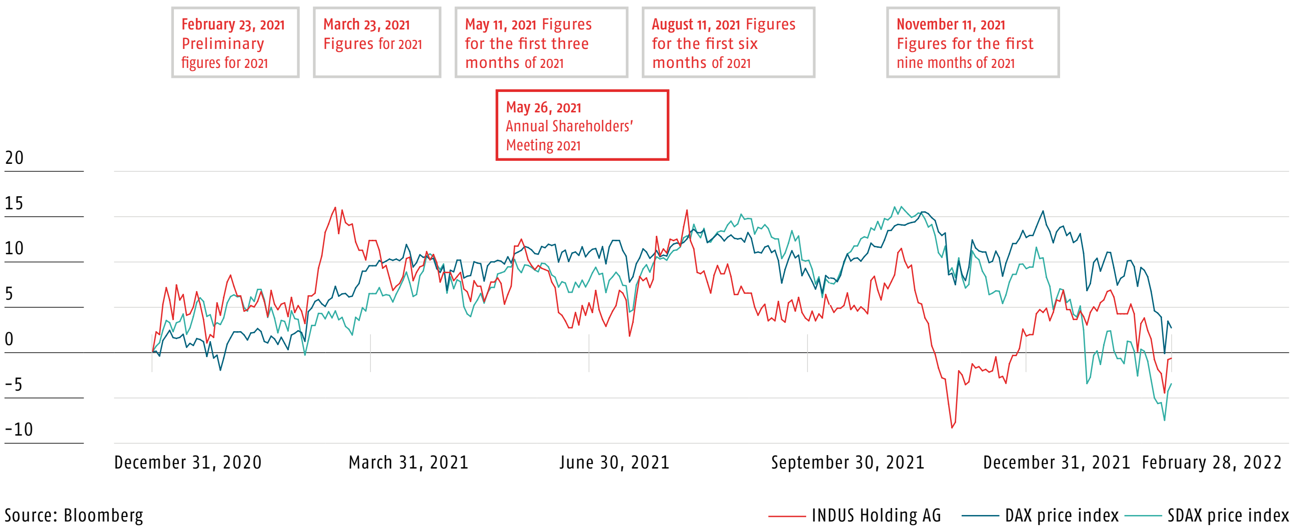
INDUS practices a stable dividend policy. Shareholders participate in company profits through regular dividend distributions. The dividend distribution generally depends on the net profit for the year. The dividend policy provides that at least 50% of profits are to be reinvested in the company and up to 50% distributed.

As of December 31, 2021, the holding company had EUR 54.5 million in balance sheet profit. The Board of Management and the Supervisory Board will therefore propose a dividend payment of EUR 1.05 per share (previous year: EUR 0.80) to the Annual Shareholders' Meeting. This represents a distribution of EUR 28.2 million and a dividend ratio of 51.9%.

INDUS share has potential

— FMR (EUR 42.50) – Hold
— GSC Research (EUR 43.00) – Buy
— Hauck Aufhäuser Lampe (EUR 56.00) – Buy
— HSBC (EUR 46.00) – Buy
— LBBW (EUR 45.00) – Buy
— M.M.Warburg (EUR 40.00) – Buy

SHARE PRICE PERFORMANCE OF THE INDUS SHARE 2021 EXCL. DIVIDEND (in %)



Source: Bloomberg

Investor Relations Work: New Formats Address New Investor Groups; Second Annual Shareholders' Meeting to be Held Virtually

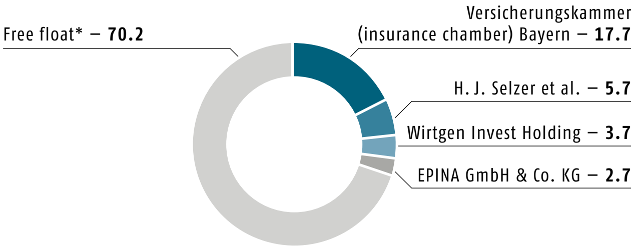
Marketing activities for the INDUS share were still affected by the coronavirus restrictions in 2021, with face-to-face events such as road shows, sales force briefings, conferences and site visits all severely limited. At the same time it was more difficult to market the INDUS share and take part in road shows and conferences. INDUS attended ten (previous year: 11) road show and conference events in 2021. INDUS also took part in a sustainability road show for the first time.

INDUS plans to expand its marketing activities in future, with an analyst day at a portfolio company, for example, and a capital markets day in 2022 to explain how the PARKOUR strategy is evolving.

In view of the existing pandemic restrictions INDUS held the Annual Shareholders' Meeting on May 26, 2021, as a virtual event in the Cologne Exhibition Center for the second time. A total of 57% of voting shares were present and some 300 participants (shareholders and guests) followed the AGM online.

INDUS Holding AG had greater contact with private investors in the reporting year and continues to maintain personal dialog outside the Annual Shareholders' Meeting via DSW investor forums and face-to-face meetings. Interested investors can stay abreast of current events through the INDUS newsletter.

SHAREHOLDER STRUCTURE OF INDUS HOLDING AG AS OF 12/31/2021 in %



* The German Stock Exchange defines free float as all shares not held by major shareholders (share of share capital of at least 5%). According to this definition, free float amounts to 76.6%.

Following entry of the capital increase in the commercial register on March 26, 2021, the total number of voting rights now amounts to 26,895,559 shares.

Source: Company information

By actively cultivating relations with the capital markets, INDUS underscores its commitment to transparent and regular communication. The financial calendar on the inside cover of the Annual Report provides an overview of the most important dates for the current financial year. It is regularly updated and is also available on the company's website. The dates planned for 2022 and additional IR information can be found at www.indus.de/en/investor-relations/financial-calendar

YOUR CONTACT AT INVESTOR RELATIONS

Dafne Sanac
Head of Investor Relations
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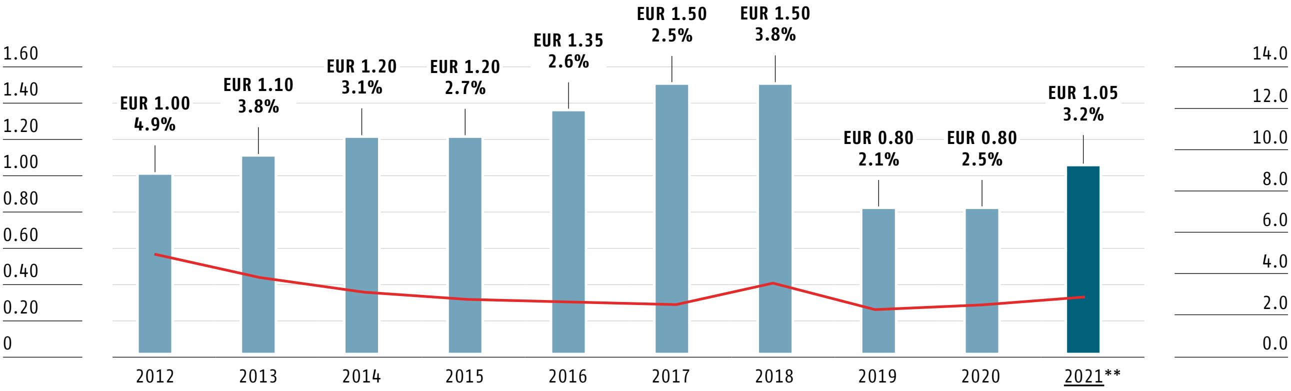
Email: investor.relations@indus.de

DIVIDEND PER SHARE* AND DIVIDEND YIELD 2012 TO 2021 (in EUR/%)



* Dividend payment for the respective financial year
** Subject to approval at Annual Shareholders' Meeting expected on May 31, 2022

Dividend yield

PARKOUR – Status Report

Although the market was volatile, we continued to work successfully on executing our PARKOUR strategy program in the transitional year 2021. We are focusing sharply on our medium-term goals for 2025 and making the INDUS portfolio even fitter for the future, more innovative and more sustainable. Via our strategic initiatives, we are addressing inorganic growth with acquisitions and organic growth in the portfolio, and driving our ongoing development.

Strategic initiative 1: Strengthening the Portfolio Structure

Inorganic growth through acquisitions remains a key component of our strategy, and in the years ahead we intend to add two to three companies to our portfolio every year – especially in growth industries such as automation, construction, medical devices and environmental technology.

Our group achieved further growth through acquisitions in growth industries in 2021. The closing for the control room specialist JST in January was followed by the closing for window maker WIRUS in May. In July 2021 our portfolio company HORNGROUP expanded its product portfolio and innovativeness with the acquisition of FLACO, a specialist for fluid management. More at www.reporting.indus.de/en/magazine/expanding-with-solid-support In December we signed the contract for the purchase of packaging machine HEIBER + SCHRÖDER, further strengthening our fast-growing Engineering segment. In line with our tiered transaction model, our portfolio companies M.BRAUN and HORNGROUP also acquired additional stock in their subsidiaries CREAPHYS and the US-based TECALEMIT Inc. in 2021.

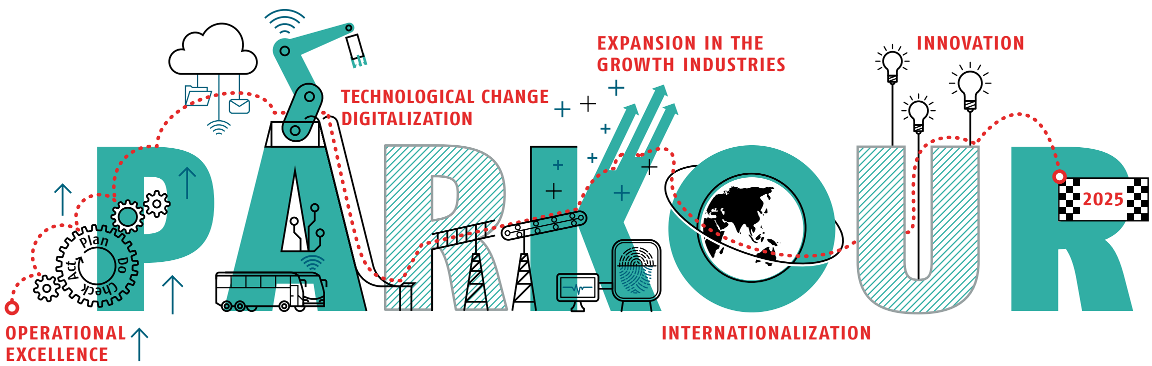
Our principle of “buy, hold & develop” also sometimes includes selling portfolio companies if the company and its employees have better development opportunities under a new owner. We started to take precise steps in this direction in 2020 with the INTERIM SPRINT package of measures. The discontinuation of BACHER in Switzerland has now brought the program to a successful conclusion. Positive effects on income can already be seen. Now as of December 30, 2021 we sold the WIESAUPLAST Group. This took us a key step closer to our target of reducing the proportion of series suppliers in the INDUS portfolio.

Strategic initiative 2: Driving Innovation

Just like the strategic initiative "Improving Performance," the strategic initiative "Driving Innovation" is aimed at **the organic growth of our portfolio companies**.

The core of our innovation management is to boost the Group's innovativeness. It aims to embed innovation activities in the individual strategies of our portfolio companies, identify market opportunities at an early stage and reduce reaction times on the basis of structured decision-making processes.

As the direct impact of the coronavirus pandemic receded, the portfolio companies were increasingly able to focus on their innovation activities in the second half of 2021. In 2021, our **innovation development bank** gave valuable support to projects focused on the growth industries defined in PARKOUR. Examples include projects in the context of battery production, recycling, machine learning,



cloud solutions, and medical devices. More at www.reporting.indus.de/en/magazine/inside-introducing-indus-projects

In the field of **knowledge and network** we established working groups as an additional instrument to accompany the general seminars on knowledge transfer. Selected portfolio companies meet up with external experts for a structured exchange of views on current cutting-edge topics such as hydrogen and sustainable construction to develop business models and/or product ideas within the network. We continued our partnership with the European Business School (EBS) in 2021 with a study of the M&A market. As part of this partnership, the students at EBS regularly carry out market and field studies or design-thinking projects for our portfolio companies.

By acting as sparring partners in **strategic projects** we focus on supporting the innovation strategies of our portfolio companies. The first step is to take a snapshot by means of a comprehensive questionnaire tailored to the Group. This is used to identify specific requirements in the individual innovation and technology strategy and translate them into an overhaul of the innovation strategy.

Strategic initiative 3: Improving Performance

Focus on Market Excellence

The core objective of our focus on Market Excellence is to expand and optimize the market positioning and market coverage of our portfolio companies. Activities begin with an established management tool, the **status check**, which highlights individual potential and areas that require action in the focus areas Strategy, Product, Pricing, Sales Organization, Market Access and Sales Management, and draws up concrete recommendations for action. On the basis of the status check, we again advised on concrete development and **implementation projects** in the portfolio companies in 2021, including at IPETRONIK, ELTHERM, MIGUA and HORN. More at www.reporting.indus.de/en/magazine/inside-introducing-indus-projects In addition, we continued general **knowledge transfer** via a seminar program for the portfolio companies and strengthened the **network** to external partners and service providers.

Focus on Operational Excellence

The focus on Operational Excellence aims to optimize business processes, particularly in the supply chain, production and logistics. The **production status check** was updated for many portfolio companies in 2021 and documented the positive developments in the production function at the respective companies. **Implementation support** ranges from conceptual workshops – on optimizing production strategy, lean management and factory layouts, for example – through advice on concrete improvement projects in the portfolio companies, including last year at KÖSTER and BILSTEIN & SIEKERMANN, IMECO and BETOMAX. More at www.reporting.indus.de/en/magazine/inside-introducing-indus-projects The program of seminars and training courses on **knowledge transfer** related to lean management started in 2018. In 2021, we successfully repeated it and added lean working groups to the mix. A broad internal and external **network** backs up all the activities to promote Operational Excellence. In the coming months, we will continue working hard on the next steps of the implementation of our PARKOUR strategy.

Strategic initiative 4: Striving for Sustainability

Sustainable business practices generate competitive advantage, increase corporate value and strengthen the corporate culture. We therefore actively support further improvements to the sustainability performance of our portfolio companies. In 2022, we will be establishing our sustainability strategy as the **fourth new strategic initiative** in our corporate strategy. Introduction to the Group on p. 45 et seq.

We have clear principles to guide us: In our business we are social, fair, and act in accordance with our mid-market values. We secure our long-term entrepreneurial success by acting in a way that is economically sustainable and ecological. The principles of the United Nations Global Compact (UNGC) form the basis for our strategic direction. Non-financial explanation on p. 20 et seqq.

Our first **sustainability magazine**, Susta[IN], was published in summer of 2021. www.indus.de/en/sustainability With our newly founded **sustainability development bank** we will be providing financial support to the portfolio companies from 2022 onwards for projects that aim to conserve resources and reduce emissions. The innovation development bank will also provide funding for sustainable product innovation in the future field of greentech.

You can also find more information about our strategy at www.indus.de/en/philosophy/strategy

02

NON-FINANCIAL REPORT

Non-financial Report

This report is geared to the recommendations of the German Sustainability Code. The full application of national and international frameworks on sustainability reporting has been avoided. Since the 2017 financial year, INDUS Holding AG has reported on its general business model in accordance with the CSR Directive Implementation Act (CSR-RLUG) in the annual report's management report as well as providing dedicated information on the relevant thematic sustainability aspects (ESG: environmental, social, governance) in the non-financial report.

Sustainability at INDUS

INDUS stands for our promise to be a dependable and long-term partner to our portfolio companies. We believe that long-term entrepreneurial success is only achievable by reconciling economically, socially and ecologically sustainable activities.

INDUS Holding AG (also known hereafter as INDUS) specializes in acquiring SMEs and accompanying them in their long-term development, without a specific exit perspective. Our investment focus is on companies with successful and established business models, which are often owner-managed at the time of the acquisition. INDUS acquires majority shareholdings in SMEs in the manufacturing sector of the German-speaking countries. INDUS is represented through sub-subsidiaries, branches, portfolio companies, and representative offices in 31 countries on five continents around the world. The registered offices of INDUS are in Bergisch Gladbach, Germany. The Group portfolio is characterized by a high degree of portfolio diversification, because the companies operate in diverse business and technological fields, selling markets, and business cycles. The managers of the portfolio companies engage in strategic sparring with the four members of the Board of Management of INDUS Holding AG. As the majority shareholder and financial holding company INDUS also supports its portfolio companies by providing them with capital to develop their business. Since the INDUS business model does not require an exit, INDUS ensures that in the event of conflicting objectives, long-term entrepreneurial success will always be the overarching objective above any short-term profits that might be made. INDUS' business model can be summarized by the phrase "buy, hold & develop."

INDUS and the portfolio companies do not define entrepreneurial success exclusively on a financial basis. As regionally important companies, INDUS and the portfolio companies are aware of how important the local environment is. For the INDUS Group, sustainability means a long-term balance between economic, social, and environmental objectives. To the INDUS sustainability magazine: www.indus.de/en/sustainability

The sustainability strategy has therefore become an independent strategic initiative, "Striving for sustainability," within the PARKOUR strategy program, for which the Board of Management is directly responsible As an independent strategy component, the legal and content-related topics from the ESG field are part of the strategic sparring between the Board of Management and the portfolio companies' managing directors. The Board of Management of INDUS Holding AG is responsible for all the central management systems. They include the compliance management system, the organizational responsibility for all decentralized system and process elements, and organizational responsibility for all relevant sustainability aspects, such as respect for human rights. A component has therefore been integrated into INDUS Holding AG's compensation system for the Board of Management as part of the short-term incentive (STI) for progress in sustainability aspects. See Compensation Report In terms of the sustainability strategy the years ahead will focus particularly on implementing the greenhouse gas reduction targets defined in the Climate Protection Act.

Current legal and regulatory developments are monitored, used to analyze the sustainability strategy and serve as a basis for updating the strategy when it needs to be changed. EU Regulation 2020/852 (Taxonomy Regulation) and the related delegated acts of June 22, 2021 and July 7, 2021 apply for the first time in financial year 2021 to the disclosure of sales, operating and capital expenditure qualifying for the taxonomy.

The tightening of legal requirements reflects not only the increased public awareness of the significance of ESG aspects but also the reality of the progression of global warming and the increased danger of failure to meet the objectives of international agreements. Due to the trend in global warming, INDUS considers significant weather events such as heat waves and severe storms likely to occur. The companies of the INDUS Group are covered in this respect by relevant insurance policies against natural disasters and business interruptions.

Environmental protection and energy efficiency are relevant in all manufacturing industries, and will remain important issues in the future. Energy prices and environmental standards will continue to rise over the long term. Increases in energy and commodity prices represent a risk for the performance of the individual companies and the Group. Depending on the market situation of the portfolio company, these increases cannot always be passed on to customers promptly and fully. For this reason, INDUS expects investment in sustainable and energy-efficient production processes to increase. INDUS believes this will result in promising opportunities, particularly for companies in the Automotive Technology, Engineering, and Metals Technology segments in the medium term.

With regard to an impact on production conditions, the product portfolio, and the Group's performance as a result of global warming, INDUS does not expect the current situation to get worse in the forecast period. This is also due to the INDUS Group's high level of diversification in terms of locations, selling markets, and fields of business. The portfolio companies' products will nevertheless adapt to new requirements and leverage innovation to gain or maintain the best market positions. INDUS Group supports them financially, encourages an early dialog with the portfolio companies' customer base and initiates working groups with participants from several portfolio companies to promote the exchange of knowledge and offer a platform for discussing relevant technological and societal trends, as well as methodical support for the development of innovative new ideas.

As a listed financial holding company INDUS Holding AG also maintains a continuous dialog on sustainability aspects with internal and external stakeholders, such as institutional providers of capital, commercial banks and other capital market participants, in order to be able to respond adequately to the complex challenges. INDUS issued an ESG-linked promissory note loan for EUR 60 million on the basis of its existing ISS ESG prime status rating of C+ for the first time in September 2020. A second ESG-linked promissory note loan with a volume of EUR 56 million was issued on the same basis in November 2022. The ISS ESG rating was maintained at prime status (C+) in financial year 2021.

INDUS Action Areas

The sustainability strategy was established as an independent strategic initiative, "Striving for sustainability," within the PARKOUR strategy in financial year 2021. The reporting for the financial year under review was also extended to cover the EU Taxonomy Regulation.

The Ten Principles of the United Nations Global Compact (UN GC) again form the basis of the company's sustainability strategy. INDUS has pooled these into five principles and used them to put together six action areas. The five **principles** are:

(a) Continuous and preventive efforts to protect the environment
(b) Fair working conditions characterized by mutual respect
(c) Living up to our social responsibility in our own sphere of influence
(d) Protection of and respect for human rights in our own sphere of influence
(e) Commitment to honest and legal business practices

The sustainability strategy's action areas derived for INDUS follow the principles accordingly and are supplemented by a sixth **action area**, which clarifies INDUS' particular role as a long-term oriented investor and partner:

(i) Protecting the environment
(ii) Fair work
(iii) Social justice
(iv) Human rights
(v) Honest business
(vi) Shareholder support

The conceptual connection between the principles of the UN GC, INDUS' derived principles and the sustainability strategy's action areas is explained in the figure below:

CONNECTION BETWEEN INDUS' PRINCIPLES AND THE SUSTAINABILITY STRATEGY'S ACTION AREAS

INDUS' self-image and anchoring in the Code of	UNGC
(i) Continuous and preventive efforts to protect the environment	7–9
(ii) Fair working conditions characterized by mutual respect	3–6
(iii) Living up to our social responsibility in our own sphere of influence	3, 6–8
(iv) Protection of and respect for human rights in our own sphere of influence	1+2
(v) Commitment to honest and legal business practices	10

Action areas					
Protection of the environment	Fair work	Social justice	Human rights	Honest business	Shareholder support

Action areas (i)-(v) cover the requirements for the **aspects** of "environmental issues" (i), "employee issues" (ii), "social issues" (iii), "respecting human rights" (iv), and "combating corruption and bribery" (v) in accordance with Section 289c (2) of the German Commercial Code (HGB).

"Materiality" in the INDUS Group

The materiality analysis completed in financial year 2017 was continued in 2021. Activities focused on sustainability aspects that can significantly affect the company's performance, its results and the position of the INDUS Group (outside-in) or which are significantly affected by the business activities and relationships of the INDUS Group (inside-out). The identification and definition of the material sustainability aspects in the form of a **materiality analysis** is carried out **methodically** by the combination of the outside-in and inside-and analysis of action areas (i) to (v) at segment and portfolio company level by the Board of Management (top-down) and the portfolio companies' managing directors (bottom-up). The approximative bottom-up analysis takes place via the regular strategy process using the analysis of opportunities from the individual sustainability strategies and based on the risk analysis in the INDUS Group's integrated risk management system.

A key component of the strategic sparring between the Board of Management and the managing directors is working out the importance of the general **economic value drivers of ESG initiatives** for the respective portfolio company and the analysis of resulting opportunities and risks. In line with the portfolio companies' operational independence, it is the portfolio companies' responsibility to prioritize efficient and effective sustainability initiatives in the context of an individual sustainability strategy geared to INDUS' targets. INDUS' targets for the whole INDUS Group's emissions result from the Group-wide materiality analysis (top-down) and are individually defined in concrete terms and backed up with measures by the portfolio companies (bottom-up). For reporting in the non-financial report, the focus is on opportunities and risks that result from sustainability aspects (outside-in) and are necessary for understanding INDUS Holding AG's business performance, results of operations, and situation, in addition to risks relating to these sustainability aspects caused by INDUS' operating activities and business relations (inside-out).

Classification of the Economic Activities of INDUS According to the EU Taxonomy Regulation

To determine the qualifying sales, operating and capital expenditure under the taxonomy, a board of experts was initially set up at the level of the holding company which reviewed all the taxonomy criteria for their potential relevance to one or more portfolio companies. The board of experts at the holding company level has analyzed the eligibility under the Taxonomy Regulation **1. of all economic activities** that could be relevant at all the portfolio companies in the INDUS Group. The use of photovoltaic systems, heat pumps and heat recycling systems were identified as qualifying activities. **2. of the economic activities of particular portfolio companies**, such as the manufacture of energy efficiency equipment for buildings (specifically doors and windows with low thermal transmittance coefficients, i.e. good insulation) or heat pumps.

For the economic activities in 1., all the portfolio companies were surveyed; for the economic activities in 2., the analysis was performed at the level of the portfolio companies. All the research and development expenses were also screened to filter out expenses qualifying for the taxonomy.

The same accounting policies as for the financial reporting were used to determine the non-financial KPI.

The sales specifically included in the calculation of qualifying economic activities under the EU Taxonomy are sales of energy efficiency equipment for buildings (economic activity 3.5), of heat pumps (economic activity 4.16) and of solar photovoltaic technology (economic activity 4.1) if connected to the electricity grid. To calculate the relevant capital expenditure, the companies' investments in building equipment were extrapolated using the sales share of products qualifying for the taxonomy, and preliminary work for a photovoltaic system was also included.

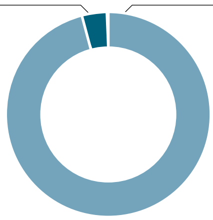
The operating expenditure qualifying for the taxonomy was less than EUR 1 million and so is not described as material. The operating costs qualifying for the taxonomy were so low in 2021 because most of the systems operated are low-maintenance.

The installation of several photovoltaic systems is planned for financial year 2022, so the capital expenditure qualifying for the taxonomy will be higher. The requirements of the EU Taxonomy for the capex plans are currently still under review.

AMOUNTS OF TAXONOMY-QUALIFYING SALES AND INVESTMENTS (in EUR)

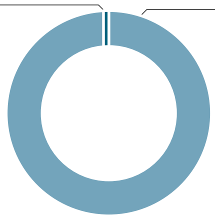
of which eligible for EU Taxonomy – **72,211,577 / 4.15%**

Sales – **1,741,470,259**



of which eligible for EU Taxonomy – **338,814 / 0.45%**

Investments – **75,598,000**



Value Drivers of ESG Initiatives

Four value drivers of ESG initiatives that are of particular significance for the INDUS Group are addressed in particular in the strategic sparring. INDUS offers methodological and financial support to the portfolio companies for all four value drivers. There is no change in the value drivers compared with 2020:

1. SALES OPPORTUNITIES

New "green" products and processes may bring about an increase in sales or offset an impending loss of sales. A differentiating feature could, for example, be the use of renewable raw materials in the current product range or the use of a new technology that minimizes resource consumption during the product's service life. The portfolio companies are provided support through the activities of the PARKOUR strategy program's strategic initiative,"Driving Innovation."

2. EFFICIENCY INCREASES

Careful use of staff and resources can increase the organization's efficiency and thus generate a positive cost-saving effect or offset other cost increases. INDUS supports increases in efficiency in production in the PARKOUR strategy program's "Improving Performance" strategic initiative. INDUS also supports the portfolio companies with efficiency-increasing investments and in the innovation process. On the personnel side, expanding the range of professional training courses improves staff performance and also increases loyalty to the Group.

3. ENTREPRENEURIAL VISION

Our precautionary and careful approach to the environment and the workforce drastically reduces the risk that regulatory changes will result in a negative impact for which the Group is not prepared. The INDUS Code of Conduct, which the portfolio companies take from the holding company, is central to this.

4. OPTIMIZED INVESTMENT DECISIONS

Taking environmental aspects into account in investment decisions makes it possible to better assess the costs over the total life of an investment. In order to support the portfolio companies, INDUS has developed the concept of the sustainability development bank. INDUS will use it starting in financial year 2022 to subsidize the portfolio companies' investments with effect on net income with up to 80% of the total amount of the investment. The decision-making criteria are the effective reduction of greenhouse gas emissions or the material saving of resources (e.g. water).

In addition, INDUS factors in possible sustainability risks when assessing potential acquisition targets. Significant sustainability risks or important negative sustainability criteria are criteria for exclusion. INDUS has therefore ruled out the acquisition of companies in the arms, alcohol and entertainment industries, as well as companies whose business activities include the extraction of fossil fuels. The acquisition process also examines whether any "do-no-significant-harm" criteria within the meaning of the EU Taxonomy are met and whether the companies can adapt to INDUS' requirements, e.g. in terms of sustainability reporting.

ESG KPIs and Materiality Analysis of the INDUS Group's Action Areas

The INDUS portfolio's high level of diversification and the operational independence of the portfolio companies means that the portfolio companies develop projects that accordingly contribute to the value drivers of the ESG initiatives. In order to honor the independence of the portfolio companies, INDUS only issues **Group-wide quantitative targets for such ESG aspects in the form of key performance indicators (KPIs)** that are identified in the materiality analysis as relevant and material for the Group. Other key performance indicators are determined, but primarily serve to track the Group's development and are **not equipped with a concrete quantified target (PI: performance indicator)**. The PARKOUR strategy program includes significant growth by 2025. Ongoing changes in the scope of consolidation due to acquisitions should therefore be expected in the next few years. INDUS therefore generally uses **intensity targets** per million euros of gross added value (GAV) or, in relation to the size of the workforce, per full-time equivalent

(FTE) for the ESG KPIs. **The 2018 financial year is used as the base year for the target definitions**.

The **results of the materiality analysis** for the individual action areas are presented briefly below. A detailed analysis and documentation of how the KPI are prepared can be found in the Non-financial Report 2020.

(i) Protecting the environment

Within this action area, six specific environmental targets can fundamentally be differentiated from each other. The six environmental targets are "climate protection," "adaptation to climate change," "circular economy," "avoidance of pollution," "protection of biodiversity," and "water protection."

INDUS follows the environmental targets "avoidance of pollution," "biodiversity," and "water protection" in the context of applicable transnational standards because the companies in the INDUS Group are not exceptionally harmful. The waste the INDUS Group's operating business produces is in general not particularly toxic and is disposed of in a manner typical for the industry. Nevertheless, INDUS wants to keep the recycling rate for all waste as high as possible **(PI: PE09-Rec)**, minimize the waste volume in relation to the Group's gross added value **(PI: PE10-Was)**, and use local water resources sparingly **(PI: PE11-WW)**.

INDUS focuses particularly on minimizing direct GHG emissions (Scope 1+2). There are basically two levers for the INDUS Group to reduce its GHG emissions (Scope 1+2). One is to use low-emission sources of energy and the other is to increase energy efficiency, which is also vital from an economic perspective. INDUS therefore records the greenhouse gas emissions in Scopes 1-3, focuses on reducing greenhouse gas emissions in Scope 1+2 **(KPI: PE01-GHG)** and seeks to reduce energy use **(PI: PE04-E)**. For information purposes, INDUS also states the greenhouse gas emissions separately, broken down into Scope 1 **(PI: PE05-S1)**, Scope 2 **(PI: PE06-S2)** and Scope 3 **(PI: PE07-S3)** emissions and total emissions **(PI: PE08-Tot)**, in each case based on per million euros of gross added value and in each case additionally broken down into holding company emissions and INDUS Group emissions without the holding company.

Scope 1+2 emissions are still a relevant KPI; Scope 3 emissions are not yet considered as such. Material Scope 3 emissions have been measured to date using sales factors, which do not adequately reflect the current price increases, for example. A measurement concept will be devised and the Scope 3 emissions will then be given greater importance.

INDUS additionally reports the proportions of sales **(KPI: PE02-SustS)** and investments (excluding acquisitions) **(KPI: PE03-SustI)** of the INDUS Group, which are accounted for by the portfolio companies that follow the INDUS Group's emission reduction target path.

In summary, it can be concluded that the focus in the (i) "protecting the environment" action area is the "climate protection" environmental target in the form of the reduction of greenhouse gas emissions in Scope 1+2 **(KPI: PE01-GHG)**. That is why in particular the **(2) efficiency increases, (3) entrepreneurial vision, and (4) optimized investment decisions value drivers are relevant** in the (i) "protecting the environment" action area and used among the portfolio companies to identify opportunities.

(ii) Fair work

This action area is of particular importance with regard to the **(2) efficiency increases and (3) entrepreneurial vision** value drivers. INDUS particularly emphasizes mutual respect, fairness, team spirit, professionalism, and openness. These values are therefore an integral part of the INDUS Code of Conduct, which covers all the action areas of the sustainability strategy. The Code of Conduct is currently being revised to comply with all the required criteria, such as the EU Taxonomy.

Preventing all accidents at work **(KPI:FW01-WA)** and particularly fatal accidents at work **(KPI:FW02-FWA)** has top priority. As the foundation for organic growth, attracting and keeping qualified staff remains important; in addition we support our employees through professional development and continuing training **(PI:FW03-CPD)** and the provision of training positions **(PI:FW04-Tr)** and places for students on dual study courses **(PI:FW05-DuSt)**. The INDUS Group portfolio companies also focus on recruiting their own permanent workforce for the purposes of targeted organic growth **(PI: FW06-Perm)**.

(iii) Social justice

The integration of the portfolio companies in their local areas means they are an important part of the local social structure. Positive perception in the immediate vicinity is thus a significant value-driver and aids both the recruitment and the retention of employees. Avoiding damaging the environment through production and thus the absence of legitimate complaints is crucial for this action area **(KPI: SJ01-LC)**. Furthermore, the INDUS Group's holding companies and INDUS financially support social institutions at local **(PI:SJ02-LDon)** and national **(PI:SJ03-NlDon)** level and collaborate with social institutions such as workshops for the disabled **(PI:SJ04-Coll)**. Because the employees of the companies in the INDUS Group frequently live in the immediate vicinity of the business's sites, INDUS also ensures that routines and systems that allow employees to contribute improvement suggestions are implemented – for example, within a continuous improvement process (CIP) – **(PI: SJ05-CIP)**.

(iv) Human rights

Respect for **human rights** is a material aspect of the Code of Conduct for the entire INDUS Group. The INDUS Group's portfolio companies have their main sites in the German-speaking region and benefit from the high standards in place within the value chain to protect employee rights and human rights. Respect for human rights is seen not as a "value-driver" but as a basic requirement for our own economic activities and as a matter of course. The individual portfolio companies are responsible for compliance with human rights in their own company and in their supply chain. Overall responsibility for compliance with human rights in the INDUS Group lies with the Board of Management. One development step in the reporting year was the whistleblowing hotline introduced across the Group. In the year ahead the Group will prepare for the German Act on Due Diligence in the Supply Chain to ensure it complies with all the necessary standards in 2023. None of the INDUS portfolio companies primarily operate in the defense industry or the corresponding value chain.

Within its own immediate area of responsibility, the INDUS Group ensures the complete penetration of the Code of Conduct and the principles of respect for human rights enshrined in it in the Group **(KPI: HR01-CoC)**. The INDUS Code of Conduct dictates exemplary conduct toward employees in general and, specifically, also in terms of remuneration, flexibility, freedom of association, and equal rights. INDUS provides information on the age structure of the INDUS Group's workforce **(PI:HR02-AS)**, on the proportion of women in the total workforce **(PI:HR03-FR)**, and on the proportion of women in management positions **(PI:HR04-FM)** for information purposes.

(v) Honest business

Respecting the current laws and regulatory framework is at the heart of all the INDUS Group's business activities. It is thus important to avoid misconduct and resulting fines **(KPI:EB01-Fin)** and non-monetary penalties **(KPI:HB02-NmP)**. INDUS also separately states expenses for lawsuits and action due to anti-competitive behavior and violations of antitrust laws and monopoly legislation **(PI: HB04-Comp)**. Payments must not be made to political parties pursuant to the Code of Conduct **(KPI: HB03-Pol)**. Global markets are increasingly being tapped as part of further internationalization. Gaps in knowledge are tackled through communication within the Group and the support of local experts in order to avoid unintentional misconduct as far as possible. INDUS records the proportion of revenue in countries with increased risk of corruption **(PI: HB05-CPI)** for information purposes using a very strict threshold of 60 points in Transparency International's Corruption Perception Index to define the relevant countries.

(vi) Shareholder support

Strategic sparring with the portfolio companies is part of day-to-day work for INDUS. In this action area, the focus is therefore on the holding company's support activities, which serve as enablers for implementing ESG initiatives and projects in the portfolio companies. The INDUS Code of Conduct, which serves as a basis for the portfolio-company-specific codes and can be expanded by the portfolio companies as required, is a point of reference for corresponding ESG initiatives. INDUS accordingly tracks the penetration of the code in the Group **(KPI: HR01-CoC)**. Because the holding company's greenhouse gas emissions are very low compared to the INDUS Group's production units, INDUS places emphasis on the individual formulation of emission reduction targets in the INDUS Group's portfolio companies **(PI: SS01-ET)**, which are explicitly discussed between managing directors and the Board of Management in the strategy process. INDUS provides methodological and financial support to support target achievement. In order to promote innovation projects in the field of green tech (energy and environmental technology and technologies and products with an improved energy-efficient use profile), via which **(1) sales opportunities** are to be realized, INDUS provides development funds via the innovation development bank and the annual project volume of green tech innovation projects in the development bank **(PI: SS02-InnD)**. The sustainability development bank will provide support in relation to the **(4) optimized investment decisions** value-driver and provide an incentive to take greater account of sustainability criteria when making investment decisions. From the start of subsidization in the 2022 financial year, the annual subsidy volume will then also be monitored for the first time **(PI: SS03-SustF)**. Another significant component of the holding company's activities is portfolio enhancement by means of **acquisition activities**. In the initial screening of possible acquisition targets, the target's business activities are audited for compatibility with INDUS Holding AG's Code of Conduct, occupational health and safety, and the estimated GHG emissions.

Calculation of Greenhouse Gas Emissions and Scope of Consolidation in Sustainability Reporting

Greenhouse gas emissions (GHG-e) are calculated on the basis of the collection of the relevant activity data from all the portfolio companies in the scope of consolidation via the existing financial data reporting system at INDUS, which has been expanded for the purpose of specifically gathering activity data.

For the accounting of the INDUS Group's greenhouse gas footprint, INDUS uses the financial control approach in accordance with the GHG Protocol Standards. According to these, 100% of the emissions of all the companies in the scope of consolidation in which INDUS or a direct portfolio company of INDUS holds at least 50% are included in the INDUS Group's GHG footprint. This is the case for all the INDUS Group's portfolio companies in the scope of consolidation. All companies with relevant greenhouse gas emissions held by the INDUS Group for the entire financial year are taken into account in this scope of consolidation. These include the significant production facilities and larger office and sales units. Data is not collected for units with very low emissions, especially local sales offices. By applying the criteria for greenhouse gas emissions, the other action areas are also qualitatively covered in the INDUS Group. Overall, the scope of consolidation in the non-financial reporting consequently largely corresponds to the financial scope of consolidation less various units with very low emissions. In addition, new acquisitions and business disposals in the current financial year are not taken into account in the scope of consolidation in non-financial reporting. For all disclosures pursuant to the EU Taxonomy, the scope of consolidation is (necessarily) the same as for the financial reporting. In other words, acquisitions during the course of the year are also included. The gross added value of the "sustainability" scope of consolidation and the financial data for calculating the Scope 3 emissions are calculated on the basis of the unconsolidated statement of income under IFRS of the individual companies in the scope of consolidation. Compared with the 2020 financial year, in the 2021 financial year Jungmann Systemtechnik GmbH & Co. KG was therefore taken into account for sustainability data collection for the first time. The discontinuation of BACHER AG in Switzerland and the disposal of the WIESAUPLAST Group meant that these companies are not included in the scope of consolidation when collecting sustainability data. They are still included in the data for the EU Taxonomy, however.

In addition to CO_2, nitrous oxide (N_2O), methane (CH_4) and partly fluorinated hydrocarbons (HFCs) were also included in the calculation of greenhouse gas emissions. Perfluorocarbons (PFCs) and sulfur hexafluoride (SF_6) are not individually recorded because they are not emitted in material quantities in the INDUS Group's production processes. The greenhouse gases are translated into CO_2 equivalents (CO_2eq) and exclusively used in this form for the discussion of greenhouse gas emissions. Greenhouse gas emissions are stated in accordance with both the market-based and the location-based calculation methodology.

Emissions are categorized into Scope 1 (direct emissions from mobile and stationary combustion), Scope 2 (emissions that arise from the generation of purchased electricity) and Scope 3 (indirect emissions – for example, as a result of business trips and purchased goods and services) in line with the GHG Protocol Standards. The emissions in Scope 1 and Scope 2 are set off against corresponding emission factors on the basis of the activity data collected. Due to the diversity of the INDUS Group and its frequently assumed position in the middle of the value chain, a similar procedure for the emissions in Scope 3 would be disproportionate, meaning that mainly financial data such as sales, purchased services or costs of materials, and other items are used for the purpose-oriented calculation of these emissions. This financial data is offset against sales-based emission factors, which have been calculated on the basis of the information in the current sustainability reports from companies that have in each case been selected to be representative of various industrial segments of customers and suppliers, such as metal products, plastic & synthetic resins, or iron & steel. The value chain in Scope 3 is taken into account both upstream and downstream in accordance with all 15 categories of the GHG Protocol Standards.

Targets and Time Horizon of the ESG KPIs

INDUS differentiates short-term targets with a target year of 2025 from medium-term targets (2030) and long-term targets (2045) with regard to the time horizon. The long-term target was modified in view of stricter climate legislation in Germany, with the aim now to make the entire INDUS Group climate-neutral by 2045. INDUS monitors the performance indicators (PIs) but does not currently have concrete targets for them. Data relating to headcount is always expressed in full-time equivalents (FTEs) based on the last day of the financial year and includes external personnel.

The reduction targets for greenhouse gas emissions always refer to greenhouse gases according to the market-based calculation because the INDUS Group's expenses – for example, in the form of purchasing green electricity – are accurately represented in this way. The reduction targets are also net targets. The purchase of emission offsetting certificates must always be seen as a possible additional measure and does not replace the sustainability initiatives in the Group. The greenhouse gas emissions offset by emissions certificates are reported separately in the tables of key figures at the end of the non-financial report. The 2018 financial year is used as the base year for the reduction targets. The basis of the emission reduction targets is the sector target for the “industry” sector of the German Climate Change Act.

The KPIs including the short-, medium-, and long-term targets are listed in the table below:

INDUS HOLDING AG'S SUSTAINABILITY TARGETS

Action areas	Name	KPI	Unit	2018 (base year)	Target year 2025	Target year 2030	Target year 2045
	GHG emissions (Scope 1+2)*	**PE01-GHG**	t CO_2eq/million EUR GAV	113	73 (-35%)	56 (-50%)	0 (-100%)
	Percentage of sales accounted for by portfolio companies in line with the target	**PE02-SustS**	%	–	100	100	100
Protecting the environment	**Percentage of investments accounted for by portfolio companies in line with the target**	**PE03-SustS**	%	–	100	100	100
	Work accidents	**FW01-WA**	per 100 FTE	3.3	continuously <3.0		
Fair work	**Fatal work accidents**	**FW02-FWA**	Number	0	continuously 0		
Social justice	**Legitimate local complaints**	**SJ01-LC**	Number	0	continuously 0		
Human rights	**Employees supplied with Code of Conduct**	**HR01-CoC**	% of FTE	100	continuously 100		
	Monetary value of significant fines	**EB01-Fin**	in EUR '000	0	continuously 0		
	Total number of non-monetary penalties	**HB02-NmP**	Number	0	continuously 0		
Honest business	**Payments to political parties**	**HB03-Pol**	% of GAV	0	continuously 0		

* To clarify the starting point and the target progress regarding the greenhouse gas reduction target (PE01-GHG), the gross emission intensity for the 2018 base year is stated (before taking account of emission offsetting, see INDUS Holding AG's 2019 non-financial report). The other information on emission intensity in the PE01-GHG KPI refers to net emission intensity.

To calculate the proportion of sales and the proportion of investments **(PE02-SustS** and **PE03-SustI)** represented by the portfolio companies that follow the emission path of the INDUS Group's target, it is necessary to annually determine the degree of target attainment by the individual portfolio companies with regard to the INDUS Group's emission reduction target **(PE01-GHG)**. The INDUS Group's objectives are deemed to have been met on an annual basis if the corresponding portfolio company either (a) has an emission intensity lower than a linear emission reduction path according to the INDUS target for 2025 prescribes or (b) it has been possible to reduce the portfolio company's emission intensity in the financial year by at least 3 % per financial year based on the 2018 base year. The following table illustrates the two criteria:

REQUIREMENTS FOR THE PORTFOLIO COMPANIES MEETING THE EMISSIONS TARGET

		Unit	Target year 2018	2019	2020	2021	2022	2023	2024	2025
either	Emissions intensity	t CO_2eq/million EUR GAV	<113	<107	<102	<96	<90	<85	<79	<73
or	Reduction in emissions intensity compared with base year 2018	%	–	>3	>6	>9	>12	>15	>18	>21

The progress in the sustainability initiatives necessary for understanding the business performance and results of operations and for understanding the position of the INDUS Group and the progress with regard to the sustainability goals are reported below. This is done separately for the aspects "environmental issues" (i), "employee issues" (ii), "social issues" (iii), "respect for human rights" (iv) and "combating corruption and bribery" (v) in accordance with Section 289c (2) HGB (German Commercial Code), including the relevant KPIs and PIs. INDUS additionally reports on the action area (vi) "shareholder support." The target achievement is compared with the short-term targets in the 2025 target year.

The INDUS Group's non-financial report and the reported key performance indicators (KPIs) were reviewed by the external auditors Ebner Stolz. The note regarding auditing services for the non-financial report can be found on p. 150 et seq.

Action Areas in the 2021 Financial Year

A whistleblowing system was set up for the entire Group in financial year 2021. It enables internal and external whistleblowers to report suspected breaches of the Code of Conduct, environmental, employee or social issues. Information is addressed to the holding company anonymously, where all reports are followed up. Topics are then forwarded on a case-to-case basis to the companies concerned for processing.

Environmental issues | Protecting the environment

GOALS

In order to protect and preserve the environment, the INDUS Group is working at an increased pace to reduce its greenhouse gas footprint. As an intermediate target, emission intensity is to be reduced by 35% by 2025 compared to the 2018 base year. In accordance with the German Federal Climate Protection Act (KSG), the Group aims to have no GHG emissions by 2045.

A key value-driver here is the resource efficiency of the production units of the INDUS Group. The INDUS Group will be able to maintain and generate competitive advantages in the long term through sustainable products and production processes. The target for the percentage of companies following the INDUS reduction target path is therefore 100%.

As part of the resource efficiency objective, INDUS also observes the energy intensity, waste intensity, recycling ratio, and total water withdrawal intensity.

MEASURES

Since electricity purchased by the INDUS Group accounts for a large share of emissions, most of the measures planned and taken were to economize on electricity. In particular, some portfolio companies are switching to purchasing green power and other portfolio companies are reviewing these measures and the partial conversion of the fleet to hybrid and electric vehicles. Photovoltaic systems make a key contribution to reducing the GHG-e of the portfolio companies. Some portfolio companies already have solar panels on their buildings and others are reviewing or planning their installation. Some lighting has already been switched to LED and more will follow.

INDUS is constantly in dialog with the portfolio companies, both to provide support in the case of projects to increase resource efficiency under the "Operational Excellence" strategy focus and when it comes to updating the individual sustainability strategies. In addition, INDUS developed the concept of the sustainability development bank in the 2020 financial year. This will provide development funds of up to EUR 10 million per year from the 2022 financial year to financially support the portfolio companies with suitable projects that are expected to significantly reduce greenhouse gas emissions and conserve resources.

When checking possible new acquisitions, market opportunities are analyzed and market developments are forecast, taking account of relevant future trends, which may also include green tech. Ensuring compliance with statutory and regulatory environmental requirements is also a relevant component of the due diligence process. For targets whose business and production processes are expected to have a greenhouse gas emission intensity greater than the INDUS average, the aspects of the "protecting the environment" action area are audited separately.

THE 2021 FINANCIAL YEAR

The development of the key figures for the "protecting the environment" action area in the 2021 financial year is summarized in the table below:

KEY FIGURES FROM THE "PROTECTING THE ENVIRONMENT" ACTION AREA

Key figure		Unit	2018 (base year)	2020	2021	2025 (target year)	
GHG emissions (Scope 1+2)*	**PE01-GHG**	**t CO_2eq/million EUR GAV**	**113**	**102 (-10%)**	**94 (-17%)**	**73 (-35%)**	**KPI[1]**
GHG emissions (Scope 1+2) (gross)		t CO_2eq/million EUR GAV	113	104	96		
GHG emissions (Scope 1+2)		t CO_2eq	79,586	65,910	66,623		
of which INDUS holding company		t CO_2eq	161	128	125		
Percentage of sales accounted for by portfolio companies in line with the target	**PE02-SustS**	**%**	**55.6**	**83.3**	**69.7**	**100**	**KPI[1]**
Percentage of investments accounted for by portfolio companies in line with the target	**PE03-SustS**	**%**	**40.1**	**77.8**	**58.6**	**100**	**KPI[1]**
Energy intensity	PE04-E	MWh/million EUR GAV	323	331	295	reduce	PI[2]
from renewable energy sources		%	1.1	3.0	4.9		
from renewable energy sources		MWh	2,461	6,382	10,031		
GHG emissions (Scope 1)	PE05-S1	t CO_2eq/million EUR GAV	30	30	27	reduce	PI[2]
GHG emissions (Scope 1)		t CO_2eq	21,323	19,209	19,077		
of which INDUS holding company		t CO_2eq	161	128	125		
GHG emissions (Scope 2, market-based)	PE06-S2	t CO_2eq/million EUR GAV	83	73	68	reduce	PI[2]
GHG emissions (Scope 2, market-based)		t CO_2eq	58,264	46,701	47,547		
of which INDUS holding company		t CO_2eq	0	0	0		
GHG emissions (Scope 2, location-based)		t CO_2eq/million EUR GAV	85	82	77		
GHG emissions (Scope 2, location-based)		t CO_2eq	59,711	52,293	53,500		
of which INDUS holding company		t CO_2eq	51	58	60		
GHG emissions (Scope 3)[3]	SU07-S3	t CO_2eq/million EUR GAV	1,647	1,615	1,665		PI[2]
GHG emissions (Scope 3)[3]		t CO_2eq	1,162,786	1,028,308	1,160,249		
of which INDUS holding company		t CO_2eq	609	361	345		
GHG emissions (Scope 1-3)[3]	PE08-Tot	t CO_2eq/million EUR GAV	1,758	1,719	1,760		PI[2]
GHG emissions (Scope 1-3)[3]		t CO_2eq	1,242,372	1,094,218	1,226,872		
of which INDUS holding company		t CO_2eq	770	489	469		
Emission offsetting		t CO_2eq	703	1,179	2,178		
Recycling ratio	PE09-Rec	%	58.9	65.3	63.7	increase	PI[2]
Waste intensity	PE10-Was	t/million EUR GAV	22.7	22.0	20.4	reduce	PI[2]
Total water withdrawal intensity	PE11-WE	m³/million EUR GAV	937	1,078	984	reduce	PI[2]

* To clarify the starting point and the target progress regarding the greenhouse gas reduction target (PE01-GHG), the gross emission intensity for the 2018 base year is stated (before taking account of emission offsetting). The other information on emission intensity in the PE01-GHG KPI refers to net emission intensity. All other information on greenhouse gas emissions in the table refers to gross emissions.

[1] KPI: Quantified performance indicator subject to review by the auditor.
[2] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.
[3] The greenhouse gas emissions in Scope 3 were recalculated in line with the information on calculating the greenhouse gas emissions for 2018 and 2019.

Fortunately, sales and gross value added increased again in 2021; gross value added by nearly 10%. Scope 1+2 emissions only went up comparatively slowly (+1%), so the emissions intensity **(PE01-GHG)** was positive and was 17% below the base figure from 2018 at 94 t CO_2eq/m EUR GAV. EUR GAV is now 17% under the base figure from 2018. Energy intensity was reduced by 11% **(PE04-E)** particularly thanks to production efficiency increases from modifying processes. The sale of WIESAUPLAST also had an effect: as an energy-intensive, high-emissions company it accounted for 9% of the Group's absolute Scope 1+2 emissions the previous year; without WIESAUPLAST the emissions intensity – in 2020 (Scope 1+2 t CO_2eq/million euros gross value added) would have been 7% lower. Energy intensity would also have been 5% 2020 without WIESAUPLAST.

The percentage of sales and investments accounted for by portfolio companies in line with the target **(PE02-SustS and PE02-SustI)** fell for the first time, because some portfolio companies that were previously within the target range could not meet the higher emissions reduction rates required in 2021. Scope 3 emissions are largely calculated on the basis of purchased raw materials, consumables, and supplies. These goods for resale increased by 13% and Scope 3 emissions by 12%. The ratio of Scope 3 emissions to gross value added **(PE07-S3)** went up by 3%. More emissions were again offset in the financial year, with INDUS setting a new record of 2,178 t CO_2eq. Some portfolio companies compensate their Scope 1+2 emissions, others those of their vehicle fleet. INDUS Holding also offsets all its Scope 3 emissions. Waste intensity **(PE10-Was)** and total water intensity **(PE11-WW)** were both reduced. The recycling ratio **(PE09-Rec)** fell slightly by 1.6%, due to the one-off disposal of special waste in the financial year.

Employee issues | Fair work

GOALS

The INDUS Group wants to remain an attractive employer, whose companies are seen as important parts of the local social structure. In addition to fair pay, protecting the workforce's health is a top priority for INDUS. The aim is to completely prevent work accidents (excluding accidents while commuting), particularly fatal accidents. Due to the majority of the INDUS Group's production-intensive gross added value, work accidents cannot generally be completely excluded, which is why the objective is for fewer than three accidents to occur per 100 FTEs. Both our own employees and temporary staff are taken into account here. INDUS also monitors the development and training expenditure incurred and the number of trainees and employees who are studying part-time.

MEASURES

The protection of the workforce is individually handled by the portfolio companies' managing directors. Particular importance is attached to safe production conditions – for example, through the timely replacement of machinery and plant in consultation with INDUS Holding AG's Board of Management. In addition, INDUS provides methodological support as part of the strategic focus on "Operational Excellence" in order to optimize processes, for example, according to lean principles. INDUS also organizes corresponding employee training in some cases. Continuing education plans are determined individually in dialog between managers and employees.

Initiatives to ensure the well-being of employees are expressly welcomed – for example, in the form of training company health and safety officers, organizing first-aid training, or individual arrangements for mobile working and flexible hours.

As part of the due diligence process, when making new acquisitions, INDUS checks whether the workforce is treated in accordance with the law and attaches importance to high labor standards, which are seen as a significant value-driver for the revenue generated.

