ANNUAL REPORT 2019

[INDUS]

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BUILT
ON
TRUST

[INDUS]

INDUS

… is a leading specialist in sustainable corporate investment and development in the medium-sized company sector of the German-speaking countries. We acquire mainly owner-managed companies and support them with long-term orientation regarding their entrepreneurial development.

Our portfolio companies are characterized in particular by their strong position in specialized niche markets. As a growth-oriented financial investor, we ensure that our companies retain the identity and special strengths that are inherent in their medium-sized status.


[IN]spiring

PROGRESS

[01/20]

BUILT ON TRUST

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Magazine 01/20

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DR. JOHANNES SCHMIDT
Chairman of the Board of Management
of INDUS Holding AG

EDITORIAL

Dear readers,

Things could be better around the world at the moment. Global politics are getting rougher. The coronavirus is causing people concern. The economy is faltering. The European Union is losing its second-strongest economy. Issues are arising in many of the industries our Group is active in. The automotive industry in particular is currently dominated by change.

Somewhat ironically, the main theme of the magazine that we are publishing with this year's Annual Report is reliability. Why?

I believe this is just the right time to turn our attention to this topic. Reliably keeping promises is important to us. It has been one of our fundamental values for thirty years, and a feature of everyday work both at the portfolio companies and at the holding company. This includes promises made to you: our shareholders, partners, managers, and employees.

This will remain the case in the future. Everything that we do in the Group is long term in nature and aims to protect our reputation as a long-term home for successful SMEs.

However, this aim alone does not free us from a duty to transfer this attitude to the prevailing situations, and we have come up with the PARKOUR strategy plan to ensure this. I look forward to the increased agility, quicker decision-making, and wide range of new ideas that our Group has in store. This latter feature, in particular, is a proven strength of SMEs.

Johannes Schmidt

RELIABILITY

A GUIDING LIGHT

The Tower of Hercules in La Coruña, Spain, is the oldest lighthouse in the world and has been a faithful guide for ships nearing the rocky coast since Roman times. It has withstood catastrophes and fires since ancient times and has been rebuilt several times, changing its appearance, but it has never stopped being a guiding light.

RELIABILITY

THE RIGHT TOUCH

Eighteen mechanics set to work during a normal Formula 1 pit stop. The top teams send their racers back onto the track after less than two seconds in some cases. The racers in turn have complete faith in their colleagues and push the machines to the limit.


METRICOS

RELIABILITY

WELL PREPARED

Flawlessly functioning systems and precise preparations are vital to the success of any space mission. The intensive training that astronauts undergo has in the past helped them to take the right steps during unforeseeable events – as during the famous Apollo 13 mission.


THE TRUTH
TRUST BAROMETER
NEGATIVE TREND IN TRUST FOR "MADE IN GERMANY"
LOW
MEDIUM
HIGH
I HAVE TO BE ABLE TO RELY ON THE FACT THAT WHAT SOMEONE TELLS ME IS THE TRUTH AS THEY SEE IT.
MADE IN GERMANY
RELIABILITY
QUALITY
ADVANTAGE
@

RELIABILITY IS THE CORNERSTONE OF DEVELOPMENT **When Helmut Schmidt was asked by Giovanni di Lorenzo in 2012 what the former chancellor considered to be the most important virtue in his life, his reply was: "Reliability. I have to be able to rely on the fact that when someone tells me something, they are telling me the truth as they see it. I must be able to rely on the fact that when someone promises something, they will do everything to fulfill that promise." Is this a virtue from a bygone time? Or is there a good reason to hold on to this virtue – even in business?**

"MADE IN GERMANY" – A PROMISE FACES A CRISIS

The label "Made in Germany" originates from 1877 and was coined by the British government as a derogatory description for allegedly low-quality goods from Germany. The politicians of the time achieved the exact opposite of their intentions with this initiative. For almost one-and-a-half centuries now, "Made in Germany" has been associated with reliability, quality, and technological advancement around the world – even in the UK.