THE 2021 FINANCIAL YEAR

The table below shows the development of the key figures for the "fair work" action area in the 2021 financial year:

KEY FIGURES FROM THE "FAIR WORK" ACTION AREA

Key figure		Unit	2018 (base year)	2020	2021	2025 (target year)	
Work accidents	**FW01-WA**	**per 100 FTE**	**3.3**	**2.1**	**2.3**	**<3.0**	**KPI[1]**
Fatal work accidents	**FW02-FWA**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
Development expenditure	FW03-CPD	EUR/FTE	257	183	196		PI[2]
Trainees	FW04-Tr	Number	429	407	354		PI[2]
Dual study	FW05-DuSt	Number	82	75	63		PI[2]
Proportion of permanent contracts	FW06-Perm	% of total FTE	96.1	97.2	96.2		PI[2]

[1] KPI: Quantified performance indicator subject to review by the auditor.
[2] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

The number of work accidents per 100 FTE **(FW01-WA)** rose slightly, but with 2.3 accidents per 100 FTE was significantly below the target of fewer than 3 accidents per 100 FTE. The proportion of short-time work decreased in 2021, but awareness of health and safety increased, also thanks to the increased hygiene and health measures taken as a result of the pandemic. Development expenditure was roughly the same as the previous year, even though the formats were different due to the pandemic. The number of trainees **(FW04-Tr)** and dual students **(FW05-DuSt)** fell by -14% and -16% respectively, despite efforts to recruit young staff. One reason could be that the portfolio companies are often situated in more rural areas. The number of permanent employees **(FW06-Perm)** was roughly constant at 96%, however.

Social issues | Social justice

GOALS

Because the INDUS Group's companies are anchored in the local social structure, avoiding adversely affecting the immediate environment has top priority. INDUS measures this based on the number of legitimate local complaints (e.g., due to noise disturbance) and endeavors to avoid these completely. From INDUS' point of view, this contributes to the positive perception of the companies, can have the effect of attracting potential employees, and thus creates long-term value for the Group. The same applies to collaborations and donations in a local or national context. In particular, it should enable the companies' employees to contribute suggestions for suitable projects through a structured suggestions process.

MEASURES

The portfolio companies optimize their own production conditions and take account of individual local conditions in line with the requirements of the INDUS Code of Conduct. Similarly to the approach in the "fair work" action area, INDUS can support the optimization of production by modernizing the plant or corresponding process optimizations as part of the "Operational Excellence" strategic initiative.

Because adverse impacts on the local environment may point to future problem areas that could result in a value-reducing effect, in the due diligence process for new acquisitions we consider it important to take account of the acquisition targets' local conditions during plant inspections and site visits in the presence of at least one member of INDUS Holding AG's Board of Management. INDUS believes that maintaining the integrity of our own conduct and business processes required in the INDUS Code of Conduct ensures that problems in the "social justice" action area are largely avoided. This code is also currently being updated in response to new requirements (e.g. in the EU Taxonomy).

The compensation system for INDUS Holding AG's Board of Management includes a premium for achieving defined ESG targets as part of the short-term incentive (STI).

THE 2021 FINANCIAL YEAR

The development of the key figures for the "Social Justice" action area in the 2021 financial year is summarized in the table below:

02|

KEY FIGURES FROM THE "SOCIAL JUSTICE" ACTION AREA

Key figure		Unit	2018 (base year)	2020	2021	2025 (target year)	
Legitimate local complaints	**SJ01-LC**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
Donations to local social institutions	SJ02-LDon	EUR	280,916	237,341	274,880		PI[2]
Donations to other social institutions	SJ03-NIDon	EUR	201,087	74,348	261,867		PI[2]
Collaboration with social institutions	SJ04-Coll	% of the INDUS Group	31	29	27		PI[2]
Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	72	76		PI[2]

[1] KPI: Quantified performance indicator subject to review by the auditor.
[2] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

There were again no legitimate local complaints **(SJ01-LC)** in financial year 2021, so this target was met in full.

Respect for human rights | Human rights

GOALS

Orientation to and compliance with principles that are set out in the INDUS Code of Conduct are of key importance for INDUS. The Code of Conduct provides, for example, that no business relations may be maintained with customers or suppliers that are publicly known to be in breach of fundamental principles of the INDUS Code of Conduct. One significant point of the INDUS Code of Conduct is the diversity of the workforce – INDUS is convinced that a diverse workforce can promote creativity and productivity and thus make an important contribution to corporate success. INDUS expressly rejects all forms of discrimination. Staff are recruited, promoted, trained, and developed on the basis of job-related criteria. INDUS stands for respectful and open contact with other people, irrespective of their gender, social or marital status, age, skin color and origin, possible disabilities, religion, or sexual orientation, and strongly condemns any form of discrimination. Legally and ethically impeccable behavior toward fellow humans and the environment are considered a fundamental principle. INDUS strives for full penetration of the principles of the Code of Conduct among the workforce and accordingly makes sure that the Code is made available to all employees in all the companies.

There are no objectives regarding the workforce's age structure or the proportion of female employees in the workforce or in management positions.

MEASURES

The Code of Conduct is given to the local managing directors for implementation in their company immediately after each acquisition is made or when a new site is opened. The Code of Conduct of currently being revised, also to reflect new requirements (e.g. in the EU Taxonomy Regulation). The portfolio companies make use of publicly available information on customers and suppliers to assess business relationships. The absolute majority of INDUS customers and suppliers are also domiciled in regions in which INDUS assumes compliance with high standards of human rights due to the current provisions of law. Breaches of the INDUS Code of Conduct are reported to INDUS Holding's Board of Management as part of compliance reporting. In such cases, the Board of Management monitors the countermeasures introduced by the managing directors of the company concerned. Compliance topics and current developments are discussed preemptively at the annual entrepreneurs' conference (Unternehmertagung) with the managing directors of all the companies.

In the due diligence process for potential new acquisitions, INDUS audits whether the target complies with legal and regulatory requirements both at a national and an international level. In questionable cases, INDUS always discusses legal aspects with experts in advance.

THE 2021 FINANCIAL YEAR

The table below summarizes the development of the key figures for the "Human Rights" action area:

KEY FIGURES FROM THE "HUMAN RIGHTS" ACTION AREA

Key figure		Unit	2018 (base year)	2020	2021	2025 (target year)	
Employees supplied with Code of Conduct	**HR01-CoC**	**% of FTE**	**100**	**100**	**100**	**100**	**KPI[1]**
Age structure of the workforce[3]	HR02-AS	% of FTE aged <20/20–29/30–39/40–49/50–59/≥60	2/18/23/24/26/7	2/16/24/24/26/8	2/15/24/24/26/9		PI[2]
Proportion of women in the workforce	HR03-FR	% of FTE	30.3	30.4	29.5		PI[2]
Proportion of women in management positions[4]	HR04-FM	% of FTE in management positions	15.4	20.3	23.7		PI[2]

[1] KPI: Quantified performance indicator subject to review by the auditor.
[2] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.
[3] Percentages are rounded to whole numbers, so slight deviations from 100% are possible.
[4] Group-wide KPI/definition; does not relate to the requirements of section 76 (4) German Stock Corporation Act (AktG)..

All the INDUS Group's employees had the Code of Conduct available to them. The goal of **HR01-CoC** was fully met. Even if the proportion of women in the workforce **(HR03-FR)** declined, the proportion of women in management positions **(HR04-FM)** increased by 3.4 percentage points.

Combating Corruption and Bribery | Honest Business

GOALS

For INDUS, it is clear that all of the INDUS Group's business activities must be carried out in compliance with current laws, as stipulated in the INDUS Code of Conduct. Accordingly, the aim is to avoid any significant fines (>EUR 10 thousand) and any non-monetary penalties that result from breaches of regulations or laws in the field of the environment, financial statement accounting, discrimination, or corruption. In addition, INDUS does not influence legislative procedures and rejects the idea of payments to political parties, so aims to completely avoid any such payments.

The companies of the INDUS Group largely operate in European or other markets with high business standards regarding monopoly and antitrust regulations. The INDUS Group's goal is to avoid unfair business practices in order to exclude resulting lawsuits and actions. INDUS records corresponding reports on processes as part of compliance routines and states the resulting expenditures for lawsuits and actions due to anticompetitive conduct or breaches of antitrust or monopoly rules separately from significant fines. To assess the development of key figures as part of ongoing internationalization and against the background of general globalization tendencies, INDUS also provides information on the proportion of revenues in countries with increased risk of corruption – the threshold for defining these countries has intentionally been set high.

MEASURES

Compliance with legal and regulatory requirements is fundamentally a typical business process that falls within the scope of each INDUS Group portfolio company. The companies of the INDUS Group independently ensure compliance with the INDUS Code of Conduct. INDUS ensures compliance with appropriate business standards and records any breaches in its compliance reporting. The Board of Management of INDUS Holding is responsible overall for ensuring that the Group's economic activities are in accordance with legal requirements. In the event of breaches, it confers with the managing directors of the portfolio companies regarding the introduction of countermeasures. To ensure awareness of the relevant requirements regarding compliance aspects, this topic is regularly part of the annual entrepreneurs' conference (Unternehmertagung) and part of the continuing strategic sparring process. INDUS supports the design of compliance management systems at the portfolio companies – for example, through training courses.

The compliance requirements are also audited in the due diligence process for new acquisitions with the involvement of the Board of Management.

A whistleblower system was rolled out across the Group at the beginning of 2021. Internal and external parties can report information (anonymously on request) on unlawful conduct and breaches of the rules of the INDUS Code of Conduct to the INDUS compliance organization for further investigation through the whistleblower system. This information can particularly relate to all the aspects discussed here.

THE 2021 FINANCIAL YEAR

The table below shows the development of the key figures for the "Honest Business" action area in the 2021 financial year:

KEY FIGURES FROM THE "HONEST BUSINESS" ACTION AREA

Key figure		Unit	2018 (base year)	2020	2021	2025 (target year)	
Monetary value of significant fines	**EB01-Fin**	**in EUR '000**	**0**	**0**	**0**	**0**	**KPI[1]**
Total number of non-monetary penalties	**HB02-NmP**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
Payments to political parties	**HB03-Pol**	**% of GAV**	**0.00**	**0.00**	**0.00**	**0**	**KPI[1]**
Legal costs due to competition violations	HB04-Comp	in EUR '000	1.38	0	0		PI[2]
Sales in countries with increased risk of corruption	HB05-CPI	% of total sales	17.6	19.2	19.7		PI[2]

[1] KPI: Quantified performance indicator subject to review by the auditor.
[2] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

No significant fines were imposed on the INDUS Group in the 2021 financial year **(HB01-Fin)**, nor were any non-monetary penalties incurred **(HB02-NmP)**. As in previous years, 0.00% of the gross added value was spent on payments to political parties **(HB03-Pol)**. No legal costs due to competition violations were payable **(HB04-Comp)**. The proportion of sales in countries with an increased risk of corruption (CPI >60) remained at the same level as in previous years **(HB05-CPI)**, although the threshold for selecting the countries is deliberately set very high.

Shareholder support

GOALS

INDUS attaches value to deriving portfolio-company-specific sustainability goals in the INDUS Group, particularly with regard to the Group target of the short-term reduction of the greenhouse gas emissions by 35 % by 2025. The focus is on direct portfolio companies, which include their subsidiaries and other company sites as well as the head office in their strategy. INDUS is convinced that the portfolio companies can maintain and generate competitive advantages in the long-term through sustainable products and production processes. INDUS accordingly tracks the implementation of the operationalization of the Group sustainability strategy at individual portfolio company level.

For the implementation of effective measures in the context of the topic of ESG, INDUS also provides financial development funds through the sustainability development bank and the innovation development bank. The innovation development bank's aims in terms of ESG typically include product developments in the field of green tech and designing more resource-efficient production processes. A funding pot will be available to the portfolio companies via the sustainability development bank from the 2022 financial year. The funding pot can be used for investments that help to significantly reduce greenhouse gas emissions. The investments funded will be continuously screened for eligibility as a capex – plan within the meaning of the EU Taxonomy – Regulation. For both funding pots, the sums of annual funding granted are monitored and are reported in the sustainability reporting.

MEASURES

As a strategic sparring partner, INDUS Holding provides its portfolio companies with various support options. This form of shareholder support enables the portfolio companies to tackle and implement additional projects and measures, including in the context of achieving the individual sustainability goals. When defining the individual portfolio companies' sustainability goals, INDUS Holding AG's Board of Management supports the local managing directors with identification and possible measures and also with the assessment of these measures' potential – both from an economic and from a sustainability perspective. Information relating to the topic of sustainability is regularly discussed at the annual entrepreneurs' conference (Unternehmertagung).

In addition to supporting the portfolio companies, INDUS is primarily active in the acquisition of new companies. The targets observed in the due diligence process are compared in terms of compatibility with the sustainability strategy's action areas. In particular, future trends from the ESG topic area are included in the forecast of financial performance for the target and the business areas in which the target operates. This is frequently the case with performance in terms of the future trend of green tech.

THE 2021 FINANCIAL YEAR

The table below shows the development of the key figures for the "Shareholder Support" action area in the 2021 financial year:

KEY FIGURES FROM THE "SHAREHOLDER SUPPORT" ACTION AREA

Key figure		Unit	2018 (base year)	2020	2021	2025 (target year)	
Companies with stated emission reduction goals	SS01-ET	% of the INDUS Group	Recorded from 2020	83	86		PI[1]
The innovation development bank's "green tech" innovation projects	SS02-InnD	Funding in EUR '000	460	502	802		PI[1]
Funding from the sustainability development bank	GB03-NHF	Subsidies in EUR '000		Start in 2022			PI[1]

[1] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.

As part of the budget process and strategic sparring, 86% of INDUS Holding AG's portfolio companies adopted emission reduction goals formulated up to the target year 2025 **(SS01-ET)**. The emission intensity of other companies is either already significantly below 96 t CO_2eq/million euros gross value added, or else the companies are in a position in which for various reasons it is difficult to establish and evaluate suitable reduction paths at reasonable expense, so this did not take place in the reporting year. The intention is to complete the process in financial year 2022.

Overview of Key Figures

Action areas	Key figure		Unit	2018	2020	2021	2025	
	GHG emissions (Scope 1+2)*	**PE01-GHG**	**t CO_2eq/million EUR GAV**	**113**	**102 (-10%)**	**94 (-17%)**	**73 (-35%)**	**KPI[1]**
	GHG emissions (Scope 1+2) (gross)		t CO_2eq/million EUR GAV	113	104	96		
	GHG emissions (Scope 1+2)		t CO_2eq	79,586	65,910	66,623		
	of which INDUS holding company		t CO_2eq	161	128	125		
	Percentage of sales accounted for by portfolio companies in line with the target	**PE02-SustS**	**%**	**55.6**	**83.3**	**69.7**	**100**	**KPI[1]**
	Percentage of investments accounted for by portfolio companies in line with the target	**PE03-SustS**	**%**	**40.1**	**77.8**	**58.6**	**100**	**KPI[1]**
	Energy intensity	PE04-E	MWh/million EUR GAV	323	331	295	reduce	PI[2]
	from renewable energy sources		%	1.1	3.0	4.9		
	from renewable energy sources		MWh	2,461	6,382	10,031		
	GHG emissions (Scope 1)	PE05-S1	t CO_2eq/million EUR GAV	30	30	27	reduce	PI[2]
	GHG emissions (Scope 1)		t CO_2eq	21,323	19,209	19,077		
	of which INDUS holding company		t CO_2eq	161	128	125		
Protecting the environment	GHG emissions (Scope 2, market-based)	PE06-S2	t CO_2eq/million EUR GAV	83	73	68	reduce	PI[2]
	GHG emissions (Scope 2, market-based)		t CO_2eq	58,264	46,701	47,547		
	of which INDUS holding company		t CO_2eq	0	0	0		
	GHG emissions (Scope 2, location-based)		t CO_2eq/million EUR GAV	85	82	77		
	GHG emissions (Scope 2, location-based)		t CO_2eq	59,711	52,293	53,500		
	of which INDUS holding company		t CO_2eq	51	58	60		
	GHG emissions (Scope 3)[2]	PE07-S3	t CO_2eq/million EUR GAV	1,647	1,615	1,665		PI[2]
	GHG emissions (Scope 3)[2]		t CO_2eq	1,162,786	1,028,308	1,160,249		
	of which INDUS holding company		t CO_2eq	609	361	345		
	GHG emissions (Scope 1-3)[3]	PE08-Tot	t CO_2eq/million EUR GAV	1,758	1,719	1,760		PI[2]
	GHG emissions (Scope 1-3)[3]		t CO_2eq	1,242,372	1,094,219	1,226,872		
	of which INDUS holding company		t CO_2eq	770	489	469		
	Emission offsetting		t CO_2eq	703	1,179	2,178		
	Recycling ratio	PE09-Rec	%	58.9	65.3	63.7	increase	PI[2]
	Waste intensity	PE10-Was	t/million EUR GAV	22.7	22.0	20.4	reduce	PI[2]
	Total water withdrawal intensity	PE11-WW	m³/million EUR GAV	937	1,078	984	reduce	PI[2]

Action areas	Key figure		Unit	2018	2020	2021	2025	
Fair work	**Work accidents**	**FW01-WA**	**per 100 FTE**	**3.3**	**2.1**	**2.3**	**<3.0**	**KPI[1]**
	Fatal work accidents	**FW02-FWA**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
	Development expenditure	FW03-CPD	EUR/FTE	257	183	196		PI[2]
	Trainees	FW04-Tr	Number	429	407	354		PI[2]
	Dual study	FW05-DuSt	Number	82	75	63		PI[2]
	Proportion of permanent contracts	FW06-Perm	% of total FTE	96.1	97.2	96.2		PI[2]
Social justice	**Legitimate local complaints**	**SG01-BB**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
	Donations to local social institutions	SJ02-LDon	MILLION	280,916	237,341	274,880		PI[2]
	Donations to other social institutions	SJ03-NIDon	MILLION	201,087	74,348	261,867		PI[2]
	Collaboration with social institutions	SJ04-Coll	% of the INDUS Group	31	29	27		PI[2]
	Operating suggestions process	SJ05-CIP	% of the INDUS Group	63	72	76		PI[2]
Human rights	**Employees supplied with Code of Conduct**	**HR01-CoC**	**% of FTE**	**100**	**100**	**100**	**100**	**KPI[1]**
	Age structure of the workforce[4]	HR02-AS	% of FTE aged <20/20-29/30-39/40-49/50-59/≥60	2/18/23/24/26/7	2/16/24/24/26/8	2/15/24/24/26/9		PI[2]
	Proportion of women in the workforce	HR03-FR	% of FTE	30.3	30.4	29.5		PI[2]
	Proportion of women in management positions [5]	HR04-FM	% of FTE in management positions	15.4	20.3	23.7		PI[2]
Honest business	**Monetary value of significant fines**	**EB01-Fin**	**in EUR '000**	**0**	**0**	**0**	**0**	**KPI[1]**
	Total number of non-monetary penalties	**HB02-NmP**	**Number**	**0**	**0**	**0**	**0**	**KPI[1]**
	Payments to political parties	**HB03-Pol**	**% of GAV**	**0.00**	**0.00**	**0.00**	**0**	**KPI[1]**
	Legal costs due to competition violations	HB04-Comp	in EUR '000	1.38	0	0		PI[2]
	Sales in countries with increased risk of corruption	HB05-CPI	% of total sales	17.6	19.2	19.7		PI[2]
Shareholder support	Companies with stated emission reduction goals	SS01-ET	% of the INDUS Group	Recorded from 2020	83	86		PI[2]
	The innovation development bank's "green tech" innovation projects	SS02-InnD	Funding in EUR '000	460	502	802		PI[2]
	Funding from the sustainability development bank	SS03-SustF	Subsidies in EUR '000		Start in 2022			PI[2]

* To clarify the starting point and the target progress regarding the greenhouse gas reduction target (PE01-GHG), the gross emission intensity for the 2018 base year is stated (before taking account of emission offsetting). The other information on emission intensity in the PE01-GHG KPI refers to net emission intensity. All other information on greenhouse gas emissions in the table refers to gross emissions.

[1] KPI: Quantified performance indicator subject to review by the auditor.
[2] PI: Performance indicator without quantitative target. The performance indicator was not part of the review by the auditor.
[3] The greenhouse gas emissions in Scope 3 were recalculated in line with the information on calculating the greenhouse gas emissions for 2018 and 2019.
[4] Percentages are rounded to whole numbers, so slight deviations from 100% are possible.
[5] Group-wide KPI/definition; does not relate to the requirements of section 76 (4) German Stock Corporation Act (AktG).

03

COMBINED MANAGEMENT REPORT

Introduction to the Group

INDUS is a listed holding company with a managed portfolio of 46 SMEs based in German-speaking countries. INDUS acquires majority stakes in predominantly owner-managed companies and assists them in their entrepreneurial development on a long-term basis. INDUS ensures that the portfolio companies retain their SME status. In the years ahead, the portfolio is planned to grow by means of targeted acquisitions in defined growth industries.

The Company

Positioning and Business Model

VALUE- AND GROWTH-ORIENTED SME HOLDING COMPANY

INDUS Holding AG (hereinafter: INDUS) was founded in 1989 and today is among the leading specialists in the acquisition and long-term development of small- and medium-sized industrial companies in German-speaking countries. The focus of the investments is on owner-managed companies with their own industrial added value. INDUS preserves the SME status of its portfolio companies and supports them in their long-term entrepreneurial development.

As of the reporting date, its portfolio comprised 46 companies (previous year: 46). In the financial year, two more portfolio companies were acquired. One portfolio company from the Automotive Technology segment was sold and one other portfolio company was closed down. On December 31, 2021, a total of 193 fully consolidated enterprises (previous year: 195) belonged to the INDUS Group. More information on our portfolio on p. 159 et seqq. and online at www.indus.de/en/about-indus/investment

The INDUS Group consists of the holding company INDUS Holding AG with registered office in Bergisch Gladbach, Germany, and the individual portfolio companies. All direct INDUS portfolio companies have their registered offices in Germany (43) or Switzerland (3). The INDUS Group is represented by sub-subsidiaries, branches, and representative offices in 31 countries (previous year: 32 countries) on five continents.

INDUS has been a listed company since 1995. The share is traded on the regulated market at the stock exchanges in Frankfurt and Düsseldorf. In Berlin, Hamburg, Hanover, Munich and Stuttgart, the share is traded over the counter. The INDUS share is listed in the SDAX stock market index. INDUS fulfills the Prime Standard transparency requirements in its financial reporting. More information on our share on p. 14 et seqq.

In the regions where the portfolio companies operate, INDUS positions itself as a long-term-oriented investor without an exit strategy but with the clear aim of strategically developing the portfolio companies. More information on our business model online at www.indus.de/en/about-indus/business-model This sets the company apart from the buy-and-sell and turn-around investors in particular, who as a rule limit their financial involvement to brief periods. Among both listed and unlisted German holding companies, INDUS sees itself as one of the leading companies.

The holding company with its registered office in Bergisch Gladbach, Germany, is managed by the Board of Management, which consists of four members. The Board of Management consists of Dr. Johannes Schmidt (Chairman), Dr. Jörn Großmann, Axel Meyer, and Rudolf Weichert. More information on the INDUS Board of Management on p. 6 and online at www.indus.de/en/about-indus/board-of-management As of the reporting date, the holding company had 35 employees, not including the Board of Management (previous year: 34). The employees are all employed in Bergisch Gladbach, Germany, and report directly to the Board of Management.

THE INDUS BUSINESS MODEL: BUY, HOLD & DEVELOP

INDUS exclusively takes majority shareholdings at the level of its direct subsidiaries. The companies acquired and targeted for possible acquisition are exclusively SMEs with their own industrial added value in German-speaking countries and have an above-average level of profitability at the date of acquisition. They should generate annual sales figures amounting to between EUR 20 million and EUR 100 million and a sustained return on sales (EBIT margin) of 10% or more. The target companies operate in attractive domestic and international niche markets with growth potential. They should be unencumbered by economic legacy issues and be in an exemplary position in terms of sustainability considerations.

INDUS primarily acquires owner-managed companies and particularly keeps an eye on arrangements for succession in the families managing the companies. Continuity and the company's SME status are secured with the transfer of ownership. Therefore, the former owners ideally remain as co-shareholders and managing directors of the company for a certain period. INDUS avoids the direct acquisition of companies undergoing restructuring. INDUS does not acquire companies in the defense, alcohol or gambling sectors. Neither is INDUS planning any acquisitions in connection with the extraction of fossil fuels. More information online at www.indus.de/en/mergers-acquisitions/investment-criteria

INDUS continuously acquires new companies. This portfolio addition aims to improve the development prospects of the entire Group. In addition to the organic development of the existing portfolio companies, acquisitions ensure that over time the portfolio always represents an up-to-date cross section of growth industries. The Group's companies operate in diverse business and technological fields, selling markets, and business cycles – the Group is broadly diversified. With their respective core capabilities, the companies as a rule occupy niches of the market of great interest for their sectors, in which they assume a leading position. Ideally, INDUS portfolio companies fulfill all of the criteria of a "hidden champion."

As a majority shareholder and financial holding company, INDUS supports its portfolio companies as an "advisor" and as a "development bank." The Board of Management continuously provides advice to the managing directors in the portfolio companies through strategic dialog. In the portfolio companies, the holding company's experts share methodological knowledge, train employees, and support strategic projects. Support focuses on strengthening innovativeness, and boosting Market Excellence and Operational Excellence. The holding company's employees encourage the transfer of knowledge by networking within the Group as well as with external partners. INDUS provides capital to its portfolio companies for investments in fixed assets and for development plans, internationalization, and acquisitions of companies at sub-subsidiary level. The INDUS innovation development bank also provides capital for innovative projects.

INDUS' business model can be summarized by the phrase "buy, hold & develop." This strategy represents the intention to hold the company for a longer period while simultaneously developing the portfolio companies.

The portfolio companies thus develop over the long term in a fast-changing market environment while preserving their identity as an SME, and with the financially strong INDUS at their side. Shareholders in INDUS hold a valuable interest in a managed investment portfolio of SME assets, while profiting from regular dividend distribution.

EXTERNAL INFLUENCING FACTORS

As industrial companies, the INDUS Group's portfolio companies operate under the influence of the **general economy** – in Germany, in Europe, and in the international markets. At the same time, the individual companies are subject to sector-specific business cycles.

The main external influencing factor in 2021 was again the **coronavirus pandemic**. The consequences of the pandemic continued to weigh on the world economy in financial year 2021. Particularly the indirect consequences of the coronavirus pandemic, such as shortages of raw materials, higher prices and disruptions to supply chains, had a negative impact on the portfolio companies' ability to deliver their services. The global scarcity of computer chips had an indirect impact on the Automotive Technology segment, because OEM significantly reduced their orders due to the chip shortage.

Under these difficult circumstances, the INDUS portfolio's broad diversification once again proved to be an important pillar for stability. Economic risks are spread across the Group owing to its diversified positioning, thereby balancing out the portfolio. Compared with non-diversified holding companies, this gives INDUS a competitive advantage in the long term and also in the event of new exogenous shocks in individual sectors.

Cost factors also are important for the success of the portfolio companies. Globalization is increasingly thrusting SMEs into direct **price competition** with foreign competing companies that are, in some cases, able to produce under economically more favorable conditions. Material, energy, and personnel costs are especially relevant cost variables. Such an environment makes it all the more important to clearly set the companies apart through technological, innovation leadership, market and Operational Excellence, and INDUS provides important support to its portfolio companies to enable them to achieve these.

The labor market is changing due to the coronavirus pandemic. However, there is still a growing **skills shortage** in Germany. In light of this, recruitment is gaining in importance while wage costs rise at the same time. INDUS is tackling global competition and rising cost pressures by helping portfolio companies improve their organization internationally, too.

In order to be successful in the long term, companies need to successfully shape the **technological change**. The digital transformation currently demands an even more intense development process from manufacturing companies. The coronavirus pandemic has further increased the need for digitalization. Digitalization means that business models need to be adapted, resulting in a noticeable increase in the need for investment. Due to the importance of these external factors, INDUS supports investment in innovation through the INDUS innovation development bank.

Developments in the capital markets are also important factors for the entrepreneurial success of INDUS, as the situation on the stock exchanges and general interest rate trends determine the terms on which INDUS is able to secure equity and borrowed capital. Owing to its size, its broad access to capital markets, and its very solid credit rating, the company is well prepared for fluctuations in the capital markets.

Portfolio

46 COMPANIES IN FIVE SEGMENTS

The portfolio consisted of 46 portfolio companies on the reporting date. They are allocated to one of five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology. In the 2021 financial year, these company areas were the reportable segments per IFRS, with no change from the previous year. More information on our portfolio online at www.indus.de/en/about-indus/investment

BASIC DATA FOR THE SEGMENTS (in EUR million)

	Construction/ Infrastructure	Automotive Technology	Engineering	Medical Engineering/ Life Science	Metals Technology
Sales	451.6	281.9	438.9	148.7	420.4
Operating result (EBIT)	70.5	-57.3	56.9	12.1	42.3
Companies	12	7	13	5	9
Employees	2,173	3,277	2,289	1,613	1,520

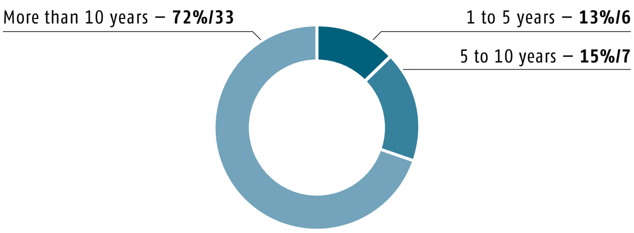
PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

72% of the portfolio companies have belonged to the INDUS Group for more than ten years. Seven portfolio companies have been in the INDUS portfolio for between five and ten years, and six of the 46 portfolio companies have been acquired in the past five years.

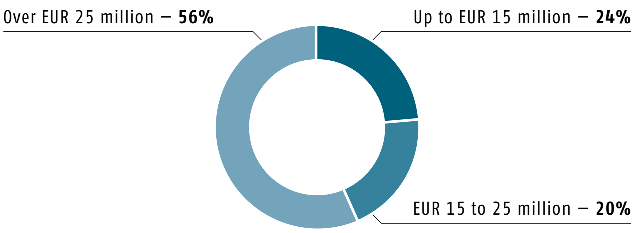
PORTFOLIO STRUCTURE BY SALES

The portfolio companies' annual sales figures range from just under EUR 10 million to more than EUR 100 million. Roughly 56% of the portfolio companies generate annual sales figures of at least EUR 25 million. Slightly less than a quarter generate annual sales figures below EUR 15 million.

PORTFOLIO STRUCTURE BY AGE (in %/number of portfolio companies)



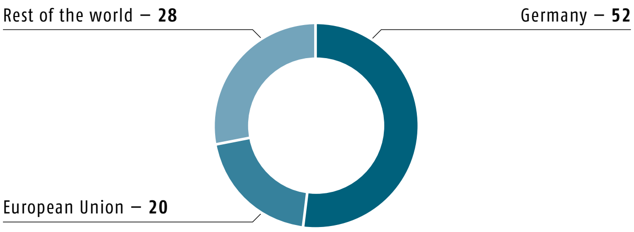
PORTFOLIO STRUCTURE BY SALES (in %)



SELLING MARKETS ON FIVE CONTINENTS

In regional terms, all of the portfolio companies are concentrated in sales territories with a politically and economically stable background. The portfolio companies' largest market for unit sales and thus revenue is Germany at 52%. The companies generate another 20% of their revenue in other EU countries. A further 28% is generated outside the EU. In the 2021 financial year, this distribution was unchanged from the previous year. The INDUS strategy also calls for an increase in the international share of sales in the years to come.

PORTFOLIO STRUCTURE BY REGION (in %)



PORTFOLIO CHANGES IN 2021

GROWTH ACQUISITIONS

In November 2020, INDUS acquired all the shares in JST Jungmann Systemtechnik GmbH & Co. KG in Buxtehude, Germany. JST is an SME that provides integrated control room solutions and extensive know-how in the conceptual design, construction, and maintenance of control rooms. Its traditional areas of activity are production control centers for industry, control rooms for energy and water management, IT control rooms for data centers, and safety and traffic control centers – all applications that have to satisfy the highest safety standards. The acquisition of JST is an addition to the INDUS portfolio in the defined growth industries of measuring technology, automation, and control engineering. The economic transfer and the initial consolidation of JST took place in January 2021.

In March 2021, INDUS acquired 70% of the shares in WIRUS Fenster GmbH & Co. KG, Rietberg-Mastholte (Gütersloh). WIRUS' product range encompasses window frames made of plastic and aluminum, sliding, house and side doors, and privacy and sun-protection systems. WIRUS' sales, production and logistics are above average in terms of the level of digitalization achieved and the company is experiencing solid growth. The managing director and former majority shareholder will remain with the company as managing director and co-shareholder. The initial consolidation took place on May 1, 2021.

In December 2021, INDUS signed a contract to purchase 100% of the shares in Heiber und Schröder Maschinenbau GmbH (HEIBER + SCHRÖDER) in Erkrath. HEIBER + SCHRÖDER is an SME provider of special machinery for the cardboard industry. HEIBER + SCHRÖDER covers the value chain from the development to production and servicing of its machines, supplying its products to packaging manufacturers worldwide, especially suppliers to the food, cosmetic, household goods and toy sectors. The economic transfer and the initial consolidation are expected to take place in Q2 2022.

ACQUISITIONS AT SUB-SUBIDIARY LEVEL

With contract and effect as of July 1, 2021, HORNGROUP Holding GmbH & Co. KG acquired 80% of the shares in FLACO Geräte GmbH, Gütersloh. FLACO manufactures products and systems for fluid management in workshops, fueling stations and industrial plants. The managing director and former majority shareholder will remain with the company as managing director and co-shareholder.

In December 2021, HORNGROUP Holding GmbH & Co. KG signed a contract to acquire 35% of the remaining shares in TECALEMIT, Inc. TECALEMIT Inc. was previously accounted for using the equity method. The initial consolidation took place on December 31, 2021.

ACQUISITION OF REMAINING SHARES

In October, M+P international Mess- und Rechnertechnik GmbH recalled 2.5% of its shares from a minority shareholder against payment of a settlement amount.

FS-BF GmbH & Co. KG purchased the 10% remaining shares in EVT GmbH from two minority shareholders in December.

TRANSACTIONS INVOLVING INTERESTS ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

A reciprocal option agreement for the acquisition of a 20% minority interest in WEIGAND Bau GmbH was entered into in the second quarter of 2021. Another 23.2% minority interest was acquired in a sub-subsidiary.

SALE OF WIESAUPLAST

On December 30, 2021 the sale of WIESAUPLAST GmbH & Co. KG and its subsidiaries to a strategic investor from the automotive technology sector was closed. The deconsolidation took place on December 30, 2021. WIESAUPLAST manufactures high-precision plastic parts for the automotive technology industry, primarily safety components including for hydraulic brake systems, in Germany and Mexico. WIESAUPLAST had been part of the INDUS Group since 1997.

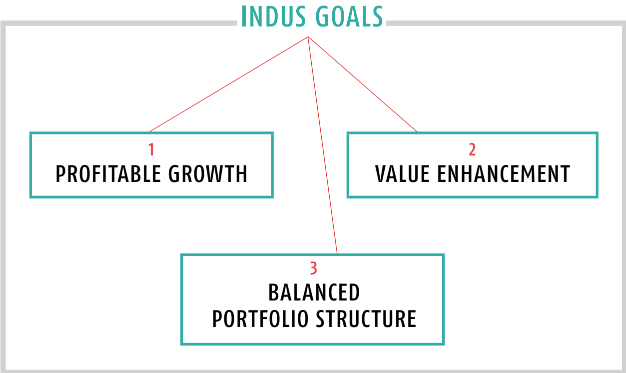
DISCONTINUATION OF BACHER

A decision was made in 2020 as part of the INTERIM SPRINT measures to discontinue BACHER AG, a company in the Metals Technology segment. The discontinuation of BACHER has now been completed and the last orders were processed in the third quarter.

Goals and Strategy

Goals

INDUS GOALS



PROFITABLE GROWTH

Our aim is for the INDUS Group to grow organically through the operational success of its portfolio companies and inorganically through acquisitions. A considerable portion of the income earned remains in the portfolio companies and is available to them to finance further growth. Inorganic growth is to be ensured through the continuous acquisition of hidden champions from industries with a promising future.

VALUE ENHANCEMENT

The focus on value enhancement of the individual portfolio companies is intended to sustainably increase their profitability and value. Overall, this leads to the value enhancement of the entire Group. The aim is to achieve an **EBIT margin of "10% + X"** in the medium term. INDUS actively advises the operationally independent portfolio companies on strategic decisions, shares its methodological expertise, and helps companies build internal and external networks. The portfolio companies are deliberately given capital and know-how that they can use for their development.

Concrete targets for the further development of the portfolio companies have been set out in the PARKOUR strategy program: INDUS encourages the companies to use **innovations** as a growth engine and successfully shape **digitalization**. The aim is to drive **Market Excellence** and **Operational Excellence** in the portfolio companies and thus support continuous improvement of business processes. The **internationalization** of the portfolio companies is being further expanded – particularly in the North American and Asian markets. The **improvement of performance in terms of sustainability** remains an overarching goal and guiding principle for the portfolio companies' economic activities.

BALANCED PORTFOLIO STRUCTURE

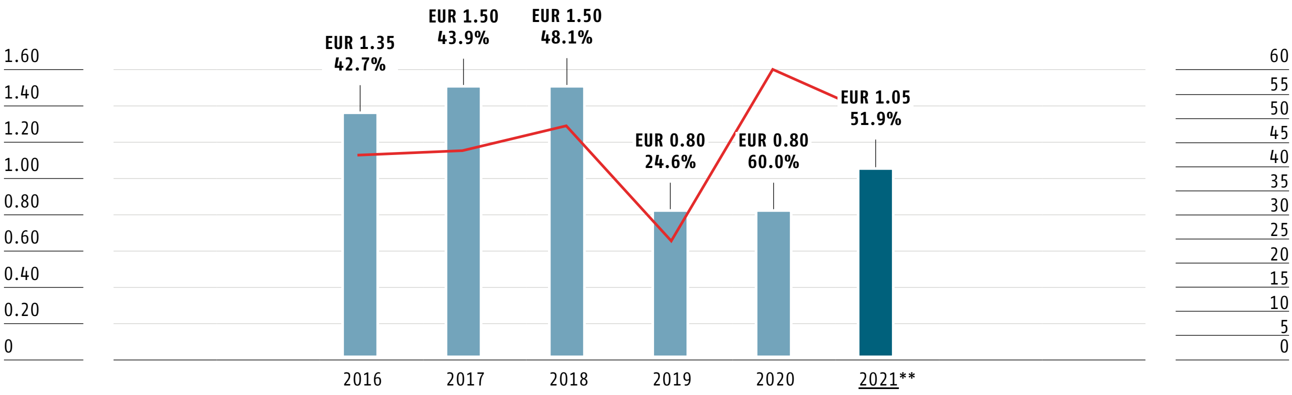
The INDUS Group is particularly intending to grow by means of acquisitions in the six defined growth industries "automation/measuring technology/control engineering," "construction technology," "safety technology," "medical engineering/life science," "technology for infrastructure and logistics," and "energy and environmental technology." Candidates of interest for the portfolio are companies that are active in future-oriented industrial niche markets and occupy leading positions in these markets. INDUS focuses on companies in growth industries to ensure that the investment portfolio will continue to maintain a balanced, and hence stable, structure in the future. For the period until 2025, the aim is to grow further and generate Group sales of significantly more than EUR 2 billion.

The investment portfolio's balanced structure and strong diversification are of particularly key significance when individual companies face structural or economic challenges. At present, the portfolio companies are faced with a general shortage of raw materials, supply chain bottlenecks and price increases due to the ongoing coronavirus pandemic. Permanent uncertainty about new virus variants and the current waves of infection mean that the coronavirus pandemic is the biggest risk for economic development. Overall, the portfolio companies of the INDUS Group coped well with the challenges of the coronavirus pandemic in the 2021 financial year. From the Board of Management's perspective, the INDUS Group's entire portfolio benefits from the agility of SMEs and their resilience.

CONSISTENT GROWTH – CONTINUOUS VALUE ENHANCEMENT – CONSTANT DIVIDEND POLICY

As owners, the shareholders are entitled to share in the success of their company through predictable profit distributions. That is why INDUS regularly pays a dividend. The average target value of the dividend proposed by the Board of Management and Supervisory Board amounts to between 40% and 50% of the balance sheet profit. The remaining balance sheet profit is retained in the Group to ensure further profitable growth.

DIVIDEND PER SHARE* AND DIVIDEND YIELD 2016 TO 2021 (in EUR/%)



—— Distribution ratio

* Dividend payment for the respective financial year

** Subject to approval at Annual Shareholders' Meeting on May 31, 2022

The Board of Management of INDUS Holding AG has decided to propose a dividend of EUR 1.05 per share to the Annual General Meeting. This corresponds to approximately 51.9% of the balance sheet profit of INDUS Holding AG.

More information on our share on p. 14 et seqq.

Strategy

"PARKOUR": TACKLING NEW OBSTACLES SUCCESSFULLY

The PARKOUR strategy program established in 2019 tackles the future challenges for the INDUS Group with sporting ambitions and focuses on development until 2025. INDUS' core task will continue to be the goal-oriented development of a diverse SME portfolio. In light of increasingly complex global conditions, competition growing globally, the challenge of the digital transformation and the structural change in the automotive industry, INDUS is giving its portfolio companies more support to ensure their competitiveness. This is more important than ever, particularly in times of crisis such as the current coronavirus pandemic. To get the INDUS portfolio companies fit for the current and future tasks of PARKOUR, INDUS will sharpen its focus on supporting innovation, Market Excellence and Operational Excellence. INDUS will set ambitious targets, encourage cooperation, and share the right methods.

Assisting the companies in their internationalization measures will also remain a central pillar of the INDUS strategy. The focus is on Asia and North America in particular, in addition to Europe. The further improvement of the portfolio companies' performance in terms of sustainability also continues to be actively supported and encouraged and embedded in the PARKOUR strategy with the strategic initiative "Striving for sustainability."

The PARKOUR strategy has set out four key strategic initiatives:

1. Strengthening the portfolio structure
2. Driving innovation
3. Improving performance
4. Striving for sustainability

1. STRENGTHENING PORTFOLIO STRUCTURE

INDUS plans to acquire two to three companies as direct subsidiaries each year. The holding company is increasingly setting its sights on larger companies with annual sales figures of between EUR 50 million and EUR 80 million. INDUS has defined six **growth industries** that will be favored in acquisitions of companies to support the forward-looking future development of the portfolio:

THE SIX FAVORED GROWTH INDUSTRIES FOR ACQUISITION

1
AUTOMATION AND MEASURING TECHNOLOGY AND CONTROL ENGINEERING

2
CONSTRUCTION TECHNOLOGY

3
SAFETY TECHNOLOGY

4
MEDICAL ENGINEERING/LIFE SCIENCE

5
TECHNOLOGY FOR INFRASTRUCTURE AND LOGISTICS

6
ENERGY AND ENVIRONMENTAL TECHNOLOGY

03|

All six industries have above-average to very good prospects for development according to the relevant expert assessments. The INDUS portfolio is intended to represent a cross-section of the relevant growth industries. The Board of Management is aiming for an **appropriate mix of future-oriented companies** for the portfolio structure so INDUS can continue to reach its profitability targets.

In addition to growth acquisitions for the portfolio, INDUS continued to have a focus on complementary additions to strengthen individual portfolio companies. For strategic acquisitions at sub-subsidiary level, the investment decisions are linked to the portfolio companies' individual strategies, although INDUS is promoting more innovation- and sustainability-oriented acquisitions. In some cases, INDUS may also acquire companies in the early stages of development at sub-subsidiary level, if they have the potential to be particularly useful to the portfolio company due to their innovation or technological expertise, and the viability of their business model has already been proven. PARKOUR includes plans for two to four strategic additions at portfolio company level per year.

In the 2020 financial year, the **INTERIM SPRINT** package of measures to optimize the portfolio was adopted and implemented by the INDUS Board of Management. The sale and discontinuation of portfolio companies and sub-subsidiaries or divisions of portfolio companies were part of this package of measures to implement the targets defined in the PARKOUR strategy program. The INTERIM SPRINT package of measures was brought to an end in 2021 when the discontinuation of BACHER was completed. The successes of INTERIM SPRINT are clearly visible. Implementing INTERIM SPRINT did reduce sales in a year-over-year comparison by EUR 29.5 million (1.9%). However, eliminating negative contributions to income had a positive impact on the financial position.

The disposal of the WIESAUPLAST Group was completed in the current financial year. All the partnership interests in WIESAUPLAST GmbH & Co. KG in Wiesau and all its subsidiaries were transferred to the SCHERDEL Group in Marktredwitz on December 30, 2021. This is another step for INDUS towards reducing the weight in the portfolio of series suppliers to the automotive industry.

Exit strategies play no role when INDUS makes its buying decisions, the "hold" principle being a key component of INDUS' DNA. However, to ensure stable performance and achieve the growth targets set for the individual company and the Group, parting with a company remains an option in exceptional cases – for example, if there has been a substantial change in the original environment and market conditions under which a portfolio company operates and a new configuration would make more financial sense for the company and its employees.

In light of the structural upheaval in the automotive industry, which has resulted in high pressure on margins, series suppliers in the Automotive Technology segment will not be able to achieve INDUS' margin targets for the foreseeable future. The environment for suppliers has further deteriorated with the coronavirus crisis. Extensive repositioning projects are currently being pursued to make series suppliers fit for the demands of future technologies. The medium-term goal remains to reduce the importance of series suppliers in the INDUS portfolio.

2. DRIVING INNOVATION

Competitive positions once established must be repeatedly defended. For this reason, the companies in the INDUS Group must actively embrace future trends, identify opportunities and make use of opportunities to act. The "driving innovation" initiative is of particular importance to adapt to changing market situations at an early stage. Driving innovation among the INDUS companies is a key component of the PARKOUR strategy program.

INDUS supports selected innovation projects in the Group with financial subsidies. The development funds cover 50% to 80% of the project volume. The holding company has set aside an annual budget up to 3% of consolidated EBIT for this purpose. The aim is to ensure the portfolio companies' future viability and open up new production areas and markets. Despite the coronavirus pandemic and as in the previous year, INDUS therefore did not reduce the absolute volume of development funds available in the 2021 financial year compared to the 2019 financial year.

To increase innovativeness, INDUS supports the portfolio companies strategically as a sparring partner and conceptually with methodological knowledge. In addition to developing company-specific innovation strategies, opening up individual innovation search areas and developing company-specific innovation road maps are particularly important. INDUS also creates networks with other Group companies and external institutions in order to obtain ideas from outside, collaborate on innovation projects or jointly open up innovation search areas in the network. This takes place in the "Hydrogen" working group, for example, and in future in the new working group "Sustainable construction."

INDUS strengthens the development of defined, dynamic growth industries and analyzes possible points of intersection with its portfolio companies. Younger companies with high innovativeness make interesting acquisition targets for the INDUS Group, particularly at sub-subsidiary level. INDUS therefore supports the acquisitions of younger companies with a high level of technological competence as a complementary addition to increase its portfolio companies' innovativeness.

3. IMPROVING PERFORMANCE

INDUS addresses increasing global competition and rising margin pressure by promoting **Market Excellence** and **Operational Excellence** in the portfolio companies. INDUS assists its portfolio companies with the optimization of value-adding core processes from order entry to order processing. The Market Excellence initiatives focus on making optimal use of market potential. Lean management approaches are at the heart of our activities to achieve Operational Excellence. These approaches avoid waste and they focus on added value in all tasks.

As part of the **Market Excellence** initiative INDUS provides advice in the areas of business development, strategic marketing, sales, and pricing. It supports portfolio companies' processes from strategic market cultivation right through to securing contracts. The support on offer also includes sharing methodological expertise, for instance, with regard to market, potential, and competition analyses, and improving pricing for products and services. Another significant aspect is providing advice on choosing sales channels, designing sales organizations, and conducting specific sales training.

As part of the **Operational Excellence** initiative INDUS assists the portfolio companies in realizing productivity potential in procurement, production, and logistics. The support consists of an overarching training program on Lean management, various networking formats for sharing best practices in the INDUS Group, and individual workshops with the portfolio companies to impart specific methodological knowledge. Specific optimization projects are accompanied directly by INDUS or by external partners.

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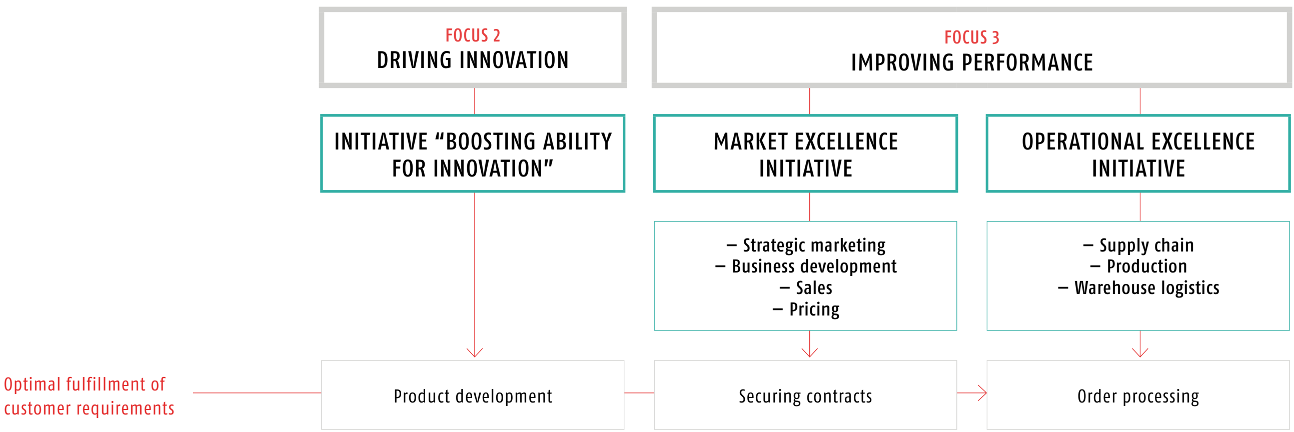
STRATEGIC INITIATIVES



4. STRIVING FOR SUSTAINABILITY

Sustainable business practices generate competitive advantage, increase corporate value and strengthen the corporate culture. Working from this conviction, INDUS has made its approach to sustainability increasingly professional in recent years. Sustainable practices for INDUS means treating economic, social and ecological objectives equally over the long term: we want to create lasting values, enable quality work by doing so, and protect the environment at the same time. The sustainability strategy has therefore now become an independent strategic initiative, "Striving for sustainability," within the PARKOUR strategy program.

In order to ensure long-term entrepreneurial success, INDUS follows clear guidelines with respect to sustainable practices:

— **Economically sustainable conduct ensures future success.**
— **Social fairness is a fundamental SME principle and encourages cooperation.**
— **Considering environmental factors prevents subsequent costs and improves process efficiency.**
— **Compliance with agreements and rules strengthens trust.**

To **ensure profitability**, INDUS uses traditional economic key figures, thus aligning itself with stability-oriented aspects. This safeguards entrepreneurial success in the interests of the Group, the shareholders, and other stakeholders in the long term. The holding company ensures a stable balance sheet, adequate liquidity, and a flexible financing basis. In terms of their **social** orientation, all the companies in the INDUS Group are guided by traditional SME values. Central to these is the principle of responsibility – for the survival of the company, but first and foremost for the people who ensure it. This is expressed in company-specific codes of conduct, that cover the continuous development of occupational health and safety and support for trainees, as well as training courses for the employees. Social responsibility is expressed by support for non-profit initiatives, particularly in the portfolio companies' local region. With respect to the **environment**, INDUS supports the portfolio companies with their efforts to conserve resources and avoid greenhouse gas emissions. The portfolio companies express their environmental responsibility in particular by installing photovoltaic systems, by switching to more climate-friendly heating systems, buying green power, converting their fleet to vehicles with alternative drives and setting up Bike to Work initiatives for employees. The environmental development bank provides development funds for sustainable product innovations in the future field of green tech (energy and environmental technology and products with an improved energy-efficiency profile). The sustainability development bank will provide additional funding starting in 2022 for projects to achieve significant emissions reductions in the portfolio companies.

The Board of Management and the Supervisory Board have always felt committed to responsible, transparent and sustainable **corporate governance**. For example, they have followed the recommendations and suggestions of the German Corporate Governance Code since its introduction, now without exceptions, thus documenting the importance of the rules of good corporate governance and supervision. A whistleblowing system was also introduced across the Group in the 2021 financial year that can be used on a decentralized basis by the portfolio companies and so satisfies the corresponding statutory obligations and the recommendations of the German Corporate Governance Code.

INDUS will again publish a non-financial report for the INDUS Group for the period to December 31, 2021. This will be published as part of the Annual Report. The magazine SUSTA[IN] was published for the first time in 2021 to report on projects and the progress of sustainability initiatives in the INDUS Group and will now be published on an annual basis. The next issue will come out in summer 2022. More information in Non-financial Report on p. 19 et seqq. and online at www.indus.de/en/sustainability

Management Control

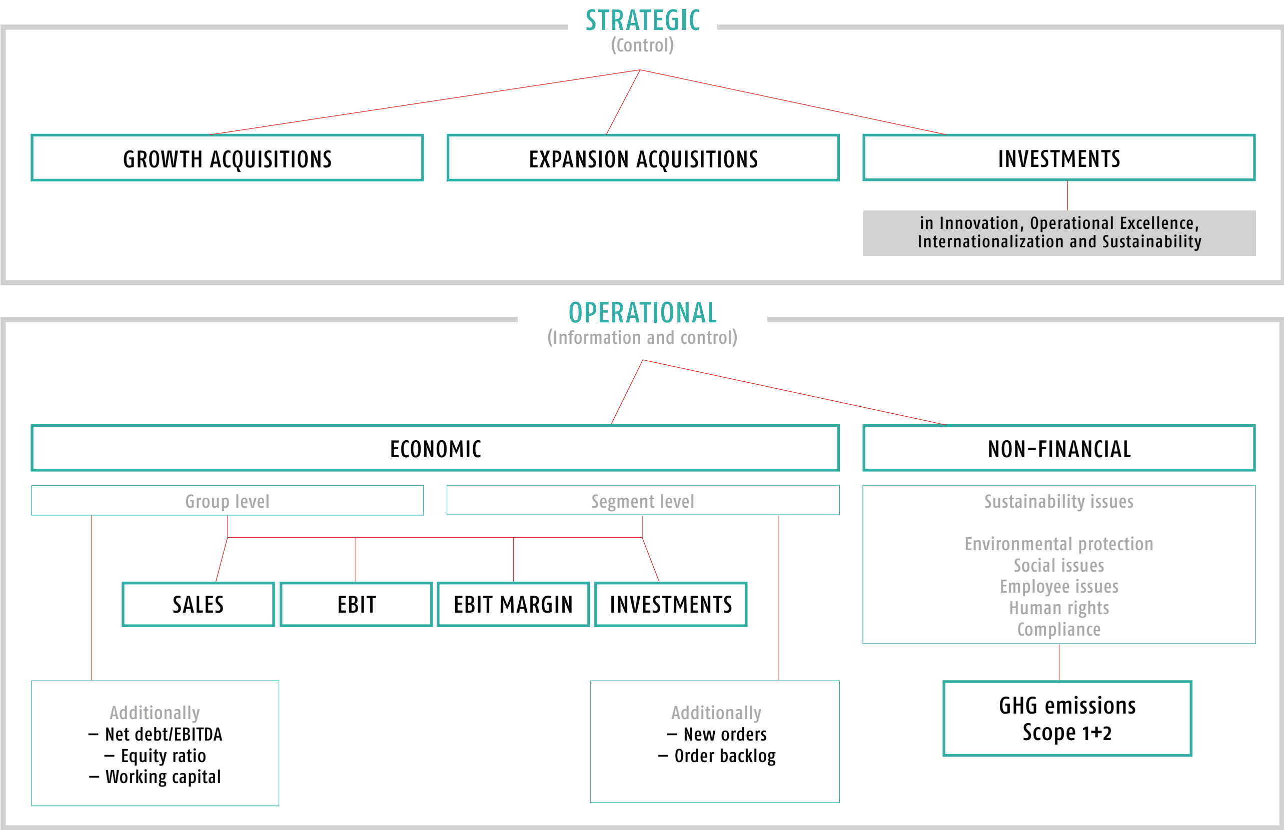
Planning and Strategy Processes

Based on the INDUS strategy PARKOUR, the portfolio companies develop their own individual business strategies for the coming financial years. This then forms the strategic base for planning their business development, the necessary investments and the development of their financial position and financial performance, usually in three- to five-year plans.

As part of the planning process, a structured discussion on business planning, risks and opportunities is held between the entire Board of Management and individual managing directors. Using the planning data and the exchanges with the managing directors, the INDUS Board of Management can gain an overall view of the business performance expected. The Board of Management uses this to create the planning for the necessary funds at holding company level and then communicates the results of the consolidated planning and expectations to the INDUS shareholders and creditors. The business objectives of INDUS Holding AG are thus based primarily on annual targets set by the portfolio companies.

The planning process pays particular attention to sustainability projects at the portfolio companies. Steps to reduce CO_2 emissions and activities related to social issues are particularly recorded.

BASIS FOR INFORMATION AND CONTROL



Management Variables

The economic indicators used by the holding company to assess the situation correspond to the operational **financial performance** indicators commonly used for manufacturing companies. In addition, **strategic financial performance** indicators are used for direct investment decision-making. Starting in financial year 2021, the greenhouse gas emissions (GHG emissions Scope 1+2) are used as a non-financial performance indicator for information and control.

The target performance comparison results obtained by INDUS as part of its regular financial reporting for the last financial year are to be found in the Report on the Economic Situation.

Interim Reporting

The portfolio companies inform INDUS about the financial performance of the companies on an ongoing basis. The companies report monthly to the holding company on their financial situation. INDUS also receives information focused on specific topics. This gives the holding company's management a continuous insight into the situation at the portfolio companies and thus an overview of the Group's overall situation.

INDUS monitors the performance of the companies in light of projections based on monthly figures. The portfolio companies update their forecast for the current financial year three times within the financial year. The controlling system delivers early warning if there are divergences from the plans. The subsidiaries also employ individual control mechanisms and, due to their different natures, individual key figures. The managing directors of the portfolio companies observe and analyze their markets and specific competitive environments, and report any material changes in either back to INDUS.

Regular Management Dialog

In addition to the obligatory information flows for financial reporting, the Board of Management and the individual managing directors also regularly exchange information in a less formal manner about developments in the portfolio companies. INDUS proactively pursues its interests as owner by providing advice and supporting the portfolio company' development.

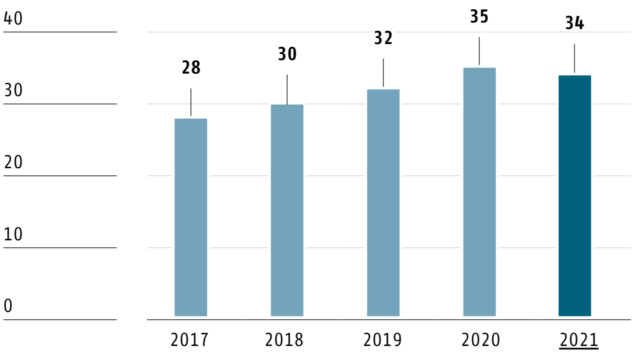
Non-financial Performance Indicators

Employees

IN THE HOLDING COMPANY: A TEAM OF SPECIALISTS FOR EFFECTIVE SUPPORT OF PORTFOLIO COMPANIES

On average in the 2021 financial year, the holding company had 34 employees excluding members of the Board of Management (previous year: 35). It is in the interest of INDUS to boost the productivity of its employees and to encourage their long-term loyalty to the company. To that end, INDUS offers its employees the basic conditions of a modern, attractive employer in terms of healthcare, educational advancement, and income.

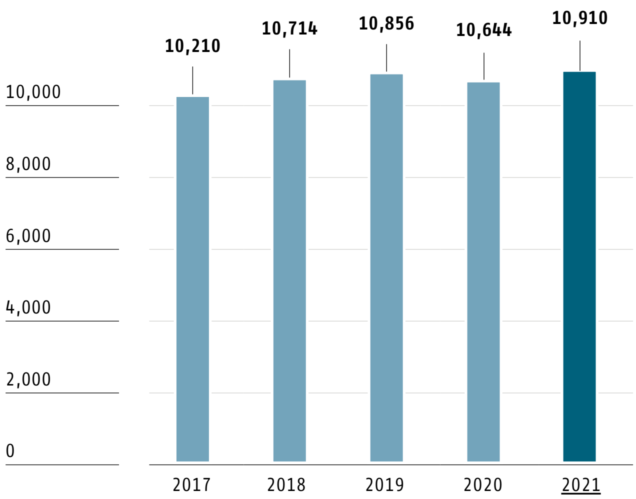
EMPLOYEES OF THE HOLDING COMPANY (Number)



IN THE GROUP: CULTIVATING AN SME-APPROPRIATE CULTURE

On average, 10,910 people were employed in the INDUS Group during the reporting year (previous year: 10,644). Management of those employed by the portfolio companies is the responsibility solely of their managements. Accordingly, the portfolio companies direct their human resources work, in both quantitative and qualitative terms, on their own. SMEs assume a high level of responsibility when it comes to training; this is also true in particular of the companies within the INDUS Group. A total of 380 trainees were employed throughout the Group in 2021 (previous year: 415); this equates to a trainee ratio of 3.5 % (previous year: 3.9 %).

EMPLOYEES OF THE INDUS GROUP (Number)



Development and Innovation

R&D SUPPORT FOR PORTFOLIO COMPANIES

As a holding company, INDUS does not engage in research or development work in the traditional sense. All activities, along with responsibility for ensuring that the portfolio companies have their fingers on the pulse in terms of the technology that their products embody and are strategically well positioned in their markets, are in the hands of the portfolio companies themselves.

INDUS is also keenly interested in the long-term economic success of its portfolio companies. The INDUS Board of Management therefore regards the subject of innovation as a central key to the healthy development of the companies. For this reason, the Board of Management has increasingly initiated support services in recent years that the portfolio companies can avail themselves of. These are:

Funds for innovations in future fields: INDUS budgets up to 3% of annual consolidated EBIT for its portfolio companies as part of the “driving innovation” strategic initiative to advance suitable innovation projects. The volume of innovation funding fell in 2021 because some larger projects expired. The aim for 2022 is to achieve a similar level of innovation funding in the portfolio companies as before the coronavirus pandemic. This enables INDUS to specifically promote activities and projects with a significant level of innovation and in predefined future fields that, in INDUS’ view, offer outstanding long-term development potential but are also associated with higher risks. These innovations enable the companies to tap into new business fields and technologies and thus strengthen their competitive position.

Methodological support: INDUS focuses in particular on promoting innovation. It supports its portfolio companies in innovation and technology management in order to improve their strategic position and thus optimize the focus and effectiveness of the development work. The portfolio companies are provided with methodological support for the derivation of innovation strategies, the identification of innovation potential, generating and selecting ideas, and project management during the innovation process.

Awareness and networking: the management of the holding company watches the trends and developments in the markets across sectors, and transfers the resulting knowledge to the portfolio companies through active dialog with their managements. INDUS also supports information exchange between the portfolio companies to allow innovation to flourish through changes in perspective. INDUS also helps set up connections between its portfolio companies and external partners and institutions and looks for opportunities to collaborate in the fields of science, research, and economics.

INNOVATION ACTIVITIES UP AGAIN AT THE PORTFOLIO COMPANIES

The expenses for R&D activities recognized in the INDUS Group's consolidated financial statements for 2021 amounted to EUR 20.4 million (previous year: EUR 18.9 million). This was an increase in research and development funding of a good EUR 1.5 million. More information on p. 108 [9]

The aim is to achieve an increasing degree of in-house, individual R&D capability and innovation effectiveness at the portfolio companies. The relevance to customers is a top priority in development work: successful development partnerships are in place with both customers and suppliers.

The INDUS Group works in successful collaborations with research institutions and universities in connection with the portfolio companies' development activities. Some Group companies already collaborate with research organizations – for instance, through product innovations or innovation-related market analyses. Forms of cooperation range from traditional customer-supplier relationships to contract research and participation by individual companies in publicly funded research projects.

Sustainability

The sustainability strategy was added to **PARKOUR** as the fourth independent strategic initiative. In terms of the sustainability strategy the years ahead will focus particularly on implementing the greenhouse gas reduction targets defined in the Climate Protection Act. There are two ways of reducing greenhouse gases (GHG emissions). One is to use low-emission sources of energy (Scope 1+2) and the other is to increase energy efficiency, which is also vital from an economic perspective (Scope 2).

The reduction in gross greenhouse gas emissions (GHG emissions) in Scope 1+2 was defined as the performance indicator for management control purposes at INDUS. The gross emissions were chosen deliberately, because this figure cannot be corrected by the purchase of certificates. Scope 1 comprises stationary combustion, mobile combustion and fluid emissions. Greenhouse gas emissions in Scope 2 currently comprise power and district heating. Emissions are measured in tons of CO_2 and presented per million euros of gross value added.

Corporate Governance

Declaration on Corporate Governance

The Board of Management and Supervisory Board of INDUS have committed themselves to thorough observance of the principles of good corporate governance. The management body and supervisory body therefore issue the appropriate "Declaration on Corporate Governance" on an annual basis. The current declaration in its complete wording can be found on the INDUS website. www.indus.de/en/about-indus/corporate-governance

The annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) constitutes a part of the Declaration on Corporate Governance. This was issued by the Board of Management and the Supervisory Board on December 9, 2021. In it, they state that in 2020, INDUS Holding AG was in compliance with all of the recommendations made by the government commission and the German Corporate Governance Code. The Declaration of Conformity in its complete wording can be found on the INDUS website. www.indus.de/en/about-indus/corporate-governance

Report on the Economic Situation

Sales for the INDUS Group rose from the previous year's figure of EUR 1.56 billion to EUR 1.74 billion in the 2021 financial year. The INDUS Group's operating result (EBIT) was EUR 115.4 million, compared to EUR 25.1 million in the previous year. All the segments increased both their sales and operating income (EBIT). The performance was particularly good in the segments Construction/Infrastructure, Engineering and Metals Technology. Operating cash flow decreased from EUR 174.4 million in the previous year to EUR 136.4 million in the reporting period.

Changes in the Economic Environment

Macroeconomic Trends

WORLD ECONOMY RECOVERS BUT LOSES MOMENTUM

Following the historic collapse in 2020, global production increased sharply in 2021, despite some residual friction. The Kiel Institute for the World Economy (IfW) forecasts growth of 5.7% and the International Monetary Fund (IMF) predicts 5.9%. These growth rates are lower than the expectations at the start of 2021, however. Developments in advanced economies were particularly subdued by supply chain disruptions and price increases and are only expected to regain their pre-crisis levels in 2022. Delays also increasingly affected downstream production stages in the second half of 2021. As a result, global industrial production fell sharply in the final months of the year – although the number of incoming orders remained high. The fact that the pandemic took a turn for the worse in many parts of the world towards year-end was an additional burden. Some regions achieved a dynamic performance in the third quarter of 2021; the Indian economy recovered from the effects of the lockdown in the spring, for example, but overall, the global economic expansion lost a lot of momentum. The COVID-19 pandemic continued to depress economic activities, but the regional impact varied widely due to asynchronous waves of infections and different levels of vaccination.

GERMAN ECONOMY: LONG-TERM EFFECTS OF THE PANDEMIC SUBDUE THE UPSWING

Many areas of the German economy recovered from the impact of the coronavirus pandemic in 2021, although the upswing was not able to make up altogether for the collapse in 2020. Gross domestic product rose by 2.8% last year, after adjustment for the calendar year. Despite this significant recovery, economic output is therefore still 1.5% below the pre-crisis level. The effects of the pandemic on international supply chains had a massive impact on added value over the course of the year. Supply-side constraints and steep price rises that went well beyond the normal cyclical range were the result. Presented with these obstacles, industrial production in Germany fell by 5.5% on the pre-crisis year 2019. Outstanding order volumes in the manufacturing sector in December 2021 were 29.3% higher than the pre-crisis level in January 2020 and at their highest since January 2015, partly due to a backlog in production. The inflation rate hit 5.3% in December 2021, the highest rate in almost 30 years. Demand returned to normal after the coronavirus shock, however: German exports in 2021 rose in a year-over-year comparison by 14.0% and so were 8.9% up on the 2019 figure. New orders in the manufacturing sector rose by 9.3% in 2021 compared with the year before the crisis. Whereas economic output increased overall in the summer, driven by strong growth in the services sector, GDP declined by 0.7% in the fourth quarter of 2021 compared with the previous quarter. The fourth wave of the coronavirus and the accompanying restrictions particularly depressed consumer spending and further slowed the recovery.

Changes in the Industrial Environment

CONSTRUCTION/INFRASTRUCTURE: CONSTRUCTION INDUSTRY DEFIES THE DIFFICULT ENVIRONMENT

The construction industry got off to a subdued start to 2021, with the pull effect of the VAT change and bad weather adversely affecting the business. Construction activity stabilized rapidly, however, and continued its general growth trend. Sales in the main construction sector rose year-over-year by 6.2% in November 2021, and by 1.6% in the first eleven months. Construction permits for residential and non-residential properties increased by 4.5% year-over-year in the period from January to November 2021 to reach their highest level since 2006.

A shortage of upstream products and rising materials prices also posed problems for the construction industry, however. Average producer prices for individual construction materials rose faster in 2021 than in the past 70 years, with timber around 77.3% more expensive and rebar steel up by 53.2%. Higher energy prices also contributed to the rise in inflation. For long-term contracts in particular, these massive price increases could only partially be passed on to customers and so reduced the earnings margin. Finally, the real volume of new orders in the main construction sector declined slightly, albeit at a high level: November 2021 saw 7.1% fewer orders than in the previous month, but new orders in the period from January to November 2021 were still 1.3% up on the same period of the previous year. Consumers in particular seem to be postponing their construction projects in view of the significant price increases. Commercial construction is still reporting a high level of new orders. Overall – and despite an increasing shortage of qualified employees and a growing backlog of construction permits – the main construction sector has come through the coronavirus pandemic well.

AUTOMOTIVE TECHNOLOGY: GERMAN AUTOMOTIVE MARKET SUFFERS FROM SHORTAGE OF SEMICONDUCTORS

Expectations at the start of the year for making good in 2021 on the business lost to the coronavirus did not come true for the automotive market. Demand for vehicles did increase over the year, but the industry was not able to satisfy the demand. The vehicle industry in particular was massively hit by the effects of increasing material shortfalls: a lack of semiconductors brought production lines to a standstill. Higher prices for energy and logistics were a further burden on performance. Production by automotive manufacturers in Germany fell year-over-year by 12% in 2021 as a result, its lowest level since 1975. This is also reflected in the export figures, with vehicle exports down by 10% on 2020 in 2021. Orders from abroad were 2% higher than in the first coronavirus year, but order volumes from international customers fell in December 2021 by 20% compared with the same month the previous year. Domestic orders for German OEMs increased by 6% in 2021, however, with strong growth at year-end.

New vehicle registrations fell in 2021, with 10% fewer new cars registered in Germany – the year-over-year decline came to 27% in December 2021 alone. The share of electric cars continues to rise: one in four new cars registered in Germany in 2021 has an electric motor. The European market also saw new car registrations fall by 2%. Light vehicle sales in the United States rose by 3% in 2021, but were still significantly down on the 2019 level. The Chinese market grew year-over-year by 7% by contrast, and so overtook the pre-crisis year 2019.

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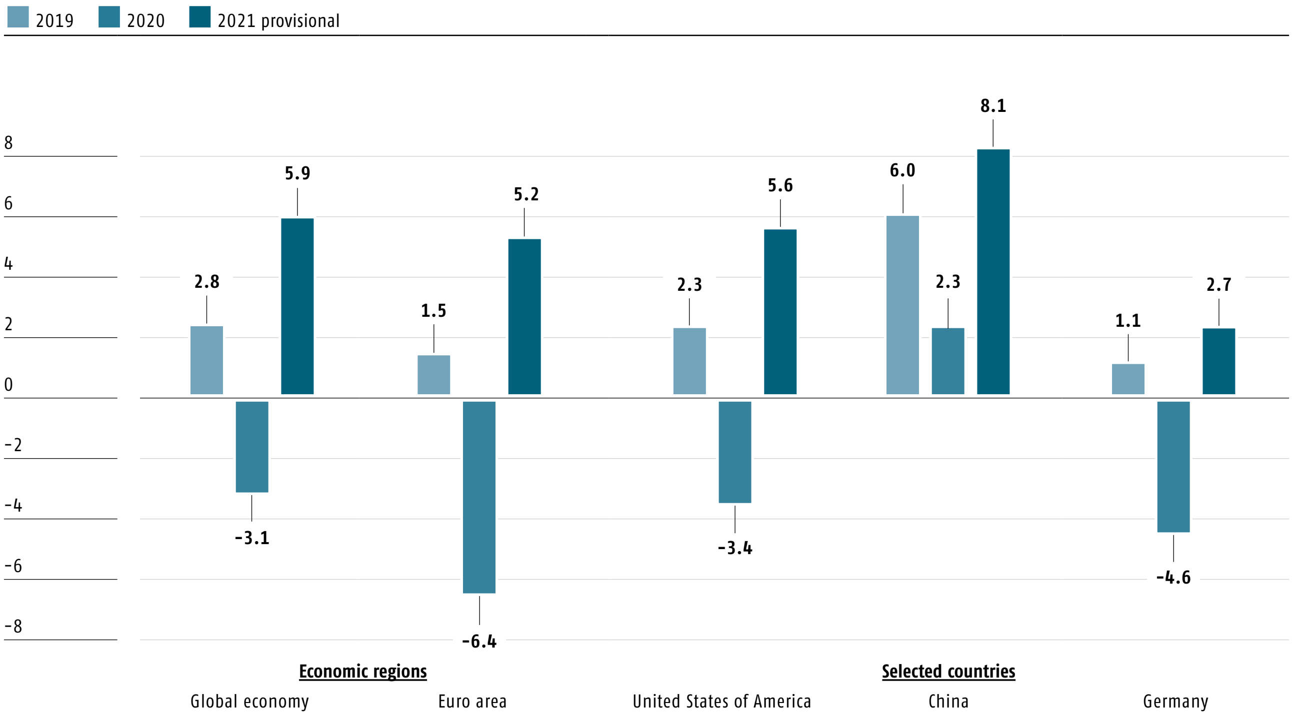
ANNUAL ECONOMIC GROWTH (in %)



Source: International Monetary Fund, World Economic Outlook (as of Jan. 2022, for 2019 Oct. 2021)

ENGINEERING: STRONG RECOVERY

Broad swathes of the German engineering sector recovered from the previous year's massive coronavirus crisis in 2021. And in the final months of the year, the engineering firms really accelerated down the final straight. VDMA reported for 2021 a year-over-year increase of 32% in orders in real terms, which was 7% higher than the strong year 2018. Orders from abroad – especially from countries outside Europe – rose particularly fast. The sub-sectors machine tools, robotics and automation, drive technology, construction machinery and production equipment, and general ventilation all reported an increase of more than 20% in orders between October and December 2021.

Material shortages, a lack of qualified staff, and problems with logistics and transport were also challenges for engineering companies last year, however, as bottlenecks slowed both production and sales. Production and sales are both expected to have grown by 7% in 2021. Exports of machinery from Germany rose by 7.8% in real terms in the first eleven months of 2021. In the period from September to November 2021 exports to the United States (+22.0%), UK (+21.4%) and India (+25.3%) grew particularly rapidly, whereas exports to China declined (-2.9%).

MEDICAL TECHNOLOGY: STILL SUFFERING FROM THE EFFECTS OF THE CORONAVIRUS

The coronavirus pandemic continued to depress the economic opportunities of the medical technology industry in 2021. A majority of companies surveyed by BVMed in the fall did expect better sales than the previous year, but 11% of those questioned believed their sales would fall by a double-digit rate – and this was even before the fourth wave. Overall, it was not possible to return to pre-coronavirus figures. Small and medium-sized businesses, which account for 93% of medical technology companies, as well as some areas of the medtech sector, are still affected by postponed operations and a decline in the number of visits to physicians. Operating sets, bandages and implants all underperformed slightly in 2021. In the BVMed fall survey, 62% of companies gave the postponement of elective surgery as the biggest obstacle to sales, 59% thought it was the decline in hospital case numbers and 55% the restricted contact to patients and customers. Earnings were also affected, with 42% of the companies surveyed expecting their profits to be lower in 2021. Higher raw materials prices and higher transport and logistics costs put pressure on earnings. The EU Medical Device Regulation (MDR) in effect since May 2021 remains a burden for sales, with its obligation to gather extensive clinical data and long periods for evaluating conformity.

METALS TECHNOLOGY: DIFFICULT ENVIRONMENT HINDERS RECOVERY

Companies in the metal processing industry in 2021 were hindered in their efforts to make up for lost time by the difficult operating environment. Serious supply bottlenecks hampered production at a high level in the third quarter, but production was stabilized in the fourth quarter. New orders from Germany and abroad fell at the same time, however. New orders fell by 6.9% compared with the third quarter in October/November 2021. In total, the sector was not able in 2021 to regain the levels reported before the coronavirus and the previous recession. The overall situation remains uncertain. According to a survey by the employer association Gesamtmetall, 96% of companies in the metal and electrical industry were affected by delivery and supply chain problems in fall 2021; both for feedstocks and materials as well as for upstream services. This had a corresponding impact on prices: almost 90% of businesses complained of price increases averaging 36%. The financial position of the M+E industry, which was already suffering from the structural change in the sector, has come under further pressure from higher prices for energy and materials.

Performance of the INDUS Group

The Board of Management's Overall Assessment

SIGNIFICANT INCREASES IN SALES AND OPERATING INCOME (EBIT) ACROSS THE ENTIRE INDUS GROUP – ENGINEERING REPORTS FASTEST GROWTH RATES

In the 2021 financial year, the INDUS Group generated sales of EUR 1.74 billion. Sales rose by 11.7% and including acquisitions were thus slightly above the originally forecast range of EUR 1.55–1.70 billion. All five segments in the INDUS Group reported an increase in sales; sales in the Engineering segment grew fastest at 18.6%. The sales performance is particularly impressive given the difficult operating environment in some areas, such as the global supply shortage, the ongoing coronavirus pandemic, and the decisions by OEM not to draw down orders in the Automotive Technology segment. It was even possible to compensate for the sales lost as a result of the INTERIM SPRINT package.

At EUR 115.4 million, operating income (EBIT) was above the original forecast of EUR 95 to 110 million and significantly higher than the previous year's figure of EUR 25.1 million, which was impaired by the coronavirus pandemic. Earnings contributions in the segments Construction/Infrastructure (EUR 70.5 million), Engineering (EUR 56.9 million) and Metals Technology (EUR 42.3 million) were significantly better than expected. The Medical Engineering/Life Science segment reported operating income (EBIT) of EUR 12.1 million, which is in line with our expectations. Operating income in the Automotive Technology segment improved from EUR -87.8 million to EUR -57.3 million. Automotive technology remains a challenging industry. The automotive sector is currently under pressure due to supply shortages and a scarcity of materials, in particular the global shortage of computer chips.

The EBIT margin of the INDUS Group came to 6.6%, which was slightly above our forecast range of 5.5% to 6.5% and above the previous year's figure of 1.6%, but still well short of the "10% + X" target. Operating flow of EUR 136.4 million was EUR 38.0 million lower than the previous year's figure (EUR 174.4 million), as expected, due to the additional working capital. Working capital was EUR 457.5 million as of December 31, 2021, and was thus EUR 47.0 million higher than as of the previous year's reporting date. The rise is due to greater business activities and higher material prices. Some companies also built inventories to hedge against price hikes and raw materials shortages.

INDUS strengthened its business with two first-level investments in 2021. The acquisition of JST closed at the beginning of the year. JST Systemtechnik GmbH & Co. KG is a medium-sized provider of integrated control room solutions and has been in the scope of consolidation since January 2021. WIRUS Fenster GmbH & Co. KG was acquired in March. WIRUS produces window frames made of plastic and aluminum, sliding, front and side doors. The company is highly digitalized and growing fast. At the sub-subsidiary level, HORNGROUP Holding acquired FLACO Geräte GmbH and a controlling majority stake in TECALEMIT, Inc. A contract to acquire the shares of Heiber und Schröder Maschinenbau GmbH (HEIBER + SCHRÖDER) was also signed at year-end 2021. HEIBER + SCHRÖDER is an SME provider of special machinery for the cardboard industry. The economic transfer and initial consolidation HEIBER + SCHRÖDER will take place in Q2 2022. These acquisitions were funded by the capital increase of EUR 85 million completed in March 2021.

INDUS sold the WIESAUPLAST Group to a strategic investor at the end of December 2021. This enabled a series supplier from the Automotive Technology segment to be successfully transferred to a buyer with better development prospects for the company.

Investments in property, plant and equipment and intangible assets amounted to EUR 75.6 million (previous year: EUR 52.5 million). Investment was deliberately scaled back the previous year, and this is now a clear signal that the INDUS Group continues to invest strongly.

The Group's economic position improved significantly in 2021 compared with the coronavirus year 2020, also thanks to the capital increase completed in March 2021. At 42.4%, the Group's equity ratio is significantly up on the year (previous year: 39.1%) and above the target ratio of 40%. The liquidity built up in the previous year as a precautionary measure was reduced again significantly and came to EUR 136.3 million as of the reporting date. The repayment term (net debt/EBITDA) was 2.3 years (previous year: 3.3 years), which was a great improvement and a return to the stipulated target range of 2 to 2.5 years. Gearing, the ratio of net debt to equity, was 64%, more than 10 percentage points better than in the previous year (77%).

Overall, the INDUS Group has recovered very quickly from the coronavirus crisis, performing even better than expected in many areas. Our PARKOUR strategy provided the portfolio companies with a toolbox to tackle the numerous challenges in these difficult times. The INTERIM SPRINT from 2020 was completed with the discontinuation of BACHER and it is clear that these measures have boosted the Group's profitability.

PARKOUR focuses increasingly on non-financial performance indicators. We are now using greenhouse gas emissions (GHG emissions Scope 1+2) as a management variable at Group level. Greenhouse gas emissions (Scope 1+2) came to 93.91 t CO_2/EUR million GAV in 2021. This was a reduction of a good 7.8% in greenhouse gas emissions (8 t CO_2/EUR million GAV).

TARGET PERFORMANCE COMPARISON

	ACTUAL 2020	TARGET 2021	ACTUAL 2021	Level of achievement
GROUP				
Management variables				
Acquisitions	1 Growth acquisition that was signed in 2020 and is economically effective starting in 2021.	2 Growth acquisitions	2 Growth acquisitions, 2 Purchase of sub-subsidiaries	better than expected
Sales	EUR 1.56 billion	EUR 1.55 to 1.70 billion	EUR 1.74 billion (EUR 1.68 billion without growth acquisitions)	achieved (upper end of expectations)
EBIT	EUR 25.1 million	EUR 95 to 110 million	EUR 115.4 million	better than expected
EBIT margin	1.6%	5.5% to 6.5%	6.6%	better than expected
Investments in property, plant, and equipment, and intangible assets	EUR 52.5 million	EUR 85 to 90 million	EUR 75.6 million	not achieved
Greenhouse emissions (GHG emissions Scope 1+2)*	102.07 t CO_2/million EUR GAV	95.80 t CO_2/million EUR GAV	93.91 t CO_2/million EUR GAV	better than expected
Supplementary management variables				
Equity ratio	39.1%	<40%	42.4%	better than expected
Net debt/EBITDA	3.3 years	<3 years	2.3 years	better than expected
Working capital	EUR 410.5 million	Above previous year	EUR 457.5 million	forecast achieved
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 384.0 million	Slight fall in sales	EUR 451.6 million (including EUR 45.8 million due to WIRUS acquisition)	better than expected
EBIT	EUR 64.5 million	falling income	EUR 70.5 million	better than expected
EBIT margin	16.8%	13% to 15%	15.6%	better than expected
Automotive Technology				
Sales	EUR 269.2 million	Strong rise in sales	EUR 281.9 million	achieved
EBIT	EUR -87.8 million (including impairment of EUR 33.8 million)	Strong rise in income	EUR -57.3 million (including impairment of EUR 8.2 million)	forecast achieved
EBIT margin	-32.6% (without impairment -20.1%)	Negative	-20.3% (without impairment -17.4%)	forecast achieved
Engineering				
Sales	EUR 370.0 million	Strong rise in sales	EUR 438.9 million	better than expected
EBIT	EUR 31.4 million (including impairment of EUR 2.3 million)	Strong rise in income	EUR 56.9 million	better than expected
EBIT margin	8.5% (without impairment 9.1%)	7% to 9%	13.0%	better than expected
Medical Engineering/Life Science				
Sales	EUR 142.1 million	Rising sales	EUR 148.7 million	achieved
EBIT	EUR 10.2 million	Strong rise in income	EUR 12.1 million	achieved
EBIT margin	7.2%	7% to 9%	8.1%	achieved
Metals Technology				
Sales	EUR 393.6 million	falling sales	EUR 420.4 million	better than expected
EBIT	EUR 14.4 million (including impairment of EUR 4.5 million)	Strong rise in income	EUR 42.3 million	better than expected
EBIT margin	3.7% (without impairment 4.8%)	7% to 9%	10.1%	better than expected

* Net emissions intensity

Group Earnings Performance

CONSOLIDATED STATEMENT OF INCOME (in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Sales	**1,741.5**	**1,558.6**	**1,742.8**	**182.9**	**11.7**
Other operating income	28.4	22.1	34.4	6.3	28.5
Own work capitalized	6.0	6.4	7.6	-0.4	-6.3
Change in inventories	23.7	-27.6	-22.9	51.3	>100
Overall performance	**1,799.6**	**1,559.5**	**1,761.9**	**240.1**	**15.4**
Cost of materials	-817.6	-690.1	-782.4	-127.5	-18.5
Personnel expenses	-529.1	-501.0	-527.5	-28.1	-5.6
Other operating expenses	-232.5	-210.7	-226.3	-21.8	-10.3
EBITDA	**220.4**	**157.7**	**225.7**	**62.7**	**39.8**
Depreciation/amortization	-105.0	-132.6	-107.8	27.6	20.8
Operating income (EBIT)	**115.4**	**25.1**	**117.9**	**90.3**	**>100**
Financial income	-16.3	-15.5	-18.9	-0.8	-5.2
Earnings before taxes (EBT)	**99.1**	**9.6**	**99.0**	**89.5**	**>100**
Taxes	-51.5	-36.5	-38.9	-15.0	-41.1
Earnings after taxes	**47.6**	**-26.9**	**60.1**	**74.5**	**>100**
of which attributable to non-controlling shareholders	0.8	0.1	0.6	0.7	>100
of which attributable to INDUS shareholders	46.8	-27.0	59.5	73.8	>100
Earnings after taxes	**1.78**	**-1.10**	**2.43**	**2.88**	**>100**

GROWTH IN SALES IN THE WHOLE INDUS GROUP

INDUS Group **sales** rose by 11.7% (EUR +182.9 million) to EUR 1,741.5 million in the financial year 2021. Organic growth came to 7.6%. Inorganic growth as a result of the new acquisitions of JST, WIRUS and FLACO amounted to 4.1%. The acquisition of a controlling stake in the North American sub-subsidiary TECALEMIT, Inc. and the disposal of WIESAUPLAST took place as of December 31, 2021 and therefore had no impact on inorganic revenue. The INTERIM SPRINT package implemented in 2020 caused the INDUS Group to lose sales of EUR 29.5 million (1.9%) in the financial year under review.

All segments contributed to the sales increase. The fastest rises came from the Engineering segment (+18.6%) and the Construction/Infrastructure segment (+17.6%). In the Automotive Technology segment the INTERIM SPRINT measures in the reporting year reduced sales by EUR 8.9 million (-3.3%). Despite this, sales in the Automotive Technology segment went up overall by 4.7%. The Medical Engineering/Life Science segment was significantly affected by the coronavirus pandemic during the first lockdown in 2020. The 4.7% increase in sales is therefore partly due to the negative coronavirus effect in the previous year. The Metals Technology segment reported a growth in sales of 6.8%, which represents an increase of 12.1% after adjusting for the effect on sales of INTERIM SPRINT.

Other operating income amounted to EUR 28.4 million, compared with EUR 22.1 million in the same period of the previous year. The increase mainly relates to higher income from currency conversion. **Change in inventories** went up significantly from EUR -27.6 million to EUR +23.7 million.

At EUR 1,799.6 million, the **overall performance** exceeded the previous year's figure of EUR 1,559.5 million by EUR 240.1 million (15.4%).

The **cost of materials** rose year-over-year by 18.5% to EUR 817.6 million (previous year: EUR 690.1 million). The increase was greater than the growth in sales because of higher materials prices in all areas. The **cost-of-materials ratio** therefore rose from 44.3% to 46.9%.

Personnel expenses increased by EUR 501.0 million to EUR 529.1 million. This represents an increase of 5.6% due to greater business activities and the new portfolio companies. In personnel expenses, the subsidies for social security contributions in connection with the short-time working allowance from the state COVID-19 support measure of

EUR 1.1 million (previous year: EUR 2.6 million) were offset with an effect on income. Furthermore, income from the settlement of Swiss pension plans in the amount of EUR 4.5 million was charged to personnel expenses in the previous year. Because personnel expenses went up by less than sales, the **personnel expense ratio** of 30.4% in the past financial year was 1.7 percentage points lower than in the previous year (32.1%).

Other operating expenses increased by 10.3% to EUR 232.5 million. Freight costs in particular were significantly higher. Exchange rate losses (EUR -1.5 million) in particular were significantly lower. As a result, operating income before depreciation/amortization **(EBITDA)** amounts to EUR 220.4 million compared with EUR 157.7 million the previous year. This represents an increase of EUR 62.7 million (39.8%).

Depreciation and amortization of EUR 105.0 was EUR 27.6 million (-20.8%) down on the previous year. This included planned depreciation/amortization of EUR 96.8 million (previous year: EUR 92.1 million) and impairments of EUR 8.2 million (previous year: EUR 40.6 million). The impairments relate to **goodwill** and property, plant, and equipment, as well as intangible assets. They relate to the Automotive Technology segment (previous year: EUR 33.8 million) attributable to the Automotive Technology segment, EUR 2.3 million attributable to the Engineering segment and EUR 4.5 million attributable to the Metals Technology segment.

EBIT SIGNIFICANTLY HIGHER

Operating income or EBIT came to EUR 115.4 million in 2021. EBIT was therefore EUR 90.3 million higher than the previous year (EUR 25.1 million). The EBIT margin was 6.6% compared with 1.6% in the previous year. Without taking impairments into account, the INDUS Group generated operating income of EUR 123.6 million (previous year: EUR 65.7 million). The EBIT margin before impairment was 7.1%, as against 4.2% in the previous year. Net financial income fell by EUR 0.8 million, from EUR -15.5 million to EUR -16.3 million. The financial income includes net interest, income from shares measured according to the equity method, and other financial income. Net interest improved from EUR -16.2 million to EUR -14.5 million. Measurements of minority interests in particular are reported in the other financial income item. The reason for the higher income is the lower valuation of the call/put options for the later purchase of minority interests; the call/put options are measured at fair value.

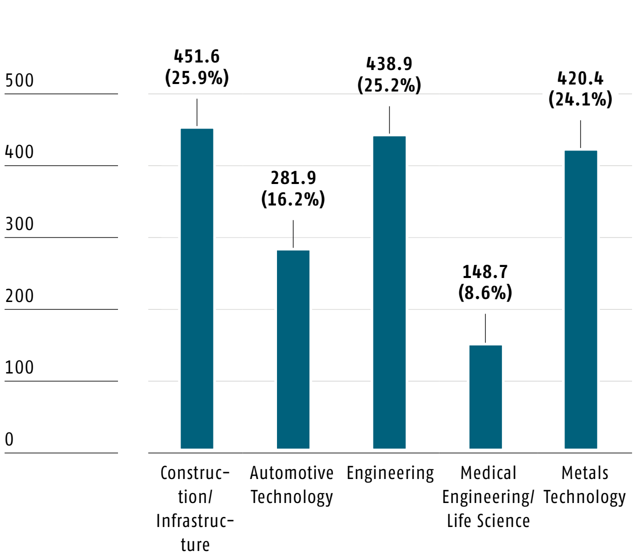
Earnings before taxes or **EBT** rose by EUR 89.5 million to EUR 99.1 million (previous year: EUR 9.6 million). Tax expenses decreased by EUR 15.0 million to EUR 51.1 million. This increase is largely due to the higher earnings before taxes. The tax ratio was 52.0%. This high tax ratio stems from the absence of tax loss carryforwards within the Group. Due to its business model, INDUS does not form tax groups.

Earnings after taxes totaled EUR 47.6 million (previous year: EUR -26.9 million). This equates to an increase of EUR 74.5 million compared with the previous year. Interests attributable to non-controlling shareholders amounted to EUR 0.8 million (previous year: EUR 0.1 million). Earnings after taxes for INDUS shareholders amounted to EUR 46.8 million. This equates to earnings per share of EUR 1.78 as compared to EUR -1.10 in the previous year.

IMPROVED SHARE OF SALES AND EARNINGS IN CONSTRUCTION/ INFRASTRUCTURE AND ENGINEERING

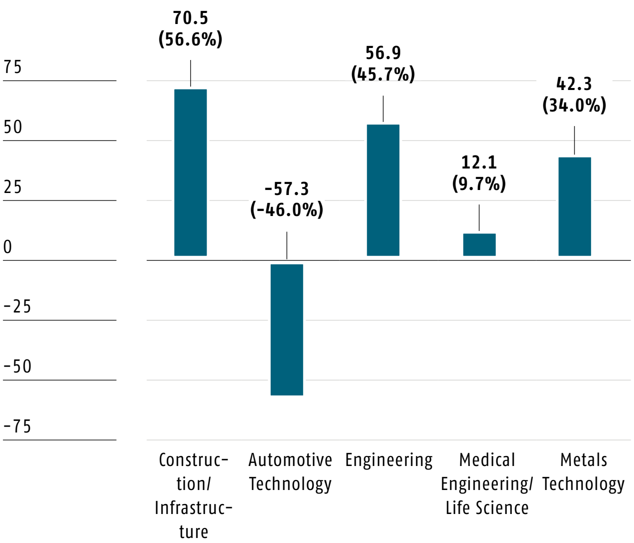
The individual segments' shares of sales and earnings have changed further in relation to one another. The **Construction/Infrastructure** segment's contribution to sales increased to 25.9% (previous year: 24.6%) and that of **Engineering** to 25.2% (previous year: 23.7%). The new acquisitions WIRUS in the Construction/Infrastructure segment (EUR +45.8 million) and JST in the Metals Technology segment (EUR +11.9 million) made a significant contribution to sales growth in these segments. The Construction/ Infrastructure segment was thus the strongest segment in the INDUS Group in terms of sales in 2021, overtaking the **Metals Technology** segment as the segment with the strongest sales. Sales in the Metals Technology segment fell from 25.3% to 24.1%. It should be remembered here that the INTERIM SPRINT measures reduced sales by EUR 20.6 million. The **Automotive Technology** segment also lost sales because of the measures taken in 2020 (EUR -8.9 million). Automotive Technology now accounts for 16.2% of sales (previous year: 17.3%). The **Medical Engineering/Life Science** segment remains the smallest segment in the Group with a revenue share of 8.6% (previous year: 9.1%).

SALES BREAKDOWN BY SEGMENT (in EUR million)



The distribution of operating income (EBIT) exhibits large differences between the segments. The Construction/Infrastructure segment generated a 56.6% share of income (previous year: 197.3%). The Engineering segment accounted for 45.7% of income (previous year: 96.0%). The Metals Technology segment earnings contributed 34.0% (previous year: 44.0%), around one third of Group operating income. The Medical Engineering/Life Science segment made a contribution to income of 9.7% (previous year: 31.2%) in line with its sales volume. The still difficult situation in the Automotive Technology segment led to a contribution to income of -46.0% compared with -268.5% in the previous year.

EBIT BREAKDOWN BY SEGMENT (in EUR million)



CONTRIBUTION TO SALES BY REGION

The INDUS Group's sales are attributable in almost equal measure to its domestic and international business. In relative terms, the domestic share of sales increased by 0.9 percentage points to 52.3% (previous year: 51.4%). Foreign sales increased by 9.8% to EUR 831.2 million as compared with the previous year. Domestic sales rose by 13.5% to EUR 910.4 million.

Earnings Trends in the Segments

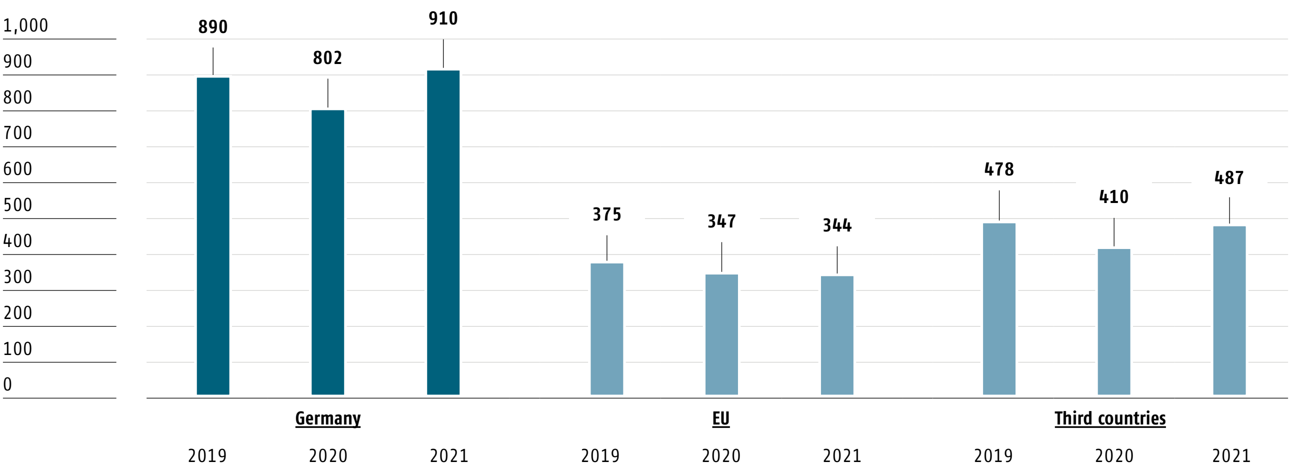
CONSTRUCTION/INFRASTRUCTURE

SEGMENT DESCRIPTION

The twelve (previous year: eleven) portfolio companies in the Construction/Infrastructure segment operate in various areas within the construction industry. Their products and services range from reinforcement technology for reinforced concrete through construction materials, air-conditioning and heating technology and expansion of infrastructure networks – particularly fiberglass networks – to accessories for private housing construction. Traditional building construction and civil engineering are not included in the INDUS portfolio.

Since May 2021 (initial consolidation) the Construction/Infrastructure segment has included WIRUS Fenster GmbH & Co. KG, Rietberg-Mastholte (Gütersloh). WIRUS' product range encompasses window frames made of plastic and aluminum, sliding, house and side doors, and privacy and sun-protection systems. WIRUS' sales, production and logistics are above average in terms of the level of digitalization achieved and the company is growing significantly faster than the market.

SALES 2019–2021 BY REGION (in EUR million)



The segment has above-average profitability and is positioned well for the future. Strategically speaking, therefore, INDUS is looking to boost this segment through the acquisition of more companies.

SEGMENT PERFORMANCE: EBIT MARGIN AGAIN ABOVE TARGET RANGE

The Construction/Infrastructure segment improved both sales and income despite supply shortages and a scarcity of qualified staff. The EBIT margin of 15.6% again exceeded the target range of 13–15%.

At EUR 451.6 million, the sales of the companies in the segment were significantly above the previous year's figure of EUR 384.0 million. Segment sales therefore grew very strongly year-over-year by EUR 67.6 million or 17.6%. Inorganic growth in sales of 11.9% stemmed from the acquisition of WIRUS. Organic sales growth was 5.7%, which is again high. Most of the portfolio companies in the segment contributed to the organic growth. The fastest sale growth came from portfolio companies in the sealant systems space.

At EUR 70.5 million, operating income (EBIT) was up by EUR 6.0 million or 9.3% on the previous year's figure (EUR 64.5 million). The EBIT margin of 15.6% was again very good and above the target range of 13–15%. As expected, the segment was not able to match the previous year's EBIT margin (16.8%) due to significantly higher material prices. The price increases could only partly be passed on in the form of higher prices for the finished products.

Overall, the segment performed rather better than expected in 2021. In addition to the new acquisition of WIRUS (EBIT contribution for the Construction/Infrastructure segment: EUR 3.0 million), this was due to the performance of the existing companies in the segment. They reported substantial EBIT increases in some cases. Incoming orders remain at a good level. Due to targeted stockpiling of raw materials, amongst other measures, none of the companies in the segment have yet suffered from any serious materials shortages.

Investments in the reporting year of EUR 48.6 million related to the acquisition of WIRUS. Investments in fixed assets of EUR 15.9 million were EUR 2.2 million lower than the previous year (previous year: EUR 18.1 million).

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Revenue with external third parties	451.6	384.0	388.9	67.6	17.6
EBITDA	89.6	79.9	77.0	9.7	12.1
Depreciation/amortization	-19.1	-15.4	-14.0	-3.7	-24.0
EBIT	70.5	64.5	63.0	6.0	9.3
EBIT margin in %	15.6	16.8	16.2	1.2 pp	–
Investments	48.6	18.1	18.8	30.5	>100
Employees	2,173	1,898	1,874	275	14.5

AUTOMOTIVE TECHNOLOGY

SEGMENT DESCRIPTION

The Automotive Technology segment comprised seven units (previous year: eight) as of the reporting date. The portfolio companies and their solutions cover the entire value chain in the automotive industry. The range of products and services covers everything from design and model or prototype construction to test and measurement solutions to series production of components for major manufacturers of cars and commercial or agricultural vehicles.

The segment companies operate in a highly competitive environment shaped by automotive manufacturers' technological change toward e-mobility and the associated structural change.

INDUS disposed of the portfolio company KIEBACK and the sub-subsidiary FICHTHORN the previous year as part of the INTERIM SPRINT measures. In the reporting year INDUS sold WIESAUPLAST GmbH & Co. KG and its subsidiaries to a strategic investor. For the remaining series suppliers in the segment, INDUS continues to check whether better development prospects for the companies and employees would present themselves under a different owner.

SEGMENT PERFORMANCE: DISPOSAL OF WIESAUPLAST GROUP COMPLETED

Sales in the Automotive Technology segment went up by EUR 12.7 million, or 4.7%, to EUR 281.9 million during the reporting period. The increase is particularly due to the collapse in sales the previous year during the coronavirus lockdown. New series ramp-ups continue to have a positive effect on sales. This fortunately more than offset some negative sales effects; particularly the shortage of computer chips, which meant that OEM significantly reduced draw-downs of order volumes and the effect of deconsolidating KIEBACK and FICHTHORN. Both companies were sold in 2020 as part of the INTERIM SPRINT package of measures. The company disposals reduced segment sales year-over-year by 3.4%. Segment growth at the remaining segment portfolio companies was therefore 8.1%.

At EUR -49.1 million, operating income before impairment was up EUR 4.9 million on the previous year's figure (EUR -54.0 million). The EBIT margin before impairment also improved by 2.7 percentage points from -20.1% to -17.4%. The sale of KIEBACK and FICHTHORN in the second half of 2020 was one reason, in addition to the coronavirus effect the previous year.

Regular impairment testing and the disposal of WIESAUPLAST resulted in impairment losses of EUR 8.2 million on goodwill, property, plant, and equipment, and intangible assets. Impairment losses of EUR 33.8 million were recognized the previous year.

At EUR -57.3 million, operating income (EBIT) was up by EUR 30.5 million on the previous year's figure (EUR -87.8 million). The EBIT margin was -20.3%, as against -32.6% in the previous year.

Two portfolio companies in the series supplier field are still undergoing restructuring and again are delivering high negative contributions to income. The work to set up the low cost locations is progressing well and a series ramp-up for an important new project at a portfolio company has begun. Capacity utilization at both portfolio companies will improve significantly from 2022; 2021 will be a year of starting-up and transition for both companies. These two companies will not be profitable in 2022 either.

The whole automotive sector is currently feeling the global chip shortage and the general scarcity of materials. This also had a serious impact on one segment company's ability to deliver measuring technology products in the financial year. There is currently no way of knowing how long this tense situation on the procurement markets will continue. This is causing great uncertainty amongst INDUS portfolio companies in the Automotive Technology segment due to rising material prices and reduced sales. Passing higher prices on to OEMs is only partially possible and with a delay.

Investments amounted to EUR 27.7 million (previous year: EUR 18.0 million) and were thus EUR 9.7 million higher than in the previous year. The increase stems from the restrictive investment policy in the previous year due to the coronavirus crisis and preparations for new series runs.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY

(in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Revenue with external third parties	281.9	269.2	350.3	12.7	4.7
EBITDA	-21.6	-26.7	9.0	5.1	19.1
Depreciation/amortization	-27.5	-27.3	-27.5	-0.2	-0.7
EBIT before impairment	-49.1	-54.0	-18.5	4.9	9.1
EBIT margin before impairment in %	-17.4	-20.1	-5.3	+2.7 pp	–
Impairment	-8.2	-33.8	0.0	25.6	75.7
EBIT	-57.3	-87.8	-35.8	30.5	34.7
EBIT margin in %	-20.3	-32.6	-10.2	+12.3 pp	–
Investments	27.7	18.0	22.8	9.7	53.9
Employees	3,277	3,202	3,360	75	2.3

ENGINEERING

SEGMENT DESCRIPTION

The Engineering segment comprises thirteen units (previous year: twelve). The segment's companies produce complete automation systems, package distribution systems, robotic gripping systems, valve technology, inert gas systems, electric heat tracing systems, vibration measurement technology, metal detectors and control room technology.

JST Jungmann Systemtechnik GmbH & Co. KG has been part of the INDUS Group since the beginning of financial year 2021. JST is a specialist in the production of integrated control room solutions and offers extensive know-how in the conceptual design, construction, and maintenance of control rooms. In the middle of the year, HORNGROUP Holding GmbH & Co. KG acquired 80% of the shares in FLACO Geräte GmbH, Gütersloh. FLACO manufactures products and systems for fluid management in workshops, fueling stations and industrial plants. In December 2021, HORNGROUP Holding GmbH & Co. KG acquired a further 35% of the shares in the US company TECALEMIT, Inc. TECALEMIT, Inc. was previously measured according to the equity method and the initial consolidation took place on December 31, 2021.

In the view of INDUS, the impressive technical capabilities and quality of goods "engineered and made in Germany" promise further growth, particularly in the sub-fields of automation, measuring technology, and control engineering. INDUS intends to invest more in acquisitions in this area.

In the opinion of the Board of Management, the segment constitutes to be one of the mainstays of Germany's SME sector and has good prospects.

SEGMENT PERFORMANCE: GOOD EARNINGS PERFORMANCE DELIVERS EBIT MARGIN OF 13.0%

Segment sales in Engineering rose by EUR 68.9 million (+18.6%) to EUR 438.9 million (previous year: EUR 370.0 million). This was the result of an increase in operating activities across the entire segment; the increase was particularly noticeable in the field of logistics. In addition, segment sales increased inorganically by EUR 18.6 million as a result of the acquisition of JST and FLACO. This represents inorganic growth of 5.0%.

Operating income (EBIT) rose disproportionately by EUR 25.5 (81.2%) million to EUR 56.9 million. The previous year's figure includes impairment losses of EUR 2.3 million. Almost all portfolio companies reported significant improvements in income. The EBIT margin of 13.0% was 4.5 percentage points above the previous year's figure (8.5%) and significantly above the target range of 8% to 10%. Incoming orders/order backlog also improved significantly year-over-year.

Segment investment of EUR 40.9 million was significantly up on the previous year and went on the purchase of shares in JST, FLACO and TECALEMIT, Inc. as well as investments in fixed assets. Investments in fixed assets of EUR 6.3 million were EUR 2.1 million higher than in the same period of the previous year.