However, according to the results of a study into trust, Brand Germany's great reputation seems to be wearing off. The international consulting agency Edelman has been producing an annual trust barometer for 27 markets for 20 years – recently even twice a year for some markets. The figures for 2019 speak for themselves: In the United States, the population's confidence in German companies has declined by seven percentage points to 38% within a year. In France it is down ten percentage points at 46%. And even in countries where the confidence rate is much higher at over 70% – emerging countries such as Brazil, India, Mexico, and China – there are clear signs that Brand Germany's good reputation is waning.

The drop in the survey figures is even more remarkable as Germany was considered the home of the most trustworthy global companies along with countries such as Canada, Switzerland, and the UK. However, scandals such as those seen in the banking, chemicals, and automotive industries have made a dent in the trust placed in German companies.

This is perpetuated when the scandals are repeated. If there is a problem, it can often be remedied with a committed change of course and careful communication. People have understanding for that. But if it happens twice or even three times, the trust is usually gone for good.

In addition, these crises have come at a time in which the public increasingly expect companies to show an interest in more than just profit. Consumers, particularly in countries with populist governments, expect companies to fill the gap left by politicians. In many countries now, people's own employers are the institutions they trust the most.

DESPITE EVERYTHING: DEFINE TARGETS AND DEVELOP SKILLS

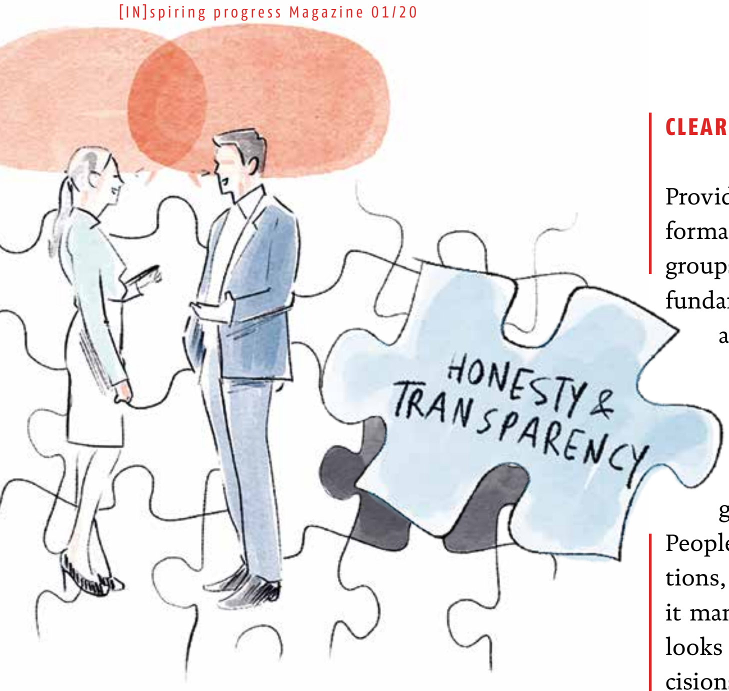
Even for companies not suffering under scandals and delivering reliably, like the INDUS Group, it has become more difficult to hold onto a good reputation. The political situation, and with it the economic conditions, have become more unpredictable, which makes producing reliable forecasts almost impossible. On the other hand, the digital revolution may open up new opportunities, but it is also making vast numbers of established business models irrelevant. And at many companies it is difficult to see the final destination for sheer agility.

How can we best act in this environment so that all stakeholders in company view it as a reliable partner?

INDUS has formulated an answer to this question with its PARKOUR strategy program. This answer is partially pushing both the Board of Management and the portfolio companies out of their comfort zones as it places a lot of responsibility on the stakeholders. But this is important: If a company has no targets and no methods for achieving them they will find themselves on a slippery slope that will lead to erratic conduct and a loss of control sooner rather than later.

Targets give all stakeholders direction, and training to improve skills promotes confidence. With these qualities a port can be found even during a storm.

As for training, the holding company actively supports its portfolio companies with both economic means and information transfer. This support should not be underestimated because most other SMEs in the markets often do not have such powerful back-up.