KEY FIGURES FOR ENGINEERING

(in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Revenue with external third parties	438.9	370.0	434.6	68.9	18.6
EBITDA	79.6	53.9	73.0	25.7	47.7
Depreciation/amortization	-22.7	-20.2	-18.4	-2.5	-12.4
EBIT before impairment	56.9	33.7	54.6	23.2	68.8
EBIT margin before impairment in %	13.0	9.1	12.6	+3.9 pp	–
Impairment	0.0	-2.3	0.0	2.3	100.0
EBIT	56.9	31.4	54.6	25.5	81.2
EBIT margin in %	13.0	8.5	12.6	+4.5 pp	–
Investments	40.9	4.1	30.9	36.8	>100
Employees	2,289	2,243	2,180	46	2.1

MEDICAL ENGINEERING/LIFE SCIENCE

SEGMENT DESCRIPTION

As in the previous year, the Medical Engineering/Life Science segment comprises five units. The companies in this segment produce orthotic devices and medical compression garments, develop optical lenses and full optical devices, produce surgical accessories and rehabilitation technology, and sell hygienic products for both medical applications and household purposes.

The segment represents one of the industries in which the Board of Management sees potential for future growth. In spite of greater cost pressure in the healthcare sector and higher regulatory requirements – particularly in the MDR – the Board of Management believes the Medical Engineering/Life Science segment continues to offer good prospects and attractive margins.

SEGMENT PERFORMANCE: SALES UPTURN AND EBIT IMPROVEMENT

The medical devices sector was severely hit by the coronavirus pandemic in the form of postponed operations, a fall in visits to physicians and fewer prescriptions for medical aids, and has only recovered relatively slowly. The Medical Engineering/Life Science segment generated sales of EUR 148.7 million in the 2021 financial year (previous year: EUR 142.1 million) and was thus EUR 6.6 million (4.6%) up on the previous year. The increase in sales came particularly from accessories for walkers and wheelchairs, bandages and support stockings.

At EUR 12.1 million, operating income (EBIT) was up by EUR 1.9 million on the previous year (EUR 10.2 million). The segment's EBIT margin improved from 7.2% in the previous year to 8.1% last year and so was exactly within the forecast range of 7% to 9%. In the same period of the previous year, the segment results included a severe collapse during the coronavirus lockdown. Non-wovens business reported a fall in income in 2021. The relocation of administrative functions and the closure and transfer of production facilities to a new, modern site resulted in higher costs. Another production facility will be relocated to the new site in 2022, which will further reduce income for the current year. Corresponding cost savings are expected from 2023.

Investments were made exclusively in fixed assets and, at EUR 11.6 million, were EUR 5.4 million higher in 2021 than the previous year's figure of EUR 6.2 million; they particularly related to the purchase of a new production site.

KEY FIGURES FOR MEDICAL ENGINEERING/LIFE SCIENCE

(in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Revenue with external third parties	148.7	142.1	159.7	6.6	4.6
EBITDA	23.0	20.4	27.9	2.6	12.7
Depreciation/amortization	-10.9	-10.2	-9.3	-0.7	-6.9
EBIT	12.1	10.2	18.6	1.9	18.6
EBIT margin in %	8.1	7.2	11.6	0.9 pp	–
Investments	11.6	6.2	4.9	5.4	87.1
Employees	1,613	1,646	1,718	-33	-2.0

METALS TECHNOLOGY

SEGMENT DESCRIPTION

This segment serves highly specialized customers in particular and comprises nine units (previous year: ten). The range of solutions is large and includes the production of carbide tools for road construction, civil engineering, and the agricultural industry, manufacture of housings for laboratory diagnostic equipment, and manufacturing stainless metallic blasting agents and bolt welding technology – for example, for structural elements used in bridge construction.

A decision was made in 2020 as part of the INTERIM SPRINT measures to discontinue BACHER AG and this was completed in the third quarter of 2021. The SIMON plastics plating division was also closed in 2020 and the SIMON Kinetics division was successfully sold.

SEGMENT PERFORMANCE: DISCONTINUATION OF BACHER AG COMPLETED

The Metals Technology segment reported a significant increase in sales compared with the previous year. Sales rose from EUR 393.6 million to EUR 420.4 million in the reporting year. This represents an increase of 6.8%. Taking the sales lost from the discontinuation of BACHER and other INTERIM SPRINT measures into account, sales fell by 5.3%, so sales growth in the remaining segment companies came to 12.1%.

At EUR 42.3 million, operating income (EBIT) was up by EUR 27.9 million on the previous year's figure (EUR 14.4 million). The EBIT margin was 10.1%, as against 3.7% in the previous year. The increase of 6.4 percentage points is due to the improved the financial position of the segment companies and the absence of non-recurring expenses and impairment losses the previous year in connection with INTERIM SPRINT. The forecast margin of 7% to 9% was significantly exceeded.

The portfolio companies have been partially able to absorb higher materials prices by stocking up on specific raw materials. In the months ahead, rising materials prices will represent an increasing burden for the portfolio companies, however.

Investments of EUR 14.0 million in the reporting year related to investments in fixed assets. Investments in fixed assets were very low in the previous year (EUR 6.9 million) because of the restrictive investment policy in connection with the coronavirus pandemic.

KEY FIGURES FOR METALS TECHNOLOGY (in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Revenue with external third parties	420.4	393.6	409.2	26.8	6.8
EBITDA	57.9	36.9	46.1	21.0	56.9
Depreciation/amortization	-15.6	-18.0	-20.3	2.4	13.3
EBIT before impairment	42.3	18.9	25.8	23.4	>100
EBIT margin before impairment in %	10.1	4.8	6.3	5.3 pp	–
Impairment	0.0	-4.5	0.0	4.5	100.0
EBIT	42.3	14.4	25.8	27.9	>100
EBIT margin in %	10.1	3.7	6.3	6.4 pp	–
Investments	14.0	6.9	25.1	7.1	>100
Employees	1,520	1,616	1,687	-96	-5.9

Financial Position

Financial and Liquidity Management

PRINCIPLES AND OBJECTIVES

Financial management at INDUS Holding AG consists of managing equity and borrowings and managing interest rate and currency risks. As a financial holding company, INDUS engages in liquidity management without central cash pooling. For financial management purposes, INDUS relies mainly on long-term bank loans and promissory note loans.

Every portfolio company has an individual financial and liquidity management system of its own, with INDUS available to them for advice.

INDUS can invest flexibly at any time owing to its comfortable liquidity base in combination with financing commitments from banks. INDUS relies on its long-term ties with a number of German financial institutions as partners. Factors stabilizing its long-term financing needs include broad diversification of the loan volume and a balanced redemption structure. Alternative financing instruments are less important, but are used occasionally at the level of the overall portfolio. To manage financing risks, the Group employs interest rate and currency derivatives where needed. These are used exclusively for risk hedging.

Financial and liquidity management pursues three objectives: securing sufficient liquidity reserves, risk limitation, and earnings and cost optimization. Securing liquidity assumes special importance since it not only enables INDUS to meet its payment obligations at all times but also to exploit acquisition opportunities at any time with no dependence on banks.

The risk-limiting activities focus primarily on hedging against financial risks that might jeopardize the continued existence of INDUS. The most important financing source is cash flow from current operating activities (operating cash flow). The treasury department carefully monitors the use of funds by the subsidiaries and the investing of cash and cash equivalents.

Earnings and cost optimization specifically means managing net current assets (working capital). This frees up cash and cash equivalents, keeps debt levels low, and optimizes key figures for the balance sheet structure (e.g., equity ratio) and return on capital. INDUS supports companies in the management of working capital. However, the companies themselves are wholly responsible for their working capital.

INDUS does not have rating agencies assess their creditworthiness since lenders have so far not regarded such ratings as relevant. This also saves INDUS a considerable amount of time and money. The assessments of INDUS' principal banks all indicate that the companies are "investment grade."

FINANCING ANALYSIS FOR 2021

A substantial part of the capital requirement in 2021 was covered by an equity issue. This generated funds of EUR 84.7 million for INDUS. Further funds were raised from operating cash flow and long-term borrowing. This largely consisted of long-term bilateral bank loans with no collateral provided. Lease financing was also used to a lesser extent. Credit lines were also used on a temporary basis to cover short-term liquidity needs. These short-term borrowings play a subordinate role for the portfolio as a whole and only came to a minor amount on the reporting date (EUR 7.4 million). Liabilities to banks amounted to EUR 281.3 million as of the reporting date (previous year: EUR 340.4 million); these are primarily (99.7%) denominated in euros. The volume of credit held in foreign currencies is low and consists of South African rands amounting to EUR 0.9 million (previous year: EUR 1.5 million). Promissory note loans amounted to EUR 264.0 million (previous year: EUR 287.1 million). INDUS also has unused credit lines totaling EUR 85.1 million (previous year: EUR 83.6 million).

Pursuant to loan agreements, INDUS entered into obligations to maintain a minimum equity ratio for the holding company. The required ratio was considerably exceeded again in the last financial year. The lenders have extraordinary termination rights in the event of a change of control. Certain key figures must be complied with for two promissory note loans.

03|

Financial Position

CONSOLIDATED STATEMENT OF CASH FLOWS, CONDENSED (in EUR million)

	2021	2020	2019
Earnings after taxes	**47.6**	**-26.9**	**60.1**
Depreciation/amortization	105.0	131.5	107.8
Other non-cash changes	68.2	51.9	40.9
Cash-effective change in working capital	-54.9	63.9	4.3
Change in other balance sheet items	14.7	0.4	6.2
Tax payments	-44.2	-46.4	-51.6
Operating cash flow	**136.4**	**174.4**	**167.7**
Interest	-19.8	-19.2	-20.4
Cash flow from operating activities	**116.6**	**155.2**	**147.3**
Cash outflow for investments and acquisitions	-145.1	-54.5	-108.3
Cash inflow from the disposal of assets	14.7	2.1	32.1
Cash flow from investing activities	**-130.4**	**-52.4**	**-76.2**
Contributions to capital (capital increase)	84.7	0.0	0.0
Cash inflow from minority shareholders	0.0	0.2	0.0
Dividend payment	-21.5	-19.6	-36.7
Dividends paid to minority shareholders	-0.3	-1.0	-1.4
Cash outflow from the repayment of contingent purchase price commitments	0.0	-22.3	-2.4
Payments related to transactions involving interests attributable to non-controlling shareholders	-0.7	0	0.0
Cash inflow from raising of loans	57.5	140.6	141.5
Cash outflow from the repayment of loans	-143.2	-120.3	-125.4
Cash outflow from the repayment of lease liabilities	-21.0	-19.6	-21.7
Cash flow from financing activities	**-44.5**	**-42.0**	**-46.1**
Net changes in cash and cash equivalents	-58.3	60.8	25.0
Changes in cash and cash equivalents caused by currency exchange rates	-0.1	-1.2	0.5
Cash and cash equivalents at the beginning of the period	194.7	135.1	109.6
Cash and cash equivalents at the end of the period	**136.3**	**194.7**	**135.1**

HIGHER WORKING CAPITAL REDUCES CASH FLOW FROM OPERATIONS

Based on earnings after taxes of EUR 47.6 million (previous year: EUR -26.9 million), operating cash flow of EUR 136.4 million was generated. At EUR 38.0 million, this was below the operating cash flow reported in the previous year (EUR 174.4 million). The main reason for the change was the higher cash outflow from changes in working capital of EUR -54.9 million in the current financial year. The year-over-year increase is due to the higher working capital planned in anticipation of greater business activities. Some companies also built inventories to hedge against the current price hikes and raw materials shortages. The high rise in the price of raw materials has also led to a rise in the value of inventories as volumes remained the same.

Interest paid (including variable interest on purchase price commitment to minority shareholders) of EUR -19.8 million was slightly above the previous year's figure of EUR -19.2 million. This reflects the addition of purchase price obligations for the new company acquisitions.

This resulted in a cash flow from operating activities of EUR 116.6 million, a decline of EUR 38.6 million mainly due to the change in working capital described above.

Cash flow from investing activities was EUR -130.4 million as of the end of the financial year (previous year: EUR -52.4 million). Due to the coronavirus crisis, the previous year was characterized by a policy of more restrained investment to secure liquidity. The cash outflow for investments in intangible assets and in property, plant, and equipment was significantly higher than in the same period of the previous year at EUR 75.6 million. Cash outflow was therefore back at its 2019 level. Cash payments of EUR 67.3 million were also made in financial year 2021 for the acquisition of JST, WIRUS and other companies. Proceeds on the disposal of shares in fully consolidated companies came from the sale of WIESAUPLAST. Cash inflow from the disposal of other assets came to EUR 6.9 million. Overall, cash flow from investing activities increased by EUR 78.0 million to EUR 130.4 million.

At EUR -44.4 million, cash flow from financing activities was slightly above the previous year's figure of EUR -42.0 million. It was dominated by the capital increase completed in March 2021 which resulted in cash inflow of EUR 84.7 million. Dividends paid to shareholders rose by EUR 1.9 million from the previous year to EUR 21.5 million as a result of the capital increase. The balance of cash inflow and outflow from receiving and repaying loans amounted to EUR -85.7 million in the current period. Cash inflow in the previous year included precautions against liquidity risk from contractually agreed credit lines due to the coronavirus pandemic. Contingent purchase price liabilities of EUR -22.3 million were repaid the previous year, whereas no contingent purchase price liabilities were repaid in the reporting year. Cash outflow from the repayment of lease liabilities rose by EUR 1.4 million to EUR 21.0 million, largely due to the acquisitions in the financial year.

Cash and cash equivalents as of the reporting date of EUR 136.3 million (previous year: EUR 194.7 million) were therefore again very comfortable.

Net Assets

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONDENSED (in EUR million)

			Difference 2021 to 2020	
	Dec. 31, 2021	Dec. 31, 2020	absolute	in %
ASSETS				
Non-current assets	**1,099.0**	**1,001.7**	**97.3**	**9.7**
Fixed assets	1,081.8	985.8	96.0	9.7
Receivables and other assets	17.2	15.9	1.3	8.2
Current assets	**758.4**	**727.1**	**31.3**	**4.3**
Inventories	403.9	332.5	71.4	21.5
Receivables and other assets	218.2	199.9	18.3	9.2
Cash and cash equivalents	136.3	194.7	-58.4	-30.0
Total assets	**1,857.4**	**1,728.8**	**128.6**	**7.4**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,403.1**	**1,333.5**	**69.6**	**5.2**
Equity	787.5	676.4	111.1	16.4
Borrowings	615.6	657.1	-41.5	-6.3
of which provisions	42.7	51.1	-8.4	-16.4
of which payables and deferred taxes	572.9	606.0	-33.1	-5.5
Current financing instruments	**454.3**	**395.3**	**59.0**	**14.9**
of which provisions	88.3	77.3	11.0	14.2
of which liabilities	366.0	318.0	48.0	15.1
Total equity and liabilities	**1,857.4**	**1,728.8**	**128.6**	**7.4**

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,857.4 million, a EUR 128.6 million increase from the previous year's reporting date. The increase in total equity and liabilities is mostly due to the rise of EUR 47.0 million in working capital and the initial consolidation of JST, WIRUS, FLACO and TECALEMIT, Inc. which in total added EUR 133.7 million to assets. It was offset by the deconsolidation of WIESAUPLAST (EUR -39.4 million).

ASSETS INCREASED DUE TO NEW ACQUISITIONS AND HIGHER INVENTORIES

As compared to the previous reporting date, **non-current assets** rose by EUR 97.3 million, or 9.7%, to EUR 1,099.0 million. Goodwill was up by EUR 28.9 million due to the new acquisitions. The increase of EUR 49.8 million in other intangible assets was for the same reason. Tangible fixed assets rose moderately by EUR 11.1 million and results from investments in the financial year and new acquisitions. Additions exceeded depreciation, amortization and impairment losses.

Compared with the previous reporting date, **current assets** increased by EUR 31.3 million to EUR 758.4 million. Inventories were up by EUR 71.4 million due to increased business activity and new acquisitions. This was offset by a reduction of EUR 58.4 million in cash and cash equivalents to EUR 136.3 million. The level of liquidity was deliberately increased in the previous year as a precautionary measure because of the possible impact of the coronavirus pandemic. Liquidity was brought back to its normal pre-pandemic level as at December 31, 2021.

EQUITY AND LIABILITIES: EQUITY RATIO AGAIN SIGNIFICANTLY ABOVE 40%

Equity rose by EUR 111.1 million to EUR 787.5 million. The increase is due to the higher annual result (EUR +47.6 million) and the 10% capital increase in the first quarter (EUR +84.7 million). It was offset by the payment of dividends in the amount of EUR 21.5 million. The equity ratio rose slightly year-over-year from 39.1% to 42.3% as of the reporting date. This puts the equity ratio back significantly above its minimum target of 40%.

At EUR 615.6 million, **non-current liabilities** were EUR 41.5 million lower than the previous year. Both non-current provisions (EUR -8.4 million) and non-current financial liabilities (EUR -76.5 million) were lower than the previous year. They were offset by the rise of EUR 26.9 million in other non-current liabilities. This results from new purchase price obligations from the acquisitions in the financial year.

Current liabilities went up by EUR 59.0 million to EUR 454.3 million. The increase stemmed from trade payables (EUR +13.3 million) and other current liabilities (EUR 31.6 million). The increase in other liabilities comes from higher purchase price liabilities.

WORKING CAPITAL

(in EUR million)

			Difference 2021 to 2020	
	Dec. 31, 2021	Dec. 31, 2020	absolute	in %
Inventories	403.9	332.5	71.4	21.5
Trade receivables	168.9	161.9	7.0	4.3
Trade payables	-62.2	-48.9	-13.3	-27.2
Advance payments received	-25.7	-9.7	-16.0	<-100
Contract liabilities	-27.4	-25.3	-2.1	-8.3
Working capital	**457.5**	**410.5**	**47.0**	**11.4**

INDUS calculates **working capital** by adding trade receivables to inventories and deducting trade payables along with advance payments received and contract liabilities. As of December 31, 2021, working capital stood at EUR 457.5 million. This was 11.4% higher than on the previous year's reporting date. The increase is in line with greater business activity.

NET FINANCIAL LIABILITIES

(in EUR million)

			Difference 2021 to 2020	
	Dec. 31, 2021	Dec. 31, 2020	absolute	in %
Non-current financial liabilities	477.3	553.8	-76.5	-13.8
Current financial liabilities	163.2	159.8	3.4	2.1
Cash and cash equivalents	-136.3	-194.7	58.4	30.0
Net financial liabilities	**504.2**	**518.9**	**-14.7**	**-2.8**

INDUS calculates **net debt** as the sum of current and non-current financial liabilities less cash and cash equivalents. As of December 31, 2021, it amounted to EUR 504.2 million, which represents a decline of 2.8% as compared with the previous year's reporting date. This is due to a fall in financial liabilities of EUR 73.1 million, offset by a reduction of EUR 58.4 million in cash and cash equivalents. The ratio of net debt to equity (gearing) is 64% (previous year: 77%). The net debt/EBITDA ratio is 2.3 (previous year: 3.3). This means the repayment term is back within the target range of 2.0 to 2.5 years.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

(in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Investments	**142.9**	**53.5**	**107.5**	**89.4**	**>100**
of which in:					
Company acquisitions	**67.3**	**0.0**	**29.2**	**67.3**	**–**
Equity method investments	**0.0**	**1.0**	**0.0**	**-1.0**	**-100.0**
Intangible assets	**8.9**	**8.4**	**11.0**	**0.5**	**6.0**
Property, plant and equipment	**66.7**	**44.1**	**67.3**	**22.6**	**51.2**
of which in:					
Land and buildings	5.2	2.9	7.1	2.3	79.3
Technical equipment and machinery	21.3	13.7	27.5	7.6	55.5
Other equipment, factory and office equipment	12.4	10.9	16.6	1.5	13.8
Advance payments and facilities under construction	27.8	16.6	16.1	11.2	67.5
Depreciation/amortization (without right-of-use assets/leases)*	**-83.2**	**-110.7**	**-91.5**	**27.5**	**24.8**

* This table does not include amortization of right-of-use assets/leases totaling EUR 21.8 million (previous year: EUR 21.9 million)

Investments in the reporting year were EUR 89.4 million higher than in the previous year and amounted to EUR 142.9 million. EUR 67.3 million was for company acquisitions; EUR 66.7 million for property, plant and equipment (+51.2%); and EUR 8.9 million for intangible fixed assets (+6.0%).

Investments in intangible assets of EUR 8.9 million related to EDP systems and capitalized development costs.

Investments in property, plant, and equipment continued to be the focal point of investments. They were increased to their level prior to the coronavirus pandemic. The funds used by the portfolio companies are intended to improve the portfolio companies' value-added processes and thus strengthen the companies' competitive position. The investment projects include a diverse range of individual measures.

In 2021, there were some major specific investments in technical equipment, in particular at the series suppliers in the Automotive Technology segment in preparation for new series ramp-ups.

Advance payments increased slightly to EUR 27.8 million. **Depreciation/amortization** amounted to EUR 83.2 million, compared with EUR 110.7 million the previous year.

Financial Performance of INDUS Holding AG

INDUS Holding AG's annual financial statements comply with the accounting standards of the German Commercial Code (HGB) and with the accounting standards of the German Stock Corporation Act (AktG) specific to the legal form and are summarized in the following tables. The complete annual financial statements are available separately.

STATEMENT OF INCOME FOR INDUS HOLDING AG (in EUR million)

				Difference 2021 to 2020	
	2021	2020	2019	absolute	in %
Sales	**6.1**	**6.1**	**5.9**	**0.0**	**0.0**
Other operating income	35.5	1.6	19.4	33.9	>100
Personnel expenses	-7.6	-6.0	-6.6	-1.6	-26.7
Other operating expenses	-14.9	-11.7	-8.0	-3.2	-27.4
Income from investments	97.3	69.2	85.6	28.1	40.6
Income from loans of financial assets	47.7	42.8	58.7	4.9	11.4
Other interest and similar income	13.1	11.4	9.8	1.7	14.9
Depreciation and amortization of property plant, and equipment and intangible assets	-0.6	-0.6	-0.6	0.0	0.0
Impairment of financial investments	-99.1	-51.3	-55.2	-47.8	-93.2
Expenses from loss absorption	-7.0	-5.1	-11.7	-1.9	-37.3
Interest and similar expenses	-11.3	-11.8	-10.7	0.5	4.2
Earnings before taxes	**59.2**	**44.6**	**86.6**	**14.6**	**32.7**
Taxes	-4.8	-9.8	-8.7	5.0	51.0
Net income	**54.4**	**34.8**	**77.9**	**19.6**	**56.3**
Profit carried forward	0.3	1.0	1.7	-0.7	-70.0
Balance sheet profit	**54.7**	**35.8**	**79.6**	**18.9**	**52.8**

As well as being influenced by the business operations of the holding company, INDUS Holding AG's income is largely influenced by income and expenses from the portfolio companies. The income comprises income from investments and income from loans of financial assets, income from interest charged on, and appreciation of financial investments. The expenses include expenses from loss absorption, impairments of financial investments and impairments of loans.

Revenues comprise the services provided by the company for portfolio companies. These came to EUR 6.1 million, exactly the same as the previous year.

Other operating income increased by EUR 33.9 million to EUR 35.5 million. In the reporting year, appreciation of EUR 33.9 million was recognized on financial investments. The appreciation related to reversals of depreciation of financial assets in previous years. These are permitted up to the level of the original acquisition cost but not beyond this. No appreciation took place in the previous year.

Personnel expenses rose from EUR 6.0 million in 2020 to EUR 7.6 million. This was caused mainly by the higher expenses for variable compensation paid to the Board of Management.

The EUR 3.2 million increase in other operating expenses to EUR 14.9 million is due to the disposal loss from the disposal of WIESAUPLAST GmbH & Co. KG.

The income from investments rose from EUR 69.2 million to EUR 97.3 million due to the financial performance in the financial year. Income from loans of financial assets correspondingly went up by EUR 4.9 million to EUR 47.7 million. Interest income arises largely from interest expenses charged on by the holding company to the portfolio companies and, at EUR 13.1 million, was higher than the previous year, rising by EUR 1.7 million.

Impairments of financial investments relate to write-downs of shares in affiliated companies amounting to EUR 63.6 million (previous year: EUR 15.1 million) and write-downs on loans of EUR 35.5 million (previous year: EUR 36.2 million). These arose as a result of impairment testing for the carrying amounts of the portfolio companies and largely concerned the Automotive Technology segment (previous year: Metals Technology). Expenses from loss absorption came to EUR 7.0 million (previous year: EUR 5.1 million) and primarily related to losses in the Metals Technology and Engineering segments (previous year: mostly

Metals Technology). Interest expense declined slightly by EUR 0.5 million to EUR 11.3 million.

In total, earnings before taxes were thus EUR 59.2 million, which was EUR 14.6 million above the previous year's level.

Tax expenses for the financial year amounted to EUR 4.8 million, EUR 5.0 million less than in the previous year. Current taxes went up by EUR 4.1 million compared to the previous year. The decrease results exclusively from deferred taxes (EUR -8.9 million). This was mainly due to differences between carrying amounts in the commercial balance sheet and capital accounts for tax purposes, including supplementary tax balance sheets for partnerships in connection with the sale of the WIESAUPLAST Group.

Net income amounted to EUR 54.4 million, EUR 19.6 million more than in the previous year.

STATEMENT OF FINANCIAL POSITION OF INDUS HOLDING AG (in EUR million)

	Dec. 31, 2021	Dec. 31, 2020
ASSETS		
Intangible assets	0.1	0.2
Property, plant and equipment	8.6	8.9
Financial investments	1,174.6	1,163.1
Fixed assets	**1,183.3**	**1,172.2**
Receivables and other assets	505.0	423.8
Cash on hand and bank balances	0.2	53.4
Current assets	**505.2**	**477.2**
Prepaid expenses	0.6	0.7
Total assets	**1,689.1**	**1,650.1**
EQUITY AND LIABILITIES		
Equity	1,068.2	950.0
Provisions	4.5	2.9
Liabilities	567.9	645.2
Deferred tax liabilities	48.5	52.0
Total equity and liabilities	**1,689.1**	**1,650.1**

The holding company's statement of financial position reflects on the asset side the carrying amounts of the portfolio companies along with long- and short-term loans to the portfolio companies. Total assets of INDUS Holding AG increased by EUR 39.0 million during the financial year and amounted to EUR 1,689.1 million as of December 31, 2021. Fixed assets rose by EUR 11.1 million, mainly from the acquisition of shares in JST and WIRUS and appreciation on shares in affiliates impaired in previous years. This was offset by amortization of financial assets and amortization of loans to affiliates.

Current assets increased by EUR 28.0 million to EUR 505.2 million. This is due to a substantial increase in receivables from affiliates (EUR +77.3 million). This more than offset the significant reduction in cash and cash equivalents (EUR -53.2 million).

The equity of INDUS Holding AG increased in the reporting period by EUR 118.2 million to EUR 1,068.2 million. The equity ratio as of December 31, 2021, amounted to 63.2%, significantly above the equity ratio as of December 31, 2020 (57.6%). The higher equity ratio was largely the result of the capital increase in March 2021. This generated proceeds of EUR 84.7 million.

Liabilities amounted to EUR 567.9 million as of December 31, 2021, and thus fell by EUR 77.3 million compared to December 31, 2020.

INDUS Holding AG employed a total of 35 employees, not including the Board of Management, as of December 31, 2021 (previous year: 34 employees).

Further Legal Information

Acquisition-related Disclosures

Disclosures in accordance with Sections 289a (1) and 315a (1) German Commercial Code (HGB): capital stock, voting rights, and transfer of shares

As of December 31, 2021, the capital stock of INDUS Holding AG amounted in total to EUR 69,928,453.64. This is divided into 26,895,559 no-par-value shares. Each individual no-par-value share entitles its holder to one vote. There are no different share classes. All shares carry the same rights and obligations. The rights and obligations are derived from provisions of law.

Interests of more than 10%

According to the information INDUS currently has, the insurer Versicherungskammer Bayern, Versicherungskammer des öffentlichen Rechts, Munich, held 17.7% of INDUS shares as of the reporting date.

Privileges and voting rights control

There are no shares with privileges conferring control rights. The Board of Management is not aware of any voting rights control in cases where employees hold shares of INDUS Holding AG without exercising their own control rights directly.

Appointment and dismissal of members of the Board of Management

Members of the Board of Management are appointed and dismissed in accordance with the provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG). The Articles of Incorporation do not contain any special rules in this regard. The Supervisory Board appoints members of the Board of Management for a maximum term of five years; repeat appointments by the Supervisory Board are permitted. In accordance with Section 8.1 of the Articles of Incorporation, the Board of Management consists of at least two individuals. Pursuant to Section 8.3 of the Articles of Incorporation, the Supervisory Board may appoint one member of the Board of Management as chair or spokesperson, and another as deputy chair.

Material agreements in the event of a change of control

In the event of a material change in the composition of the Supervisory Board (change of control), implying a serious change to the current long-term focus of the corporate strategy, the members of the INDUS Holding AG Board of Management have a special right to terminate their employment contracts within one year. In the event of the dismissal of the Board of Management within one year after a change of control without good cause within the meaning of Section 626 BGB, the member of the Board of Management is also entitled to terminate their employment contract without notice. If a member of the Board of Management exercises their termination right, the company pays the member a severance payment amounting to their fixed salary for two years, but not more than the fixed salary that the member of the Board of Management would have received from the effective date of their own termination until the regular end of their contract. The severance payment is based on the fixed salary for the year in which the special right to terminate is exercised or the member is dismissed.

Amendments to the Articles of Incorporation

Amendments to the Articles of Incorporation are made in accordance with Section 179 of the German Stock Corporation Act (AktG) by resolution at the Annual Shareholders' Meeting. Amendments to the Articles of Incorporation are subject to approval by at least three-quarters of the capital stock represented in the voting. Pursuant to Section 17 of the Articles of Incorporation, the Supervisory Board is authorized to adopt purely editorial amendments to the Articles of Incorporation and, pursuant to Section 6.4, change wording to reflect the use of authorized capital. Please find The Articles of Incorporation online at www.indus.de/en/about-indus/corporate-governance

Share issuance and buy-back powers of the Board of Management

CONTINGENT CAPITAL

The total number of shares issued or to be issued with exclusion of subscription rights owing to one of these authorizations may not exceed 10% of the capital stock at the time at which the authorization is exercised; this includes shares sold or issued or to be issued with exclusion of subscription rights owing to a different authorization during the term of this authorization.

There was a contingent increase in the company's capital stock by up to EUR 11,700,000.04, divided into 4,500,000 new no-par-value shares (Contingent Capital 2018).

The implementation of the conditional capital increase is conditional upon:

— exercise by the holders or creditors of convertible bonds or warrants from option bonds (or a combination thereof) issued or guaranteed by INDUS Holding AG or its Group companies by May 23, 2023, pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on May 24, 2018, of such convertible bonds or warrants;
— obligations from convertible bonds or option bonds, issued by the company, pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on May 24, 2018, until May 23, 2023, that fulfill conversion or option rights;
— and contingent capital being required in accordance with the terms of the convertible bonds or option bonds.

AUTHORIZED CAPITAL

The Board of Management is authorized by Section 6.1, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 25, 2026, once or in several installments, by a total of up to EUR 34,964,225.52 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 13,447,779 new registered no-par-value shares (Authorized Capital 2021) and, in doing so, to set a start date for profit sharing that deviates from that set out by law, also with retroactive effect from a financial year that has already passed insofar as no resolution has been passed as yet on the profit for this financial year that has already passed. Shareholders will generally be given subscription rights. The new shares may also be issued to one or more financial institutions or other entities mentioned in Section 186 (5) Sentence 1 AktG with the obligation to offer them to the shareholders (indirect subscription right), or partly by way of a direct subscription right (e.g. to shareholders who have previously signed a fixed subscription agreement), or otherwise by way of an indirect subscription right in accordance with Section 186 (5) AktG.

However, the Board of Management is authorized, with the Supervisory Board's approval, to exclude shareholders' statutory subscription rights in the following cases:

— to avoid fractional amounts;
— in the event of a capital increase through cash contributions; if the issue price of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) is not significantly below the stock market price and the aggregate number of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 AktG does not exceed the lower of 10% of the capital stock at the time at which the authorized capital 2021 is entered in the Commercial Register or 10% of the capital stock at the time the new shares are issued. Shares that were sold or issued, or are to be issued, on the basis of other authorizations during the term of this authorization, in direct application or in application mutatis mutandis of Section 186 (3) Sentence 4 AktG excluding subscription rights, shall count towards this limit;
— in a capital increase through non-cash contributions, particularly to acquire companies, company divisions, equity interests in a company or other assets, including receivables owed by the Company; and
— to grant the holders of conversion or option rights relating to shares in the company/corresponding conversion or option obligations a subscription right, to offset dilutions, to the extent that would be available to them as shareholders following their exercise of these rights/fulfillment of these obligations.

The total number of shares issued or to be issued with exclusion of subscription rights owing to one of these authorizations may not exceed 10% of the capital stock at the time at which the authorization is exercised; this limit includes shares sold or issued or to be issued with exclusion of subscription rights owing to a different authorization during the term of this authorization.

SHARE BUY-BACKS

The Annual Shareholders' Meeting on August 13, 2020, also authorized the Board of Management, with the Supervisory Board's approval, to buy back treasury shares of up to 10% of the company's capital stock existing at the time of the resolution. The authorization took effect at the end of the Annual Shareholders' Meeting on August 13, 2020, and applies until August 12, 2025. The authorization may be exercised in full or in part one or more times.

No more than 10% of the company's capital stock may be bought back under this authorization, including treasury shares already owned by the company and shares attributable to the company according to Sections 71a et seq. of the German Stock Corporation Act (AktG). The company may not exploit this authorization for the purpose of trading in treasury shares.

The acquisition may take place in accordance with the following provisions over the stock exchange or by means of a public offer addressed to all shareholders:

- If the company's treasury shares are acquired over the stock exchange, then the equivalent paid per share by the company (less incidental acquisition costs) may not exceed or be less than the arithmetic average of the share prices (closing auction prices in Deutsche Börse AG's XETRA trading in Frankfurt am Main or in a comparable successor system) by more than 10% during the last ten trading days before the transaction imposing obligation to acquire is concluded;
- If the acquisition takes place through a public buy offer to all of the company's shareholders, the offered purchase price or the limits of the offered price margin per share (excluding incidental acquisition costs) may not exceed or be less than the arithmetic average of the share prices (closing auction prices in Deutsche Börse AG's XETRA trading in Frankfurt am Main or in a comparable successor system) by more than 10% during the last ten trading days before the day on which the decision to make the public buy offer is published. If, after a public buy offer is published, the share price deviates considerably from the purchase price offered or from the limits of the price margin offered, the offer can be adjusted with the approval of the Supervisory Board. In such cases, the relevant amount will be determined based on the corresponding share price on the last trading day before the adjustment is published; the 10% limit for exceeding or falling below this amount is to be applied to this amount. The volume of the offer may be limited. Should the total subscription for the offer exceed this volume, the offer must be accepted in relation to the offered shares. The preferential acceptance of lower volumes of up to 50 company shares offered for sale per shareholder as well as rounding according to commercial principles is acceptable to avoid remainder amounts. Any further right of the shareholders to tender is excluded.

The Board of Management is authorized to use the shares in the company acquired on the basis of the present authorization or of an authorization granted earlier, with the Supervisory Board's approval, in whole or in fractional amounts, one or several times, on the basis of one or several authorizations, with exclusion of the shareholders' subscription rights, as follows:

- to dispose of acquired shares otherwise than over the stock exchange or by public offer addressed to all shareholders, if it is done in exchange for payment in kind and serves the purpose of acquiring companies, company divisions or interests in companies (including increasing existing interests) or to complete business combinations;
- to dispose of acquired shares otherwise than over the stock exchange or by public offer addressed to all shareholders in exchange for cash if the purchase price is not significantly less than the exchange price of the shares at the time of their disposal.

This authorization is, however, subject to the proviso that the shares in the company sold subject to the exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 AktG do not exceed 10% of the company's capital stock in total, either at the time at which this authorization takes effect or at the time at which this authorization is exercised, whichever value is lower. The shares that are issued during the term of this authorization up until the sale of treasury shares from authorized capital without subscription rights in accordance with Section 186 (3) Sentence 4 AktG under exclusion of subscription rights in accordance with Section 186 (3) Sentence 4 AktG count toward this limit of 10% of the capital stock. Furthermore, those shares which have been, or are to be, issued to service option and/or conversion rights and/or conversion obligations also count toward this limit of 10% of capital stock, provided that the bonds were issued during the term of this authorization in analogous application of Section 186 (3) Sentence 4 AktG under exclusion of subscription rights.

The price at which shares are issued to third parties under this authorization may not be more than 5% less than the arithmetic average of the share prices (closing auction prices in Deutsche Börse AG's XETRA trading in Frankfurt am Main or in a comparable successor system) on the last ten trading days before the obligation to sell was created:

— to issue shares to employees and members of the company's Board of Management or to employees and members of management of companies affiliated with the company if they are to be used to satisfy option or acquisition rights or acquisition duties in respect of shares in the company that have been granted to employees or members of the company's Board of Management or to employees or members of management of companies affiliated with the company;
— to meet obligations from security loans taken for the purpose of issuing shares to employees and members of the company's Board of Management or to employees and members of the management of companies affiliated with the company in accordance with the above-mentioned regulation;
— to satisfy exchange rights or duties arising from convertible, option and/or income bonds or certificates issued by the company or companies affiliated with the company; and/or to grant a subscription right to treasury shares for holders or creditors of convertible bonds or option bonds issued by the company or its Group companies to the extent to which they as shareholders would be entitled to them, after exercising the option or conversion rights granted to them and in accordance with the more detailed loan or option terms, and to the extent to which it can be offered to them for the purpose of protection against dilution;
— for fractional amounts in the case of a disposal of treasury shares pursuant to a sale offer addressed to all shareholders.

The Board of Management also has the authority to redeem all or a part of the company's treasury shares, with the Supervisory Board's approval, without requiring a resolution from the Annual Shareholders' Meeting for the redemption or the performance of such. The redemption authorization can be used several times. Treasury shares can be recalled also in a simplified process without a capital reduction by adjusting the proportionate share of capital stock attributable to each share in accordance with Section 237 (3) No. 3 AktG. In this case, the Board of Management is authorized to adjust the number of no-par-value shares in the Articles of Incorporation. The recall can also be combined with a capital reduction. In such cases, the Board of Management is authorized to reduce the capital stock by the proportionate amount of the capital stock attributable to all or some of the shares recalled and to adjust the number of shares and the capital stock set out in the Articles of Incorporation accordingly.

Opportunities and Risks

INDUS employs a professional opportunity and risk management system. It helps the management of INDUS achieve its corporate goals, especially those in the PARKOUR strategy program. Its core task is to discover opportunities early on and to enable their use following an appropriate opportunity/ risk assessment. At the same time, risks should be identified at an early stage so that the company is able to respond appropriately and confidently. Risks sometimes need to be deliberately taken in order to be able to take advantage of opportunities at all. Risks may also arise from missed opportunities. The opportunity and risk management is a systematic process that accompanies entrepreneurial decisions to achieve targets.

Opportunity Management

Strengthening the portfolio structure

GROWTH ACQUISITIONS

INDUS' core task will continue to be the goal-oriented development of a diverse SME portfolio. INDUS Holding AG's Board of Management regularly discusses market and technology trends and has defined growth industries for strategic development. The regular dialog with the portfolio companies' managing directors yields further insights about market and technology opportunities. Opportunities to strengthen the portfolio structure are continuously analyzed and can be quickly implemented by the in-house M&A team on the basis of secured funding and the Group's stable financial position.

COMPLEMENTARY ADDITIONS

Opportunities for the inorganic development of a portfolio company as part of the individual strategic alignment are taken through acquiring complementary additions. There is a continuous exchange of views with the managing directors of the portfolio companies here as part of the strategic dialog in order to systematically analyze and actively pursue opportunities. The holding company's own M&A team supports the managing directors in assessing opportunities. Additional opportunities from complementary additions also arise in view of the increased internationalization of the portfolio companies. The focus here is on the markets in Asia and North America in particular, in addition to Europe.

Driving Innovation

Opportunities emerge for the Group companies especially from the steady development of new products or processes. Innovations help the companies maintain and enhance their market positions. By anchoring this in the PARKOUR strategy program, INDUS supports the use of opportunities from innovations and measures derived from these. The "innovation development bank" supports portfolio companies' innovation projects with financial subsidies. INDUS supports the portfolio companies with methodological knowledge when they are developing innovation strategies and connects institutions and specialist bodies with the Group companies.

Improving Performance

The aim of the "Improving Performance" initiative as part of the PARKOUR strategy program is the increased use of opportunities in operating activities. In the "Market Excellence" domain, INDUS specifically promotes activities in the areas of business development, strategic marketing, sales, and pricing and provides help and support for the portfolio companies' processes. The field of "Operational Excellence" focuses primarily on opportunities to realize productivity gains in the value-added processes (production, supply chain). There is a wide range of support services for the portfolio companies, particularly for the implementation of lean management plans.

Sustainability

The sustainability strategy is an independent component of the PARKOUR strategy program. INDUS sees considerable opportunities from the value drivers of the ESG initiatives significant to INDUS.

New "green" products can increase sales or offset an impending loss of sales. A differentiating feature could, for example, be the use of renewable or recycled raw materials in the current product range or the use of a new technology that minimizes resource consumption during the product's service life. INDUS expects this value driver to further increase in importance in the future in connection with a progressive increase in public awareness and thus that additional sales opportunities will be generated or impending sales losses offset via relevant differentiating features.

On the personnel side, the Group's clear commitment to sustainability in conjunction with the corresponding implementation of sustainability initiatives reflects the personal commitment of many INDUS Group employees to environmental issues, thus increasing the Group's prospects in the competition for skilled employees in this regard as well.

The Portfolio Companies' Opportunities

INDUS portfolio companies are benefiting primarily from positive macroeconomic developments in the manufacturing sector. As a result of the coronavirus crisis, the economy was severely impaired in Germany in 2021. Nevertheless, the circumstances also offer new opportunities for the portfolio companies. These can be found especially in the following sectors: parcel logistics, construction infrastructure in the area of expansion of fiber optic networks, increasing digitalization, and factory automation. By capitalizing on and, where necessary, further strengthening the global profiles of INDUS' portfolio companies, we can succeed in better exploiting these opportunities in the relevant markets.

Environmental protection and energy efficiency are relevant in all manufacturing industries, and will remain important issues in the future. Energy prices and environmental standards will continue to rise over the long term. For this reason, INDUS expects investment in sustainable and energy-efficient production processes to increase. INDUS believes this will result in promising opportunities, particularly for companies in the Automotive Technology, Engineering, and Metals Technology segments in the medium term.

The Construction/Infrastructure segment will continue to benefit from strong domestic demand for construction stimulated by inflation worries, a growing inclination toward investment in real estate, and continuing low interest rates.

Over the medium to long term, INDUS believes there will be consistently good growth opportunities for the Medical Engineering/Life Science segment, due to demographic changes and consistent demand for medical technologies and their ensuing life science applications. Increasing regulatory requirements, particularly from the new European Medical Devices Regulation, offer opportunities for companies that are able to meet these requirements consistently.

Risk Management

Structure and instruments

INDUS Holding AG and its portfolio companies are exposed to a multiplicity of risks as a result of their international activities. Risk incidents can have adverse effects on the company's business activities and on its financial position and financial performance. Thus, in compliance with industry standards and legal regulations, INDUS Holding AG has established a risk management system to identify potential risks and observe and assess these across all functional areas. This risk management system rests upon the individual and independent risk management systems of the portfolio companies in close coordination with shareholder INDUS.

This risk management system is embedded in the information and communication system of INDUS Holding AG as part of its business, planning, accounting, and management control processes. The structuring of the risk management system is the responsibility of the Board of Management, which ensures that risks are managed actively. The INDUS Holding AG risk management system is documented in the company's risk management manual.

INDUS Portfolio Company Management Control plays a key role in risk management. Opportunities and risks are worked out in collaboration between the divisions and senior management of the portfolio companies and Portfolio Company Management Control and agreed with the Board of Management as part of planning. The portfolio companies' deviation between planned and actual figures is analyzed each month by Portfolio Company Management Control and risks detected are reported to the competent member of the Board of Management. At the Board of Management's regular, weekly meetings, significant changes in the risk situation are discussed as the need arises and measures are introduced where necessary. The Supervisory Board is informed about the economic position of the Group and deviation between planned and actual figures in regular Supervisory Board meetings.

The holding company's risk manager functionally administers the risk management IT system, regularly conducts training sessions for users, analyzes the portfolio companies' reported risks with Portfolio Company Management Control on a needs basis, and ensures superordinate systematic representation and assessment. The function of the risk manager is assigned directly to the Board of Management.

The core process of "acquisition of companies" is closely interconnected with risk management. The holding company's dedicated M&A team analyzes the opportunities and risks of an acquisition company in a balanced way on the basis of due diligence audits and prepares the decision paper for the Board of Management. The Board of Management only makes a decision after detailed analysis of the opportunities and risks presented by an acquisition, taking account of risk-bearing capacity.

The objective of the risk management system is to identify, assess, manage, and monitor risks systematically. Thresholds for reporting the risks that take account of the structure of the investment portfolio exist. The Board of Management regularly, and as required by events, examines and revises the company's risk portfolio. On this basis, the necessary risk control measures are defined and documented and their effectiveness is monitored. The Supervisory Board is regularly informed of the company's risk situation.

The Board of Management subjects the risk management system's structure and functional method to internal audits on a scheduled basis and as required. The results of these audits, together with the remarks made by the external auditor within the scope of the audit of the annual financial statements, then flow into the systematic optimization of the risk management system. The monitoring of the risk position over the course of the year, the assessment of the effectiveness of the risk management system, and measures implemented to improve it are all documented once a year in the company's annual risk management report.

Internal control and risk management system (report in accordance with Sections 289 (4) and 315 (4) HGB)

The scope and form of INDUS Holding AG's accounting-related internal control system (ICS) are at the discretion of and the responsibility of the Board of Management. The Supervisory Board monitors the accounting process and the effectiveness of the ICS. The viability and effectiveness of the ICS at the portfolio companies is also assessed by the auditors of Group companies' financial statements. The viability and effectiveness of the ICS for INDUS Holding AG itself are assessed by the Board of Management.

The ICS is a set of principles, procedures, and measures aimed at ensuring proper accounting, which undergoes continuous optimization. The ICS is structured in such a way that the consolidated financial statements of INDUS Holding AG are prepared in lawful accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and with the commercial code provisions as per Section 315e (1) of the German Commercial Code (HGB), which must additionally be observed. Regardless of its structuring, however, the ICS cannot provide absolute assurance of the avoidance or identification of accounting errors.

The consolidated accounting (hereinafter abbreviated as "accounting") and management report drafting processes are managed by the responsible employees in the consolidated accounting and management control departments of INDUS Holding AG. Changes in the law, accounting standards, and other official acts are assessed for their relevance to and impact on the accounting process. Any resultant changes in the accounting processes are incorporated into centrally available procedural instructions and systems used for accounting purposes. The Group's current accounting policy is communicated to all employees of INDUS Holding AG and the portfolio companies who are involved in the accounting process. These elements, together with the financial statements calendar that is applicable Group-wide, constitute the basis of the financial statement preparation process.

The portfolio companies prepare their financial statements for consolidation purposes ("reporting packages") in accordance with the provisions of the Group's consolidated accounting guidelines. Reporting and consolidation processes are carried out at all portfolio companies by means of a standardized IT system, which is made available by INDUS Holding AG via a centralized procedure. This process for uniform, proper Group accounting is supported by procedural instructions and standardized consolidated accounting. In some cases, external service providers are engaged as well, for example to assess pension obligations.

To avoid risks in the accounting process, the ICS involves preventative and probing internal control procedures. These include in particular automated and manual reconciliation, separation of responsibilities, and dual review. These controls and instruments are continually optimized whenever weaknesses are identified, to eliminate potential risks.

The management control and consolidated accounting departments of INDUS Holding AG ensure, through the appropriate processes, that the provisions of the consolidated accounting guidelines are complied with. Employees involved in the accounting process receive regular training. The portfolio companies are supported by central contact individuals throughout the entire accounting process.

The Board of Management of INDUS Holding AG and the managing directors of the portfolio companies are responsible for compliance with the pertinent guidelines and accounting procedures. They also ensure that their accounting processes and systems run properly and on time.

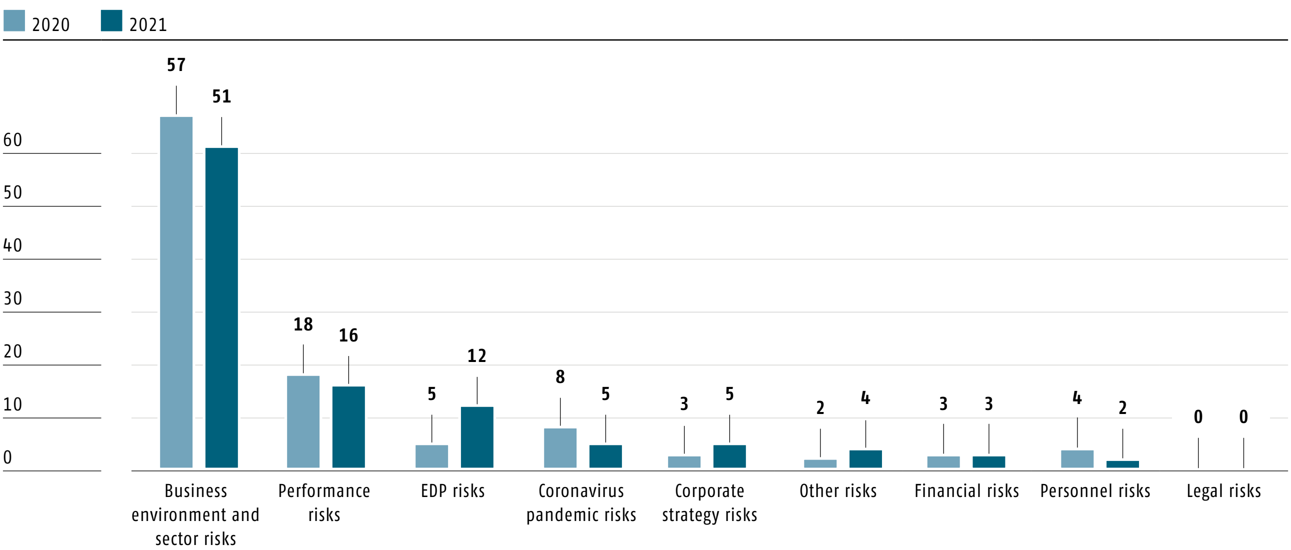
Description of Individual and Aggregate Risks

As in the previous year, the portfolio companies and INDUS Holding AG initially identify and assess risks by means of a decentralized bottom-up approach. The risk manager of INDUS Holding AG assists in this process. The risks are assessed on the basis of their potential effects and the probability of their occurrence. The probability of their occurrence relates to the forecast horizon of one year. The distribution of losses is shown by means of a triangular distribution. A triangular distribution describes the losses in the best, base and worst case. The following description of individual risks is based on the risks identified by the portfolio companies and INDUS Holding AG before the end of the reporting period. Risks arising from the Russia-Ukraine war were added at the time during which the financial statements were prepared. The impacts cannot currently be estimated or quantified and are not the subject of the following risk aggregation.

The Group's overall risk exposure is first assessed by means of a risk metric calculated using a Monte Carlo simulation of all the risks identified and measured. The Monte Carlo simulation simulates and aggregates the losses. Opportunities are not taken into account in this process. With a confidence level of 97%, the risk metric for the INDUS Group is approx. EUR 72.3 million. In other words, there is a probability of 97% that if the risks materialize, the financial burden will not exceed EUR 72.3 million. The estimate of the probabilities of occurrence and the amount of the loss in each case is subject to great discretionary judgment and may differ from the actual amount of the loss. The risk metric determined on the basis of the risk management system is nevertheless a guide to the risk-bearing capacity and financial stability of the Group. The Group is deemed to be capable of bearing its risk exposure when the risk metric is covered by liquidity and equity. The Board of Management considers that the Group can bear the risk of the exposure as calculated and that its continued existence is not threatened.

The graph below shows the proportion of the risk metric accounted for by the individual risk categories:

PROPORTION OF THE RISK METRIC ACCOUNTED FOR BY THE RISK CATEGORIES (in %)



Coronavirus pandemic risks

The coronavirus pandemic was included as a new standalone risk category in March 2020. Although there have been other epidemics in recent years, their impact has been limited and they did not have the same global consequences. Until now, the probability of such a risk had been regarded as low and now needs to be revised. A systematic analysis of extreme risks will now regularly be part of the risk assessment.

The risks resulting from the coronavirus pandemic are summarized and discussed below.

PANDEMIC-RELATED RISKS FOR THE BUSINESS ENVIRONMENT AND SECTOR

The drastic measures taken to slow the spread of the coronavirus caused disruptions to global economic processes. This was exacerbated by the high degree of anxiety among consumers and investors and its effects on consumption and investing activity. These risks materialized as a result of a drastic slump in sales in the Automotive Technology segment in particular, but also in parts of the Engineering segment and in Medical Engineering/Life Science. The risk-minimizing effect of INDUS' diversified portfolio has been confirmed. The Construction/Infrastructure segment, key portfolio companies in the Engineering segment and also the Metals Technology segment have only marginally been affected by the pandemic. Some companies in the Construction/Infrastructure segment have been able to take advantage of opportunities.

PANDEMIC-RELATED PERFORMANCE RISKS

The global travel restrictions made operations abroad (e.g., for assembly) impossible or very difficult. Facilities could not be installed at customer sites or assembled by suppliers at their own plants. Service work could not be carried out in certain countries; this particularly affected the Engineering segment. The situation has now improved. Restrictions have been eased in many countries.

The portfolio companies managed to maintain supplies of primary materials and either replace critical suppliers or qualify replacements. In some cases, emergency stocks had to be set up, with a negative effect on working capital. Nevertheless, no major production losses due to disruptions in the pre-supply chain have been reported to date – in part thanks to the measures taken. One exception is supplies of semiconductors to industry. This shortage may not be caused by the pandemic, but pandemic-related disruptions to supply chains have certainly made the situation worse. Portfolio companies were not always able to ensure supplies and some control units could not be procured or not in good time, particularly in the Engineering segment. This resulted in longer delivery periods and canceled shipments. The customers of the INDUS portfolio companies in the Automotive Technology segment were particularly affected by the supply shortages for semiconductors, which had a direct impact on their call-off of precursor products.

PANDEMIC-RELATED RISKS FOR EMPLOYEES

The risks in the personnel area arise from the absence of key personnel, or even of whole departments and divisions. Infections may occur both within and outside of employees' operational areas, meaning that key internal processes can no longer function.

All portfolio companies have taken steps to maintain normal operations as far as possible. This includes physically separating individual employees and groups of employees across all departments, facilitating a high degree of home working where possible, having groups of employees work in staggered shifts, holding online meetings, avoiding visits at either customers' or company premises, etc. The measures taken by the management teams of the portfolio companies have proved effective so far, as have the measures taken by INDUS Holding itself. In some companies, the difficulties caused by sick and quarantining employees due to coronavirus were significant at times, but in total they did not represent a material burden for the Group. With few exceptions, production was maintained or was only disrupted briefly. The risk has now abated due to the much milder illness caused by the Omicron variant.

PANDEMIC-RELATED EDP RISKS

Maintaining operational functions is contingent on the corresponding digitalization of vital processes. Based on current information, the companies in the INDUS Group are well positioned. Thanks to its IT environment, with completely virtual desktops, internet access with sufficient bandwidth and digital finance processes, INDUS Holding AG can to the best of current knowledge continue to operate in full for an extended period.

Based on the Group's past experience, we rather consider the risk for 2022 to be lower, since the companies are now better prepared and the existing IT equipment has been adapted wherever possible to the demands of mobile working.

PANDEMIC-RELATED FINANCIAL RISKS

A number of different financial risks arise from the economic collapse. The risk of inadequate service performance leads to loss in cash receipts. Possible insolvencies of customers may mean that expected cash inflows will not be received at all. This kind of situation always carries a liquidity risk. Thanks to its solid equity base and a number of long-standing and reliable partners in the banking sector, INDUS considers itself to be in a good position. Another advantage is the broad positioning of the Group, which balances out risks.

INDUS has since reduced its free liquidity again, which was increased as a precaution to prevent any possible cash shortages. At the same time, the more intensive monitoring of cash and cash equivalents in the Group has been retained. Moreover, there are unused credit lines available. INDUS has not experienced any major defaults on payments on the part of its customers to date. No liquidity risk has materialized so far.

There are no restrictions on INDUS' ability to continue to raise debt capital on favorable terms. The revolving borrowing structure and the placement of another ESG-linked promissory note loan were completed as planned.

PANDEMIC-RELATED LEGAL RISKS

Significant legal issues and risks have arisen from the coronavirus pandemic and subsequent disruptions to performance relationships. The INDUS Group's guiding principle in any coronavirus pandemic-related disruptions to the performance chain is good and direct communication with the relevant contracting partners so that any disputes can be avoided and issues arising from the global crisis can be resolved fairly. INDUS supports its portfolio companies with competent legal advice in cases where this is not possible. No legal disputes have arisen from the coronavirus pandemic for any portfolio company at the time of writing. For the 2022 financial year, we estimate the legal risk to be rather low based on the experience within the Group to date.

PANDEMIC-RELATED VALUATION RISKS FOR GOODWILL

The annual impairment test for all goodwill carried by the INDUS Group was carried out as of September 30, and the impairment test for the carrying amounts of the investment and loans for the individual commercial law financial statements of INDUS Holding AG was carried out as of December 31. Current plans were drawn up for this purpose as part of the annual budgeting and planning process. The resulting impairment loss was recognized through profit and loss. The economic consequences of the pandemic (e.g., government and corporate debt, inflation, interest rates) may impact the cost of capital rates, meaning that valuation risks may result from rising costs of capital. The sensitivity to cost of capital is presented in the notes to the consolidated financial statements in the "[18] Goodwill" chapter. The Board of Management of INDUS Holding AG is monitoring the potential impact of the coronavirus crisis on goodwill on an ongoing basis.

Regardless of the risks arising from the COVID-19 pandemic, described separately above, the business activities of INDUS continue to be subject to the business risks described below. The war between Russia and Ukraine may yield additional far-reaching risks for the main risk categories of environment, industry, and economic performance. The war may hurt the development of sales, production processes, and purchasing and logistics processes, for example through interruptions in supply chains and energy supplies or bottleneck situations for components, raw materials, and intermediate products. The war could also potentially give rise to information technology risks from increased cyber-attacks as well as financial risks from direct and indirect payment defaults.

Business environment and sector risks

The business performance of the portfolio companies is closely related to developments in the economy as a whole. Along with the risks inherent in the business cycle, increases in energy and raw material prices pose risks to the performance of the individual companies and of the Group as a whole. High energy costs are a disadvantage in international competition, and the high volatility of commodities markets entails supply risks and the risk that price rises cannot be passed on to customers.

INDUS avoids disproportional dependency on individual sectors through a well-balanced investment portfolio diversified into five segments. The portfolio companies' high degree of specialization and strong positions within their respective niche markets reduce their industry risk and the general economic risk. However, fundamental risks arising from economic and/or sector-specific factors cannot be avoided. The automotive industry is also undergoing an enormous structural shift towards e-mobility, a shift that presents both opportunities and risks for the supplier industries.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. Currently 52.3% of total sales are generated domestically (previous year: 51.4%). The Group's business is thus still strongly affected by the state of the German economy. This regional diversification of operating activities disperses business risk for INDUS. Further internationalization will gradually de-prioritize the domestic market.

Corporate strategy risks

Corporate strategy risks arise mainly from incorrect assessment of acquired portfolio companies' respective future business results and market growth. The company's long-term success depends principally on careful analysis of acquisition targets, and on the holding company's development of its investment portfolio. To minimize corporate strategy risks, the holding company employs an extensive analysis of the market in every industry, as well as proprietary analysis. These in-house analyses are subject to additional independent external opinions. The Board of Management decides on all new acquisitions following extensive review; a unanimous vote is required.

INDUS counters potential risks associated with inaccurate assessment of the portfolio companies' strategic positioning through its own close monitoring of markets and competitors, and by holding regular informative reviews with the portfolio companies' managing directors. All portfolio companies submit monthly data reports on their current business results and individual risk situation. The short- and medium-term projections for each of the portfolio companies are aggregated at the holding company level. This ensures that INDUS, as a shareholder, has a comprehensive overview at all times of the risk situation of both individual companies and of the Group.

Performance risks

In addition to the risks associated with corporate strategy, there are performance risks to which INDUS and its portfolio companies are exposed. These consist primarily of procurement risks, production risks, and sales risks.

The portfolio companies need raw materials and supplies sourced from various suppliers to manufacture products. Given the wide diversification of the INDUS Group's overall portfolio, procurement risks are of subordinate importance regarding their potential impact on the Group as a whole. A key strategy employed by all companies is securing the supply of important raw materials through long-term contracts. Purchase prices of raw materials and energy sources can vary considerably. Depending on the prevailing market situation, it may not always be possible for portfolio companies to pass the resulting costs on to customers quickly and in full. Operations managers stay in constant contact with suppliers and customers. This enables them to react promptly to any price or volume risks which may arise. Where necessary, the portfolio companies also employ raw material hedges to limit risks. Given the wide diversification of the INDUS Group's overall portfolio, production and sales risks are of subordinate importance considering their potential impact on the Group. INDUS regularly analyzes the customer structure in the Group; there are no individual product or service groups and no individual customers that account for more than 10% of sales.

Business performance risks also exist in connection with wage settlements with unions, as these costs generally cannot be passed on in full to customers, and can only be offset by productivity increases.

Personnel risks

The long-term success of INDUS Holding AG depends largely on the expertise and commitment of its employees. Potential risks arise primarily in connection with recruitment and development of staff and employee turnover in key positions. INDUS Holding AG contains these risks via targeted basic and advanced training measures and appropriate remuneration. Employees appreciate this caring corporate culture. This is reflected in low fluctuation. All these measures make the company an attractive employer, providing proactive mitigation of risks associated with employee turnover, demographic trends, and skill drain.

The companies of the INDUS Group conduct their human resources work independently. They are located in many different industries and regions, so that the risks of recruitment and human resources development are highly diverse. Qualified employees are a vital factor in the success of every portfolio company. In light of demographic developments and the currently very positive employment situation, the risk presented by a shortage of skilled employees has increased. The portfolio companies are attempting to mitigate this risk by focusing their efforts on human resources training and development, and employer branding.

EDP risks

The basis of a modern work environment is formed by a secure and effective EDP infrastructure. Increased networking between different EDP systems and the need for these to be constantly available places high demands on the information technologies used. The company mitigates risks associated with computer crashes, network failure, unauthorized access to data, and data abuse by regularly investing in hardware and software, deploying virus scanners and firewall systems, and by using effective access controls. These measures are continuously monitored by internal and external experts.

The companies in the Group are increasingly dependent on the functionality and stability of the various individual EDP systems. Malfunctions or failures would have an immediate adverse financial impact. The loss of data or know-how and data manipulation pose further risks. The companies in the Group employ, depending on their individual risk exposure, various instruments to control risk. They range from emergency and data back-up processes to the use of modern anti-virus programs and firewall software and hardware, access and entry control measures, and other preventative protection measures such as raising employee awareness and training. Measures to prevent, discover, and handle cyberattacks remain absolutely relevant.

Financial risks

Financial risks consist primarily of liquidity risk, interest rate risk, foreign currency risk, and default risk. Individual portfolio companies finance themselves via their own operating income, as a policy. Depending on the liquidity situation, INDUS supports the portfolio companies with financing and makes funds available where necessary. The holding company keeps a suitable level of liquidity reserves allowing it to take action at any time, ensuring adequate financing for the portfolio companies.

A widely diversified financing structure, which is spread over eight (previous year: eight) core banks, keeps the company from being dependent on individual lenders, so the risk of losing banks as lenders is currently considered to be low. The portfolio of companies, which is intended to be long term in nature, is financed by the holding company via a revolving long-term loan. Credit protection is in place at individual subsidiary level. The agreed covenants do not appear to pose a business risk at this time. A deterioration in key financial ratios could lead to higher financing terms as a result of changed rating assessments. INDUS relies on a mix of fixed-rate and variable loans for its funding requirements, the latter of which are hedged with interest rate swaps. Due to the interest rate hedges, a change in interest rates would not impact financial position during the term of any particular loan. The nominal volume of interest rate hedges totaled EUR 155.3 million as of December 31, 2021 (previous year: EUR 198.8 million).

Customer default risk is substantially limited by the widely diversified portfolio and the autonomy of the portfolio companies, which focus their activities on selling a variety of products in diverse markets. The portfolio companies also maintain their own effective systems for monitoring customer-related risks, take out trade credit insurance at their own discretion, and report any such risks to the holding company on a monthly basis.

There are foreign currency risks as a result of the individual portfolio companies' international activities. INDUS mitigates these risks by hedging transactions using forward exchange contracts and suitable option transactions. The nominal volume of exchange rate hedges totaled EUR 5.2 million as of December 31, 2021 (previous year: EUR 10.1 million); the majority was held by the portfolio companies. Further explanation of financing matters may be found in the Notes under "Information on the Significance of Financial Instruments."

Legal risks

INDUS Holding AG and its portfolio companies are exposed to numerous legal risks. These lie primarily in the areas of competition, antitrust, foreign-trade, customs, and tax law. Risks also arise from the individual portfolio companies' operating activities through warranty and product liability claims. Effective contract and quality management reduces this risk, but it cannot be eliminated completely. By means of guidelines, training courses and information on compliance, the holding company provides the portfolio companies with support on competition and antitrust law, preventing money-laundering, foreign trade law and customs law.

Legal risks may arise from claims and actions against portfolio companies or administrative proceedings. Claims asserted by third parties are carefully and independently examined on their merits by INDUS or the portfolio company. Where necessary, external lawyers are commissioned for judicial and extra-judicial proceedings. The individual risks in this area are classed as low to medium. INDUS forms provisions if payment obligations seem likely and the corresponding amount can be reliably estimated.

Other risks

The principal risks included in this category are the risks of losses from natural disaster. The net risk of these exposures is low because these losses are usually adequately insured.

Sustainability risks

In the non-financial report, INDUS reports on risks linked to the Group's operating activities, business relationships, products and services, and that would likely have serious negative consequences on reportable aspects (environmental, employee and social concerns, respect for human rights, and combating corruption and bribery). No reportable individual risks were identified in connection with sustainability aspects in the financial year.

Risks arising from reported goodwill

Based on its corporate strategy of pressing ahead with diversification by continuously enlarging its investment portfolio, the Group recognized EUR 409.8 million in goodwill (previous year: EUR 380.9 million). According to IAS 36, this must be subjected to an impairment test at least once a year. If the recoverable amount is less than the carrying amount then goodwill is subject to impairment. In the reporting year, impairment losses of EUR 2.5 million were recognized on goodwill (previous year: EUR 33.9 million). INDUS has accounted for the goodwill risk by reporting in the statement of financial position any impairments identified through impairment testing.

The goodwill recognized is spread across 46 cash-generating units (CGUs) from all segments. No individual component of goodwill is larger than 10% of total goodwill. Any impairment does not have any immediate negative impact on liquidity. Indirect effects – for example, as a result of rising interest rates due to a deterioration in company key figures (rating) – are possible and are looked at as part of risk management. More information on goodwill on p. 112 et seq.

The Board of Management's Overall Assessment

In the 2021 financial year, INDUS was able to add two new portfolio companies to its portfolio and thus continue a key focus of its long-term strategy – growth through acquisitions. For 2022, INDUS aims to grow further through acquisitions. The emphasis will be on construction technology, measuring technology and control engineering, automation, energy and environmental technology, health, and safety technology. The Board of Management sees great growth opportunities for 2022 in possible acquisitions at both the portfolio level and the level of the portfolio companies (sub-subsidiaries).

With targeted promotion of innovations in the portfolio companies, opportunities will be considerably greater as the result of product and process innovations. The strengthened measures for Operational Excellence increase the portfolio companies' prospects in competition. Industry's structural change regarding climate protection and climate-neutral technologies will open up new market opportunities for the companies.

Opportunities arising can be taken on the basis of secured funding. Even during the second pandemic year of 2021, INDUS was able to draw on sufficient, freely available funds and place its financing needs on the market without any problems.

Risks to performance in 2022 are posed in particular by economic trends. These remain closely linked to the progression of the global coronavirus pandemic and its indirect impact on supply chains. We believe that the current coronavirus situation has improved again compared with 2021. The availability of vaccines, better testing systems and strategies create hope that the pandemic will be largely manageable and the negative influence on financial performance will diminish in 2022.

In addition, however, there are still major unresolved geopolitical conflicts and situations of instability in many countries. Developments in Europe are also characterized by numerous uncertainties, particularly the current war between Russia and Ukraine. It is not currently possible to foresee the extent and the consequences of the conflict. The INDUS Group would not be directly affected to a significant extent by sanctions and embargoes. Indirect effects are hard to predict (e.g. supplies of primary materials in the agricultural industry).

The Group's overall risk exposure is the aggregate total of individual risks across all risk categories. To some extent, the diversified and broadly-based portfolio balances out risks within the Group. The Board of Management has examined the risk-bearing capacity on the basis of aggregate risks and taken mitigating measures into account. In the financial year ended, and from a current perspective for the ongoing financial year, the Board of Management has identified no risks that could jeopardize the continued existence of the Group as a going concern.

Forecast Report

The INDUS Group expects sales totaling EUR 1.80–1.95 billion and an operating income (EBIT) of EUR 115–130 million for 2022. Further reductions in greenhouse gas emissions are planned for 2022. Neither the premises used in our planning nor the forecasts that are set out below include effects from the war between Russia and Ukraine. We are closely monitoring all developments. Any effects on our business performance in 2022 cannot currently be quantified. Please refer to our comments in the Risk and Opportunity Report.

Forecast Economic Outlook

Global economy: stronger downside risks hinder recovery

At the start of 2022, the world economy is in a weaker position than was expected just a few months ago. Geopolitical risks are high as a result of Russia's attack on Ukraine, but it is too early to fully predict the concrete military and economic consequences. At the same time, the rapid spread of the Omicron variant and the related restrictions are slowing the economic recovery. Rising energy prices and ongoing disruptions to supply chains are driving inflation rates in the United States, but also in many emerging and developing markets. The economy in China is also stumbling due to the problems in the real estate sector, pandemic-related disruptions and subdued private consumption.

Before the escalation of the Russia–Ukraine conflict, the International Monetary Fund was forecasting global economic growth of 4.4% for 2022. The forecast in October 2021 was 4.9%. The pandemic therefore remains a key economic factor and progress with vaccinations worldwide remains vital, especially given the risk of new virus variants. At the same time, the scenario of higher inflation in industrialized economies becomes more relevant. A risk remains that the difficult situation on procurement markets will become entrenched; that energy prices continue to rise, especially in view of the Russian invasion of Ukraine; and that pent-up purchasing power adds to inflationary pressure. The result would be a more restrictive monetary policy to contain consumption. It is not currently possible to say to what extent the sanctions on Russia and generally high uncertainty will hinder the recovery of the global economy.

ANNUAL ECONOMIC GROWTH (in %)

	2021 (preliminary)	2022 (Forecast)	2023 (Forecast)
Economic regions			
Global economy	5.9	4.4	3.8
Euro area	5.2	3.9	2.5
Selected countries			
United States of America	5.6	4.0	2.6
China	8.1	4.8	5.2
Germany	2.7	3.8	2.5

Source: International Monetary Fund, World Economic Outlook (as of January 2022)

German economy: recovery, although environment remains uncertain

The resurgent coronavirus pandemic, ongoing disruptions to supply chains and higher inflation rates will continue to affect the German economy in 2022. The impact of the war between Russia and Ukraine remains unclear and has not been factored into these growth forecasts. Assuming that the infection rate slows over the course of the year and supply problems are gradually resolved, the economy should perform well. The International Monetary Fund is forecasting growth of 3.8% and the Kiel Institute for the World Economy predicts growth of 4.0%. The German federal government cut its forecast to 3.6% in January 2022, particularly due to ongoing supply bottlenecks and higher inflation expectations. However, the latest indicators pointed to a slightly brighter economic picture, with real new orders increasing month on month by 2.8% in December 2021. Material shortages in industry eased slightly in January 2022, even though 70% of companies are still reporting bottlenecks in sourcing precursors and raw materials. Sanctions against Russia are expected to perturb energy prices and possibly also the availability of commodities such as aluminum. The inflation rate remained high at 4.9% in January, but this was 0.4 percentage points lower than the month before. The ifo business confidence index recovered slightly at the beginning of the year, particularly due to more optimistic expectations. Pent-up consumer demand and an investment backlog are expected to generate momentum in 2022. On condition that the armed conflict between Russia and Ukraine does not spill over to the NATO area, the decisive factor for the economy in 2022 will be when the supply and logistics problems are resolved and how the pandemic develops. Beyond this, the transformation to a climate-neutral and digital economy remains a core challenge for German companies.

Construction industry: positive outlook continues for 2022

The positive performance of the construction sector should continue in 2022. The trade association BAUINDUSTRIE is expecting a nominal sales increase of 5.5% and a real increase of 1.5%. The expectations indicator in the ifo business confidence index also went up in January 2022. Residential construction is expected to keep growing in 2022, buttressed by low medium-term interest rates, high inflation and municipal residential building programs. This expansion will be held back by rapid increases in construction costs: New residential properties were 9.1% more expensive in 2021. The backlog of approved but as yet unfinished apartments that first have to be completed will also be a limiting factor. Commercial property construction recently reported a significant rise in new orders. A positive impetus is expected to come from civil engineering work in view of the forecast investments in rail networks, renewable energies and communications networks. Investments announced in infrastructure and climate protection are a positive signal for the public construction sector, but only slow growth is forecast in this segment in 2022. Key questions for the growth potential of the construction industry are how the situation on procurement markets develops and whether the supply shortages in precursor products will ease in the first half of 2022.

Vehicle market: gradual return to normal on procurement markets

The outlook for automotive technology remains mixed. On the one hand, the mood in the sector brightened at the start of the year: The ifo business confidence index improved significantly for vehicles and vehicle components, both in terms of the assessment of the current economic situation and expectations. Domestic orders rose year-over-year by 53% in January 2022, whereby the return to the higher rate of VAT in January 2021 resulted in lower new orders. Automotive production increased again for the first time in January, but was still 20% down on the figure for January 2020. At the same time, the assumption is that long lead times in chip production will only allow the situation on procurement markets to ease significantly in the second half of 2022 at the earliest. The trade association ZDK only expects the order backlog for new vehicles to unwind from the middle of 2022 onwards. New vehicle registrations in January 2022 were 8.5% up on the year, but the overall level remained low. An increase in new vehicle registrations to 2.9 million is forecast over the course of the year, which is some 340,000 more than in 2021. Apart from the economic situation, manufacturers and suppliers are still faced with the technological upheaval in the automotive industry. Electric vehicles accounted for 21.6% of new car registrations in Germany in January 2022. This exacerbates the current material shortages, since electric vehicles need even more semiconductors for their power electronics.

Engineering: order books well filled

German engineering firms should continue to benefit from the global economic recovery in 2022. The trade association Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA) is predicting a production increase of 7% for 2022. The faster pace of incoming orders should continue. Expectations for the Chinese market are subdued, but government programs like the stimulus package in the United States, the EU reconstruction fund or the Agenda 2030 in France for green and digital projects should boost international demand on a regional level. In January 2022, the ifo business confidence index for the engineering sector went up again – against the backdrop of very optimistic expectations and building on a very good assessment of the current situation. At the same time, the obstacles from 2021 have not yet been cleared: Ongoing material and logistics bottlenecks and an increasing shortage of qualified staff are holding back production. Capacity utilization for machinery is at almost 90% in January 2022. The general risks for the world economy would also affect the German engineering sector. This applies not least to the forecast sanctions against Russia.

Medical technology: approval hurdles and bureaucracy slow growth

The performance of medical technology companies in Germany will again be affected by the ongoing course of the coronavirus pandemic in 2022. The effects of the fourth wave cannot be quantified at present, particularly because the rapid spread of the Omicron variant, which has a greater impact on ordinary hospital capacities, means that the impact on the healthcare sector varies considerably. However, the experience of past waves shows that SMEs only have limited opportunities to generate sales under pandemic conditions.

The trend towards the digitalization of the medtech sector continues across economic cycles, however. Demand for digital pre- and post-treatment care is rising, as well as for digital or digital-supported forms of treatment as such. Digital sales solutions are becoming more important. A trend is also visible towards more outpatient care.

The trade association SPECTARIS sees the sector's innovativeness at risk from excessive approval procedures and a lack of incentives. The additional paperwork caused by the new Medical Devices Regulation represents a significant challenge for companies in the medical engineering and life science sector. SPECTARIS warns of supply shortages and barriers to innovation from the MDR, particularly for SME. It is also critical of the complex reimbursement system. Medical technology companies believe that simpler regulatory requirements are urgently needed.

Metals technology: supply bottlenecks hinder recovery of the metalworking industry

The outlook for 2022 remains uncertain for the metals industry. Almost 90% of the M+E companies reported production restrictions due to material shortages in December 2021. In December 2021 the number of people on short-time work returned to its highest level since April 2021. The trade association M+E Gesamtmetall is forecasting a production increase of 1% to 5% in 2022, depending on how the situation on procurement markets evolves. This does not reflect the possible impact of the war between Russia and Ukraine and any potential worsening of the metals shortage that this may cause. This means the metal industry can only regain its pre-crisis level in 2023 at the earliest. The mood lightened somewhat at the start of the year, however, with the ifo business confidence index improving in January 2022 for the first time in four months. Companies' expectations for the next six months remained subdued, however. Apart from the long-term burden of the coronavirus pandemic, the M+E market is still in the middle of a structural transformation, caused particularly by the upheaval in the automotive sector.

Expected Group Performance

PARKOUR: the INDUS Group's strategy program until 2025

The aims of ensuring a balanced portfolio structure and value enhancement are at the heart of the PARKOUR strategy program.

PARKOUR looks at the Group's development through 2025 and strives to boost the entrepreneurial fitness of the portfolio companies in order to overcome the ongoing challenges of their markets. The agility and resilience of the SME portfolio companies in the INDUS Group was proven by how they dealt with the coronavirus crisis. The PARKOUR strategy will continue to focus on strengthening the portfolio structure, driving innovation and improving performance by means of Market Excellence and Operational Excellence in the portfolio companies.

STRENGTHENING PORTFOLIO STRUCTURE

When it comes to growth acquisitions to complement the portfolio, INDUS particularly looks to companies in technology-driven growth industries. To ensure the right mix in the future, INDUS intends to focus acquisition activities on the six sectors it has identified as growth industries: automation, measuring technology and control engineering, construction and safety technology, medical engineering and life science, technology for infrastructure and logistics, and energy and environmental technology.

Two acquisitions at portfolio level were realized in financial year 2021. The contract for the acquisition of Heiber und Schröder Maschinenbau GmbH (HEIBER + SCHRÖDER) was signed at the end of 2021. The economic transfer and initial consolidation of HEIBER + SCHRÖDER will take place in Q2 2022. One company was acquired at the sub-subsidiary level and control was assumed of a company previously accounted for using the equity method following a share purchase.

The discontinuation of one portfolio company was completed in 2021 as the last stage of the INTERIM SPRINT package of measures from 2020. Overall, the INTERIM SPRINT package was a necessary and important step to achieve the objectives set with the PARKOUR strategy, and it has now been brought to a successful conclusion.

One series supplier was transferred to a new owner in 2021 with the sale of the WIESAUPLAST Group. This strategic investor is interested in the long-term development of WIESAUPLAST. By selling this company, INDUS was able to further reduce the importance of series production in the portfolio, and will continue to review whether another owner can offer the other series suppliers and their employees better long-term development opportunities.

If the situation on the M&A market is conducive, at least two add-on acquisitions are planned at the level of the portfolio companies in 2022.

There will be no change in the fundamental corporate strategy of "buy, hold & develop."

DRIVING INNOVATION

INDUS will push ahead with the already successfully established strategy for supporting innovation ability in the portfolio companies and expand it further. In addition to product innovations, INDUS will provide portfolio companies with support from the innovation development bank to develop new services, business processes and business models. Up to 3% of consolidated EBIT remains available each year to drive promising innovation projects forward. The portfolio companies significantly reduced their innovation projects during the first phase of the coronavirus pandemic. Activity resumed significantly in the second half of 2021, so a higher number of applications and new project funding are expected in 2022.

Since innovations often come about as a result of exchange with others, the existing network will be promoted internally and externally through cooperation with external partners and within the Group. More working groups will be launched for this purpose in order to focus on the latest cutting-edge ideas and develop commercial strategies and/or product ideas. There are concrete plans in the field of sustainable construction and artificial intelligence. Artificial intelligence applications are increasingly being used in industry.

Promoting fundamental work on innovation strategies for the portfolio companies also calls for the Group to **provide strategic sparring for the innovation strategy.** Any strategic project is therefore based on the individual corporate strategy from which the innovation strategy is to be derived. An up-to-date status check was drawn up in 2021. The aim is to build on this basis in order to devise focused innovation projects, with the support of external partners as necessary. This topic will be implemented in 2022 and the years thereafter.

IMPROVING PERFORMANCE

INDUS will concentrate on improving performance at the portfolio companies by encouraging their **Market Excellence** and **Operational Excellence.** The Market Excellence topic offers portfolio companies support in various areas, which form part of one of the following four pillars: status check, implementation, knowledge and cooperation. These offerings are actively requested by the portfolio companies and are also deployed by the holding company as needed. They directly target the optimization of market positioning and market cultivation and so result in sustainable earnings improvements.

The Operational Excellence topic is based on the same four pillars: the production status check, support with implementation projects, knowledge transfer and the provision of a cooperation platform. With the Production project, the holding company supports portfolio companies in improving their value-adding core processes, ranging from production strategy and production planning and control to process effectiveness and efficiency. The program to boost Operational Excellence includes comprehensive education and training offers in Lean management for knowledge transfer. INDUS also initiates and assists the portfolio companies on site with corresponding optimization projects.

The financial starting points for improving performance in the portfolio companies include Group-wide liquidity management, working capital optimization in the companies, and portfolio management by INDUS. Also included is increased information and communication in relation to financial and accounting-related topics between the holding company and the portfolio companies.

Additional activities to promote sustainability in the 2022 financial year

INDUS will further intensify its activities to promote sustainable business practices within the holding company and its portfolio companies in the 2022 financial year. Special attention will be paid to continuing with measures to achieve the sector-wide target for a 35% reduction in CO_2 emissions by 2025 (compared to the base year 2018) set by the German federal government in its Climate Action Program 2030. More information on p. 20 et seqq. of the non-financial report

Expectations for the financial year 2022

The following forecast is based on the corporate planning approved by the Board of Directors and the Supervisory Board. The statements about the predicted development in the economic situation and particularly about the economic development of the effects of the coronavirus pandemic are based on statements made by leading organizations, such as economic research institutes and banks. Plans for 2022 remain subject to uncertainty in view of the ongoing coronavirus pandemic and increasing geopolitical tensions. Neither the premises used in our planning nor the forecasts that are set out below include effects from the war between Russia and Ukraine. The scope of these effects on the INDUS Group cannot currently be known or quantified.

Companies in the **Construction/Infrastructure** segment are expecting a slight rise in sales and a slight fall in EBIT in the year ahead. Further increases in material prices and a slight slowdown in the market for air-conditioning devices are anticipated. In their budgets, the companies in the **Automotive Technology** segment only assume that sales will recover from the middle of 2022. Segment sales will rise slightly, with the loss of some EUR 50 million in WIESAUPLAST sales offset by new series runs at other portfolio companies. Repositioning by companies in the segment will continue. Segment EBIT should rise sharply, but remain negative. The positive performance of the companies in the **Engineering** segment in 2021 will continue in 2022. The companies expect a strong rise in sales and a slight rise in segment EBIT. Overall, the companies in the **Medical Engineering/Life Science** segment are forecasting higher sales and slightly higher segment EBIT in the coming year. The forecast for the **Metals Technology** segment shows a slight fall in sales and a sharp decline in segment EBIT. Further materials price rises will have an adverse effect here.

Overall, the forecasts for 2022 predict that sales will rise from EUR 1.80 billion to 1.95 billion. Operating income (EBIT) is likely to be in a range of EUR 115 million to EUR 130 million and thus above the level of 2021. This includes two planned add-on acquisitions with cumulative sales of around EUR 60 million. The range for the EBIT margin will probably be between 6.0% and 7.0%. These forecasts were made under the conditions of uncertainty outlined above resulting from the ongoing coronavirus pandemic, the disruptions to supply chains and further price rises for raw materials. The forecast for operating income (EBIT) does not include any impairment of goodwill or property, plant, and equipment.

The INDUS Group investment budget for this year was set in the course of the planning process and totals around EUR 90 million to 100 million (excluding acquisitions). New production equipment and the establishment of new production sites are planned as large investment projects. The plan budgets an amount of EUR 62 million for acquisitions of companies for 2022. This includes the cash outflow for the purchase of Heiber und Schröder Maschinenbau GmbH (HEIBER + SCHRÖDER). The contract was signed on December 17, 2021, with the transfer of risks and rewards, initial consolidation and payment of the purchase price to take place in the second quarter of 2022. The acquisition budget for 2022 includes at least one more acquisition at portfolio company level.

The INDUS Group's equity ratio of 42.4% was back above the target of 40% in 2021. A figure of around 43% is forecast for year-end 2022. In the medium term, the target is still to maintain a stable equity ratio of more than 40%. Under its revolving financing program, INDUS also expects to borrow in the form of loans and promissory note loans in 2022. Another ESG-linked promissory note loan with a volume of EUR 56,000 thousand was taken out in December 2021. Funds were credited on January 12, 2022. In such financing matters, INDUS can rely on its tried and tested bank partners of many years, with whom the holding company is in constant contact. Capital repayments of some EUR 125 million are planned for financial year 2022. On the basis of the current financial planning the Board of Management assumes new borrowing of roughly the same amount. Planned net borrowing for 2022 would therefore be zero. The repayment term based on EBITDA improved significantly year-over-year in 2021 and is already back at 2.3. INDUS is expecting the repayment term to stay roughly constant in 2022. The repayment term in 2022 will therefore remain within the target range of 2.0 to 2.5 years.

FINANCIAL POSITION: SHARPLY RISING SALES AND EBIT PLANNED FOR 2022

TARGET PERFORMANCE COMPARISON

	ACTUAL 2021	TARGET 2022
GROUP		
Management variables		
Acquisitions	2 growth acquisitions, 2 purchased sub-subsidiaries	2 growth acquisitions
Sales	EUR 1.74 billion	EUR 1.80–1.95 billion
EBIT	EUR 115.4 million	EUR 115–130 million
EBIT margin	6.6%	6.0% to 7.0%
Investments in property, plant, and equipment, and intangible assets	EUR 67.3 million	EUR 90–100 million
Greenhouse emissions (GHG emissions Scope 1+2)*	93.91 t CO_2/million EUR GAV	Lower than previous year
Supplementary management variables		
Equity ratio	42.4%	>40.0%
Net debt/EBITDA	2.3 years	2–2.5 years
Working capital	EUR 457.5 million	Lower than previous year
SEGMENTS		
Construction/Infrastructure		
Sales	EUR 451.6 million	Slight rise in sales
EBIT	EUR 70.5 million	Slight fall in income
EBIT margin	15.6%	13% to 15%
Automotive Technology		
Sales	EUR 281.9 million	Slight rise in sales
EBIT	EUR -57.3 million	Strong rise in income
EBIT margin	-20.3%	Negative
Engineering		
Sales	EUR 438.9 million	Strong rise in sales
EBIT	EUR 56.9 million	Slight rise in income
EBIT margin	13.0%	10% to 12%
Medical Engineering/Life Science		
Sales	EUR 148.7 million	Rising sales
EBIT	EUR 12.1 million	Slight rise in income
EBIT margin	8.1%	7% to 9%
Metals Technology		
Sales	EUR 420.4 million	Slight fall in sales
EBIT	EUR 42.3 million	Strong fall in income
EBIT margin	10.1%	7% to 9%

* Net emissions intensity

Most of the companies in the **Construction/Infrastructure** segment worked to their capacity limit again. Record EBIT from 2019 was surpassed in 2021, but the EBIT margin contracted slightly. Sales increased, with both organic growth from the existing portfolio companies and inorganic growth from the acquisition of WIRUS. Almost all the companies in the segment are expecting sales to rise slightly in the year ahead, partly due to pricing. The Construction/Infrastructure segment will remain a dependable pillar of the INDUS portfolio in 2022. Overall, the INDUS Board of Management is expecting a slight rise in sales, a slightly lower operating result (EBIT) and an EBIT margin of 13% to 15% for the segment.

The performance of the companies in the **Automotive Technology** segment was again very unsatisfactory in 2021, particularly due to the chip shortage and the resulting sharp fall in drawdowns of series orders from the third quarter. Unfortunately it was not only the series suppliers, but also the development and prototype companies that suffered from a shortage of parts and a lack of new orders. The companies in the segment have planned for a subdued 2022, with series drawdowns predicted to remain low in the first half-year. The operating result (EBIT) and the EBIT margin for the Automotive Technology segment will remain negative in 2022, despite a gradual improvement, slightly higher sales and a strong rise in EBIT.

For the companies in the **Engineering** segment, the year 2021 was very positive, with significant sales and EBIT increases. The EBIT margin improved significantly to 13.0%, which was well above the target range of 8–10%. The portfolio companies in the Engineering segment anticipate a sharp rise in sales in 2022. The situation has now also improved at those companies reporting low levels of new orders until the middle of 2021. Further growth is also expected in EBIT. Then there are the sales and operating income (EBIT) from the recently acquired packaging machine specialist HEIBER + SCHRÖDER. Despite these positive prospects for 2022, it remains to be seen whether the segment companies will be able to cope with the operating problems as before, given the material shortages. Overall, INDUS is expecting a strong rise in sales, a slight rise in EBIT and an EBIT margin in the 10–12% range for the Engineering segment in 2022.

Overall, the companies in the **Medical Engineering/ Life Science** segment reported slightly higher sales and EBIT in 2021. An increasing trend towards digitalization in the medtech sector is expected. In addition, more outpatient treatment is forecast. The implementation of the new Medical Devices Regulation means that the companies are still subject to high regulatory hurdles, however. All the companies in this INDUS segment are expecting higher sales in 2022. Segment EBIT will rise slightly, but the merger of facilities at one portfolio company will remain a significant drain on EBIT in 2022. The EBIT margin will be within the 7–9% range.

All the continuing operations in the **Metals Technology** segment reported higher sales in financial year 2021. The discontinuation of BACHER and structural changes at SIMON caused a loss of EUR 20.6 million in sales compared with the previous year. The improved performance of many companies in the segment and the portfolio changes mentioned above enabled a significant increase in operating income (EBIT) in 2021. Companies in the segment expect sales to fall slightly in 2022; some EUR 10 million in sales will be lost in a year-over-year comparison because the discontinuation of BACHER was only completed in 2021. The continuing segment companies are forecasting a sharp fall in segment EBIT due to higher materials prices. The EBIT margin will be within a range of 7–9%.

Post-balance Sheet Events

Russia began military action against Ukraine on February 24, 2022. We are closely monitoring the situation and understand that the economic consequences of the war between Russia and Ukraine will also likely impact the business activities of the INDUS Group portfolio companies. Material adverse effects on assets, finances, and profit for financial year 2022 beyond the direct effects presented in the following cannot be ruled out. The scope of these effects cannot currently be known or quantified and thus do not constitute part of our forecast.

The portfolio companies of the INDUS Group generated sales of some EUR 17 million with customers in Russia in 2021 and of some EUR 3 million with customers in Ukraine. This represents around 1.2% of total Group sales in 2021. Sales to customers in Russia and Ukraine stem principally from the Metals Technology segment. The loss of this business will not have a material impact on the financial position and financial performance of the INDUS Group. INDUS Holding AG does not have any operating subsidiaries or plants in Russia or Ukraine.

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

in EUR '000	Notes	2021	2020
REVENUE	[7]	**1,741,498**	**1,558,554**
Other operating income	[8]	28,376	22,090
Own work capitalized	[9]	6,025	6,367
Change in inventories	[10]	23,668	-27,541
Cost of materials	[11]	-817,615	-690,106
Personnel expenses	[12]	-529,076	-501,007
Depreciation/amortization	[13]	-104,982	-132,630
Other operating expenses	[14]	-232,494	-210,647
OPERATING INCOME (EBIT)		**115,400**	**25,080**
Interest income		177	270
Interest expense		-14,667	-16,459
NET INTEREST	[15]	**-14,490**	**-16,189**
Income from shares accounted for using the equity method		1,082	787
Other financial income		-2,919	-44
FINANCIAL INCOME	[15]	**-16,327**	**-15,446**
EARNINGS BEFORE TAXES		**99,073**	**9,634**
Taxes	[16]	-51,509	-36,536
EARNINGS AFTER TAXES		**47,564**	**-26,902**
of which attributable to non-controlling shareholders		755	85
of which attributable to INDUS shareholders		46,809	-26,987
Earnings per share, basic, in EUR	[17]	1.78	-1.10
Earnings per share, diluted, in EUR		1.78	-1.10

Consolidated Statement of Comprehensive Income

in EUR '000	2021	2020
EARNINGS AFTER TAXES	**47,564**	**-26,902**
Actuarial gains/losses	3,834	-897
Deferred taxes	-899	351
Items not to be reclassified to profit or loss	**2,935**	**-546**
Currency conversion adjustment	7,101	-5,158
Change in the market values of hedging instruments (cash flow hedge)	1,678	1,977
Deferred taxes	-264	-332
Items to be reclassified to profit or loss	**8,515**	**-3,513**
OTHER COMPREHENSIVE INCOME	**11,450**	**-4,059**
TOTAL COMPREHENSIVE INCOME	**59,014**	**-30,961**
of which attributable to non-controlling shareholders	755	85
of which attributable to INDUS shareholders	58,259	-31,046

Consolidated Statement of Financial Position

in EUR '000	Notes	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Goodwill	[18] [20]	409,798	380,932
Right-of-use assets from leasing/rent	[19]	93,402	85,780
Other intangible assets	[20]	142,817	93,066
Property, plant and equipment	[20]	416,610	405,470
Investment property	[20]	5,782	5,938
Financial investments	[21]	8,794	7,130
Shares accounted for using the equity method	[22]	4,578	7,527
Other non-current assets	[23]	3,476	3,915
Deferred taxes	[24]	13,771	11,992
Non-current assets		**1,099,028**	**1,001,750**
Inventories	[25]	403,894	332,463
Receivables	[26]	168,890	161,943
Other current assets	[23]	35,538	20,402
Current income taxes	[24]	13,739	17,568
Cash and cash equivalents		136,320	194,701
Current assets		**758,381**	**727,077**
TOTAL ASSETS		**1,857,409**	**1,728,827**
EQUITY AND LIABILITIES			
Subscribed capital		69,928	63,571
Capital reserve		318,143	239,833
Other reserves		397,560	371,904
Equity held by INDUS shareholders		**785,631**	**675,308**
Non-controlling interests in the equity		1,843	1,046
Equity	[27]	**787,474**	**676,354**
Pension provisions	[28]	41,321	49,682
Other non-current provisions	[29]	1,435	1,404
Non-current financial liabilities	[30]	477,286	553,773
Other non-current liabilities	[31]	47,023	20,139
Deferred taxes	[24]	48,569	32,109
Non-current liabilities		**615,634**	**657,107**
Other current provisions	[29]	88,344	77,339
Current financial liabilities	[30]	163,168	159,841
Trade payables		62,178	48,926
Other current liabilities	[31]	125,823	94,175
Current income taxes	[24]	14,788	15,085
Current liabilities		**454,301**	**395,366**
TOTAL EQUITY AND LIABILITIES		**1,857,409**	**1,728,827**

Consolidated Statement of Changes in Equity

in EUR '000	Subscribed capital	Capital reserve	Retained earnings	Other reserves	Equity held by INDUS shareholders	Interests attributable to non-controlling shareholders	Group equity
AS OF JAN. 1, 2020	**63,571**	**239,833**	**447,566**	**-25,056**	**725,914**	**1,807**	**727,721**
Earnings after taxes			-26,987		-26,987	85	-26,902
Other comprehensive income				-4,059	-4,059		-4,059
Reclassification			-2,593	2,593			
Total comprehensive income			**-29,580**	**-1,466**	**-31,046**	**85**	**-30,961**
Dividend payment			-19,560		-19,560	-1,034	-20,594
Change in scope of consolidation						188	188
AS OF DEC. 31, 2021	**63,571**	**239,833**	**398,426**	**-26,522**	**675,308**	**1,046**	**676,354**
AS OF JAN. 1, 2021	**63,571**	**239,833**	**398,426**	**-26,522**	**675,308**	**1,046**	**676,354**
Earnings after taxes			46,809		46,809	755	47,564
Other comprehensive income				11,450	11,450		11,450
Reclassification			-1,638	1,638			
Total comprehensive income			**45,171**	**13,088**	**58,259**	**755**	**59,014**
Capital increase	6,357	78,310			84,667	42	84,709
Dividend payment			-21,517		-21,517	-261	-21,778
Transactions involving interests attributable to non-controlling shareholders			-11,086		-11,086	261	-10,825
AS OF DEC. 31, 2021	**69,928**	**318,143**	**410,994**	**-13,434**	**785,631**	**1,843**	**787,474**

Consolidated Statement of Cash Flows

in EUR '000	2021	2020
Earnings after taxes	47,564	-26,902
Depreciation/appreciation of non-current assets (excluding deferred taxes)	104,982	131,530
Gains (-) and losses (+) on the disposal of fixed assets	-1,917	-1,307
Taxes	51,509	36,536
Financial income	16,327	15,446
Other non-cash transactions	1,077	-94
Changes in provisions	8,880	5,773
Increase (-)/decrease (+) in inventories, receivables, and other assets	-85,259	88,372
Increase (+)/decrease (-) in trade payables and other equity and liabilities	36,176	-29,877
Income taxes received/paid	-44,208	-46,373
Dividends received	1,244	1,340
Operating cash flow	**136,375**	**174,444**
Interest paid	-20,079	-19,612
Interest received	278	356
Cash flow from operating activities	**116,574**	**155,188**
Cash outflow from investments in		
Intangible assets	-8,905	-8,438
Property, plant and equipment	-66,693	-44,050
Financial investments	-2,200	-965
Shares accounted for using the equity method	0	-1,014
Shares in fully consolidated companies	-67,328	0
Cash inflow from the disposal of assets		
Shares in fully consolidated companies	7,849	-4,296
Other assets	6,914	6,418
Cash flow from investing activities	**-130,363**	**-52,345**
Contributions to capital (capital increase)	84,667	0
Cash inflow from minority shareholders	42	188
Dividend payment	-21,517	-19,560
Dividends paid to minority shareholders	-261	-1,034
Cash outflow from the repayment of contingent purchase price commitments	0	-22,336
Payments related to transactions involving interests attributable to non-controlling shareholders	-713	0
Cash inflow from raising of loans	57,500	140,581
Cash outflow from the repayment of loans	-143,224	-120,285
Cash outflow from the repayment of lease liabilities	-20,964	-19,569
Cash flow from financing activities	**-44,470**	**-42,015**
Net changes in cash and cash equivalents	-58,259	60,828
Changes in cash and cash equivalents caused by currency exchange rates	-122	-1,247
Cash and cash equivalents at the beginning of the period	194,701	135,120
Cash and cash equivalents at the end of the period	**136,320**	**194,701**

Notes

Basic Principles of the Consolidated Financial Statements

[1] General Information

INDUS Holding Aktiengesellschaft with registered office in Kölner Strasse 32, 51429 Bergisch Gladbach, Germany, is listed in the Cologne Commercial Register under record no. HRB 46360. INDUS is an established long-term oriented financial investor specializing in the acquisition of SMEs in the manufacturing sector in German-speaking Europe. The operating companies are allocated to one of five company areas (segments): Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology.

INDUS Holding AG prepared its consolidated financial statements for the financial year from January 1, 2021 to December 31, 2021 in accordance with the International Financial Reporting Standards (IFRS) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU).

The statement of income was prepared using the total cost method. The statement of financial position is structured according to current/non-current status of assets and liabilities.

The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are stated in thousands of euros (EUR '000). Each figure has been rounded according to normal commercial practice; this may lead to slight discrepancies when figures are added together.

The consolidated financial statements are prepared using historical cost accounting, with the exception of balance sheet items which must be carried at fair value. The annual financial statements of the companies included in the scope of consolidation were prepared as of the reporting date of INDUS Holding AG and are based on uniform accounting and valuation methods. Pursuant to Section 315e of the German Commercial Code (HGB), INDUS Holding AG is obligated to prepare its consolidated financial statements in compliance with the IFRS. The basis for this is Directive No. 1606/2002 of the European Parliament and Council on the application of international accounting standards in the European Union. Information that must be included in the Notes in accordance with the German Commercial Code (HGB) and goes beyond what is mandatory under IFRS is presented in the Notes as well. The financial statements were drawn up by the Board of Management on March 16, 2022. The Supervisory Board approved the consolidated financial statements at its meeting on March 17, 2022.

[2] Application and Impact of New and Revised Standards

All standards whose application was mandatory as of December 31, 2021, were observed. No use was made of the discretionary right to apply standards before they become mandatory.

MANDATORY STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME IN THE 2021 FINANCIAL YEAR

The new standards do not have any material effect on the financial position and financial performance of INDUS.

STANDARDS PUBLISHED BY DECEMBER 31, 2021, WHICH WERE NOT APPLIED EARLY IN THESE FINANCIAL STATEMENTS

No material effect on the financial position and financial performance of INDUS will arise from new standards that have already been published, but were not applied early.

[3] Accounting Principles

CONSOLIDATION PRINCIPLES

Capital consolidation is carried out in accordance with the purchase method. Assets, liabilities, and contingent liabilities are measured at their fair value as of the time of purchase for business combinations. Goodwill is determined as the difference between the acquisition costs of the business combination and the purchaser's share of the fair values of the acquired assets, liabilities, and contingent liabilities.

When acquired companies are included in the scope of consolidation for the first time, the carrying amount of the investments in the holding company's accounts is offset against assets and liabilities. In the subsequent periods, the carrying amount of the holding company's investment is offset against the carrying amount of the subsidiaries' net equity. Contingent purchase price components are measured at fair value on the acquisition date if they are likely to be realized and the amounts can be reliably estimated. Changes in their amounts are recorded through profit and loss in the subsequent periods. Incidental acquisition costs incurred in acquiring the investment are not included in the purchase price allocation. Instead, they are recognized as expenses in the period of acquisition.

If minority shareholders have a right to tender as of the time of the initial consolidation and INDUS is unable to revoke this right, the purchase price commitment for interests attributable to non-controlling shareholders that are eligible are calculated at fair value.

Receivables and liabilities as well as expenses and income between consolidated companies are offset against each other. Interim results are eliminated from inventories and fixed assets. Deferred taxes are recognized for consolidation adjustments affecting net income.

CURRENCY CONVERSION

Foreign currency transactions in the individual financial statements are translated into the functional currency of the individual company at the exchange rates prevailing at the time of the transaction. Monetary items are measured through profit and loss as of the reporting date using the average spot exchange rate.

In accordance with the concept of functional currency, companies located outside of the euro area prepare their financial statements in the currency of the country in which they are domiciled. For assets and liabilities, these financial statements are translated into euros using the exchange rate prevailing on the reporting date. Except for items recognized directly in equity, equity is carried at historical rates. Items in the statement of income are translated at average exchange rates and any resultant currency adjustments up until disposal of the subsidiary are recognized with no effect on the statement of income. The exchange rates used are shown in the following table:

		Exchange rate as of the reporting date		Average exchange rate	
	EUR 1 =	Dec. 31, 2021	Dec. 31, 2020	2021	2020
United Arab Emirates	AED	4.178	4.487	4.346	4.193
Bosnia and Herzegovina	BAM	1.966	1.946	1.956	1.957
Brazil	BRL	6.310	6.374	6.381	5.890
Canada	CAD	1.439	1.563	1.483	1.529
Switzerland	CHF	1.033	1.080	1.081	1.070
China	CNY	7.195	8.023	7.634	7.871
Czech Republic	CZK	24.858	26.242	25.647	26.455
Denmark	DKK	7.436	7.441	7.437	7.454
United Kingdom	GBP	0.840	0.899	0.860	0.889
Hungary	HUF	369.190	363.890	358.464	351.204
South Korea	KRW	1,346.380	1,336.000	1,353.946	1,345.106
Morocco	MAD	10.555	10.862	10.634	10.829
Mexico	MXN	23.144	24.416	23.990	24.512
Poland	PLN	4.597	4.560	4.564	4.443
Romania	RON	4.949	4.868	4.921	4.838
Serbia	RSD	117.590	117.574	117.586	117.620
Singapore	SGD	1.528	1.622	1.590	1.574
Turkey	TRY	15.234	9.113	10.467	8.044
Taiwan	TWD	31.525	34.322	33.028	33.596
United States of America	USD	1.133	1.227	1.184	1.141
South Africa	ZAR	18.063	18.022	17.479	18.768

In the presentation of the development of non-current assets, provisions, and equity, the opening and closing balances are translated using the exchange rates prevailing on the reporting date, while changes during the year are translated using the average exchange rate. Any resultant exchange rate differences are reported separately with no effect on the statement of income.

FINANCIAL STATEMENT ACCOUNTING AND MEASUREMENT

Goodwill does not undergo amortization due to its indefinite useful life. It is tested for impairment at least once a year. This testing involves comparing the recoverable value, which is the higher of value in use or fair value less costs to sell, with the carrying amount of the cash-generating unit.

Goodwill is tested for impairment at the level at which this is reasonable from an economic point of view, and possible. In most cases, goodwill is attributed to the portfolio companies and their subsidiaries (cash-generating units). These are the operating units listed in the Notes. In the few cases in which there is a close trading relationship between these companies, they are combined to form operating units and goodwill is tested for impairment on this basis.

The goodwill recognized in the purchase price allocation is distributed across 46 (previous year: 45) cash-generating units. No individual goodwill amount is significant within the meaning of IAS 36.134.

Other intangible assets purchased for a fee are measured at cost and – where applicable – amortized on a straight line basis over their economic life of two to fifteen years. Internally generated intangible assets which fulfill the criteria of IAS 38 are capitalized at cost. Otherwise the expenses are recognized through profit and loss in the year in which they come into being. The assets are amortized upon commencement of their use, and this is done using the straight-line method over five to fifteen years.

Leases are recognized in the statement of financial position as right-of-use assets from leases and as (financial) liabilities from leasing. The right-of-use assets are recognized at cost and subsequently amortized over the lease term using the straight-line method. On the liability side, a liability is recognized in the amount of the present value of the payment obligations. In addition to fixed payments, the liabilities also include expected residual value payments and exercise prices for purchase options if these are reasonably certain to be exercised. Lease payments are discounted at the interest rate underlying the lease or at the incremental borrowing rate. The Group applies exemptions under which IFRS 16 is applied to the contracts that were previously classified as leases under IAS 17 and IFRIC 4, and the contracts that were previously not classified as leases are not reassessed. Furthermore, the exemptions of IFRS 16 are applied to low-value lease assets and leases with a term of up to one year, i.e. instead of assets or lease liabilities being recognized, the lease installments continue to be recognized as other operating expenses.

Property, plant, and equipment are measured at cost including depreciation and, when necessary, impairment. In accordance with the actual structure of their useful lives, the straight line depreciation method is applied. Depreciation periods are based primarily on the following useful lives.

	Years
Buildings	20 to 50
Land improvements	8 to 20
Technical equipment, plant, and machinery	5 to 15
Factory and office equipment	3 to 15

Property, plant, and equipment are impaired in accordance with IAS 36 if the recoverable amount of the asset concerned has fallen below carrying amount. If the reason for an impairment recorded in previous years no longer applies, a reversal of impairment is performed, up to the maximum of the carrying amount after amortization.

Inventories are recognized at cost or lower net realizable value. Cost encompasses direct costs and proportional overheads. Overheads are generally allocated on the basis of actual capacity, if this basically corresponds to normal capacity. Raw materials and goods for resale are measured using the average cost method.