CLEAR EXPLANATIONS

Providing stakeholders with comprehensive information is also important because the target groups' information requirements have changed fundamentally since the financial crisis ten years ago. People do not just want to know what a company does but also how it does it. One way in which this new expectation has manifested itself is the noticeable increase in the importance of corporate governance and sustainability reporting. People want to understand how a company functions, including any reciprocal effects, and – if it manufactures goods – what the supply chain looks like. And they make their cooperative decisions based on this information – whether as partners, shareholders, or employees.

COMMUNICATING HONESTLY AND PROACTIVELY

There are other methods of conduct that also convey a strong sense of reliability – maintaining the virtues of honesty and transparency are particularly important. Acting honestly and transparently means disclosing uncomfortable truths openly and immediately. At the INDUS Group, we are currently facing such a situation with the series suppliers in the automotive field. Supported by the Board of Management, the affected portfolio companies' managing directors are working on strategies to put themselves in the best position to face fundamental changes in the vehicle industry.

For the holding company, dealing with critical topics can occasionally be like walking a tightrope. In order to come up with a viable solution, companies need enough time and space to come up with concepts. INDUS' philosophy has always been to give companies this space – and to offer support along the way. However, the Board of Management also has to meet the shareholders' need for information during these times, and rightly so. So, although the companies operate independently, the Board of Management regularly examines what information is important for the shareholders and passes this information on.

STAYING TRUE TO OUR VALUES AND SETTING STANDARDS

In times of transformation, there is one thing that really underscores the perception of reliability: a clear commitment to values and standards of conduct. A prerequisite for this, however, is that the company doesn't just suddenly adopt them opportunistically, but that they are standards and values that they have long lived by. In the 30 years since the company was founded, INDUS has always been aligned with SME values. And since the beginning of the COMPASS era in 2012, the Board of Management has made this especially clear to those outside of the company.

Today, in 2020, INDUS continues to stand by these values and the associated performance pledge. Of course, not without adapting the pledge to today's standards, but the core remains the same.

ALREADY ON IT

HOW INDUS PORTFOLIO COMPANIES ARE TAPPING INTO THE FUTURE In line with the INDUS philosophy, INDUS companies drive their business forward autonomously. The trust that the holding company places in its portfolio companies pays for itself time and again – for INDUS and especially for the customers. Current examples.

MIKROP

Internationalization with perspective

International customers in Europe, North America, and Asia rely on MIKROP's intelligent precision optics solutions. This is also due to the attractive and appropriate pricing of its products. Markus Bormann, Managing Director of MIKROP:

"With the construction and expansion of our plant in Kać/Novi Sad in Serbia we can now complete virtually all manufacturing processes at the plant in parallel."

The plant, which was established in 2007, has included a high-tech optics plant since the new construction in 2017. Around 80 staff members employed in optics manufacturing are highly trained. With precise initial and final inspection of products at Mikrop AG in Switzerland, MIKROP can guarantee its customers the usual high level of Swiss quality.

Optimum working and manufacturing conditions: The plant in Kać/Novi Sad was constructed to meet the specific manufacturing needs of micro-optic precision parts with cutting-edge technology standards.

BETEK/SITEK

Making smart use of materials

The companies BETEK and SITEK develop innovative materials solutions under the umbrella brand SIMON GROUP. BETEK's BeCoat® reduces wear and tear on carbide tools that are used in agriculture and other sectors. A coated cultivation tool is able to withstand the demands of an entire season and enables weed roots to be mechanically destroyed in a cost-effective manner.

"Aside from the beneficial environmental aspect, the low operating costs of using our coated tools also provide a competitive advantage in price-sensitive markets,"

explains Dipl.-Ing. Tobias Hilgert, one of the two managing directors.

SITEK's spikes for winter tires are primarily used in Scandinavia, Russia, and the United States. With lower weight and higher resistance to wear and tear, the newly developed polymer spikes are easy on roads and reduce asphalt particle emissions. Managing Director Dr. Ing. Marc Siemer confirms this:

"In light of the current fine particles debate and the increasingly strict environmental standards, customer interest is very high."

Developed for use under the harshest conditions: materials manufactured by BETEK and SITEK.

FS-BF

The trifecta of recycling

The North Rhine-Westphalia based manufacturer of silicone and acrylate sealants and specialties for the construction industry, FS-BF, has brought a recyclable cartridge to the market in partnership with cartridge manufacturer Fischbach and with the support of the recycling company Interseroh.