Financial instruments are contracts that are financial assets at one company and simultaneously financial liabilities or an equity instrument at another. In accordance with the business model, the subsequent valuation of financial assets takes place in the categories "Financial assets measured at fair value through profit and loss", "Financial assets at amortized cost" and "Financial assets recognized at fair value directly in equity." Financial liabilities are accounted for in two categories, "Financial liabilities measured at fair value through profit and loss" and "Financial liabilities measured at cost."

A financial asset is measured at amortized cost if it is held in a business model that involves the collection of contractual cash flows, the contractual terms provide for cash flows on specified dates in the form of interest and principal repayment, and the asset was not designated as "measured at fair value through profit and loss." This particularly includes all trade receivables, loans and other assets (excluding derivatives).

All financial assets that are not measured at amortized costs or recognized at fair value directly in equity are measured at fair value through profit and loss. Financial liabilities are classified and measured at amortized costs or "at fair value through profit and loss." A financial liability is measured at fair value through profit and loss if it is held for trading purposes, is a derivative, or is designated as such on initial recognition.

The fair values recognized in the statement of financial position generally correspond to the arm's-length prices of the financial assets or financial liabilities. The market values of financial liabilities are determined on the basis of market information available on the reporting date or by using accepted valuation methods, such as the discounted cash flow method, and through confirmations from the banks carrying out the transactions. The interest rates employed are adjusted to the term and risk of the underlying financial instrument.

Associated companies listed under **financial assets** on which the INDUS Group exercises significant influence (usually by holding between 20% and 50% of the voting rights) are accounted for using the equity method. When measured for the first time, they are stated at cost. In the subsequent valuation, the carrying amount is adjusted by the proportional changes in the associated company's equity.

Receivables and other assets are recognized at amortized costs; for current receivables this is generally the nominal value. Amortized costs are taken into account with appropriate valuation allowances. Gains and losses are recognized in consolidated income when loans and receivables are impaired or derecognized.

In the case of short-term receivables and liabilities, amortized costs generally correspond to par or the settlement amount.

Impairments are recognized for anticipated credit losses on financial assets measured at amortized cost. The simplified method for calculating impairments is used to determine impairments on trade receivables. The full term of the financial instrument is used to determine the anticipated credit losses. As the historical basis is applied to defaults, it is assumed that the default risk of a financial asset has not risen significantly once it is more than 30 days overdue.

Derivative financial instruments are used by INDUS to hedge underlying transactions based on future cash flows. At the time the hedging transaction is concluded, the corresponding underlying transactions may or may not be completed.

Derivatives employed as hedging instruments are primarily interest-rate swaps or currency forward contracts. The prerequisite for hedge accounting is that the hedge between the underlying transaction and the hedging instrument is effective, documented and continuously monitored. The existence of an economic relationship between hedge and hedged item is based on reference interest rates, terms, interest adjustment and due dates, and nominal and actual amounts. In assessing effectiveness, the critical terms match method is used. The hedging relationships mostly exist in a 1:1 ratio to the hedged item and are 100% effective.

The statement of documented hedges depends on the type of relationship in question. In the case of cash flow hedges, the change in the fair value is recorded in equity with no effect on income, taking all deferred taxes into account. For the valuation of the hedging instruments described above, only market-related valuation methods were used in the last two financial years. This corresponds to the procedure for level 2 of the fair value hierarchy. The market interest rates derived from publicly available swap rates on the reporting date are used as the input for measuring interest-rate swaps.

Call/put options from the acquisition of companies as a contingent purchase price commitment are recognized at fair value.

Market-related observable input factors (level 2) and internal data (level 3) were used to **measure call/put options at fair value**. The market interest rates derived from INDUS' financing structure as of the reporting date, contractually agreed EBIT multiples, and individual plans of the acquired companies are used as the input for measuring the fair value of contingent purchase price liabilities. Generally, call/put options measurements are allocated to level 3.

Pension obligations are based on defined contribution and defined benefit plans in various forms.

The defined contribution plan costs relate to payments by INDUS to external institutions, without any additional obligations for the beneficiary being entered into.

With defined benefit obligations, pensions and other post-employment benefits are calculated using the projected unit credit method. The interest rate used for discounting future claims is the market rate for risk-adjusted long-term investments with similar maturities. For every pension plan, the projected benefit obligation is reduced by the fair value of the qualified plan assets. Differences between actuarial assumptions and actual change in the underlying parameters used to calculate projected unit credits and the fair value of plan assets give rise to actuarial gains and losses. These actuarial gains or losses are recognized directly in equity, taking into consideration any deferred taxes, through the change in consolidated equity and recorded on the statement of income and in pension provisions.

Other provisions are calculated for current legal or actual obligations toward third parties resulting from an event in the past that will likely lead to an outflow of resources and the amount of which can be reliably estimated. The settlement amount is calculated on the basis of the best possible estimation. Provisions are discounted when the outflow of resources is classified as long-term and the effect of this is significant. Provisions for product warranties are calculated for the sales that are subject to warranty and the relevant warranty period on the basis of ensured experience values. Individual provisions are formed for known damages. Provisions for pending invoices, pending losses from orders, and other obligations from the transactions are calculated on the basis of the services to be performed. Tax provisions are accrued on the basis of reasonable estimates for uncertain obligations to national tax authorities.

Contingent liabilities are potential obligations toward third parties or existing obligations that are not likely to lead to an outflow of resources or the amount of which cannot be reliably estimated. Disclosures must be made in the Notes regarding existing contingent liabilities.

Deferred taxes are determined for all temporary differences between the amount according to the IFRS balance sheet and the corresponding fiscal value according to the balance sheet approach. Temporary differences arise when the realization of the asset or settlement of the liability leads to income or expenses that diverge from a fiscal point of view. Deferred taxes on goodwill are formed only to the extent that they are tax-deductible. This is generally the case for German limited partnerships.

Deferred taxes must be calculated even if the realization of this goodwill, e. g., via the disposal of the respective limited partnership, is not planned. This leads to a permanent accrual of deferred tax liabilities at INDUS.

Deferred tax assets are recognized as soon as it is probable that sufficient taxable income against which the deductible temporary difference can be offset will be available. With tax loss carryforwards, this is the case either when it is probable that sufficient taxable income will be available or when nettable deferred tax liabilities of a corresponding amount can be offset against sufficient taxable income in future.

Deferred taxes are measured using the tax rate valid for the periods in which the differences are expected to be reversed. Regardless of maturities, deferred taxes are not to be discounted. Deferred taxes are recognized on the basis of the tax rates prevailing or approved in the various countries in accordance with the current legal position. In Germany, a corporate income tax rate of 15% applies. Taking into consideration the trade tax assessment multiplier ranging from 295% to 515% and a solidarity surcharge of 5.5%, the income tax rate for domestic companies comes to between 26.15% and 33.85% (previous year: average of 29.6%). Foreign tax rates range between 16% and 34% (previous year: between 16% and 34%).

As regards **income realization** from customer contracts, revenue is recognized in accordance with the 5-step model described in IFRS 15 either over a period of time or at a certain point in time. The INDUS product portfolio is highly diversified. Revenue is generated from the sale of goods, order production, and, to a lesser extent, from services provided. Revenue is allocable to the following areas: reinforcement of reinforced concrete, construction materials, network and cable laying, air-conditioning and heating technology, accessories for private housing construction, window construction (Construction segment), model or prototype construction for the automotive industry, pre-series and small series production, series production of components for large automotive manufacturers, testing and measurement solutions, solutions for specialized vehicles (Automotive Technology segment), complete conveyor systems, robotic gripping systems, valve technology, automation components for vehicle assembly, inert gas system equipment, metal search technology equipment, integrated control rooms and electric heat tracing systems (Engineering segment), orthotic devices, surgical stockings, optical lenses and full optical devices, surgical accessories, rehabilitation technology and hygienic products for medical applications and household use (Medical Engineering/Life Science segment), supplying rail technology, carbide tools for road construction and mining, manufacture of housings, blasting agents for the steel industry, bolt welding technology for structural connecting elements used in bridge construction (Metals Technology segment). For numerous contracts from the Construction/Infrastructure and Engineering segments, and for individual contracts in the Automotive Technology segment, income is realized over a period of time.

If the prerequisites for revenue recognition over time are met, the percentage of completion must be ascertained. Due to the reliability of the calculations, the cost to cost method is applied. Revenue is thus recognized based on the percentage of completion until the goods are transferred to the customer or until the service has been performed. Anticipated losses are recognized directly as expenses. If the prerequisites for recognition over time are not met, income realization takes place at a point in time. This is typically the point in time at which goods are transferred or the point in time when the customer accepts the contract liabilities.

The revenue recognized is the equivalent value that is expected for the transfer of goods or the performance of services. However, it must be probable that the revenue will not be subject to material correction. The general prerequisite is that the amount of revenue can be reliably determined and there is sufficient probability that INDUS will receive an economic benefit. Contracts with customers generally contain payment terms that are standard for the industry. Advance payments are in some cases agreed for contracts that lead to point-in-time sales recognition. Warranty agreements that are standard for the industry were recognized as provisions for product warranties in the amount of EUR 14,672 thousand (previous year: EUR 12,910 thousand).

Government grants are recognized and reduce the corresponding expenses. If the grants are granted for a prolonged period, deferred income is recognized and released to income over the term of the grant.

The **virtual stock options** ("stock appreciation rights" until 2020, "virtual performance shares" from 2021) granted as part of the previous (until 2020) and new (from 2021) long-term incentive program are classified as "share-based payment with cash settlement." Provisions are formed for these and measured at the fair value of the commitments.

In compliance with the provisions of IAS 7, the **statement of cash flows** is divided into cash flow from operating activities, investment activities and financing activities. Interest and dividends received are assigned to cash flows from operating activities. The figure for funds corresponds to the balance sheet item cash and cash equivalents and includes bank balances and cash on hand. Cash flow from operating activities is determined using the indirect method. Operating expenses and income with no effect on net cash are eliminated from cash flows from operating activities.

Preparation of the consolidated financial statements is influenced by **assumptions and estimates** that have an impact on the recognized value of assets, liabilities, and contingent liabilities, and on income and expenses. When estimates are made regarding the future, actual values may differ from the estimates. If the original basis for the estimates changes, the statement of the items in question is adjusted through profit and loss.

The coronavirus pandemic in 2021 continued to adversely affect the economic activities of the portfolio companies. This particularly includes the indirect effects of the pandemic, such as raw materials shortages, price increases and supply change bottlenecks. Balance sheet items based on estimates also depend on the further progression of the coronavirus pandemic, the emergence of new virus variants, progress with vaccinations and the effectiveness of vaccines, government action and the effects of the pandemic on financial and commodities markets.

The measurement of certain balance sheet items dated December 31, 2021 is therefore subject to increased uncertainty. In particular, goodwill, inventories, trade receivables, contract assets, deferred taxes on tax loss carryforwards, and provisions were affected.

In their corporate planning process the portfolio companies, which are affected very differently by COVID-19 depending on their business model, have taken this into account in their individual plans. The affected estimate-related forward-looking parameters may be interest rates, foreign currency rates, market risk premiums, payment defaults, good credit standing, revenue, new orders, and payment receipts. These planning assumptions are burdened with heightened uncertainty.

The effects of **climate change** were analyzed in the reporting year. INDUS identifies, monitors and reviews potential risks from climate change as part of its Group-wide risk management system. The risk management system is based on the individual, independent risk management systems in the portfolio companies.

INDUS has committed to achieve climate neutrality by 2045. An interim target for 2025 is to reduce greenhouse gas emissions by 35% compared with 2018. INDUS supports the portfolio companies in their efforts to conserve resources and avoid greenhouse gas emissions. The individual company plans were discussed in the context of the budget meetings and decisions were taken. INDUS will provide the portfolio companies with financial support in future from its sustainability development bank.

Environmental protection and energy efficiency are relevant in all manufacturing industries, and will remain important issues in the future. Energy prices and environmental standards will continue to rise over the long term. Increases in energy and commodities prices are a risk for the performance of the individual companies and the Group. Depending on the market situation and the portfolio company, these increases cannot always be passed on promptly and fully to customers. For this reason, INDUS expects investment in sustainable and energy-efficient production processes to increase. INDUS believes this will result in promising opportunities, particularly for companies in the Automotive Technology, Engineering, and Metals Technology segments in the medium term.

With regard to an impact on production conditions, the product portfolio, and the Group's performance as a result of global warming, INDUS does not expect the current situation to get worse in the forecast period. This is also due to the INDUS Group's high level of diversification in terms of locations, selling markets, and fields of business. The portfolio companies' products will nevertheless adapt to new requirements and leverage innovation to gain or maintain the best market positions. In financial year 2021, there was no indication that goodwill was impaired as a result of climate change.

Items on the statement of financial position are influenced by uncontrollable future events. This can result in bad debt losses, affect the useful lives of intangible assets or property, plant, and equipment, or similar; these are all risks inherent in commercial activity. The financial statement accounting of such items in the accounts is based on many years' experience and the assessment of current conditions.

Systemic uncertainties result from balance sheet items where expected future payments are discounted. These payments are dependent on future events about which assumptions must be made. Future interest rate levels can also affect the calculation of cash flow considerably. This is particularly the case in testing assets and cash-generating units for impairment, and calculating pension provisions using the projected unit credit method. Future tax-effective income is also applied to determine at what amount to value deferred tax assets.

Relevant uncertainties result from items that must be measured on the basis of a range of possible future circumstances. This applies in particular to other provisions and comparable obligations. Extensive accounting experience is very important in this regard, but it still regularly occurs that provision amounts in the financial statements have to be adjusted upward or downward.

In many cases there are no active markets with observable pricing to use in determining fair value. For financial statement accounting of business combinations, the fair value of balance sheet items acquired must be determined using standard valuation models which require assumptions regarding directly observable as well as potentially non-observable valuation mechanisms.

These financial statements are based on estimates and assumptions which reflect the latest information available to management. The necessity of having to make substantial valuation adjustments in future cannot be ruled out, as many relevant valuation parameters are beyond management's control.

For the 2022 financial year, INDUS does not on the whole anticipate events requiring material adjustment to balance sheet items in these financial statements. The assumptions made regarding conditions in the general economy and relevant markets in particular have been discussed in detail in the forecast report in the combined management report.

[4] Scope of Consolidation

In the consolidated financial statements, all subsidiary companies are fully consolidated if INDUS Holding AG has the direct or indirect possibility of controlling the companies' financial and business policy for the benefit of the INDUS Group. Control is in evidence if a company can exercise power of disposition on its subsidiaries and is subject to variable return flows and has the possibility of using its power of disposition to influence the amount of return flows. Associated companies whose financial and business policies can be significantly influenced are consolidated using the equity method. Companies purchased during the course of the financial year are consolidated as of the date on which control over their financial and business policy is transferred. Companies which are sold are no longer included in the scope of consolidation as of the date on which the business is transferred.

FULLY CONSOLIDATED SUBSIDIARIES

	Germany	International	Total	Of which equity interest of less than 100%
Dec. 31, 2021				
Construction/Infrastructure	29	9	38	5
Automotive Technology	23	18	41	2
Engineering	32	28	60	20
Medical Engineering/Life Science	6	10	16	4
Metals Technology	20	10	30	1
Other	8	0	8	0
Total	**118**	**75**	**193**	**32**
Dec. 31, 2020				
Construction/Infrastructure	26	9	35	2
Automotive Technology	29	22	51	3
Engineering	29	26	55	19
Medical Engineering/Life Science	6	10	16	5
Metals Technology	21	9	30	1
Other	8	0	8	0
Total	**119**	**76**	**195**	**30**

The list of equity interests in accordance with Section 313 of the German Commercial Code (HGB), which forms part of the Notes, is published with the consolidated financial statements in the German Federal Gazette.

The carrying amount of interests attributable to non-controlling shareholders is EUR 1,843 thousand (previous year: EUR 1,046 thousand). None of the non-controlling interests are significant individually.

Insofar as minority shareholders have a right to tender at the time of the initial consolidation that INDUS cannot withdraw from, and combination with a call/put option exists for INDUS, economic or anticipated ownership resides with INDUS and the affected shares are fully consolidated and recognized at fair value as a contingent purchase price commitment. As of the reporting date, purchase price commitments from minority interests with a right to tender of EUR 53,563 thousand (previous year: EUR 18,990 thousand) were recognized. Purchase price models exist for all material cases that allow an objective measurement of the shares taking into consideration the company-specific risk structure, which guarantees an exchange of non-controlling interests at fair value. INDUS may generally exercise its rights at contractually agreed exercising periods.

As of December 31, 2021, the scope of consolidation includes 35 limited liability companies (GmbH) as general partners that form a single company with the corresponding LLCs (December 31, 2020: 35 limited liability companies (GmbH) as general partners).

Additions to the scope of consolidation result from the acquisition or startup of companies.

Disposals from the scope of consolidation are the result of the sale of portfolio companies and one merger.

[5] Business Combinations

DISCLOSURES ON INITIAL CONSOLIDATION FOR THE CURRENT FINANCIAL YEAR

JST

By contract dated November 17, 2020, INDUS Holding AG has acquired all the members' shares in JST Jungmann Systemtechnik GmbH & Co. KG, Buxtehude. JST is an SME that provides integrated control room solutions and extensive know-how in the conceptual design, construction, and maintenance of control rooms. JST is assigned to the Engineering segment. The risks and rewards were transferred on January 4, 2021 and initial consolidation of JST took place on January 1, 2021.

The fair value of the total consideration amounted to EUR 28,182 thousand on the acquisition date. This consists of a cash component in the amount of EUR 27,256 thousand and a contingent purchase price payment in the amount of EUR 926 thousand, which was recognized and measured at fair value and results from an earn-out clause. The cash component was paid on January 4, 2021. The amount of the contingent purchase price commitment is determined on the basis of EBIT multiples and a forecast of the future-relevant EBIT.

Goodwill of EUR 6,267 thousand, determined in the course of the purchase price allocation, is tax-deductible. Goodwill is the residual amount of the total consideration less the value of the re-assessed acquired assets and assumed liabilities and does not represent the accountable potential earnings of the acquired company for the future or the expertise of the personnel.

In the purchase price allocation, the acquired assets and liabilities have been calculated as follows:

NEW ACQUISITION: JST (in EUR '000)

	Carrying amounts at the time of acquisition	Assets added due to initial consolidation	Addition to consolidated statement of financial position
Goodwill	0	6,267	6,267
Other intangible assets	0	20,241	20,241
Property, plant and equipment	137	0	137
Inventories	564	1,649	2,213
Receivables	864	0	864
Other assets*	660	0	660
Cash and cash equivalents	850	0	850
Total assets	**3,075**	**28,157**	**31,232**
Other provisions	364	0	364
Financial liabilities	0	0	0
Trade payables	278	0	278
Other equity and liabilities**	2,408	0	2,408
Total liabilities	**3,050**	**0**	**3,050**

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes
** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

The re-assessed intangible assets essentially comprise client relations and software.

The initial consolidation of JST took place in January 2021. JST contributed sales amounting to EUR 11,917 thousand and operating income (EBIT) of EUR -35 thousand to income.

The expenses affecting net income from initial consolidation of JST, i.e. subsequent valuation of the additional value and incidental acquisition costs identified in the purchase price allocation (PPA), reduced operating income by EUR 3,902 thousand. The incidental acquisition costs were recorded in the statement of income.

WIRUS

By contract dated March 19, 2021, INDUS Holding AG acquired 70% of the shares in WIRUS Fenster GmbH & Co. KG, Rietberg-Mastholte (Gütersloh). WIRUS' product range encompasses window frames made of plastic and aluminum, sliding, house and side doors, and privacy and sun-protection systems. The acquisition brings to the portfolio a profitable windows manufacturer with an above-average level of digitalization, underlining the Group's ambitions to expand in growth industries. WIRUS has been allocated to the Construction/Infrastructure segment. The risks and rewards were transferred on May 20, 2021 and initial consolidation of WIRUS took place on May 1, 2021.

The fair value of the total consideration amounted to EUR 55,811 thousand on the acquisition date. This consists of a cash component in the amount of EUR 33,735 thousand and a contingent purchase price payment in the amount of EUR 22,076 thousand, which was recognized and measured at fair value and results from call/put options. The cash component was paid on May 20, 2021. The amount of the contingent purchase price commitment is determined on the basis of EBIT multiples and a forecast of the future-relevant EBIT.

Goodwill of EUR 18,077 thousand, determined in the course of the purchase price allocation, is partially tax-deductible. Goodwill is the residual amount of the total consideration less the value of the re-assessed acquired assets and assumed liabilities and does not represent the accountable potential earnings of the acquired company for the future or the expertise of the personnel.

In the purchase price allocation, the acquired assets and liabilities have been calculated as follows:

NEW ACQUISITION: WIRUS (in EUR '000)

	Carrying amounts at the time of acquisition	Assets added due to initial consolidation	Addition to consolidated statement of financial position
Goodwill	0	18,077	18,077
Other intangible assets	10	32,461	32,471
Property, plant and equipment	6,125	6,062	12,187
Inventories	4,316	748	5,064
Receivables	4,668	0	4,668
Other assets	701	0	701
Cash and cash equivalents	1,035	0	1,035
Total assets	**16,855**	**57,348**	**74,203**
Pension provisions	804	0	804
Other provisions	2,347	0	2,347
Financial liabilities	3,615	0	3,615
Trade payables	3,701	0	3,701
Other equity and liabilities**	2,981	4,944	7,925
Total liabilities	**13,448**	**4,944**	**18,392**

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes
** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

The re-assessed intangible assets essentially comprise client relations and software.

The initial consolidation of WIRUS took place in May 2021. WIRUS contributed sales amounting to EUR 45,839 thousand and operating income (EBIT) of EUR 2,785 thousand to income in 2021. If WIRUS had been consolidated from January 1, 2021, revenue would have amounted to EUR 64,118 thousand and operating income (EBIT) to EUR 3,638 thousand.

The expenses affecting net income from initial consolidation of WIRUS, i.e. subsequent valuation of the additional value and incidental acquisition costs identified in the purchase price allocation (PPA), reduced operating income by EUR 3,200 thousand. The incidental acquisition costs were recorded in the statement of income.

FURTHER COMPANY ACQUISITIONS

With contract and effect as of July 1, 2021, HORNGROUP Holding GmbH & Co. KG acquired 80% of the shares in FLACO Geräte GmbH, Gütersloh. FLACO manufactures products and systems for fluid management in workshops, fueling stations and industrial plants. FLACO complements the product portfolio and competence profile of the HORNGROUP and is an innovative and leading technical specialist, particularly for AdBlue fueling. The SME generates annual sales of around EUR 12 million. FLACO is assigned to the Engineering segment.

With contract and effect as of December 22, 2021, HORNGROUP Holding GmbH & Co. KG acquired another 35% of the shares in TECALEMIT, Inc. Delaware, from the company founder. The previous 50% stake in TECALEMIT, Inc. was included in the INDUS consolidated financial statements using the equity method. TECALEMIT Inc. is allocated to the Engineering segment.

The fair value of the total consideration for the additional company acquisitions amounted to EUR 16,255 thousand on the acquisition date. This consists of a cash component in the amount of EUR 10,124 thousand and a contingent purchase price payment in the amount of EUR 6,132 thousand, which was recognized and measured at fair value and results from an earn-out clause and call/put options. The cash component was paid on July 1, 2021 and

December 23, 2021. The amount of the contingent purchase price commitment is determined on the basis of EBIT multiples and a forecast of the future-relevant EBIT. The fair value of the previous 50% stake was EUR 5,833 thousand as of the acquisition date.

Goodwill of EUR 6,275 thousand, determined in the course of the purchase price allocation, is not tax-deductible.

Goodwill is the residual amount of the total consideration less the value of the re-assessed acquired assets and assumed liabilities and does not represent the accountable potential earnings of the acquired company for the future or the expertise of the personnel.

In the preliminary purchase price allocation, the acquired assets and liabilities have been calculated as follows:

NEW ACQUISITION: FURTHER ACQUISITIONS (in EUR '000)

	Carrying amounts at the time of acquisition	Assets added due to initial consolidation	Addition to consolidated statement of financial position
Goodwill	0	6,275	6,275
Other intangible assets	0	9,924	9,924
Property, plant and equipment	1,687	0	1,687
Inventories	4,483	1,386	5,869
Receivables	1,874	0	1,874
Other assets*	714	0	714
Cash and cash equivalents	1,902	0	1,902
Total assets	**10,660**	**17,585**	**28,245**
Pension provisions	135	0	135
Other provisions	169	0	169
Financial liabilities	36	0	36
Trade payables	1,783	0	1,783
Other equity and liabilities**	902	3,131	4,033
Total liabilities	**3,025**	**3,131**	**6,156**

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes
** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

The re-assessed intangible assets essentially comprise client relations.

FLACO was consolidated for the first time in July 2021 and TECALEMIT, Inc. on December 31, 2021. Other company acquisitions contributed sales amounting to EUR 6,697 thousand and operating income (EBIT) of EUR -111 thousand to income in the financial year 2021. If FLACO and TECALEMIT, Inc. had been consolidated from January 1, 2021, revenue would have amounted to EUR 26,504 thousand and operating income (EBIT) to EUR 4,025 thousand.

The expenses affecting net income from initial consolidation of FLACO, i.e. subsequent valuation of the additional value and incidental acquisition costs identified in the purchase price allocation (PPA), reduced operating income by EUR 815 thousand. The incidental acquisition costs were recorded in the statement of income.

DISCLOSURES ON INITIAL CONSOLIDATION IN 2022

HEIBER UND SCHRÖDER

By contract dated December 17, 2021, INDUS Holding AG acquired 100% of the shares in Heiber und Schröder Maschinenbau GmbH (HEIBER + SCHRÖDER) in Erkrath. HEIBER + SCHRÖDER is an SME provider of special machinery for the cardboard industry, supplying its products to packaging manufacturers worldwide, especially suppliers to the food, cosmetic, household goods and toy sectors. Heiber und Schröder Maschinenbau GmbH has a subsidiary, Heiber Schroeder USA Inc., based in Cary, Illinois. HEIBER + SCHRÖDER is assigned to the Engineering segment. The economic transfer and the initial consolidation of the transaction are expected to take place in the second quarter 2022.

[6] Company Disposals

DISCLOSURES ON DECONSOLIDATION FOR THE CURRENT FINANCIAL YEAR

DISPOSAL OF WIESAUPLAST

On November 29, 2021, INDUS signed an agreement on the sale of WIESAUPLAST GmbH & Co. KG and its subsidiaries from the Automotive Technology segment. WIESAUPLAST had been part of INDUS since 1997 and specializes in the series supply of high-precision and safety-related parts for the automotive industry. WIESAUPLAST was deconsolidated effective December 30, 2021. The WIESAUPLAST Group was sold to a strategic investor.

The following assets and liabilities were disposed of in the course of the sale:

DISINVESTMENT: WIESAUPLAST

	Disposal consolidated statement of financial position
Other intangible assets	1,466
Property, plant and equipment	10,499
Financial investments	0
Inventories	10,438
Receivables	9,868
Other assets*	4,930
Cash and cash equivalents	2,151
Total assets	**39,352**
Pension provisions	4,204
Other provisions	3,327
Financial liabilities	123
Trade payables	2,356
Other equity and liabilities**	4,994
Total liabilities	**15,004**

* Other assets: other non-current assets, other current assets, deferred taxes, current income taxes

** Other equity and liabilities: other non-current liabilities, other current liabilities, deferred taxes, current income taxes

Notes to the Statement of Income

[7] Revenue

Revenues include EUR 187,829 thousand in revenues using measurement over time (previous year: EUR 193,033 thousand). Also included is EUR 17,991 thousand in revenue from services (previous year: EUR 13,859 thousand). A breakdown of revenue by reportable segments can be found under segment reporting [33].

[8] Other operating income

in EUR '000	2021	2020
Income from the reversal of provisions	6,389	5,322
Income from currency conversion	5,282	312
Income from asset disposals	3,617	2,166
Reversal of valuation allowances	2,226	2,163
Transfer to earnings/release of deferrals carried as liabilities	1,241	1,123
Insurance compensation	1,733	1,423
Income from rental and lease agreements	361	364
Appreciation/reversal of impairment on property, plant, and equipment	0	1,120
Gains from tax inspections	0	754
Other operating income	7,527	7,343
Total	**28,376**	**22,090**

Income from currency conversion of EUR 5,282 thousand (previous year: EUR 312 thousand) is offset by expenses of EUR -4,318 thousand (previous year: EUR -5,768 thousand). The figure from exchange rate differences recognized in income therefore amounts to EUR 964 thousand (previous year: EUR -5,456 thousand).

[9] Own work capitalized

in EUR '000	2021	2020
Other own work capitalized	2,808	1,950
Own work capitalized in accordance with IAS 38	3,217	4,417
Total	**6,025**	**6,367**

Expenses for research and development not eligible for capitalization of EUR 20,424 thousand (previous year: EUR 18,925 thousand) were recognized for the period.

[10] Change in Inventories

in EUR '000	2021	2020
Work in process	35,113	4,598
Finished goods	-11,445	-32,139
Total	**23,668**	**-27,541**

[11] Cost of Materials

in EUR '000	2021	2020
Raw materials, consumables and supplies, and purchased merchandise	-709,031	-586,227
Purchased services	-108,584	-103,879
Total	**-817,615**	**-690,106**

[12] Personnel Expenses

in EUR '000	2021	2020
Wages and salaries	-444,459	-423,721
Social security	-80,957	-76,196
Pensions	-3,660	-1,090
Total	**-529,076**	**-501,007**

Personnel expenses do not include the interest component from the transfer to pension provisions. This is recognized in net interest at EUR 367 thousand (previous year: EUR 496 thousand).

During the financial year, subsidies for social insurance contributions based on governmental COVID-19 support in the amount of EUR 1,067 thousand (previous year: EUR 2,604 thousand) were recognized as personnel expenses with an effect on net income.

[13] Depreciation/Amortization

in EUR '000	2021	2020
Depreciation/amortization	-96,793	-92,078
Impairment	-8,189	-40,552
Total	**-104,982**	**-132,630**

This item includes both depreciation/amortization and impairments. Impairment losses of EUR 5,710 thousand were recognized in the course of regular impairment testing as of September 30, 2021 and impairment losses of EUR 2,479 thousand were recognized in connection with the disposal of WIESAUPLAST, adding up to EUR 8,189 thousand in total for the current financial year (previous year: impairment losses as of June 30 and September 30.) The impairment relates to goodwill in the amount of EUR 2,529 thousand (previous year: EUR 33,916 thousand), intangible assets in the amount of EUR 461 thousand (previous year: EUR 1,468 thousand) and property, plant and equipment in the amount of EUR 5,199 thousand (previous year: EUR 5,168 thousand). All impairment in the financial year was recognized in the Automotive Technology segment (previous year: Automotive Technology EUR 33,769 thousand, Engineering EUR 2,300 thousand, Metals Technology EUR 4,483 thousand).

[14] Other Operating Expenses

in EUR '000	2021	2020
Selling expenses	-93,909	-79,225
Operating expenses	-68,366	-63,210
Administrative expenses	-54,531	-51,128
Other expenses	-15,688	-17,084
Total	**-232,494**	**-210,647**

SELLING EXPENSES

in EUR '000	2021	2020
Shipping, packaging and commissions	-56,284	-45,425
Vehicle, travel and entertainment expenses	-15,423	-14,244
Marketing and trade fairs	-9,709	-7,709
Receivables and guarantees	-9,258	-9,219
Other selling expenses	-3,235	-2,628
Total	**-93,909**	**-79,225**

OPERATING EXPENSES

in EUR '000	2021	2020
Machinery and plant: rent and maintenance	-25,284	-23,016
Land and buildings: leases and occupancy costs	-14,896	-14,552
Energy, supplies, tools	-17,726	-15,407
Other operating expenses	-10,460	-10,235
Total	**-68,366**	**-63,210**

ADMINISTRATIVE EXPENSES

in EUR '000	2021	2020
EDP, office, and communication services	-17,077	-15,943
Consulting and fees	-19,043	-19,845
Insurance	-5,205	-4,729
Human resources administration and continuing education	-6,420	-5,238
Other administrative costs	-6,786	-5,373
Total	**-54,531**	**-51,128**

OTHER EXPENSES

in EUR '000	2021	2020
Cost of currency conversion	-4,318	-5,768
Losses due to deconsolidation of companies	-838	-4,300
Disposal of fixed assets	-1,700	-858
Other	-8,832	-6,158
Total	**-15,688**	**-17,084**

Expenses for short-term leases of EUR 216 thousand (previous year: EUR 193 thousand) and for low-value leased assets of EUR 434 thousand (previous year: EUR 335 thousand) are included in various items of other operating expenses.

[15] Financial Income

in EUR '000	2021	2020
Interest and similar income	177	270
Interest and similar expenses	-14,667	-16,459
Net interest	**-14,490**	**-16,189**
Income from shares accounted for using the equity method	**1,082**	**787**
Minority interests	-3,378	-539
Expense from/amortization of financial assets	-9	-103
Income from financial investments	468	598
Other financial income	**-2,919**	**-44**
Total	**-16,327**	**-15,446**

Interest expenses include interest expenses for lease liabilities pursuant to IFRS 16 of EUR 1,854 thousand (previous year: EUR 1,795 thousand). The “minority interests” item includes an effect on income from the subsequent valuation of the contingent purchase price liabilities (call/put options) of EUR 4,226 thousand (previous year: EUR 2,380 thousand) and earnings after taxes that external entities are entitled to from shares in limited partnerships and stock corporations with call/put options.

[16] Taxes

in EUR '000	2021	2020
Non-recurring taxes	-906	444
Current taxes	-46,921	-41,171
Deferred taxes	-3,682	4,191
Total	**-51,509**	**-36,536**

Non-recurring taxes were primarily due to changes resulting from external tax audits.

SPECIAL TAX ASPECTS

INDUS Holding AG’s business model is based on the idea of building up a portfolio of small and medium-sized niche enterprises, which hold leading positions on their respective markets. Synergies play a subordinate role when INDUS Holding AG acquires subsidiaries. Each company is responsible for its own results, supported if necessary by the holding company’s resources.

In the past, INDUS focused its acquisitions above all on German limited partnerships. The acquisition of a limited partnership has tax consequences as follows:

The value added from the purchase price allocation for tax purposes is deductible as depreciation/amortization from supplementary tax statements, distributed over the respective useful life. This means that the tax assessment base is reduced by the depreciation/amortization. Even for companies with buoyant earnings, this can result in a tax loss with corresponding tax savings, in trade tax at limited partnerships and in corporate income tax at INDUS Holding AG.

Deferred taxes on tax loss carryforwards are only capitalized by the Group if sufficient taxable income can be assumed.

Trade tax is due at the level of the limited partnerships. Offsetting tax gains and losses between limited partnerships is not permitted for trade tax. The taxable income of partnerships is ascribed to INDUS Holding AG and then subjected to corporate income tax. No tax group contracts have been concluded with limited liability companies. Various companies (foreign and domestic stock corporations as well as limited partnerships with respect to their income taxes) did not generate sufficient taxable income to utilize tax losses. This situation is reflected in the item "No offsetting of income for autonomous subsidiaries."

RECONCILIATION FROM EXPECTED TO ACTUAL TAX EXPENSES (in EUR '000)

	2021	2020
Earnings before income taxes	99,073	9,634
Expected tax expenses 29.6% (previous year: 29.6%)	29,326	2,852
Reconciliation		
Non-recurring taxes	906	-444
Measurement of associated companies according to the equity method	-320	-233
Amortization of goodwill corporations	354	5,891
Structural effects of		
divergent local tax rates	743	532
divergent national tax rates	-2,116	-643
Corporate acquisition transaction costs	306	65
Capitalization or valuation allowance of deferred tax loss carryforwards	3,012	2,917
Use of actual tax loss carryforward	-2,536	-176
No offsetting of income for autonomous subsidiaries	18,977	19,977
Income attributable to other shareholders	1,000	159
Effects of the interest barrier on INDUS Holding AG	652	384
Other non-deductible expenses and tax-free income	1,205	5,255
Actual tax expenses	**51,509**	**36,536**
as a percentage of income	52.0	379.2

At a corporate income tax rate of 15% (previous year: 15%), and after taking into consideration the average trade tax assessment multiplier of 395% (previous year: 395%) and an unchanged solidarity surcharge of 5.5%, the income tax rate for domestic companies comes to 29.6% (previous year: 29.6%).

[17] Earnings per Share

Earnings came to EUR 1.78 per share (previous year: EUR -1.10 per share). The weighted average number of shares in circulation remained unchanged in the current year at 26,332,863 (previous year: 24,450,509). The increase in the weighted average number of shares in circulation stems from the capital increase of 2,445,050 shares to 26,895,559 shares on March 26, 2021. See item [27] for further details.

in EUR '000	2021	2020
Income attributable to INDUS shareholders	**46,809**	**59,457**
Weighted average shares outstanding (in thousands)	26,333	24,451
Earnings per share (in EUR)	1.78	-1.10

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Notes on the Consolidated Statement of Financial Position

[18] Goodwill

Individual goodwill, summarized at segment level, is as follows:

FIXED ASSET SCHEDULE – GOODWILL (in EUR '000)

	Carrying amount as of Jan. 1, 2021	Changes in scope of consolidation	Addition	Disposal	Impairment	Exchange rate difference	Carrying amount as of Dec. 31, 2021
Construction/Infrastructure	115,759	18,077	0	0	0	354	134,190
Automotive Technology	21,913	0	0	0	-2,529	-9	19,375
Engineering	150,581	12,542	0	0	0	431	163,554
Medical Engineering/Life Science	69,639	0	0	0	0	0	69,639
Metals Technology	23,040	0	0	0	0	0	23,040
Total goodwill	**380,932**	**30,620**	**0**	**0**	**-2,529**	**775**	**409,798**

	Carrying amount as of Jan. 1, 2020	Changes in scope of consolidation	Addition	Disposal	Impairment	Exchange rate difference	Carrying amount as of Dec. 31, 2020
Construction/Infrastructure	115,722	0	0	0	0	37	115,759
Automotive Technology	51,259	0	0	0	-29,223	-123	21,913
Engineering	153,232	0	0	0	-2,300	-351	150,581
Medical Engineering/Life Science	69,639	0	0	0	0	0	69,639
Metals Technology	25,317	0	0	0	-2,393	116	23,040
Total goodwill	**415,169**	**0**	**0**	**0**	**-33,916**	**-321**	**380,932**

IMPAIRMENT TESTING OF GOODWILL

The impairment test compares the recoverable value of the cash-generating unit (CGU) against the carrying amount including goodwill. INDUS typically uses the value in use to determine the recoverable value.

ANNUAL IMPAIRMENT TEST AS OF SEPTEMBER 30, 2021

The annual impairment test for all goodwill was performed as of September 30, 2021. The latest projections were available from all portfolio companies for the purposes of this test. The planning premises take into account both current knowledge and historical developments.

In accordance with the detailed planning periods of usually three years, future cash flows are extrapolated with a global growth rate of 1.0% (previous year: 1.0%). The payments determined in this manner are discounted using capital cost rates. These are based on risk-free interest rates of 0.093% (previous year: 0.00%), a market risk premium of 7.50% (previous year: 8.00%) and segment-specific beta coefficients derived by a peer group and borrowing rates. The market risk premium was increased the previous year due to the coronavirus pandemic and the related uncertainty on capital markets. The market risk premium was reduced again in the reporting year as the situation was more stable. The following pre-tax cost of capital rates were applied: Construction/Infrastructure 8.7% (previous year: 8.5%); Automotive Technology 8.7% (previous year: 9.5%); Engineering 9.1% (previous year: 9.3%); Medical Engineering/Life Science 6.1% (previous year: 6.7%) and Metals Technology 8.7% (previous year: 8.6%).

The annual impairment test resulted in impairment losses on goodwill of EUR 2,342 thousand. The impairment losses relate to a cash-generating unit in the Automotive Technology segment. The impairment losses are due to worse future prospects in this cash-generating unit (CGU). The carrying amount of goodwill before impairment losses amounted to EUR 2,342 thousand. In the same period of the previous year, goodwill impairment losses of EUR 2,300 thousand were recognized relating to the Engineering segment.

In the previous year, an additional impairment test was performed as of June 30, 2020, due to the coronavirus crisis. The test performed resulted in impairment losses on goodwill of EUR 31,616 thousand. The impairment losses related to the Automotive Technology segment in the amount of EUR 29,223 thousand and to the Metals Technology segment in the amount of EUR 2,393 thousand.

An increase in the cost of capital before tax by 0.5 percentage points would not lead to any additional goodwill impairment losses (previous year: EUR 5,051 thousand). A decrease in the growth rate of 1.0 percentage point would lead to additional goodwill impairments of EUR 252 thousand (previous year: EUR 6,868 thousand).

[19] Right-of-use Assets From Leasing/Rent

The carrying amounts of the right-of-use assets from leasing/rent have changed as follows:

FIXED ASSET SCHEDULE – RIGHT-OF-USE ASSETS FROM LEASING/RENT (in EUR '000)

	Carrying amount as of Jan. 1, 2021	Addition	Disposal	Addition depreciation	Disposal depreciation	Reclassification/ Currency differences	Carrying amount as of Dec. 31, 2021
Right-of-use assets – land and buildings	70,609	19,260	3,143	13,563	2,756	522	76,441
Right-of-use assets – technical equipment and machinery	8,271	3,930	1,464	3,055	1,414	127	9,223
Right-of-use assets – vehicles	5,484	5,613	3,123	4,425	3,053	-7	6,595
Right-of-use assets – other leasing/rent	1,416	442	543	727	562	-7	1,143
Total right-of-use assets from leasing/rent	**85,780**	**29,245**	**8,273**	**21,770**	**7,785**	**635**	**93,402**

	Carrying amount as of Jan. 1, 2020	Addition	Disposal	Addition depreciation	Disposal depreciation	Reclassification/ Currency differences	Carrying amount as of Dec. 31, 2020
Right-of-use assets – land and buildings	60,639	24,091	1,544	13,442	1,507	-642	70,609
Right-of-use assets – technical equipment and machinery	7,430	4,400	966	3,058	499	-34	8,271
Right-of-use assets – vehicles	6,416	3,522	1,716	4,428	1,711	-21	5,484
Right-of-use assets – other leasing/rent	1,253	1,164	605	1,002	605	1	1,416
Total right-of-use assets from leasing/rent	**75,738**	**33,177**	**4,831**	**21,930**	**4,322**	**-696**	**85,780**

The INDUS Group primarily recognizes right-of-use assets for land and buildings. These relate both to administration buildings and to production facilities and warehouses. The leased technical equipment generally concerns machinery necessary for production processes. The leases are agreed individually. The right-of-use assets from these have estimated total economic lives of up to 50 years. The corresponding financial liabilities are explained in more detail under [30].

[20] Development of Goodwill, Other Intangible Assets, Tangible Fixed Assets, and Investment Property

PURCHASE/MANUFACTURING COSTS IN 2021

(in EUR '000)

	Opening balance Jan. 1, 2021	Changes in scope of consolidation	Addition	Disposal	Reclassification	Exchange rate difference	Closing balance Dec. 31, 2021
Goodwill	**478,848**	**25,183**	**0**	**0**	**0**	**785**	**504,816**
Capitalized development costs	36,726	0	3,217	-227	217	109	40,042
IP rights, concessions, other intangible assets	228,136	57,254	5,688	-1,829	671	469	290,389
Total other intangible assets	**264,862**	**57,254**	**8,905**	**-2,056**	**888**	**578**	**330,431**
Land and buildings	326,828	-34,417	5,154	-5,215	20,866	2,694	315,910
Technical equipment and machinery	464,726	-35,811	21,772	-19,495	5,821	2,166	439,179
Other equipment, factory and office equipment	210,294	-7,238	12,426	-13,001	1,437	845	204,763
Advance payments and facilities under construction	26,685	484	31,990	-1,224	-28,987	24	28,972
Total property, plant and equipment	**1,028,533**	**-76,982**	**71,342**	**-38,935**	**-863**	**5,729**	**988,824**
Investment property	**12,232**	**0**	**0**	**0**	**0**	**0**	**12,232**

AMORTIZATION 2021

(in EUR '000)

	Opening balance Jan. 1, 2021	Changes in scope of consolidation	Addition	Appreciation	Disposal	Reclassification	Exchange rate difference	Closing balance Dec. 31, 2021
Goodwill	**97,916**	**-5,436**	**2,529**	**0**	**0**	**0**	**9**	**95,018**
Capitalized development costs	20,645	0	3,201	0	-1	0	107	23,952
IP rights, concessions, other intangible assets	151,151	-4,012	17,880	0	-1,698	7	334	163,662
Total other intangible assets	**171,796**	**-4,012**	**21,081**	**0**	**-1,699**	**7**	**441**	**187,614**
Land and buildings	115,527	-36,784	14,437	0	-2,176	-18	912	91,898
Technical equipment and machinery	361,720	-35,686	26,980	0	-18,523	392	1,419	336,302
Other equipment, factory and office equipment	145,818	-8,022	18,029	0	-12,145	-357	691	144,014
Advance payments and facilities under construction	0	0	0	0	0	0	0	0
Total property, plant and equipment	**623,065**	**-80,492**	**59,446**	**0**	**-32,844**	**17**	**3,022**	**572,214**
Investment property	**6,294**	**0**	**156**	**0**	**0**	**0**	**0**	**6,450**

PURCHASE/MANUFACTURING COSTS IN 2020

(in EUR '000)

	Opening balance Jan. 1, 2020	Changes in scope of consolidation	Addition	Disposal	Reclassification	Exchange rate difference	Closing balance Dec. 31, 2021
Goodwill	**484,010**	**-4,798**	**0**	**0**	**0**	**-364**	**478,848**
Capitalized development costs	32,298	0	4,417	0	0	11	36,726
IP rights, concessions, other intangible assets	226,937	-883	4,021	-2,202	733	-470	228,136
Total other intangible assets	**259,235**	**-883**	**8,438**	**-2,202**	**733**	**-459**	**264,862**
Land and buildings	336,493	-1,246	2,867	-1,814	-8,041	-1,431	326,828
Technical equipment and machinery	476,477	-18,016	13,346	-8,953	4,841	-2,969	464,726
Other equipment, factory and office equipment	208,070	-2,764	10,948	-9,259	3,908	-609	210,294
Advance payments and facilities under construction	20,322	0	16,560	-556	-9,587	-54	26,685
Total property, plant and equipment	**1,041,362**	**-22,026**	**43,721**	**-20,582**	**-8,879**	**-5,063**	**1,028,533**
Investment property	**3,673**	**0**	**46**	**0**	**8,513**	**0**	**12,232**

AMORTIZATION 2020

(in EUR '000)

	Opening balance Jan. 1, 2020	Changes in scope of consolidation	Addition	Appreciation	Disposal	Reclassification	Exchange rate difference	Closing balance Dec. 31, 2020
Goodwill	**68,841**	**-4,798**	**33,916**	**0**	**0**	**0**	**-43**	**97,916**
Capitalized development costs	17,557	0	3,081	0	0	0	7	20,645
IP rights, concessions, other intangible assets	140,269	-883	13,816	0	-2,023	201	-229	151,151
Total other intangible assets	**157,826**	**-883**	**16,897**	**0**	**-2,023**	**201**	**-222**	**171,796**
Land and buildings	114,034	-1,246	10,256	-1,078	-652	-5,331	-456	115,527
Technical equipment and machinery	358,557	-18,016	30,083	-21	-7,140	171	-1,914	361,720
Other equipment, factory and office equipment	138,092	-2,764	19,415	0	-8,455	-4	-466	145,818
Advance payments and facilities under construction	0	0	0	0	0	0	0	0
Total property, plant and equipment	**610,683**	**-22,026**	**59,754**	**-1,099**	**-16,247**	**-5,164**	**-2,836**	**623,065**
Investment property	**830**	**0**	**133**	**0**	**0**	**5,331**	**0**	**6,294**

Intangible assets have definable useful lives. Change in scope of consolidation impacts additions in accordance with IFRS 3. As of the reporting date, the residual carrying amounts of other intangible assets, property, plant, and equipment, and investment properties are:

RESIDUAL CARRYING AMOUNTS OF FIXED ASSETS (in EUR '000)

	Dec. 31, 2021	Dec. 31, 2020
Goodwill	409,798	380,932
Capitalized development costs	16,090	16,081
IP rights, concessions, other intangible assets	126,727	76,985
Total other intangible assets	**142,817**	**93,066**
Land and buildings	224,012	211,303
Technical equipment and machinery	102,877	103,006
Other equipment, factory and office equipment	60,749	64,476
Advance payments and facilities under construction	28,972	26,685
Property, plant and equipment	**416,610**	**405,470**
Investment property	**5,782**	**5,938**

[21] Financial Investments

in EUR '000	Dec. 31, 2021	Dec. 31, 2020
Other investments	2,517	2,509
Other loans	6,277	4,621
Total	**8,794**	**7,130**

Other loans largely relate to tenant loans originated by the company recognized at amortized costs. Other loans are partially settled without interest, largely with interest rates suitable for their duration and long-term fixed interest rates. There were no defaults in either financial year.

[22] Shares Accounted for Using the Equity Method

As of December 31, 2021, the carrying amounts of shares accounted for using the equity method totaled EUR 4,578 thousand (previous year: EUR 7,527 thousand).

The table below presents additional data on investments measured using the equity method:

in EUR '000	2021	2020
Purchase price of associated companies	5,044	6,583
Appropriated income in the period	1,082	787
Key figures of the associated companies:		
Assets	8,910	15,822
Liabilities	4,017	5,199
Capital	4,892	10,624
Revenue	23,475	20,454
Earnings	2,163	1,576

In the course of the acquisition by stages of TECALEMIT, Inc. the previous 50% stake was remeasured as of December 31, 2021 in accordance with IFRS 3.42. Remeasurement income of EUR 2,394 thousand was recognized in other operating income.

[23] Other Assets

in EUR '000	Dec. 31, 2021	Dec. 31, 2020
Accrual of payments not relating to the reporting period	6,111	6,633
Other tax refund claims	3,788	3,846
Long-term receivables	659	750
Reinsurance premiums	977	702
Loans and other receivables	553	858
Positive market value of derivatives	0	145
Contract initiation costs	2,627	2,435
Other assets	24,299	8,948
Total	**39,014**	**24,317**
of which current	35,538	20,402
of which non-current	3,476	3,915

In the other assets, contract initiation costs in the amount of EUR 2,627 thousand (previous year: EUR 2,435 thousand), which are recognized at the nominal value of the payments made, were activated. The contract initiation costs are realized over the term of the contracts depending on the supplied amounts of the total volume. No deliveries were made during the past financial year.

[24] Deferred Taxes and Current Income Taxes

The origin of the deferred tax assets and liabilities is broken down by statement of financial position item as follows:

2021 (in EUR '000)	Assets	Liabilities	Balance
Goodwill of limited partnerships	672	-25,105	-24,433
Intangible assets	781	-47,605	-46,824
Property, plant and equipment	7,905	-7,621	284
Receivables and inventories	27,520	-353	27,167
Other current assets	3,754	-1,176	2,578
Non-current provisions	8,334	-20	8,314
Other current equity and liabilities	27,018	-33,909	-6,891
Capitalization of loss carryforwards	5,007	0	5,007
Netting	-67,220	67,220	0
Deferred taxes	**13,771**	**-48,569**	**-34,798**

2020 (in EUR '000)	Assets	Liabilities	Balance
Goodwill of limited partnerships	3,697	-20,437	-16,740
Intangible assets	606	-45,807	-45,201
Property, plant and equipment	1,758	-4,356	-2,598
Receivables and inventories	660	-1,319	-659
Other current assets	54	-205	-151
Non-current provisions	12,406	0	12,406
Other current equity and liabilities	26,333	-975	25,358
Capitalization of loss carryforwards	7,468	0	7,468
Netting	-40,990	40,990	0
Deferred taxes	**11,992**	**-32,109**	**-20,117**

Netting is undertaken for income tax which is due to the same tax authority. This relates mainly to the corporate income tax of INDUS Holding AG and those of its German subsidiaries, which are incorporated companies by law.

Deferred tax liabilities result mainly from the calculation of deferred taxes on the tax-deductible goodwill of limited partnerships. For tax purposes, rules governing the purchase price allocation are similar to those under IFRS for limited partnerships, and the resulting assets – and goodwill of a fiscal nature – are tax-deductible. As goodwill is no longer amortized in accordance with IFRS, deferred taxes will henceforth be accrued in line with the amortization of fiscal goodwill as per the conditions set forth in IAS 12.21B. Deferred taxes must be recognized before the company is sold.

Changes in the balance of deferred taxes are explained in the following tables:

CHANGE IN DEFERRED TAXES

(in EUR '000)

	Jan. 1, 2021	Income statement	Other	Dec. 31, 2021
Trade tax	4,825	-477	0	4,348
Corporation tax	1,465	-806	0	659
Foreign tax	1,178	-1,178	0	0
Capitalization of loss carryforwards	**7,468**	**-2,461**	**0**	**5,007**
Other deferred taxes	-27,585	-2,594	-9,626	-39,805
Deferred taxes	**-20,117**	**-5,055**	**-9,626**	**-34,798**

	Jan. 1, 2020	Income statement	Other	Dec. 31, 2020
Trade tax	4,421	404	0	4,825
Corporation tax	2,114	-649	0	1,465
Foreign tax	3,460	-2,282	0	1,178
Capitalization of loss carryforwards	**9,995**	**-2,527**	**0**	**7,468**
Other deferred taxes	-33,877	6,718	-426	-27,585
Deferred taxes	**-23,882**	**4,191**	**-426**	**-20,117**

Other changes in deferred taxes break down as follows:

in EUR '000	2021	2020
Reserves for mark-to-market valuation of hedging instruments (cash flow hedge)	-264	-332
Currency conversion reserve	-1,072	244
Pension provisions (actuarial gains/ losses)	-899	351
Transfer to retained earnings	-689	-689
Change in scope of consolidation	-6,702	0
Total	**-9,626**	**-426**

Recognized deferred taxes are based on tax loss carryforwards of EUR 34,823 thousand (previous year: EUR 41,406 thousand).

Other tax loss carryforwards amounting to a total of EUR 395,328 thousand (previous year: EUR 310,533 thousand), where the probability of realization in the next years is unlikely, were not capitalized. These are largely trade tax loss carryforwards, resulting from the special tax aspects of the INDUS Group, as described under [16]. Future potential realization possibilities are therefore determined by the trade tax rate that is applicable at the time. The largest individual item is the holding company's trade tax loss carryforward. Utilization of the tax loss carryforwards is not subject to any time restrictions.

Deferred tax assets of EUR 4,636 thousand (previous year: EUR 4,133 thousand) were recognized in addition to deferred tax liabilities at companies that recently incurred tax losses, since on the basis of the earnings projections it is more probable than not that there will be taxable profits to offset against them.

For temporary differences associated with shares in subsidiaries, no deferred tax liabilities have been recognized because INDUS Holding AG is able to control the timing of the reversal of the temporary differences and no liquidation of the differences (through disposal or distribution) is planned. The differences in the net assets of the subsidiaries structured as a limited company and the tax base, which is generally the acquisition cost, came to EUR 50,944 thousand (previous year: EUR 55,284 thousand). The total of the unrecognized temporary differences associated with investments in subsidiaries is EUR 5,587 thousand (previous year: EUR 5,094 thousand).

[25] Inventories

in EUR '000	Dec. 31, 2021	Dec. 31, 2020
Raw materials, consumables, and supplies	160,589	120,836
Unfinished goods	102,205	80,319
Finished goods and goods for resale	118,854	111,011
Advance payments	22,246	20,297
Total	**403,894**	**332,463**

The carrying amounts for inventories include depreciation of EUR 26,781 thousand (previous year: EUR 24,039 thousand).

[26] Receivables

in EUR '000	Dec. 31, 2021	Dec. 31, 2020
Receivables from customers	153,646	149,081
Contract receivables	13,402	10,699
Receivables from associated companies	1,842	2,163
Total	**168,890**	**161,943**

In the current reporting year, EUR 659 thousand of receivables from customers with a payment term of over one year have been recognized (previous year: EUR 750 thousand).

Receivables include contract receivables with revenue recognized according to the measurement-over-time method. The level of contract receivables increased due to new orders in accordance with the measurement-over-time method and advanced order completions. On the other hand, there were reductions due to billing. The following table contains further information about contract receivables:

in EUR '000	2021	2020
Costs incurred including prorated income	111,173	88,610
Advance payments received	125,148	103,226
Contract receivables	13,402	10,699
Contract liabilities	27,377	25,315

Contract liabilities relate to contracts with revenue recognition over time exhibiting an offset surplus of received prepayments. These are shown under other liabilities in the statement of financial position. Of the contract liabilities recognized in the amount of EUR 25,315 thousand in the previous year, EUR 18,582 thousand were recognized as revenue in the reporting year. As of December 31, 2021, there are contract liabilities with allocated transaction prices of EUR 154,479 thousand (previous year: EUR 156,009 thousand). These are scheduled to be realized as revenue within the next 1 to 30 months.

The receivables include valuation allowances of EUR 4,756 thousand (previous year: EUR 5,946 thousand). The development is depicted below:

in EUR '000	2021	2020
Valuation allowances as of Jan. 1	**5,946**	**7,883**
Currency difference	37	-44
Change in scope of consolidation	286	-15
Additions	1,740	2,226
Utilization	-1,204	-2,253
Reversals	-2,049	-1,851
Valuation allowances as of Dec. 31	**4,756**	**5,946**

Receivables in the amount of EUR 349 thousand (previous year: EUR 921 thousand) were derecognized through profit and loss in the financial year.

[27] Equity

SUBSCRIBED CAPITAL

The capital stock came to EUR 69,928,453.64 on the reporting date (previous year: EUR 63,571,323.62). Capital stock consists of 26,895,559 (previous year: 24,450,509) no-par-value shares. A capital increase of around 10% of capital stock (EUR 6,357,130.02) was completed on March 26, 2021. The number of shares was increased by 2,445,050 no-par-value shares.

The shares are bearer shares, each conferring one vote at the Annual Shareholders' Meeting. The shares are admitted to the Regulated Market of the Düsseldorf and Frankfurt Stock Exchanges, and for over-the-counter trading in Berlin, Hamburg, and Stuttgart.

AUTHORIZED CAPITAL

The Board of Management is authorized by Section 6.1, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 25, 2026, once or in several installments, by a total of up to EUR 34,964,225.52 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 13,447,779 new registered no-par-value shares (Authorized Capital 2021) and, in doing so, to set a start date for profit sharing that deviates from that set out by law, also with retroactive effect from a financial year that has already passed insofar as no resolution has been passed as yet on the profit for this financial year that has already passed. The new shares may also be issued to one or more financial institutions or other entities mentioned in Section 186 (5) Sentence 1 AktG with the obligation to offer them to the shareholders (indirect subscription right), or partly by way of a direct subscription right (e.g. to shareholders who have previously signed a fixed subscription agreement), or otherwise by way of an indirect subscription right in accordance with Section 186 (5) AktG. However, the Board of Management is authorized, with the Supervisory Board's approval, to exclude shareholders' statutory subscription rights in the following cases:

— to avoid fractional amounts;
— in the event of a capital increase through cash contributions; if the issue price of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) is not significantly below the stock market price and the aggregate number of the new shares issued under exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 AktG does not exceed the lower of 10% of the capital stock at the time at which the authorized capital 2021 is entered in the Commercial Register or 10% of the capital stock at the time the new shares are issued. Shares that were sold or issued, or are to be issued, on the basis of other authorizations during the term of this authorization, in direct application or in application mutatis mutandis of Section 186 (3) Sentence 4 AktG excluding subscription rights, shall count towards this limit;
— in a capital increase through non-cash contributions, particularly to acquire companies, company divisions, equity interests in a company or other assets, including receivables owed by the Company; and
— to grant the holders of conversion or option rights relating to shares in the company/corresponding conversion or option obligations a subscription right, to offset dilutions, to the extent that would be available to them as shareholders following their exercise of these rights/fulfillment of these obligations.

The total number of shares issued or to be issued with exclusion of subscription rights owing to one of these authorizations may not exceed 10% of the capital stock at the time at which the authorization is exercised; this limit includes shares sold or issued or to be issued with exclusion of subscription rights owing to a different authorization during the term of this authorization.

CONTINGENT CAPITAL

At the Annual Shareholders' Meeting on May 24, 2018, the company's capital stock was conditionally increased by up to EUR 11,700,000.04, divided into 4,500,000 no-par-value shares (contingent capital 2018).

The implementation of the conditional capital increase is conditional upon:

— exercise by the holders or creditors of convertible bonds or warrants from option bonds (or a combination thereof) issued or guaranteed by INDUS Holding AG or its Group companies by May 23, 2023, pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on May 24, 2018, of such convertible bonds or warrants;
— obligations from convertible bonds or option bonds, issued by the company, pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on May 24, 2018, until May 23, 2023, that fulfill conversion or option rights; and
— contingent capital being required in accordance with the terms of the convertible bonds or option bonds.

New shares are issued at the strike or conversion price determined in accordance with the authorization mentioned above. The new shares participate in profits from the beginning of the financial year in which option or conversion rights are exercised or option or conversion obligations are fulfilled. The Supervisory Board is authorized to amend the wording of the Articles of Incorporation in accordance with such use of the contingent capital and to change all option or conversion deadlines after they expire.

RESERVES AND CONSOLIDATED NET INCOME AVAILABLE FOR DISTRIBUTION

The development of reserves is presented in the statement of changes in equity and includes INDUS Holding AG's capital reserves. As of the reporting date, the equity ratio was 42.4% (previous year: 39.1%).

INTERESTS ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Interests held by non-controlling shareholders essentially consist of the non-controlling interests in the subsidiary of ROLKO-Kohlgrüber GmbH. Minority interests in limited partnerships and limited liability companies, for which the economic ownership of the corresponding minority interests had already been transferred under reciprocal option agreements at the acquisition date, are shown under other liabilities [30].

A reciprocal option agreement (symmetrical call/put option) was signed in 2021 for the acquisition of a 20% minority interest in Weigend Bau GmbH. The option can be exercised by either of the parties at any time after January 1, 2022. Another 23.2% minority interest was acquired in a sub-subsidiary. Both transactions are reported in the table of equity as “Transactions involving interests attributable to non-controlling shareholders.”

APPROPRIATION OF DISTRIBUTABLE PROFIT

The Board of Management will propose to the Annual Shareholders’ Meeting that the following dividend payments be made from INDUS Holding AG’s balance sheet profit:

Payment of a dividend of EUR 1.05 per no-par-value share (previous year: EUR 0.80 per no-par-value share). At 26,895,559 shares (previous year: 26,895,559 shares), this equates to a payment of EUR 28,240,336.95 (previous year: EUR: 21,516,447.20). The full text of the proposed appropriation of distributable profit is published separately. The proposed dividend was not recognized in the balance sheet and there are no tax consequences.

OTHER RESERVES

CHANGE IN OTHER RESERVES (in EUR '000)

	Jan. 1, 2020	Other comprehensive income 2020	Transfer to retained earnings	Dec. 31, 2020	Other comprehensive income 2021	Transfer to retained earnings	Dec. 31, 2021
Currency conversion reserve	4,328	-5,158	0	-830	7,101	0	6,271
Pension provisions (actuarial gains/losses)	-32,940	-897	3,282	-30,555	3,834	2,327	-24,394
Deferred taxes for pensions	8,800	351	-689	8,462	-899	-689	6,874
Reserve for cash flow hedges	-6,248	1,977	0	-4,271	1,678	0	-2,593
Deferred taxes for cash flow hedges	1,004	-332	0	672	-264	0	408
Total other reserves	**-25,056**	**-4,059**	**2,593**	**-26,522**	**11,450**	**1,638**	**-13,434**

Reserves for currency conversion and for cash flow hedges include unrealized gains and losses. The change in reserves for cash flow hedges instruments is based exclusively on ongoing changes in mark-to-market valuation. There were no effects resulting from reclassification.

CAPITAL MANAGEMENT

INDUS Holding AG manages capital so as to increase the return on equity and ensure the INDUS Group has adequate liquidity and good credit standing. The ratio of equity to interest-bearing total capital, consisting of interest-bearing debt capital and equity, is constantly optimized to the same end. Interest-bearing debt capital comprises pension provisions and financial liabilities, less cash and cash equivalents, and amounts to EUR 545,454 thousand (previous year: EUR 568,595 thousand). Taking equity in the statement of financial position into account, total capital comes to EUR 1,332,928 thousand (previous year: EUR 1,244,949 thousand). Relative to total interest-bearing capital employed, the equity ratio is 59.1% (previous year: 54.3%).

The EUR 88,778 thousand increase in total capital (previous year: decline of EUR 81,890 thousand) was due to a EUR 111,120 thousand increase in equity (previous year: decline of EUR 51,367 thousand) and a EUR 23,141 thousand decline in interest-bearing debt capital (previous year: decline of EUR 30,613 thousand).

INDUS Holding AG is not subject to any other legally mandatory capital requirements, with the exception of the minimum capital rules stipulated in stock corporation law. Furthermore, INDUS Holding AG has entered into obligations to maintain a minimum equity ratio at the stock corporation in connection with loan agreements. This enables it to keep receiving funds on reasonable terms. INDUS Holding AG’s required minimum equity ratio was exceeded in the past financial year. The lenders have extraordinary termination rights in case of a change of control. Certain key figures have been defined for promissory note loans.

[28] Pensions

The defined benefit plans exist in portfolio companies in Germany and Switzerland. The German pension plans are based on lifetime pension payments for the beneficiaries and their surviving dependents and are subject to the regulations for pension provisions, pension funds, life insurance, and relief funds, which are mainly regulated through the company pension. The pension plans are only financed via guarantee fund assets in individual cases. Pension obligations in Switzerland are subject to the legal regulations for company pensions and are financed in accordance with these regulations so that they are funded via pension funds. The average weighted term of the obligations for German plans amounts to 14.5 years (previous year: 15.2 years) and for Swiss plans 16.9 years (previous year: 19.0 years).

STATEMENT OF INCOME (in EUR '000)

	2021	2020	Change
Current service cost	1,881	3,218	-1,337
Interest expense	367	496	-129
Income from plan assets	-67	-128	61
Past service cost	-1,301	-122	-1,179
Administrative costs of the trust	115	152	-37
Settlement of a Swiss pension plan	0	-4,542	4,542
Cost of defined benefit obligation	**995**	**-926**	**1,921**
+ Defined contribution plan cost	3,332	3,770	-438
= Expenses for pension commitments in the reporting period	**4,327**	**2,844**	**1,483**

BALANCE SHEET VALUE (in EUR '000)

	2021	2020	Change
Present value of provisioned benefit entitlements	41,321	49,682	-8,361
Present value of funded benefit entitlements	40,655	34,411	6,244
DBO: Projected benefit obligation of pension commitments	**81,976**	**84,093**	**-2,117**
Market value of plan assets	-40,655	-34,411	-6,244
Net obligation = provision	**41,321**	**49,682**	**-8,361**
Actuarial gains/losses	-24,394	-30,555	6,164
Opening balance: amount carried on the statement of financial position as of Jan. 1	**49,682**	**52,942**	**-3,260**
Pension obligation expenses	995	-926	1,921
Pension payments	-2,777	-2,935	158
Actuarial gains/losses recognized in equity	-3,834	897	-4,731
Exchange rate changes	520	-296	816
Change in scope of consolidation/netting	-3,265	0	-3,265
Closing balance: amount carried on the statement of financial position as of Dec. 31	**41,321**	**49,682**	**-8,361**
Underlying assumptions in %:			
Discount factor			
Germany	1.00	0.75	
Switzerland	0.35	0.15	
Salary trend			
Germany	2.50	2.50	
Switzerland	0.90	0.90	
Pension trend			
Germany	1.75	1.75	
Switzerland	0.00	0.00	
Expected income from plan assets			
Germany	1.00	0.75	
Switzerland	0.00	0.00	

In the previous year, benefit obligations in Switzerland were settled with a defined benefit obligation of EUR 14,600 thousand due to the discontinuation of BACHER AG.

Interest expense is included in the net interest item. The expected income from plan assets largely corresponds to the actual income.

The defined benefit plans are impacted by actuarial risks, such as longevity risk and interest rate risk. An increase or decrease in the discount factor of 0.5 percentage points would reduce the net obligation by EUR 5,442 thousand (previous year: EUR 5,815 thousand) or increase net obligation by EUR 6,050 thousand (previous year: EUR 7,628 thousand). An increase or decrease in the pension factor of 0.5 percentage points would increase the net obligation by EUR 1,975 thousand or decrease it by EUR 1,649 thousand respectively.

In connection with retirement benefits, payments amounting to EUR 3,450 thousand are expected in 2022 (in 2020 for 2021: EUR 3,278 thousand).

Plan assets primarily consist of reinsurance policies. Changes in plan assets are as follows:

in EUR '000	2021	2020
Assets as of Jan. 1	**34,411**	**43,526**
Expected income from plan assets	67	128
Ongoing contributions by the companies	2,452	3,283
Pensions paid	1,324	-2,989
Netting/other	768	237
Settlement of a Swiss pension plan	0	-10,058
Exchange rate changes	1,633	284
Assets as of Dec. 31	**40,655**	**34,411**

The statement of financial position also contains reimbursement claims of EUR 975 thousand (previous year: EUR 640 thousand).

[29] Other Provisions

Other provisions include interest in the amount of EUR 17 thousand (previous year: EUR 28 thousand).

PROVISIONS 2021 (in EUR '000)

	Opening balance Jan. 1, 2021	Change in scope of consolidation	Utilization	Reversals	Addition/ newly created	Exchange rate difference	Closing balance Dec. 31, 2021
Sales and purchasing obligations	35,916	-883	28,268	4,166	40,011	163	42,773
Personnel expenses	24,021	1,164	20,970	798	26,281	120	29,818
Other provisions	18,806	-724	11,084	1,048	11,071	167	17,188
Total	**78,743**	**-443**	**60,322**	**6,012**	**77,363**	**450**	**89,779**

Liabilities from sales activities include provisions for warranties based on legal or de facto obligations, liabilities for customer bonuses and rebates as well as estimated values for anticipated invoices. Provisions for personnel expenses are formed for personnel credit hours, service anniversaries, partial retirement, severance commitments, and similar obligations. Other provisions relate to a range of possible individual risks, which are measured in terms of their probability of occurrence. There were no significant expected reimbursements in relation to obligations recognized as per IAS 37.

[30] Financial Liabilities

FINANCIAL LIABILITIES/DEVELOPMENT

(in EUR '000)

	Jan. 1, 2021 Carrying amount	Cash-effective	Not cash-effective: Initial recognition	Not cash-effective: Changes in scope of consolidation	Not cash-effective: Exchange rate change	Dec. 31, 2021 Carrying amount
Liabilities to banks	340,405	-62,722	0	3,651	-12	281,322
Lease liabilities	86,120	-20,964	29,245	-123	847	95,125
Promissory note loans	287,089	-23,082	0	0	0	264,007
Total financial liabilities	**713,614**	**-106,768**	**29,245**	**3,528**	**835**	**640,454**

	Jan. 1, 2020 Carrying amount	Cash-effective	Not cash-effective: Initial recognition	Not cash-effective: Changes in scope of consolidation	Not cash-effective: Exchange rate change	Dec. 31, 2020 Carrying amount
Liabilities to banks	361,694	-21,282	0	0	-7	340,405
Lease liabilities	74,520	-19,569	33,177	-1,557	-451	86,120
Promissory note loans	245,172	41,917	0	0	0	287,089
Total financial liabilities	**681,386**	**1,066**	**33,177**	**-1,557**	**-458**	**713,614**

FINANCIAL LIABILITIES/DERIVATIVES

(in EUR '000)

	Dec. 31, 2021 Carrying amount	Repayment obligation: Up to 1 year	Repayment obligation: From 1 to 5 years	Repayment obligation: From 5 years
Liabilities to banks				
in EUR, the Group's currency	280,434	93,099	176,638	10,697
in South African rand	888	888	0	0
Lease liabilities	95,125	26,099	50,408	18,618
Promissory note loans	264,007	43,082	119,925	101,000
Total financial liabilities	**640,454**	**163,168**	**346,971**	**130,315**
Notional value of derivatives	160,554	47,329	108,816	4,409

	Dec. 31, 2020 Carrying amount	Repayment obligation: Up to 1 year	Repayment obligation: From 1 to 5 years	Repayment obligation: From 5 years
Liabilities to banks				
in EUR, the Group's currency	338,883	98,772	219,460	20,651
in other currencies	1,522	1,522	0	0
Lease liabilities	86,120	16,465	53,430	16,225
Promissory note loans	287,089	43,082	158,007	86,000
Total financial liabilities	**713,614**	**159,841**	**430,897**	**122,876**
Notional value of derivatives	209,083	53,823	137,961	17,299

[31] Other Liabilities

in EUR '000	Dec. 31, 2021	Current	Non-current	Dec. 31, 2020	Current	Non-current
Liabilities to outside shareholders	64,187	19,594	44,593	30,683	13,167	17,516
Liabilities for employees	20,503	20,503	0	19,344	19,344	0
Derivative financial instruments	2,601	2,601	0	4,279	4,279	0
Advance payments received	25,683	25,683	0	9,709	9,491	218
Contract liabilities	27,377	27,377	0	25,315	25,315	0
Other tax liabilities	10,143	10,143	0	9,572	9,572	0
Accrual of payments not relating to the reporting period	4,640	4,472	168	3,042	2,784	258
Investment subsidies	1,556	0	1,556	1,604	0	1,604
Customer credit notes	11,786	11,786	0	5,992	5,992	0
Sundry other liabilities	4,370	3,664	706	4,774	4,231	543
Total	**172,846**	**125,823**	**47,023**	**114,314**	**94,175**	**20,139**

Liabilities to outside shareholders of EUR 53,563 thousand (previous year: EUR 18,990 thousand) include contingent purchase price liabilities, carried at fair value, insofar as the minority shareholders can tender shares to INDUS by terminating the Articles of Incorporation or on the basis of option agreements. During the financial year, there were new purchase price commitments of EUR 39,339 thousand, EUR 4,403 thousand was recognized in income, and EUR 363 thousand was deducted mainly due to payouts to outside shareholders. Purchase price commitments fluctuated in line with the percentage change in the operating income (EBIT), partially kept in check by upper and lower limits.

Other Disclosures

[32] Information on the Statement of Cash Flows

The purchase prices paid for the new acquisition of investments were as follows:

in EUR '000	2021	2020
Cash-effective attributable to the acquisition of portfolio companies	71,115	0
Less purchased cash	-3,787	0
Net purchase price	**67,328**	**0**

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Cash and cash equivalents include limited-authorization accounts amounting to EUR 663 thousand (previous year: EUR 400 thousand). Investing and financing transactions of EUR 5,143 thousand (previous year: EUR 494 thousand) that did not lead to changes in cash and cash equivalents are not included in the statement of cash flows.

The proceeds from the disposal of shares in fully consolidated companies were composed of the sales price of EUR 10,000 thousand received in financial year 2021, less cash sold of EUR 2,151 thousand.

EUR 22,818 thousand (previous year: EUR 21,364 thousand) was paid for leases (interest and principal repayment) in the financial year.

[33] Segment Reporting

SEGMENT INFORMATION

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8

(in EUR '000)

	Construction/ Infrastructure	Automotive Technology	Engineering	Medical Engineering/ Life Science	Metals Technology	Total segments	Reconciliation	Consolidated financial statements
2021								
Revenue with external third parties								
from customer contracts	416,217	269,985	286,242	142,795	420,409	1,535,648	30	1,535,678
in accordance with the over time method	35,181	929	151,719	0	0	187,829	0	187,829
from service contracts	188	10,946	979	5,878	0	17,991	0	17,991
Revenue with external third parties	**451,586**	**281,860**	**438,940**	**148,673**	**420,409**	**1,741,468**	**30**	**1,741,498**
Revenue with Group companies	44,290	84,784	72,405	19,277	68,701	289,457	-289,457	0
Revenue	**495,876**	**366,644**	**511,345**	**167,950**	**489,110**	**2,030,925**	**-289,427**	**1,741,498**
Segment earnings (EBIT)	**70,524**	**-57,282**	**56,923**	**12,114**	**42,261**	**124,540**	**-9,140**	**115,400**
Depreciation/amortization	**-19,107**	**-35,705**	**-22,696**	**-10,900**	**-15,642**	**-104,050**	**-932**	**-104,982**
of which amortization	-19,107	-27,516	-22,696	-10,900	-15,642	-95,861	-932	-96,793
of which impairment	0	-8,189	0	0	0	-8,189	0	-8,189
Segment EBITDA	**89,631**	**-21,577**	**79,619**	**23,014**	**57,903**	**228,590**	**-8,208**	**220,382**
Income from measurement according to the equity method	**-310**	**83**	**1,309**	**0**	**0**	**1,082**	**0**	**1,082**
Investments	**48,578**	**27,664**	**40,881**	**11,607**	**14,005**	**142,735**	**191**	**142,926**
of which company acquisitions	32,700	0	34,628	0	0	67,328	0	67,328
of which acc. to the equity method	0	0	0	0	0	0	0	0
Dec. 31, 2021								
Shares accounted for using the equity method	3,770	808	0	0	0	4,578	0	4,578
Goodwill	134,190	19,375	163,554	69,639	23,040	409,798	0	409,798

SEGMENT REPORT IN ACCORDANCE WITH IFRS 8

(in EUR '000)

	Construction/ Infrastructure	Automotive Technology	Engineering	Medical Engineering/ Life Science	Metals Technology	Total segments	Reconciliation	Consolidated financial statements
2020								
Revenue with external third parties								
from customer contracts	347,643	241,701	232,175	136,819	393,566	1,351,904	-242	1,351,662
in accordance with the over time method	36,321	19,836	136,876	0	0	193,033	0	193,033
from service contracts	58	7,619	948	5,234	0	13,859	0	13,859
Revenue with external third parties	**384,022**	**269,156**	**369,999**	**142,053**	**393,566**	**1,558,796**	**-242**	**1,558,554**
Revenue with Group companies	35,493	73,697	64,960	16,120	54,519	244,789	-244,789	0
Revenue	**419,515**	**342,853**	**434,959**	**158,173**	**448,085**	**1,803,585**	**-245,031**	**1,558,554**
Segment earnings (EBIT)	**64,475**	**-87,840**	**31,418**	**10,209**	**14,363**	**32,625**	**-7,545**	**25,080**
Depreciation/amortization	**-15,419**	**-61,132**	**-22,447**	**-10,160**	**-22,555**	**-131,713**	**-917**	**-132,630**
of which amortization	-15,419	-27,363	-20,147	-10,160	-18,072	-91,161	-917	-92,078
of which impairment	0	-33,769	-2,300	0	-4,483	-40,552	0	-40,552
Segment EBITDA	**79,894**	**-26,708**	**53,865**	**20,369**	**36,918**	**164,338**	**-6,628**	**157,710**
Income from measurement according to the equity method	**-79**	**-194**	**1,060**	**0**	**0**	**787**	**0**	**787**
Investments	**18,123**	**17,988**	**4,111**	**6,230**	**6,885**	**53,337**	**165**	**53,502**
of which company acquisitions	0	0	0	0	0	0	0	0
of which acc. to the equity method	0	1,014	0	0	0	1,014	0	1,014
Dec. 31, 2020								
Shares accounted for using the equity method	4,080	720	2,727	0	0	7,527	0	7,527
Goodwill	115,759	21,913	150,581	69,639	23,040	380,932	0	380,932

RECONCILIATION

(in EUR '000)

	2021	2020
Segment earnings (EBIT)	**124,540**	**32,625**
Areas not allocated incl. holding company	-9,305	-7,554
Consolidations	165	9
Financial income	-16,327	-15,446
Earnings before taxes	**99,073**	**9,634**

The classification of segments corresponds without change to the current state of internal reporting. The companies are assigned to the segments based on their selling markets if the large majority of their range is sold in a particular market environment (Automotive Technology, Medical Engineering/Life Science). Otherwise they are classified by common features in their production structure (Construction/Infrastructure, Engineering, Metals Technology). The reconciliations contain the figures of the holding company, non-operating units not allocated to any segment, and consolidations. See the explanation provided in the management report regarding the products and services that generate segment sales.

The key control variable for the segments is operating income (EBIT) as defined in the consolidated financial statements. The information pertaining to the segments has been ascertained in compliance with the reporting and valuation methods that were applied in the preparation of the consolidated financial statements. The transfer prices between the segments are based on arm's-length prices.

SEGMENT INFORMATION BY REGION

The breakdown of sales by region relates to our selling markets. Owing to the diversity of our foreign activities, a further breakdown by country would not be meaningful since no country other than Germany accounts for 10% of Group sales.

Non-current assets, less deferred taxes and financial instruments, are based on the registered offices of the companies concerned. Further differentiation would not be useful since the majority of companies are based in Germany.

Owing to the diversification policy at INDUS, there were no individual product or service groups and no individual customers that accounted for more than 10% of sales.

in EUR '000	Group	Germany	EU	Third countries
2021				
Revenue with external third parties	1,741,498	910,348	343,915	487,235
Dec. 31, 2021				
Non-current assets, less deferred taxes and financial instruments	1,072,987	893,656	50,022	129,309
2020				
Revenue with external third parties	1,558,554	801,805	346,678	410,071
Dec. 31, 2020				
Non-current assets, less deferred taxes and financial instruments	978,713	830,743	57,378	90,592

[34] Information on the Significance of Financial Instruments

FINANCIAL INSTRUMENTS

(in EUR '000)

	Balance sheet value	IFRS 9 not applicable	IFRS 9 Financial instruments	of which measured at fair value	of which measured at amortized cost
Dec. 31, 2021					
Financial investments	8,794	0	8,794	2,517	6,277
Cash and cash equivalents	136,320	0	136,320	0	136,320
Receivables	168,890	13,402	155,488	0	155,488
Other assets	39,014	12,617	26,397	0	26,397
Financial instruments: Assets	**353,018**	**26,019**	**326,999**	**2,517**	**324,482**
Financial liabilities	640,454	0	640,454	0	640,454
Trade payables	62,178	0	62,178	0	62,178
Other liabilities	172,846	71,755	101,091	56,164	44,927
Financial instruments: Equity and liabilities	**875,478**	**71,755**	**803,723**	**56,164**	**747,559**
Dec. 31, 2020					
Financial investments	7,130	0	7,130	2,509	4,621
Cash and cash equivalents	194,701	0	194,701	0	194,701
Receivables	161,943	10,699	151,244	0	151,244
Other assets	24,317	12,914	11,403	145	11,258
Financial instruments: Assets	**388,091**	**23,613**	**364,478**	**2,654**	**361,824**
Financial liabilities	713,614	0	713,614	0	713,614
Trade payables	48,926	0	48,926	0	48,926
Other liabilities	114,314	52,090	62,224	23,269	38,955
Financial instruments: Equity and liabilities	**876,854**	**52,090**	**824,764**	**23,269**	**801,495**

The fair value of financial liabilities that are measured at amortized costs is EUR 648,256 thousand (previous year: EUR 732,962 thousand). The fair value of all other financial instruments measured at amortized costs corresponds to the amortized cost, or deviates immaterially.

FINANCIAL INSTRUMENTS BY BUSINESS MODEL IN ACC. WITH IFRS 9 (in EUR '000)

	Carrying amounts		Net gains/losses	
	Dec. 31, 2021	Dec. 31, 2020	2021	2020
Financial assets measured at fair value through profit and loss	0	145	-145	111
Financial assets measured at cost	324,482	361,824	484	-5,296
Financial assets recognized at fair value directly in equity – of which equity instruments	2,517	2,509	0	0
Financial instruments: Assets	**326,999**	**364,478**	**339**	**-5,185**
Financial liabilities measured at fair value through profit and loss	53,563	18,990	0	0
Financial liabilities measured at cost	747,559	801,495	84	-1,329
Derivatives with hedging relationships, hedge accounting	2,601	4,279	0	0
Financial instruments: Equity and liabilities	**803,723**	**824,764**	**84**	**-1,329**

The gains and losses from changes to the fair value of forward exchange contracts are included in the category "Financial assets measured at fair value through profit and loss." The net result of "Financial assets measured at cost" results largely from valuation allowances on receivables and exchange rate gains and losses from the translation of foreign currency transactions. The gains and losses in the "Financial assets recognized at fair value directly in equity" category include income/expenses from equity instruments that are recognized in this valuation category.

Losses from forward exchange contracts and any losses due to the ineffectiveness of derivatives are recognized in the "Financial liabilities measured at fair value through profit and loss" category. The expenses in the "Financial liabilities measured at cost" category include exchange rate gains and losses from the translation of liabilities in foreign currency.

Total interest income for financial instruments not measured at fair value through profit and loss amounts to EUR 140 thousand (previous year: EUR 234 thousand). The corresponding total interest expenses are EUR 14,274 thousand (previous year: EUR 16,030 thousand).

TYPE AND SCOPE OF RISKS RESULTING FROM FINANCIAL INSTRUMENTS

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

In keeping with the philosophy of INDUS Holding AG, the assessment and management of operating risks is the responsibility of the portfolio companies and their managing directors. The holding company calculates and monitors the overall financing need on the basis of the local risk assessment and the investment and financing plans of the respective portfolio companies. Interest rate and exchange rate risks are hedged using non-derivative and derivative financial instruments, with the latter being transacted solely for hedging purposes.

RISK MANAGEMENT AND FINANCIAL DERIVATIVES

The INDUS Group operates an effective risk management system to detect business risks at an early stage, focusing on the key types of problems facing a diversified portfolio of investments. This system integrates the specific aspects of financial risk management in accordance with the definition in IFRS 7. The basic principles of the financial policies are established each year by the Board of Management and monitored by the Supervisory Board. For further details, see the discussion provided in the management report.

LIQUIDITY RISK

Liquidity risk is the risk that future payment obligations cannot be met due to lack of cash. The INDUS Group's liquidity is monitored by INDUS Holding AG's Treasury department using liquidity reports.

Basically, the individual portfolio companies finance themselves from their operating results. Transfers are made between INDUS Holding AG and the portfolio companies depending on the liquidity situation. The INDUS Group holds sufficient cash and cash equivalents to enable the firm to take action at any time (2021: EUR 135,120,000, previous year: EUR 194,701,000). It also has unused credit lines totaling EUR 82,736 thousand (previous year: EUR 83,620 thousand).

Loans are widely diversified, thereby preventing the company from becoming dependent on individual lenders. The level of available liquidity and firm financing commitments enable the company to take advantage of acquisition opportunities at any time. Long-term financing is structured in tranches with revolving new lines of financing, limiting financing risk. In the 2020 financial year, a promissory note loan with a sustainability component (ESG-linked) in the amount of EUR 60,000 thousand was taken out. The interest on the promissory note loan is linked to the sustainability rating.

Another ESG-linked promissory note loan with a volume of EUR 56,000 thousand was issued on December 1, 2021. Funds were credited on January 12, 2022.

The following cash outflows, which are incorporated into the INDUS Group's long-term financial planning, were determined in consideration of the conditions for financial instruments determined as of the reporting date:

CASH OUTFLOW (in EUR '000)

	Dec. 31,2021			Dec. 31, 2020		
	Up tp 1 year	From 1 to 5 years	From 5 years	Up tp 1 year	From 1 to 5 years	From 5 years
Interest rate derivatives	1,373	2,157	25	1,804	3,385	170
Total derivative financial instruments	**1,373**	**2,157**	**25**	**1,804**	**3,385**	**170**
Financial liabilities	173,305	367,514	141,278	171,350	455,247	135,212
of which lease liabilities	27,125	52,227	19,641	18,974	58,439	16,908
Trade payables	62,178	0	0	48,926	0	0
Other liabilities	123,222	45,467	1,556	89,896	18,536	1,604
Total financial instruments	**358,705**	**412,981**	**142,834**	**310,172**	**473,783**	**136,816**

Cash flows consist of principal repayments and their respective interest. The accumulated payment flows from financial liabilities and interest rate derivatives result in the payment flow from corresponding fixed-term loans.

DEFAULT RISK

Default risk means the risk of financial losses due to non-settlement or partial settlement of existing receivables.

In the financing area of INDUS, contracts are concluded only with counterparties of first-class credit standing. In the operational area, the portfolio companies are responsible for ongoing decentralized risk monitoring. Default risks are taken into account by means of adequate valuation allowances. The maximum default risk corresponds to the balance sheet value of loans and receivables originated by the company, while for derivatives it is equal to the sum total of their positive market values.

Corporate risk is widely diversified, as INDUS Group companies are autonomous and they all develop and offer a variety of products on different markets.

A concentration of default risks arising from business relationships exists in the Automotive Technology segment and results from the segment's oligopolistic customer structure. Based on the total stock of trade receivables, there are eleven customers (previous year: seven) with a share of more than 1% each. This equates to a share of about 22% of open items as recognized in the consolidated financial statements (previous year: 16%). The ten largest customers accounted for approximately 24% of Group sales (previous year: approximately 20%).

Furthermore, there are receivables from customers and associated companies which are overdue but have had no valuation allowances carried out for them. There are generally no major payment defaults with due dates of up to three months, since overdue payments largely result from timing differences in their booking. Since trade receivables were not subjected to valuation allowances and were not overdue, there were no indications as of the reporting date that the debtors may not be able to meet their payment obligations. Trade receivables are regarded as in default if it is very unlikely that the debtor will meet its payment obligation. This is particularly the case in insolvency proceedings or in legal disputes with no prospect of success. The expected defaults are calculated using past experience, taking account of the expectations for future financial performance. For all other financial assets, the default risk is seen as very low.

RECEIVABLES FROM CUSTOMERS AND ASSOCIATED COMPANIES AND CONTRACT ASSETS (in EUR '000)

	2021	2020
Carrying amount	168,890	161,943
of which valuation allowance	4,756	5,946
Gross amount of receivables before valuation allowance	173,646	167,889
of which as per reporting date		
neither impaired nor past due	137,663	134,556
not impaired and past due by the following		
less than 3 months	25,510	21,432
between 3 and 6 months	2,533	3,596
between 6 and 9 months	1,263	1,086
between 9 and 12 months	898	564
more than 12 months	1,732	1,460

The following table contains information on the estimated default risk and expected losses on trade receivables:

DEFAULT RISK FOR RECEIVABLES (in EUR '000)

	Loss rate (weighted average)	Gross carrying amount	Expected loss	Impaired credit rating
Not past due and 1 to <3 months past due	1.04%	163,173	1,692	No
3 to <6 months past due	7.19%	2,533	182	No
6 to <9 months past due	5.23%	1,263	66	No
9 to <12 months past due	4.57%	898	41	No
>12 months past due	3.18%	1,732	55	Yes

The anticipated default risk is determined on the basis of historical data, particularly historical default rates. If an increase or reduction in bad debt losses can be expected in the future, this is taken into account accordingly when measuring anticipated defaults.

The business models, customers and the economic, political and geographical environment are considered in the detection of default risk. The individual Group companies therefore apply specific default rates.

INTEREST RATE RISK

INDUS Holding AG ensures and coordinates the financing and liquidity of the Group. The main focus is on financing the long-term development of its investment portfolio. This means employing fixed-rate and variable-rate financing instruments, which are converted to fixed rate instruments by way of interest-rate swaps.

Changes in interest rates might affect the market value of financial instruments and their cash flows. These effects are calculated by performing a sensitivity analysis, which involves shifting each of the relevant interest-rate structure curves by 100 basis points in parallel. The effects are calculated for the fixed conditions of the financial instruments in the portfolio as of the reporting date.

Changes in market value can impact the depiction of the financial position and financial performance, depending on the valuation category of the underlying financial instruments. The following table shows interest rate sensitivity with a parallel shift in the yield curve of 100 base points (BP):

SENSITIVITY ANALYSIS FOR MARKET PRICE RISK (in EUR '000)

	Dec. 31, 2021		Dec. 31, 2020	
	BP +100	BP -100	BP +100	BP -100
Market value of derivatives	2,853	-2,982	4,598	-4,834
of which equity/hedges	2,853	-2,982	4,598	-4,834
of which interest expense per statement of income	0	0	0	0
Market value of loans	11,165	-11,895	11,571	-12,199
Total market value	**14,018**	**-14,877**	**16,169**	**-17,033**

Since interest rate risks are virtually completely hedged against, economically speaking, changes in interest rates would be offset in variable interest-bearing debt and derivative financial instruments. There would therefore be no material impact on future cash flows.

CURRENCY RISK

Currency risks basically result from the operating activities of the Group companies and financing transactions between the foreign portfolio companies and the respective holding company. Risk analyses are carried out on a net basis, while hedges are concluded by the portfolio companies on a case-by-case basis in accordance with the philosophy of commercial autonomy. The instruments employed are forward exchange transactions and suitable options.

Currency risks have an effect on the presentation of the financial position and financial performance when financial instruments are denominated in currencies other than the functional currency of the Group company in question. Risks arising from the currency translation of financial statements to the Group's currency are not taken into consideration. Since currency hedges are not formally accounted for as hedges, this does not have an impact on provisions for the mark-to-market valuation of financial instruments.

Assuming that the exchange rates of all foreign currencies were to rise by 10% against the euro as of the reporting date, net income from currency conversion would change by EUR -6,989 thousand (previous year: EUR -4,631 thousand). As in the previous year, net receivables in US dollars and Swiss francs are the main influence.

HEDGE ACCOUNTING

HEDGING INSTRUMENTS

As at the reporting date, currency hedges with a nominal volume of EUR 5,180 thousand (previous year: EUR 10,113 thousand) were in place. The currency hedges relate to transactions in US dollars (previous year: US dollars and British pounds). Hedging contracts have a market value of EUR -5 thousand (previous year: EUR -40 thousand).

Interest rate hedges account for a nominal volume of EUR 155,261 thousand (previous year: EUR 198,828 thousand). The market values amounted to EUR -2,601 thousand (previous year: EUR -4,279 thousand). As in the previous year, interest rate hedges relate to already recognized loan transactions. Further details on terms and maturities are included in the report on financial liabilities.

FINANCIAL STATEMENT ACCOUNTING OF HEDGING TRANSACTIONS AS HEDGE ACCOUNTING

Of the hedging instruments presented previously, the following hedging instruments are part of hedge accounting:

HEDGE ACCOUNTING PURSUANT TO IFRS 9 (in TEUR)

	Nominal amounts	Carrying amount of hedging instruments	Balance sheet item	Changes in hedging instrument values recognized in other income
Dec. 31, 2021				
Cash flow hedges				
Interest rate hedges	155,260	-2,601	Other current liabilities	1,678
Exchange rate hedges	0	0	Other current liabilities	0
Total		**-2,601**		**1,678**
Dec. 31, 2020				
Cash flow hedges				
Interest rate hedges	198,828	-4,279	Other current liabilities	1,840
Exchange rate hedges	0	0	Other current liabilities	137
Total		-4,279		1,977

The average interest rate for interest rate hedges is 0.82% (previous year: 0.94%). As in the previous year, there were no exchange rate hedges as of the reporting date.

RECONCILIATION OF RESERVES FOR CASH FLOW HEDGES (in EUR '000)

	Reserve for cash flow hedges	Deferred taxes for cash flow hedges
As of Jan. 1, 2020	-6,248	1,004
Change in fair value		
Interest rate hedges	1,840	-291
Exchange rate hedges	137	-41
As of Dec. 31, 2020	**-4,271**	**672**
As of Jan. 1, 2021	-4,271	672
Change in fair value		
Interest rate hedges	1,678	-264
Exchange rate hedges	0	0
As of Dec. 31, 2021	**-2,593**	**408**

[35] Collateral Furnished

Collateral furnished for financial liabilities is presented in the following table:

PLEDGED ASSETS (in EUR '000)

	2021	2020
Land charges	18,714	18,146
Pledged assets	162	150
Other collateral	81	752
Total collateral	**18,957**	**19,048**

[36] Contingent Liabilities

Liabilities from guarantees exist in the amount of EUR 6,637 thousand (previous year: EUR 7,218 thousand). These include external obligations which INDUS Holding AG assumed in connection with the business activities of the portfolio companies. Currently, it is extremely unlikely that the beneficiaries would utilize the guarantees.

[37] Other Financial Obligations

Obligations from purchase commitments for fixed assets came to EUR 11,551 thousand (previous year: EUR 18,056 thousand), of which EUR 11,416 thousand (previous year: EUR 18,032 thousand) was for property, plant, and equipment, and EUR 135 thousand (previous year: EUR 24 thousand) was for intangible assets. In addition, there is a payment obligation from a multi-year customer contract in the amount of EUR 1,000 thousand (previous year: EUR 1,500 thousand).

[38] Related Party Transactions

MEMBERS OF MANAGEMENT IN KEY POSITIONS AND AFFILIATED PERSONS

In line with the structure of the INDUS Group, key management personnel include 12 members of the Supervisory Board (previous year: 12 members), 4 people on the Board of Management of INDUS Holding AG (previous year: 4 people), and the managing directors of the operating units (2021: 120 people, previous year: 113 people).

There are no pension commitments by INDUS Holding AG for members of the Board of Management which must be disclosed in the financial statements.

COMPENSATION OVERVIEW (in EUR '000)

	Expense in the period	of which salaries	of which SAR*	of which severance payments	of which pensions
2021					
INDUS Holding AG					
Supervisory Board	706	706	0	0	0
Board of Management**	3,277	2,487	790	0	0
Subsidiaries					
Managing directors	22,711	22,300	0	0	411
Family members	191	191	0	0	0
Total	**26,885**	**25,684**	**790**	**0**	**411**
2020					
INDUS Holding AG					
Supervisory Board	751	751	0	0	0
Board of Management**	2,810	2,460	350	0	0
Subsidiaries					
Managing directors	20,220	19,514	0	0	706
Family members	196	196	0	0	0
Total	**23,977**	**22,921**	**350**	**0**	**706**

* SAR = Stock Appreciation Rights = virtual stock options
** Benefits granted are to be disclosed for members of the Board of Management.

The employee representatives on the Supervisory Board also have employment contracts with the respective INDUS portfolio companies.

SUPERVISORY BOARD COMPENSATION

The Supervisory Board's compensation was determined by the extraordinary Annual Shareholders' Meeting of INDUS Holding AG in November 2018. This is stipulated in Section 16 (1) and (2) of the Articles of Incorporation. In addition to reimbursement of out-of-pocket expenses incurred in performing their duties in the financial year ended, all Supervisory Board members receive fixed compensation of EUR 30 thousand along with an attendance fee of EUR 3 thousand per meeting. The Chair receives double the two aforementioned sums, and the deputy receives one-and-a-half times these amounts. Each member of a Supervisory Board committee receives compensation in the amount of EUR 5 thousand in addition to reimbursement of out-of-pocket expenses for his/her activities in the past financial year. The chair of the committee receives twice the amount mentioned above. There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. The Supervisory Board met six times in 2021 (previous year: seven times).

For further information about Supervisory Board compensation we refer to our separate Compensation Report.

BOARD OF MANAGEMENT COMPENSATION

For the 2021 financial year, the compensation paid to the members of the Board of Management of INDUS Holding Aktiengesellschaft comprised basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program), and a share-based component of the compensation (long-term incentive program). A new compensation system for the members of the Board of Management was adopted at the Annual Shareholders' Meeting 2021. The variable components STI and LTI were redefined.

LONG-TERM INCENTIVE PROGRAM UNTIL 2020 (OLD COMPENSATION SYSTEM)

The old long-term incentive program (LTI program) consisted of awarding virtual stock options (SAR, stock appreciation rights). An SAR comprises a commitment to pay an amount determined by the difference between the exercise price of the SAR and the current market price of company shares on exercise of the SAR. The SAR exercise price corresponds to the average closing price of company shares in XETRA trading over the last 20 trading days prior to option issuance. The Board of Management is granted a tranche of SARs each year. The option price of the SAR is calculated when it is granted. The contractually agreed target determines the number of SARs allocated to the tranche. The SARs are non-forfeitable from the date they are granted. There is a vesting period for the exercise of options for each tranche granted (four years). The exercise period immediately following the statutory waiting period amounts to two years. A tranche can only be paid out if the share price is higher than the exercise price of the tranche's SAR on exercise and a defined payout threshold is cleared (minimum price increase of 12% during the vesting period). There is an upper limit (cap) on payment of 200% of the contractually agreed target.

The number of SARs granted to Board of Management members in annual tranches was determined based on the option price at the grant date and the contractually specified target price. The last 55,031 SAR were granted in 2020. On the date on which they were granted, the total fair value of the SARs was EUR 350 thousand. Until December 31, 2021 there were 228,264 granted and not yet exercised SAR (previous year: 268,505). The fair value of previously granted, not yet exercised SARs totaled EUR 505 thousand as of the reporting date (previous year: EUR 976 thousand). A provision for this amount was recognized in the annual financial statements. The addition is included in personnel expenses at EUR 0 (previous year: EUR 386 thousand). A liquidation of EUR 471 thousand is recognized in other operating income (previous year: EUR 46 thousand). No payments were made from the stock options in the financial year or the previous year.

Fair value calculation is based on an option-price model of Black/Scholes and reasonable volatility on the part of INDUS, along with a risk-free interest rate that takes the cap on payment claims into account. The options have a vesting period of four years and an exercise period of two years.

LONG-TERM INCENTIVE PROGRAM FROM 2021 (NEW COMPENSATION SYSTEM)

The new LTI program is structured as a virtual performance share plan (VPSP). The VPSP is based on a four-year performance period that starts at the beginning of each financial year. Virtual shares (performance share units – PSU) are awarded to the members of the Board of Management at the beginning of each performance period. The number of PSU at the beginning of the performance period is determined by dividing the individual LTI target by the share price at the time of the award. The share price at the time of the award is the average closing price in the XETRA trading system of Frankfurt Stock Exchange (or a comparable successor system) on the previous 40 trading days.

The number of PSU can change over the performance period depending on a bonus factor for achieving the external and internal targets defined by the Supervisory Board for the performance period. If the targets are not met the bonus factor is less than 100% – the number of PSU is reduced accordingly and may also be zero if the target is not met by a large margin. Overachievement against the targets results in a bonus factor of more than 100%, and the number of PSU increases accordingly. The final number of PSU at the end of the performance period is capped at 150% of the number of PSU at the beginning of the performance period.

The Supervisory Board defines the external and internal target for the respective performance period at the beginning of the performance period after preparation by the Personnel Committee. These targets are not changed during the performance period.

The first 25,380 virtual performance shares (VPS) from the new LTI program were awarded in financial year 2021. This performance period for this plan (LTI Plan 2021) runs until December 31, 2024. Any payments under the LTI Plan 2021 will be made in 2025. On the date on which they were granted, the total fair value of the VPS was EUR 790 thousand. As of December 31, 2021 there were 25,380 granted and not yet exercised VPS. The fair value of previously granted, not yet exercised VPS totaled EUR 676 thousand as of the reporting date. A provision for this amount was recognized in the annual financial statements. The same amount is included in personnel expenses.

Fair value was measured using a Monte Carlo simulation model. Assumptions were made for reasonable volatility for INDUS and the risk-free interest rate, taking the payment cap into account. A reasonable correlation between the INDUS share and SDAX based on historic data from the past three years was used to calculate the TSR.

CHANGE OF CONTROL

In the event of a material change in the composition of the Supervisory Board (change of control), the members of the INDUS Holding AG Board of Management have a special right to terminate their employment contracts within one year. In the event of a dismissal for cause, or dismissal of the Board of Management within one year after a change of control without good cause within the meaning of Section 626 BGB, the company will pay out severance to the members of the Board of Management. This will be based on the member's full compensation, including all fixed and variable components of the compensation and non-cash benefits. Severance payments will be paid for a maximum of the period through the end of their employment contracts, or a total term of two financial years if the regular end of the contract differs from this period.

TOTAL COMPENSATION GRANTED

For the 2021 and the previous financial year, the compensation paid to the members of the Board of Management of INDUS Holding AG comprised basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program), and a share-based component of the compensation (long-term incentive program). The long-term incentive program, structured as a virtual performance share plan (VPSP), was in effect in 2021. Virtual stock options (SAR, stock appreciation rights) were awarded for the previous year as part of the old LTI program (until 2020).

Board of Management members received a total of EUR 2,794 thousand (previous year: EUR 2,794 thousand). A total of EUR 3,277 thousand is attributable to the financial year (previous year: EUR 2,810 thousand), of which EUR 1,747 thousand is attributable to fixed compensation (previous year: EUR 1,720 thousand), EUR 740 thousand to short-term variable compensation (previous year: EUR 740 thousand) and EUR 790 thousand to the virtual stock options (previous year: EUR 350 thousand). The previous year variable compensation amounted to EUR -483 thousand (previous year: EUR -16 thousand).

See the separate compensation report for individual Board of Management compensation.

OTHER RELATIONS

INDUS Group transactions with persons or companies which control or are controlled by the INDUS Group must be disclosed insofar as they have not already been included in the consolidated financial statements as a consolidated company. Affiliated companies are the companies in the consolidated financial statements accounted for using the equity method. The other categories relate to key management personnel, their family members and their attributable companies.

RELATED PARTY DISCLOSURES

(in EUR '000)

	Sales and other operating income	Purchase of goods	Other purchases	Outstanding amounts	Loans made
2021					
Related companies	1,659	41	252	905	858
Family members of managing directors and shareholders	1	153	5	0	0
Non-controlling shareholders	14,220	0	0	0	0
Managing directors of portfolio companies	0	0	71	4	1,000
Total related parties	**15,880**	**194**	**328**	**909**	**1,858**
2020					
Related companies	3,775	82	61	1,595	839
Family members of managing directors and shareholders	0	87	63	0	0
Non-controlling shareholders	12,923	0	873	0	0
Managing directors of portfolio companies	0	0	172	0	0
Total related parties	**16,698**	**169**	**1,169**	**1,595**	**839**

Revenue of EUR 14,220 thousand (previous year: EUR 12,923 thousand) was recognized in 2021 from a business relationship with a related company of a non-controlling shareholder.

[39] Employees

AVERAGE NUMBER OF EMPLOYEES IN THE FINANCIAL YEAR

	2021	2020
Employees by region		
Germany	7,571	7,588
Europe (EU & Switzerland)	1,609	1,531
Rest of world	1,730	1,525
Total	**10,910**	**10,644**
Employees by segment		
Construction/Infrastructure	2,173	1,898
Automotive Technology	3,277	3,202
Engineering	2,289	2,243
Medical Engineering/Life Science	1,613	1,646
Metals Technology	1,520	1,616
Other	38	39
Total	**10,910**	**10,644**

[40] Cost of the Annual Financial Statements and Audit of the Consolidated Financial Statements

External auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft's fee for auditing the consolidated financial statements amounted to EUR 611 thousand (previous year: EUR 458 thousand), of which EUR 32 thousand (previous year: EUR 3 thousand) was for previous years, EUR 40 thousand (previous year: EUR 55 thousand) for other confirmation and valuation services, of which EUR 5 thousand for previous years (previous year: EUR 5 thousand), EUR 38 thousand (previous year: EUR 38 thousand) for accountancy services and EUR 30 thousand (previous year: EUR 0) for other services. "Confirmation services" refer to the review of the non-financial statement of INDUS Group, the material compensation report and confirmation of a covenant.

[41] German Corporate Governance Code

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Board of Management and the Supervisory Board submitted a German Corporate Governance Code declaration in December 2021 and made it available to shareholders on the INDUS Holding Aktiengesellschaft website.
www.indus.de/en

[42] With Section 264 (3) and Section 264b German Commercial Code (HGB)

In the complete list of shareholdings recorded in the electronic commercial register in accordance with Section 313 of the German Commercial Code (HGB), which constitutes part of the Notes, the subsidiaries are listed to which exemption from disclosure duties has been applied in accordance with Section 264 (3) and Section 264b of the German Commercial Code (HGB) as of December 31, 2021.

[43] Events After the Reporting Date

Russia began military action against Ukraine on February 24, 2022. We are closely monitoring the situation and understand that the economic consequences of the war between Russia and Ukraine will also likely impact the business activities of the INDUS Group portfolio companies. Material adverse effects on assets, finances, and profit for financial year 2022 cannot be ruled out. The scope of these effects cannot currently be known or quantified and thus do not constitute part of our forecast.

The portfolio companies of the INDUS Group generated sales of some EUR 17 million with customers in Russia in 2021 and of some EUR 3 million with customers in Ukraine. This represents around 1.2% of total Group sales in 2021. Sales to customers in Russia and Ukraine stem principally from the Metals Technology segment. The loss of this business will not have a material impact on the financial position and financial performance of the INDUS Group. INDUS Holding AG does not have any operating subsidiaries or plants in Russia or Ukraine.