"Normally, unused cartridges can only be disposed of. Using the joint recycling process, the unused empty cartridges can now be returned to Fischbach, shredded, and made into new granulate. Thirty percent of this can currently be mixed in with new plastic granulate and thus reused,"

comments Dr. Alfred Moser, Managing Director of FS-BF, on the process. This can currently be used without any negative impact on the quality of acrylate, thereby improving the recycling rate in one first step. This is why FS-BF switched to recyclable cartridges and is looking into expanding the process to other fillers. The long-term aim is to include recycling material flows from Interseroh.

No need to dispose of it: cartridges are turned into granulate and reused.

MBN

Intelligent screwing systems speed up manufacturing process

MBN, the specialist for vehicle assembly plant technology and machinery from Saxony, has secured its next international order thanks to the newly developed, assembly-line integrated, screw magazine. Managing Director Ernst Lieb:

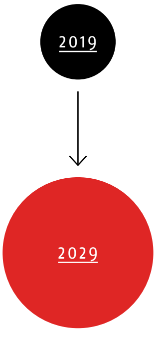
"Our innovative process played a significant role in gaining the order from VW to install an assembly line in the Foshan plant in China."

The new screw magazine allows numerous screws to be screwed in at once during the fitting of an electric battery in the chassis of electric vehicles, without slowing assembly line timing. Manual work is no longer necessary and neither are parallel assembly boxes. This reduces complexity, saves time, and thus increases efficiency.

The assembly line installed by MBN in the Foshan plant is automated to a high degree.

More than 1,000 valve options from the modular program and individual manufacturing options tailored to customer requirements are available.

Target: Doubling the export rate



Diverse action will be taken to heat up exports in the coming ten years.

GSR

High performance under pressure

New technologies are playing an increasingly important role for the specialist for magnetic and pneumatically controlled valves from East Westphalia. For the benefit of the customer and the environment. Managing Director Bernhard B. Wuermeling:

"We have become aware of two main future fields in the magnet valves for liquids and gases field recently. One of these is valve technology for hydrogen filling stations. In combination with fuel cells and electric drive, hydrogen is a highly efficient energy source and therefore already well represented in the USA, Japan, and China. The second future field is the development of valve technology that can analyze equipment and pass the information on to the customers' control center."

It is clear to see: The company recognized among the top 100 innovators in Germany in 2019 will definitely bring about further innovation in these fields, securing its success. One target is to double the current export rate of 40% over the next ten years.

GETTING BETTER

MOMENTUM WANTED What does the regular contact with INDUS mean to the portfolio companies – is it in line with the INDUS business model? Three managing directors of the INDUS Group tell us about the advantages of working with the holding company.

ELTHERM – KNOWLEDGE "DELIVERED TO YOUR DOORSTEP"

Alexander Neff is the managing director of ELTHERM in Burbach, a company specializing in trace heating systems. He appreciates the exchange with INDUS and makes the most of what the holding company offers his company: "As an SME, you can quickly become mired in the details of the business. We also often don't have the time to look at things more academically. INDUS observes the flows in the market from a greater distance. This helps us to evaluate different situations much better."

The managing director is particularly happy to gain important knowledge from INDUS. Lean management is a good example – following a "best practice" visit, ELTHERM committed to training one employee to become a lean manager last year. Today, this employee is responsible for using his training to remove obstacles and ensure faster flow. "We have also had an external lean consultant at the company, but with INDUS this knowledge is available directly from the Group."

The support the company receives in the increasingly important field of sustainability is another advantage: "The holding company has been helping INDUS companies to determine their carbon footprints for a number of years now. Together we investigate processes, conduct energy audits, and determine where savings can be made. We currently identify one or two projects a year where we can save energy or reduce CO_2. We also use certificates made available by INDUS to compensate for the carbon emissions of the vehicle fleet."

"INDUS IS LIKE A COACH, OR BIG BROTHER, TO US – ALWAYS THERE WITH HELP AND ADVICE."

Alexander Neff sees INDUS like a coach, or big brother, who is always there for INDUS companies to offer help and advice. Whatever the issue – compliance, cheaper insurance, clarifying specific legal issues, or creating financial security – INDUS is happy to help. And it isn't just a one-way street: "We can also provide the Group with our own insights."

MIGUA: SUPPORT TO BECOME AN INNOVATION LEADER

Markus Schaub-Manthei feels the same way. He manages the INDUS subsidiary MIGUA. The Wülfrath-based company manufactures section constructions for expansion joints. He considers the informal exchange between himself and managing directors from other portfolio companies to be very important: "In addition to a number of offers of support, this type of exchange is also encouraged by INDUS. We just need to find what suits us best."

"THIS ENABLES ME, EVEN AS A MARKETING AND SALES EXPERT, TO PUT LEAN MANAGEMENT INTO PRACTICE IN THE COMPANY."

Like Alexander Neff, he took part in the "best practice" visit focusing on lean management. And, just like his colleague, he decided to use this opportunity to improve his company's practices in this area. It wasn't a difficult decision because, like all INDUS offers, this one was well-structured: "INDUS basically organized everything for us, from negotiations with the education partner to courses for lean trainers." MIGUA is already on its second lean project: after the production management processes have been made leaner, the administration processes will also be optimized this year.

MIGUA already has an idea of how advantageous this project could be from its work in innovation. INDUS has been supporting its portfolio companies in this field in a similar fashion for a number of years. MIGUA has made use of this option and enhanced its innovation strategy. Today, MIGUA is working with an innovation manager – with remarkable success. The company has received three innovation awards in the space of three years. Markus Schaub-Manthei is confident that the company will be a front runner with its innovations again in 2020: "INDUS's development fund concept is a great asset for us. If we keep making this sort of progress, we

This year, ROLKO, the specialist for rehabilitation accessories from East Westphalia, Germany, will convert its warehouse to lift systems.

will be able to continue to secure and build upon the current lead that we have in our sector as an innovation leader."

In return, INDUS also benefits from the search for new solutions. A little while ago, for instance, MIGUA came across a company in the construction sector that was using artificial intelligence (AI) to filter for construction projects online in order to determine connections between projects and their stakeholders. Markus Schaub-Manthei: "This lets us see who is building/implementing what and where." As the digital transformation is currently changing the entire industry, the INDUS Board of Management took an interest and has since put this solution into action in Bergisch Gladbach. It may be the case that the AI solution can be of use to another INDUS portfolio company.

ROLKO: SEVEN-FIGURE BOOST

Rolko also needed support in the last year. The specialist for rehabilitation accessories was experiencing some fundamental safety issues in its logistics warehouse. Capacity was also running short. As the topic was highlighted, the managing director Torsten Eikemeier approached the holding company and discussed the matter with Dr. Torben Schmitz. The engineer has been offering his expertise in operational excellence to the portfolio companies since the end of 2017. Together, they defined targets, conducted evaluations, and worked out scenarios. This showed that it made sense not just to replace elements of the warehouse, but to review the entire logistics concept, including the software solution.

"IF MATTERS ARE ADDRESSED EARLY ON, BIG DECISIONS CAN BE MADE MORE QUICKLY LATER ON."

This realization led the managing director from the German town of Borgholzhausen to contact a number of consulting firms, finally commissioning the company Vallée und Partner, which is still managing the project. Torsten Eikemeier: "We needed a seven-figure sum to implement this investment project. At this point it proved useful that Dr. Schmitz had been involved throughout the process." Granting the funds was thus merely a formality, and at the end of 2019 the project was launched and is scheduled to be completed by the end of 2020. From that point on, pallets will be loaded on to lifts and stored on various levels until called for.

A LITTLE MORE, PLEASE

We asked the three managing directors where they would appreciate more support from INDUS. Alexander Neff immediately mentioned the topic of IT security: "It is currently a hot topic. The decision regarding what the right solution is isn't an easy one for me, and I'm sure it's not easy for many of my colleagues in the INDUS Group either. That's why we've already sought external support in this area."