Bergisch Gladbach, March 16, 2022

INDUS Holding AG

The Board of Management

Dr. Johannes Schmidt

Dr. Jörn Großmann

Axel Meyer

Rudolf Weichert

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FURTHER INFORMATION

Responsibility Statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements dated December 31, 2021, give a true and fair view of the financial position and financial performance of the Group, and the combined management report for the 2021 financial year includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group, in accordance with the applicable accounting principles.

Bergisch Gladbach, Germany, March 16, 2022

The Board of Management

Dr. Johannes Schmidt Dr. Jörn Großmann Axel Meyer Rudolf Weichert

Dividend Proposal

The following proposal will be submitted to the Annual Shareholders' Meeting regarding the appropriation of the balance sheet profit for the 2021 financial year in the amount of EUR 54,748,951.88:

Payment of a dividend of EUR 1.05 per no-par-value share (26,895,559) on the capital stock of EUR 69,928,453.64	28,240,336.95
Transfer to other retained earnings	25,000,000.00
Profit carried forward	1,508,614.93
Balance sheet profit	54,748,951.88

Bergisch Gladbach, Germany, March 16, 2022

The Board of Management

Dr. Johannes Schmidt Dr. Jörn Großmann Axel Meyer Rudolf Weichert

The following report of the independent Group auditors also includes an "assurance report in accordance with Section 317 (3b) of the German Commercial Code (HGB) on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes" ("ESEF report"). The assurance subject underlying the ESEF report (the ESEF documents to be assessed) is not attached. The assessed ESEF documents can be seen in or accessed from the German Federal Gazette.

Report of the Independent Group Auditors

To INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinion

We have audited the consolidated financial statements of **INDUS Holding Aktiengesellschaft, Bergisch Gladbach**, Germany, and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as of December 31, 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, along with the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany, for the financial year from January 1 to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the separate sustainability report including the non-financial report and the declaration on corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) published on the company website to which reference is made in the "Non-financial Key Performance Indicators", "Corporate Governance", and "Description of Individual Risks" sections of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU, and with the additional requirements under German law in accordance with Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as of December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying combined management report as a whole provides an accurate view of the position of the Group. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the risks and opportunities of future development. Our opinion on the combined management report does not extend to the elements of the combined management report where the content was not audited, outlined above.

In accordance with Section 322 (3) Sentence 1 HGB, we declare that our audit has not resulted in any objections relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis of Opinion

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits of the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under these requirements and principles are set out in further detail in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" in our report. In accordance with the requirements under European law and German commercial and professional law, we are independent of the Group companies and we have fulfilled our other professional responsibilities under German law in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) letter f) of the EU Audit Regulation that we have not provided prohibited non-audit services under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained represents a sufficient and appropriate basis for our opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters which in our professional judgment were of most significance in the audit of the consolidated financial statements for the financial year January 1 to December 31, 2021. These matters were considered in the context of our overall audit of the consolidated financial statements, and when forming our opinion in this regard, we have not provided a separate opinion on these matters.

We have set out what, in our view, constitutes the key audit matters:

1) Goodwill impairment
2) Acquisition of new portfolio companies

ON 1) GOODWILL IMPAIRMENT

a) Financial statement risk

The consolidated financial statements include the balance sheet item "Goodwill." As of the reporting date, goodwill of EUR 409.8 million was recognized. This goodwill is allocated to 46 cash-generating units.

As a result of the annual impairment test, impairment losses of EUR 5.7 million in total were recognized in relation to one cash-generating unit. These impairment losses affected goodwill (EUR 2.3 million), tangible fixed assets (EUR 3.1 million), and intangible assets (EUR 0.3 million).

Company disclosures on goodwill are contained in sections 13 and 18 of the Notes.

Cash-generating units that have goodwill allocated to them are subject to impairment testing as required or at least once a year. The recoverable amount of a cash-generating unit, which must be compared with the carrying amount, including goodwill, of the cash-generating unit, is the higher of fair value less costs of disposal and value in use. The value in use is generally used to determine the recoverable amount. The present value of future cash flows forms the underlying basis for this, as there are usually no market values available for cash-generating units.

During impairment testing, the value in use is determined using a valuation method based on discounted cash flow, which in turn is based on expectations regarding the future development of the individual operating activities and the estimates concerning the resulting future cash flows. The multi-year forecasts prepared by the legal representatives of the portfolio companies and the Board of Management are taken as a basis for this. Discounting is based on the weighted capital costs of the individual reporting segments. The results of impairment tests are subject to the influence of estimated values and therefore considerable uncertainty. This particularly applies with regard to the potential economic impact of the COVID-19 pandemic on the portfolio companies' sales and earnings projections. In light of this and due to the complexity of the valuation and materiality of the balance sheet item goodwill, we deemed this to be a key matter during the audit.

b) Audit approach and conclusions

As part of our audit we initially turned our attention to the process of implementing impairment testing of goodwill and the checks relevant to accounting implemented in this process.

In our other audit procedures, we focused in particular on that material goodwill for which there were indications of impairment or for which the recoverable amounts of the cash-generating unit were close to or under their carrying amount.

We assessed the forecasts upon which the impairment testing of material goodwill deemed at risk is based on an analysis of the forecasts presented to us, the underlying premises, and supplementary and explanatory documents. Furthermore, we held discussions for this purpose with the employees of the company's management control department responsible for the respective portfolio companies and, in selected cases, with the local managing directors of the portfolio companies and the Board of Management of INDUS Holding Aktiengesellschaft. In the process, we also examined them for potential judgment bias and for verifiable consideration of the potential economic impact of the COVID-19 pandemic on the portfolio companies' sales and earnings projections.

In addition, we assessed the planning accuracy by comparing planning for the previous year against the actual values achieved.

We also assessed the appropriateness of the valuation method applied and its methodical implementation, the derivation of segment-specific discounting interest rates, and the accuracy of the accounting in random samples.

We validated the calculation results of the company using additional analyses which also included sensitivity analysis.

We also assessed the accuracy and completeness of the assets and liabilities included in the carrying amount of the cash-generating unit.

The valuation methods, and assumptions applied by the legal representatives have been correctly derived and are within an acceptable range.

ON 2) ACQUISITION OF NEW PORTFOLIO COMPANIES

a) Financial statement risk

INDUS Holding Aktiengesellschaft or one of its subsidiaries acquired majority interests in four companies in financial year 2021. The fair value of consideration for the individual acquisitions was EUR 100.2 million in total. This consideration is divided among the four acquisitions as follows: EUR 55.8 million for the purchase of the shares in WIRUS Fenster GmbH & Co. KG, Rietberg-Mastholte (Gütersloh), EUR 28.2 million for the shares in JST Jungmann Systemtechnik GmbH & Co. KG in Buxtehude, EUR 8.4 for the indirect purchase of the shares in FLACO Geräte GmbH, Gütersloh and EUR 7.8 million for the indirect purchase of the remaining shares in TECALEMIT Inc., Delaware, USA.

The minority shareholders in each case were given a put option for their shares, which is binding on INDUS Holding Aktiengesellschaft and its subsidiaries, combined with a call option for the respective purchaser, i.e. a call/put option. INDUS Holding Aktiengesellschaft therefore consolidated the respective minority interests in full and recognized a contingent purchase price commitment at its fair value.

Company information relating to the business combinations is contained in section 5 of the Notes.

In the context of a business combination the consideration transferred and the identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date in accordance with IFRS 3. If the value of the consideration transferred exceeds the balance of identifiable assets at fair value and liabilities assumed, the difference is to be recognized as goodwill. The three purchase price allocations gave rise to goodwill of EUR 30.6 million in total.

The full identification of assets and liabilities assumed and their fair value measurement are based on various assumptions by the legal representatives of INDUS Holding Aktiengesellschaft, which in turn entail estimates and judgments. Material identifiable assets and liabilities assumed are generally measured on the basis of expected future cash flows. In light of this and due to the complexity of the valuation and its impact on the Group's financial position and financial performance, we deemed this to be a key matter during the audit.

b) Audit approach and conclusions

In the course of our audit we started by inspecting the proposals made to the Supervisory Board of INDUS Holding Aktiengesellschaft for the individual acquisitions, in order to gain an understanding of the business combinations, the business models of the entities acquired and the motives of the legal representatives. For the two larger acquisitions we also read the fairness opinion and the due diligence reports obtained from external experts by the legal representatives of INDUS Holding Aktiengesellschaft.

For each of the two larger acquisitions the legal representatives of INDUS Holding Aktiengesellschaft obtained a valuation report from an external expert on the purchase price allocation, the identification and the measurement of the assets and liabilities as of the acquisition date. For the two smaller acquisitions the legal representatives of INDUS Holding Aktiengesellschaft themselves carried out the identification and fair value measurement of the assets and liabilities as of the acquisition date.

We inspected the valuation reports by the external experts and the fair value measurements by the legal representatives to gain an understanding of how the legal representatives proceeded with the identification and measurement of the consideration transferred and of the assets and liabilities recognized as of the acquisition date.

We also took the respective purchase agreements and other relevant contracts and documents into account.

We investigated the measurement parameters and methods used to determine the fair value of the assets and liabilities as of the acquisition date in the respective external purchase price allocation reports and in the valuations by the legal representatives.

We verified that the disclosures in the Notes required by IFRS 3 for business combinations were complete.

The estimates and judgments by the legal representatives of INDUS Holding Aktiengesellschaft on which the respective measurement, purchase price allocation and initial consolidation are based are derived correctly and on the basis of the information available to us are shown correctly.

Other Information

The legal representatives or Supervisory Board are responsible for the disclosures under other information. The other information comprises:

- the elements of the combined management report referred to in the “Opinions” section, whose content has not been audited,
- the report of the Supervisory Board,
- the Corporate Governance report in accordance with the German Corporate Governance Code,
- the declaration under Section 297 (2), Sentence 4 HGB relating to the consolidated financial statements and the declaration under Section 315 (1), Sentence 5 HGB relating to the combined management report and
- the other parts of the Annual Report, but not the consolidated financial statements, the information included in the content audit of the combined management report and our associated report.

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration made in accordance with Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the Group declaration on corporate governance in the “Corporate Governance” section of the combined management report. The legal representatives are responsible for any other information included under “other information.”

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of audit conclusion in relation to this.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information mentioned above and, in doing so, to consider whether the other information:

- is materially inconsistent with the consolidated financial statements, the audited content of the combined management report, or our knowledge obtained during the audit,
- or otherwise appears materially misstated.

If, based on the procedures that we have performed, we come to the conclusion that there is a material misrepresentation in this other information, we have a duty to report it. We have nothing to report in this context.

Responsibilities of Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for preparing the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for internal controls which they determine necessary to enable the preparation of consolidated financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to the going concern. In addition, they are responsible for financial reporting on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative other than this.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and presents the risks and opportunities of future development appropriately. The legal representatives are also responsible for arrangements and measures (systems) they consider necessary to enable the preparation of a combined management report in compliance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

External Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements overall are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and presents the risks and opportunities of future development appropriately, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits of the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore,

- we identify and assess the risks of material misstatements in the consolidated financial statements and in the combined management report, whether these are intended or unintended, and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate for providing a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- we obtain an understanding of internal control systems relevant to the audit of the consolidated financial statements and of arrangements and systems relevant to the audit of the combined management report to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- we evaluate the appropriateness of accounting standards used by the legal representatives and the reasonableness of estimates and related disclosures made by the legal representatives.

— we draw conclusions on the appropriateness of legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and the combined management report or, if these disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained as at the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
— we evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315e (1) HGB.
— we obtain sufficient and appropriate audit evidence on the financial information of the companies or operating activities within the Group so as to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the guidance, monitoring, and performance of the audit of the consolidated financial statements. We are solely responsible for our opinion.
— we evaluate the consistency of the combined management report with the consolidated financial statements, conformity with [German] law, and the view of the Group's position it provides.
— we perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate whether prospective information is properly derived from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those responsible for governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant shortcomings on internal control identified by us during our audit.

We also provide those responsible for governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to impact our independence, and where applicable, the related safeguards.

From the matters communicated to those responsible for governance, we determine matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prevents public disclosure about the matter.

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Other Statutory and Other Legal Requirements

Assurance Report in Accordance With Section 317 (3a) of the German Commercial Code (HGB) on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report

Opinion

We have performed an assurance engagement in accordance with Section 317 (3a) of the German Commercial Code (HGB) to obtain reasonable assurance of whether the electronic reproduction of the consolidated financial statements and the combined management report (hereinafter also referred to as the "ESEF documents") contained in the file "indusholding-2021-12-31-de.zip" with the checksum SHA256:588be432e30af712eb556881b986ec81d6c3d1b3a2ca3e738f08a5adde0f7707 and prepared for publication purposes meets the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the aforementioned file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the aforementioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) of the German Commercial Code (HGB) for the electronic reporting format. We do not express any opinion on the information contained in this reproduction or on the other information contained in the aforementioned file beyond this opinion and our opinions on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2021, contained in the above "Report on the audit of the consolidated financial statements and of the combined management report."

Basis for the Opinion

We performed our assurance engagement of the electronic reproduction of the consolidated financial statements and the combined management report contained in the above file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and the IDW Assurance Standard: Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410 (10.2021)). Our responsibility under these is described in more detail in the "Responsibility of the external auditor for the assurance engagement on the ESEF documents" section. Our audit practice applied the quality assurance requirements defined in the IDW Quality Assurance Standard: Quality assurance requirements in audit practice (IDW QS 1).

Responsibility of the Legal Representatives and the Supervisory Board for the ESEF Documents

The company's legal representatives are responsible for preparing the ESEF documents with the electronic reproduction of the consolidated financial statements and combined management report in accordance with Section 328 (1) Sentence 4 No. 1 of the German Commercial Code (HGB) and for marking up the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

In addition, the company's legal representatives are responsible for the internal checks they consider necessary for preparing ESEF documents that are free from material breaches – whether due to fraud or error – of the requirements of Section 328 (1) HGB for the electronics reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Responsibility of the External Auditor for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance of whether the ESEF documents are free from material breaches – whether due to fraud or error – of the requirements of Section 328 (1) of the German Commercial Code (HGB). We exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore,

- we identify and assess the risks of material breaches of the requirements of Section 328 (1) of the German Commercial Code (HGB), whether due to fraud or error, plan and perform assurance procedures in response to those risks, and obtain assurance evidence that is sufficient and appropriate for providing a basis for our opinion.
- we obtain an understanding of the internal control system relevant to the assessment of the ESEF documents in order to plan assurance procedures that are appropriate in the circumstances, but not with the aim of expressing an opinion on the effectiveness of these controls.
- we evaluate the technical validity of the ESEF documents – i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date on the technical specification for this electronic file.
- we evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- we evaluate whether the mark-up of the ESEF documents using inline XBRL technology (iXBRL) provides an appropriate, fully machine-readable XBRL copy of the XHTML reproduction in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 as amended as of the reporting date.

Further Disclosures Pursuant to Article 10 of the EU Audit Regulation

We were elected as the external auditor for the consolidated financial statements at the Annual Shareholders' Meeting on May 26, 2021. We were engaged by the Supervisory Board on November 1, 2021. We have been the Group auditor of INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany, continually since the financial year 2013.

We declare that the opinions expressed in this external auditor's report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

Other Matter – Use of the Audit Report

Our audit report must always be read in conjunction with the audited consolidated financial statements and the audited combined management report and the audited ESEF documents. The consolidated financial statements and combined management report transferred to ESEF format – including the versions to be published in the German Federal Gazette – are only electronic reproductions of the audited consolidated financial statements and the audited combined management report and not substitutes for them. In particular, the ESEF report and our opinion that forms part of it may only be used in conjunction with the audited ESEF documents provided in electronic form.

Auditor Responsible

The auditor responsible for the engagement is Mr. Nikolaus Krenzel.

Cologne, March 17, 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Burkhard Völkner	Nikolaus Krenzel
[German Public Auditor]	[German Public Auditor]

Independent Auditor's Limited Assurance Engagement Statement

To INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany:

We performed a limited assurance audit of the combined non-financial report by INDUS Holding Aktiengesellschaft for the period from January 1 to December 31, 2021 (hereafter known as "non-financial report") for INDUS Holding Aktiengesellschaft, Bergisch Gladbach (hereafter known as "company") and the Group.

Responsibility of the Legal Representatives

The company's legal representatives are responsible for preparing the non-financial report in accordance with Sections 315b, 315c in conjunction with 289c to 289e of the German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter known as EU Taxonomy Regulation) and the applicable delegated acts.

The responsibility of the company's legal representatives includes selecting and applying appropriate methods to prepare the non-financial report and making assumptions and estimates regarding individual disclosures that are appropriate under the applicable circumstances. In addition, the legal representatives are responsible for ensuring the internal checks determined necessary for preparing a non-financial report are free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the delegated acts include formulations and terms whose interpretation is still subject to considerable uncertainty and for which guidance has not yet been published in all cases. The legal representatives are responsible for reaching a reasonable interpretation of the EU Taxonomy Regulation and the relevant delegated acts. Because there is an intrinsic risk that indefinite legal terms can be interpreted differently, there is always a degree of uncertainty about whether the interpretation is consistent with the law.

Independence of the Public Auditors and their Quality Assurance

We complied with the German professional standards for our independence as well as other professional standards of conduct.

Our firm of auditors applies national legislation and professional pronouncements; particularly the statutes for auditors and certified accountants (BS WP/vBP) as well as the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) quality assurance standard Quality Assurance Requirements in Auditing Firms (IDW QS 1). We therefore have an extensive quality assurance system that comprises documented rules and measures relating to compliance with professional standards of conduct, other professional standards and the relevant statutory and other legal requirements.

Responsibility of the Auditor

It is our responsibility to provide a limited assurance opinion on the non-financial report based on the audit we have performed.

We performed our audit in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information," published by IAASB. This requires us to plan and perform the audit in such a way that we can determine with limited assurance that we did not become aware of any matters that led us to believe the non-financial report was prepared in a way that was not in all material respects in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the relevant delegated acts. This does not mean that a separate opinion is given on each disclosure.

In comparison with a reasonable level of assurance, the audit procedures performed for a limited assurance audit are less comprehensive, which leads to a considerably lower level of assurance being obtained. The auditor is responsible for judging which audit procedures are necessary.

Our audit included the following audit procedures and other activities:

- Understanding the structure of the sustainability organization and the inclusion of relevant stakeholders
- Interviews concerning the materiality analysis to gain an understanding of the approach to identifying material sustainability topics and the corresponding reporting units
- A risk evaluation of relevant information regarding the sustainability performance in the reporting period
- Interviews and estimates of the design and implementation of systems and processes for determining, processing, and monitoring the information and results covered in the audit, including the consolidation of data
- Interviewing persons responsible for gathering information on the design, due diligence processes, results and risks, as well as performing internal checks and consolidating the information covered in the audit
- Inspecting selected internal and external documents
- Analytical evaluation of selected data and trends in quantitative information, which were submitted by the reporting units at Group level for consolidation
- Evaluation of the local data collection, validation, and reporting processes, and the reliability of submitted data based on interviews with randomly selected reporting units
- Evaluation of the overall presentation of the information
- Interviews concerning the measures determined during Board of Management, Supervisory Board, committee, or other meetings that could impact the sustainability report, as well as inspecting the corresponding meeting minutes
- Comparison with findings from the audit of the consolidated and annual financial statements
- Evaluation of the process for identifying economic activities qualifying for the Taxonomy Regulation and the corresponding disclosures in the non-financial report

The legal representatives must interpret indefinite legal terms when making the disclosures pursuant to Article 8 EU Taxonomy Regulation. Because there is an intrinsic risk that indefinite legal terms can be interpreted differently, there is always a degree of uncertainty about whether the interpretation and therefore our audit of it are consistent with the law.

Opinion

Based on the audit performed and the evidence obtained, we have not become aware of any matters that lead us to believe that the INDUS Holding Aktiengesellschaft non-financial report for the period January 1 to December 31, 2021, was not prepared in all material respects in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the relevant delegated acts.

Restriction on the Use of the Statement

The limited assurance audit was performed for the purposes of the Company and the statement serves only to inform the Company of the results of this audit. It may therefore not be suitable for any other purpose than that mentioned above. The statement is therefore not a suitable basis for third parties to make (investment) decisions on. Our responsibility only extends to the Company. We have no responsibility with regard to third parties, by contrast. Our audit opinion is not modified in this respect.

Terms of the Engagement and Liability

This engagement, including in relation to third parties, is subject to the general terms of engagement for German public auditors and public audit firms from January 1, 2017, annexed to this statement. We also refer to the conditions for our liability listed under item 9 and the exclusion of liability toward third parties. We have no responsibility, liability, or other duties toward third parties.

Cologne, March 17, 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Burkhard Völkner
Auditor

Nikolaus Krenzel
Auditor

Further Information on the Board Members

Supervisory Board of INDUS Holding AG

Jürgen Abromeit
Chairman/CEO of A-Xellence AG, Osnabrück
CHAIR

Wolfgang Lemb*
Managing Director, IG Metall, Frankfurt am Main
DEPUTY CHAIR

Dr. Jürgen Allerkamp
Lawyer, Chair of the Board of Management of Investitionsbank Berlin, Berlin (until June 30, 2021)

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
- RE.START projects AG, Berlin, Chair of the Supervisory Board (since November 1, 2021)
- BPWT Berlin Partner für Wirtschaft und Technologie GmbH, Berlin, Chair of the Supervisory Board (until June 30, 2021)
- IBB Beteiligungsgesellschaft mbH, Berlin** (until June 30, 2021)

Dr. Dorothee Becker
Diplom-Ökonomin (graduate economist), Speaker of the Management Board of Gebrüder Becker Group, Wuppertal

Dorothee Diehm*
IG Metall representative – Freudenstadt branch, Freudenstadt

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
- HOMAG Group AG, Schopfloch, Supervisory Board member

Pia Fischinger*
Deputy Chair of the Karl Simon GmbH & Co. KG works council, Aichhalden

Cornelia Holzberger*
Lawyer (commercial law), M. BRAUN Inertgas-Systeme GmbH, Garching-Hochbrück

Gerold Klausmann*
Head of Finance/Management Control department at Karl Simon GmbH & Co. KG, Aichhalden

Isabella Pfaller
Graduate mathematician, member of the Supervisory Board of the Versicherungskammer Bayern, Munich

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
- Bayerische Beamtenkasse AG, Munich, Chairperson of the Supervisory Board***
- Consal Beteiligungsgesellschaft AG, Munich***
- Union Krankenversicherung AG, Saarbrücken, Chairperson of the Supervisory Board***

Helmut Späth
Business graduate

Further mandates within the meaning of Section 125(1) Sentence 5 of the German Stock Corporation Act (AktG):
- ifb SE, Grünwald, Chair of the Supervisory Board

Uwe Trinogga*
Head of Quality Assurance at Selzer Fertigungstechnik GmbH & Co. KG, Driedorf

Carl Martin Welcker
Engineer (graduate engineer), Managing Director of Alfred H. Schütte GmbH & Co. KG, Cologne

The Board of Management of INDUS Holding AG

Dr.-Ing. Johannes Schmidt
CHAIRMAN OF THE BOARD

Further mandates in advisory bodies:
— Richard Bergner Holding GmbH & Co. KG

Dr. Jörn Großmann
Graduate in biological sciences, MBA

Axel Meyer
Dipl.-Wirtschafts-Ing. (industrial engineer), LL.M.

Rudolf Weichert
Business graduate

Further mandates in advisory bodies:
— Börsenrat (business advisory board) of Düsseldorf Stock Exchange

* Employee representatives on the Supervisory Board.
** This mandate is with a group company of Investitionsbank Berlin.
*** These mandates are with group companies of Versicherungskammer Bayern.

Investments of INDUS Holding AG

By segment	Capital (in EUR million)	INDUS stake (in %)
Construction/Infrastructure		
ANCOTECH AG, Dielsdorf/Switzerland*	3.76**	100
BETOMAX systems GmbH & Co. KG, Neuss	2.03	100
FS-BF GmbH & Co. KG, Reichshof-Hahn*	0.64	100
HAUFF-TECHNIK GmbH & Co. KG, Hermaringen*	1.74	100
H. HEITZ Furnierkantenwerk GmbH & Co. KG, Melle*	4.39	100
MIGUA Fugensysteme GmbH, Wülfrath*	1.66	100
OBUK Haustürfüllungen GmbH & Co. KG, Oelde*	0.52	100
REMKO GmbH & Co. KG Klima- und Wärmetechnik, Lage*	1.82	100
SCHUSTER Klima Lüftung GmbH & Co. KG, Friedberg	1.05	100
WEIGAND Bau GmbH, Bad Königshofen i. Grabfeld	1.00	80
WEINISCH GmbH & Co. KG, Oberviechtach	0.53	100
WIRUS Fenster GmbH & Co. KG; Rietberg-Mastholte	1.53	70
Automotive Technology		
AURORA Konrad G. Schulz GmbH & Co. KG, Mudau*	7.53	100
BILSTEIN & SIEKERMANN GmbH & Co. KG, Hillesheim*	3.11	100
IPETRONIK GmbH & Co. KG, Baden-Baden*	2.75	100
Schäfer GmbH & Co. KG, Osnabrück*	2.93	100
SELZER Fertigungstechnik GmbH & Co. KG, Driedorf*	9.48	100
SITEK-Spikes GmbH & Co. KG, Aichhalde	1.05	100
S.M.A. S.M.A. Metalltechnik GmbH & Co. KG, Backnang*	8.84	100
Engineering		
ASS Maschinenbau GmbH, Overath*	0.57	100
M. BRAUN Inertgas-Systeme GmbH, Garching b. Munich*	1.96	100
BUDDE Fördertechnik GmbH, Bielefeld*	0.39	75
ELTHERM GmbH, Burbach*	1.27	100
JST Jungmann Systemtechnik GmbH & Co. KG; Buxtehude	0.05	100
GSR Ventiltechnik GmbH & Co. KG, Vlotho*	0.57	100
HORN GmbH & Co. KG, Flensburg*	8.36	100
IEF-Werner GmbH, Furtwangen im Schwarzwald	1.28	100
MBN – Maschinenbaubetriebe Neugersdorf GmbH, Ebersbach-Neugersdorf*	0.76	100
MESUTRONIC Gerätebau GmbH, Kirchberg im Wald*	0.54	90
M+P International Mess-und Rechnertechnik GmbH, Hanover*	1.46	93
PEISELER GmbH & Co. KG, Remscheid*	1.16	100
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100

By segment	Capital (in EUR million)	INDUS stake (in %)
Medical Engineering/Life Science		
IMECO GmbH & Co. KG, Hösbach*	0.75	100
MIKROP AG, Wittenbach/Switzerland*	1.13**	100
OFA Bamberg GmbH, Bamberg*	1.52	100
RAGUSE Gesellschaft für medizinische Produkte mbH, Ascheberg*	0.92	100
ROLKO Kohlgrüber GmbH, Borgholzhausen*	0.53	100
Metals Technology		
BETEK GmbH & Co. KG, Aichhalden*	6.08	100
DSG Dessauer Schaltschrank- und Gehäusetechnik GmbH, Dessau-Roßlau	0.03	100
HAKAMA AG, Bättwil/Switzerland	5.00**	100
Anneliese KÖSTER GmbH & Co. KG, Ennepetal*	2.47	100
MEWESTA Hydraulik GmbH & Co. KG, Münsingen	0.54	100
PLANETROLL GmbH & Co. KG, Munderkingen	0.54	100
Helmut RÜBSAMEN GmbH & Co. KG, Metalldrückerei-Umformtechnik, Bad Marienberg	0.53	100
Karl SIMON GmbH & Co. KG, Aichhalden*	7.14	100
VULKAN INOX GmbH, Hattingen*	1.12	100

* Including subsidiaries
** CHF million

Key Figures

in EUR '000	2014	2015	2016	2017	2018	2019	2020	2021
STATEMENT OF INCOME								
Sales	1,255,723	1,388,857	1,444,270	1,640,640	1,710,788	1,742,799	1,558,554	1,741,498
of which domestic	655,198	708,993	735,486	815,497	878,860	890,190	801,805	910,348
of which abroad	600,525	679,864	708,784	825,143	831,928	852,609	756,749	831,150
Personnel expenses	349,010	392,012	430,230	479,679	506,637	527,461	501,007	529,076
Personnel expense ratio (personnel expenses as % of sales)	27.8	28.2	29.8	29.2	29.6	30.3	32.1	30.4
Cost of materials	598,204	651,562	648,685	745,894	811,929	782,448	690,106	817,615
Cost-of-materials ratio (cost of materials as % of sales)	47.6	46.9	44.9	45.5	47.5	44.9	44.3	46.9
EBITDA	173,532	185,473	199,424	213,918	218,083	225,706	157,710	220,382
Depreciation/amortization	47,970	50,103	55,976	62,438	83,657	107,810	132,630	104,982
EBIT	125,562	135,370	143,448	151,481	134,426	117,896	25,080	115,400
EBIT margin (EBIT as % of sales)	10.0	9.7	9.9	9.2	7.9	6.8	1.6	6.6
Financial income	-24,857	-26,075	-20,070	-22,290	-19,720	-18,922	-15,446	-16,327
EBT	100,705	109,295	123,378	129,191	114,706	98,974	9,634	99,073
Group net income for the year (earnings after taxes)	63,314	68,287	80,418	83,074	71,185	60,072	-26,902	47,564
Earnings per share, basic IFRS, (in EUR)	2.74	2.78	3.27	3.37	2.90	2.43	-1.10	1.78
Statement of financial position								
Assets								
Intangible assets	412,268	453,630	483,008	515,044	509,420	592,315	559,778	646,017
Property, plant and equipment	306,818	334,846	369,331	397,008	418,227	430,679	405,470	416,610
Inventories	265,690	281,612	308,697	339,154	408,693	381,364	332,463	403,894
Receivables	162,091	160,744	177,626	197,528	202,523	202,527	161,943	168,890
Other assets	45,029	56,752	55,762	68,571	71,508	66,186	74,472	85,678
Cash and cash equivalents	116,491	132,195	127,180	135,881	109,647	135,120	194,701	136,320
Equity and liabilities								
Equity	549,872	595,430	644,568	673,813	709,825	727,721	676,354	787,474
Provisions	80,750	92,235	96,815	118,730	118,966	129,032	128,424	131,100
Financial liabilities	462,315	488,550	503,731	534,846	592,406	681,386	713,614	640,454
Other equity and liabilities	215,450	243,563	276,490	325,797	298,821	270,052	210,435	298,381
Total assets	**1,308,387**	**1,419,778**	**1,521,604**	**1,653,186**	**1,720,018**	**1,808,191**	**1,728,827**	**1,857,409**

in EUR '000	2014	2015	2016	2017	2018	2019	2020	2021
Group equity ratio (equity/total assets) as %	42.0	41.9	42.4	40.8	41.3	40.2	39.1	42.4
Non-current financial liabilities	367,488	376,935	389,757	439,545	465,886	546,341	553,773	477,286
Current financial liabilities	94,381	111,616	113,974	95,301	126,520	135,045	159,841	163,168
Net debt (non-current and current financial liabilities – cash and cash equivalents)	345,824	356,356	376,551	398,965	482,759	546,266	518,913	504,134
Net debt/EBITDA	2.0	1.9	1.9	1.9	2.2	2.4	3.3	2.3
Trade payables	47,942	46,749	55,409	66,162	65,659	55,931	48,926	62,178
Advance payments received and contract liabilities	30,263	39,860	58,409	67,569	73,378	49,703	35,024	53,060
Working capital (inventories + trade receivables – trade payables – advance payments – contract liabilities)	349,576	355,746	372,505	402,951	472,180	478,257	410,457	457,546
Gearing (net debt/equity)	0.6	0.6	0.6	0.6	0.7	0.8	0.8	0.6
Return on equity (earnings after taxes/equity) in %	11.5	11.5	12.5	12.3	10.0	8.3	-4.0	6.0
Investments	97,156	107,380	103,884	111,425	102,401	107,438	53,502	142,926
Statement of cash flows								
Operating cash flow	104,385	157,341	137,945	144,942	96,010	167,733	174,444	136,375
Cash flow from operating activities	86,961	130,942	114,564	123,962	74,654	147,286	155,188	116,574
Cash flow from investing activities	-95,234	-112,768	-104,454	-109,956	-98,317	-76,152	-52,345	-130,363
Cash flow from financing activities	8,195	-3,149	-14,938	-3,898	-2,706	-46,141	-42,015	-44,470
Cash flow per share (in EUR)	3.56	5.36	4.69	5.07	3.05	6.02	6.35	4.43
Other performance indicators								
XETRA share price at year-end (in EUR)	38.11	44.51	51.64	59.50	39.00	38.85	32.10	32.75
Average number of shares	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	26,332,863
Number of shares at year-end	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	26,895,559
Market capitalization	931,809	1,088,292	1,262,624	1,454,805	953,570	949,902	784,861	880,830
Dividend (in EUR million)*	29,341	29,341	33,008	36,676	36,676	19,560	19,560	28,240
Dividend per share (in EUR)*	1.20	1.20	1.35	1.50	1.50	0.80	0.80	1.05
Number of portfolio companies	42	44	44	45	45	47	46	46

* Total dividend amount and dividend per share for the financial year; dividend proposal for the 2021 financial year – subject to approval at Annual Shareholders' Meeting on May 31, 2022

Added Value

As a leading specialist for sustainable equity investment and development in German speaking countries, INDUS also aims to add lasting value to its small and medium-sized portfolio companies. The statement of value added shows the increase in the company's enterprise value as a contribution to the gross national product of the country concerned and how it is distributed. Net value added by INDUS Holding AG increased by 22.5% to EUR 646.2 million in the reporting year as a result of increased business activities in 2021. This is the same level as in 2019, before the outbreak of the coronavirus pandemic. By continuing to align its value chain consistently with sustainability, INDUS safeguards its future corporate development and ability to innovate in the context of its corporate social responsibility.

BUSINESS PERFORMANCE

(in EUR million)

	2021	2020
Revenue	1,741.5	1,558.6
Other operating income	28.4	22.1
Own work capitalized	6.0	6.4
Change in inventories	23.7	-27.6
Remaining income	1.7	1.5
Business performance	**1,801.3**	**1,561.0**

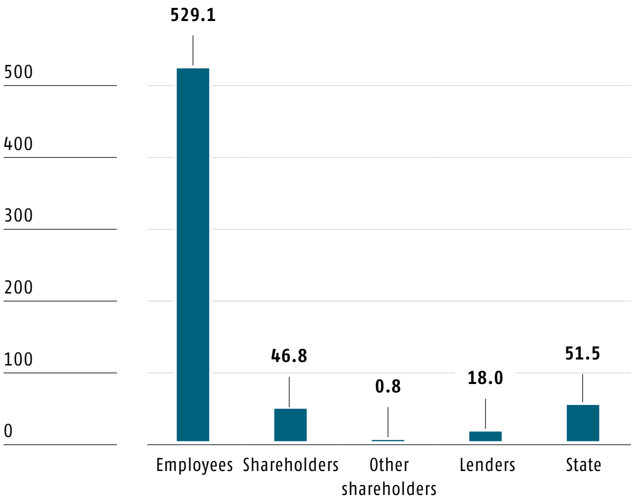
ADDED VALUE

(in EUR million)

	2021	2020
Business performance	1,801.3	1,561.0
Cost of materials	-817.6	-690.1
Other operating expenses	-232.5	-210.7
Gross added value	**751.2**	**660.2**
Depreciation/amortization	-105.0	-132.6
Net added value	**646.2**	**527.6**

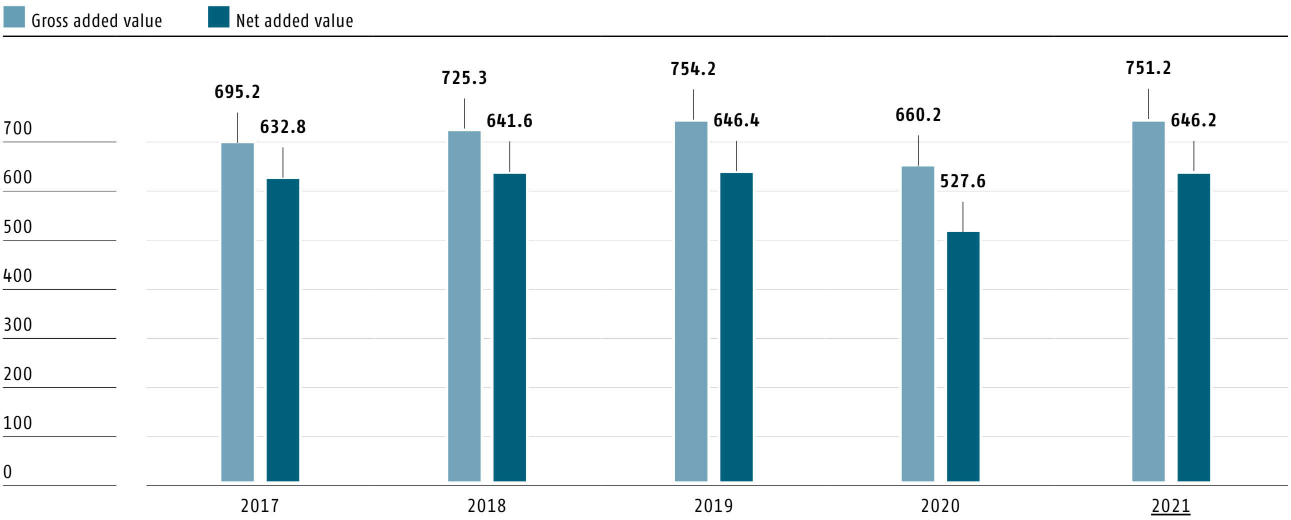
UTILIZATION OF NET ADDED VALUE IN 2021

(in EUR million)



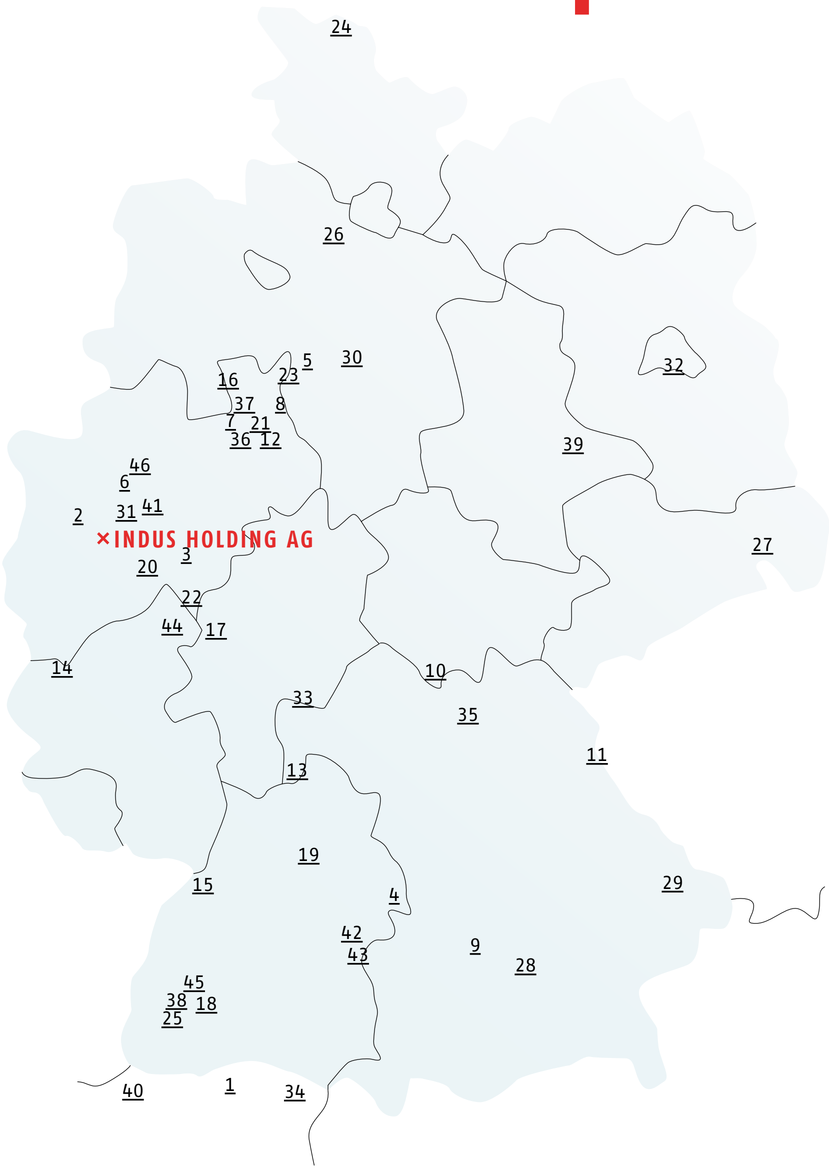
DEVELOPMENT OF ADDED VALUE IN 2021

(in EUR million)



Overview of Portfolio Companies

Our portfolio companies operate independently within their markets. They use this freedom to actively develop their business further, tailoring it closely to customers' needs. This keeps both the individual firms and our Group as a whole successful and resilient.



The INDUS world

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Portfolio companies in Germany and Switzerland

CONSTRUCTION/ INFRASTRUCTURE

1 ANCOTECH
2 BETOMAX
3 FS-BF
4 HAUFF-TECHNIK
5 H. HEITZ
6 MIGUA
7 OBUK
8 REMKO
9 SCHUSTER
10 WEIGAND
11 WEINISCH
12 WIRUS

AUTOMOTIVE TECHNOLOGY

13 AURORA
14 BILSTEIN & SIEKERMANN
15 IPETRONIK
16 SCHÄFER
17 SELZER
18 SITEK
19 S.M.A.

ENGINEERING

20 ASS
21 BUDDE
22 ELTHERM
23 GSR
24 HORNGROUP
25 IEF-WERNER
26 JST
27 MBN
28 M. BRAUN
29 MESUTRONIC
30 M+P
31 PEISELER
32 TSN

MEDICAL ENGINEERING/ LIFE SCIENCE

33 IMECO
34 MIKROP
35 OFA
36 RAGUSE
37 ROLKO

METALS TECHNOLOGY

38 BETEK
39 DSG
40 HAKAMA
41 KÖSTER
42 MEWESTA
43 PLANETROLL
44 RÜBSAMEN
45 SIMON
46 VULKAN INOX

Further information about the portfolio companies in the INDUS Group can be found at www.indus.de/en/about-indus/investment

Construction/ Infrastructure

25.9% / EUR 451.6 million of total sales

The construction and infrastructure sectors are elementary in any country. SMEs in the construction industry ensure that we can live and work comfortably in Germany. Immigration and urbanization provide the sector with further momentum. The increase in mobility will also cause demand for infrastructure services to rise sharply. Another sector gaining in importance is the safety technology sector.
The companies in this INDUS segment operate in various areas within the construction industry. Their products and services range from reinforcements and construction materials to air conditioning and heating technology along with accessories for private housing construction.

ANCOTECH GRUPPE, DIELSDORF
Special reinforcements and tanker transport systems
Sales 2021: EUR 47.3 million
www.ancotech.com

BETOMAX SYSTEMS GMBH & CO. KG, NEUSS
Concrete construction solutions
Sales 2021: EUR 21.1 million
www.betomax.de

FS-BF GMBH & CO. KG, REICHSHOF/HAHN
Sealants made from silicone and acrylic
Sales 2021: EUR 45.9 million
www.fsbf.com

H. HEITZ FURNIERKANTENWERK GMBH & CO. KG, MELLE
Edge and wrapping veneer for the furniture and construction industries
Sales 2021: EUR 30.8 million
www.h-heitz.de

HAUFF-TECHNIK GMBH & CO. KG, HERMARINGEN
Innovative sealing systems for cables and pipes
Sales 2021: EUR 97.9 million
www.hauff-technik.de

MIGUA FUGENSYSTEME GMBH, WÜLFRATH
Section construction for expansion joints
Sales 2021: EUR 13.9 million
www.migua.de

OBUK HAUSTÜRFÜLLUNGEN GMBH & CO. KG, OELDE
Individual front door panels
Sales 2021: EUR 30.3 million
www.obuk.de

REMKO GMBH & CO. KG, LAGE
Efficient heating technology
Sales 2021: EUR 74.3 million
www.remko.de

SCHUSTER KLIMA LÜFTUNG GMBH & CO. KG, FRIEDBERG
Energy-efficient ventilation and air-conditioning technology
Sales 2021: EUR 15.7 million
www.klima-schuster.de

WEIGAND BAU GMBH, BAD KÖNIGSHOFEN IM GRABFELD
Modern pipeline and cable duct construction
Sales 2021: EUR 22.6 million
www.weigandbau.de

WEINISCH GMBH & CO. KG, OBERVIECHTACH
High-quality powder coating of metals
Sales 2021: EUR 6.0 million
www.weinisch.de

ACQUISITION

WIRUS FENSTER GMBH & CO. KG, RIETBERG-MASTHOLTE
Full-service provider for high-quality windows and doors
Sales 2021: EUR 45.8 million
www.wirus-fenster.de

All the portfolio company sales in all segments comprise sales to external third parties.

Automotive Technology

16.2% / EUR 281.9 million of total sales

The automotive industry is one of the mainstays of the German economy. Roughly every sixth job depends on it. This sector is critically dependent on the expertise and skills of small- and medium-sized manufacturers and suppliers. Their flexibility and capacity for innovation ensure that Germany is the market leader in this area. These qualities will be much in demand in the coming years, because the market is facing fundamental changes due to the changes in drive systems. The companies in this INDUS segment provide a broad range of products and services for the automotive industry: from design and model or prototype construction to pre-series and small series production, from testing and measurement solutions and solutions for specialized vehicles to series production of components for manufacturers of cars and commercial or special-use vehicles.

AURORA KONRAD G. SCHULZ GMBH & CO. KG, MUDAU

Heating and air-conditioning systems for commercial vehicles
Sales 2021: EUR 54.3 million
www.aurora-eos.com

BILSTEIN & SIEKERMANN GMBH & CO. KG, HILLESHEIM

Cold extrusion parts, turned parts, and locking screws
Sales 2021: EUR 17.5 million
www.bsh-vs.com

IPETRONIK GMBH & CO. KG, BADEN-BADEN

Measurement systems and services for automotive development
Sales 2021: EUR 36.6 million
www.ipetronik.com

SCHÄFER GMBH & CO. KG, OSNABRÜCK

Model and mold construction for the automotive and aviation industries
Sales 2021: EUR 11.8 million
www.schaefer-holding-gmbh.de

SELZER GRUPPE, DRIEDORF

Precision metal technology for the series production of automobiles
Sales 2021: EUR 47.7 million
www.selzergroup.com

SITEK-SPIKES GMBH & CO. KG, AICHHALDEN

Spikes and hard metal tools
Sales 2021: EUR 18.1 million
www.sitek.de

S.M.A. METALLTECHNIK GMBH & CO. KG, BACKNANG

Products for automotive air-conditioning and servo technology
Sales 2021: EUR 48.6 million
www.sma-metalltechnik.de

WIESAUPLAST GMBH & CO. KG, WIESAU*

Precision plastics
Sales 2021: EUR 47.3 million
www.wiesauplast.de

* The company was deconsolidated on December 30, 2021.

Engineering

25.2% / EUR 438.9 million of total sales

No other industry embodies the phrase "Made in Germany" as well as the engineering industry. Industrial production would be unimaginable without this segment. All over the world, German companies in this sector have a first-class reputation. With their expertise and quality, German SMEs have for many decades ensured that German products are in high demand internationally. The INDUS companies in this segment develop complete conveying systems and robotic gripping systems, produce valve technology, automation components (including those used for vehicle assembly), and installations for clean room systems, and design electric heat tracing systems.

ASS MASCHINENBAU GMBH, OVERATH
Robotic hands and automation systems for manufacturers
Sales 2021: EUR 16.3 million
www.ass-automation.com

BUDDE FÖRDERTECHNIK GMBH, BIELEFELD
Specialist in logistics and material flows
Sales 2021: EUR 109.1 million
www.budde.de

ELTHERM GMBH, BURBACH
Specialist in electrical heat tracing systems
Sales 2021: EUR 34.6 million
www.eltherm.com

GSR VENTILTECHNIK GMBH & CO. KG, VLOTHO
Innovative valve technology for demanding industrial applications
Sales 2021: EUR 25.0 million
www.ventiltechnik.de

HORNGROUP HOLDING GMBH & CO. KG, FLENSBURG
Refueling technology and workshop solutions worldwide
Sales 2021: EUR 40.6 million
www.the-horngroup.com

IEF-WERNER GMBH, FURTWANGEN
Automation components and systems
Sales 2021: EUR 18.4 million
www.ief.de

JUNGMANN SYSTEMTECHNIK GMBH & CO. KG, BUXTEHUDE
All-in-one solutions for control desk, control room and control center set-up
Sales 2021: EUR 11.9 million
www.jungmann.de

MBN MASCHINENBAUBETRIEBE NEUGERSDORF GMBH, EBERSBACH-NEUGERSDORF
Sophisticated solutions for special machinery and plant technology
Sales 2021: EUR 42.8 million
www.mbn-gmbh.de

M. BRAUN INERTGAS-SYSTEME GMBH & CO. KG, GARCHING
Inert gas glove box systems for industry and research
Sales 2021: EUR 73.1 million
www.mbraun.de

MESUTRONIC GERÄTEBAU GMBH, KIRCHBERG IM WALD
Metal and foreign body detection in production
Sales 2021: EUR 27.0 million
www.mesutronic.de

M+P INTERNATIONAL MESS- UND RECHNERTECHNIK GMBH, HANOVER
Measurement and test systems for vibration control and analysis
Sales 2021: EUR 11.7 million
www.mpihome.com

PEISELER GMBH & CO. KG, REMSCHEID
High-precision indexing devices and rotary tilt tables for machine tools
Sales 2021: EUR 19.0 million
www.peiseler.de

TURMBAU STEFFENS & NÖLLE GMBH, BERLIN
International construction of towers
Sales 2021: EUR 9.4 million
www.turmbau.de

Medical Engineering/ Life Science

8.6% / EUR 148.7 million of total sales

Demographic change means the healthcare sector is one of the great growth markets. It is characterized by a fast pace of innovation. SMEs seize new knowledge and use it to develop products which are compatible with markets and everyday life. By focusing their efforts in this way, they become specialists that assert themselves outstandingly in the competitive market – and not just in the field of treatment, but also in the care and prevention fields.
The companies in this INDUS segment produce orthotic devices and surgical stockings and bandages, develop lenses and optical devices, and produce surgical accessories, rehabilitation technology, and hygienic products for both medical applications and household use.

IMECO GMBH & CO. KG, HÖSBACH
Nonwoven products –
"More than nonwoven"
Sales 2021: EUR 22.0 million
www.imeco.de

MIKROP AG, WITTENBACH (CH)
Miniaturized precision optics
Sales 2021: EUR 12.6 million
www.mikrop.ch

OFA BAMBERG GMBH, BAMBERG
Compression hosiery and bandages
Sales 2021: EUR 74.1 million
www.ofa.de

RAGUSE GESELLSCHAFT FÜR MEDIZINISCHE PRODUKTE MBH, ASCHEBERG-HERBERN
Indication-specific production of surgical drapes
Sales 2021: EUR 13.4 million
www.raguse.de

ROLKO KOHLGRÜBER GMBH, BORGHOLZHAUSEN
Rehabilitation equipment
Sales 2021: EUR 26.6 million
www.rolko.de

Metals Technology

24.1% / EUR 420.4 million of total sales

Metals and metal processing play a significant part in the base materials processing industry. It is mainly SMEs which, thanks to the precision of their work and the quality of their products, create the conditions for high-quality end products. The reliability of its performance makes this segment a stable pillar in the day-to-day economy.
The companies in this INDUS segment provide a range of products and services that encompass solutions for rail technology, the production of carbide tools for road construction and mining, the manufacture of housings for laboratory diagnostics, blasting agents for the steel industry, and bolt welding technology for bridges and other applications.

BACHER AG, REINACH (CH)*
Components for rail vehicles, transport technology and custom solutions
Sales 2021: EUR 10.1 million
www.bacherag.ch
* The discontinuation of the company was completed in Q3 2021.

BETEK GMBH & CO. KG, AICHHALDEN
Carbide-tipped wear parts
Sales 2021: EUR 252.2 million
www.betek.de

DESSAUER SCHALTSCHRANK- UND GEHÄUSE-TECHNIK GMBH, DESSAU-ROSSLAU
Switch cabinets and machine casings
Sales 2021: EUR 9.7 million
www.dessauer-schaltschraenke.de

HAKAMA AG, BÄTTWIL((CH)
High-performance sheet metals
Sales 2021: EUR 22.1 million
www.hakama.ch

KÖSTER & CO. GMBH, ENNEPETAL
Cold working parts and stud welding technology
Sales 2021: EUR 18.4 million
www.koeco.net

MEWESTA HYDRAULIK GMBH & CO. KG, MÜNSINGEN
Hydraulic control blocks and systems
Sales 2021: EUR 6.9 million
www.mewesta.de

PLANETROLL GMBH & CO. KG, MUNDERKINGEN
Stirring technology and power transmission technology
Sales 2021: EUR 4.7 million
www.planetroll.de

HELMUT RÜBSAMEN GMBH & CO. KG, BAD MARIENBERG
Metal processing and forming technology
Sales 2021: EUR 55.1 million
www.helmut-ruebsamen.de

KARL SIMON GMBH & CO. KG, AICHHALDEN
Components and assemblies made from metal and plastic
Sales 2021: EUR 14.7 million
www.simon.group

VULKAN INOX GMBH, HATTINGEN
Granules for surface treatment
Sales 2021: EUR 26.5 million
www.vulkan-inox.de

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An online version of the Annual Report is available. Please scan the QR code or go to www.reporting.indus.de/en

Financial Calendar

Date	Event
March 23, 2022	Publication of the Annual Report for the 2021 financial year
March 24, 2022	Analyst and investor conference on the 2021 financial year
May 11, 2022	Publication of interim report on the first quarter of 2022
May 31, 2022	Annual Shareholders' Meeting 2022
August 10, 2022	Publication of interim report on the first half of 2022
November 10, 2022	Publication of interim report on the first nine months of 2022

Find the INDUS financial calendar and dates for corporate events at www.indus.de/en/investor-relations/financial-calendar

Imprint

RESPONSIBLE MEMBER OF THE BOARD OF MANAGEMENT
Dr.-Ing. Johannes Schmidt

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