Torsten Eikemeier touched on IT solutions in general: "I could also imagine closer exchange with other Group companies so that we can all take advantage of synergies. At sub-subsidiary level the Group's commercial managers are already doing this once a year."

Markus Schaub-Manthei also believes the culture of in-depth exchange within the Group is very beneficial: "I'd like to see more dialogue in smaller groups, perhaps even at the annual entrepreneurs' conference (Unternehmertagung)." Specifically, he would like to see experience reports where his colleagues present the successful solutions they found to their problems, such as "This is how I introduced innovation management" or "I had to change pricing; this is what I took into consideration."

These three examples show that cooperation within the INDUS Group is going well. And as long as everything is going well, the motto "everyone can, nobody has to" applies. As does "It's smart to use opportunities that can help you progress." We can rely on each other.

Human genome project

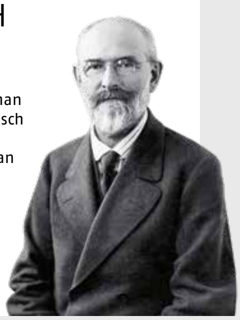
3.4 bn

Completely decoded

The aim of the human genome project founded in 1990 was to completely decode the human genome by 2005. This target was achieved in April of 2003: 3.4 billion base pairs of human DNA were identified. The full sequencing of the genome enables fundamental research into countless biological processes.

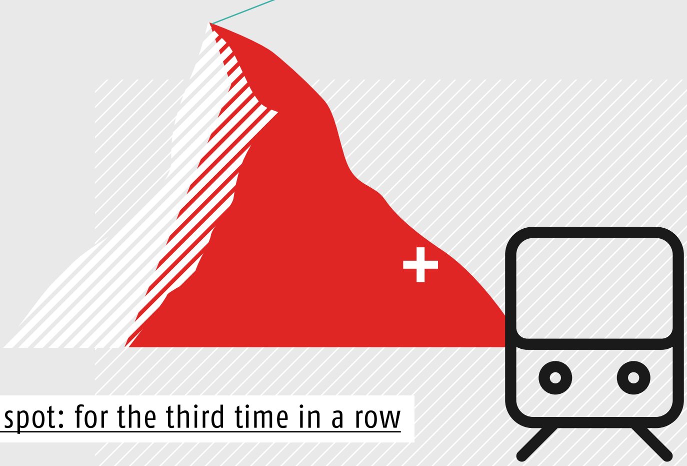
»IT IS BETTER TO LOSE MONEY THAN TRUST.«

ROBERT BOSCH



As early as the end of the 19th century, German industrialist Robert Bosch understood that trust had a higher value than temporary profits.

EVERYDAY RELI- ABILITY

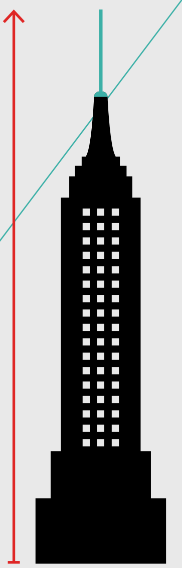


Top spot: for the third time in a row

On a roll

Named best rail company in Europe for the third consecutive time by the Boston Consulting Group – the Swiss Railway. While the Finnish competitor is slightly more punctual overall, the country of clock makers has the highest safety standards and steadily rising passenger numbers.

Record construction

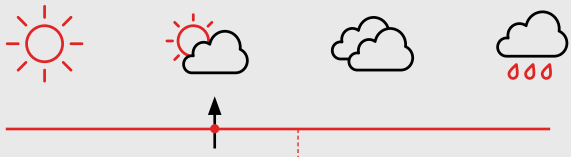


443 m

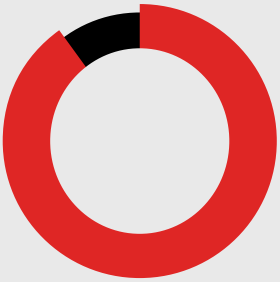
Right to the top

The Empire State Building was inaugurated on schedule after just 20 months of construction on May 1, 1931. There was also an impromptu 61-meter addition, bringing the building to a total height of 443 meters (including antenna spike), in order to win the race against the neighboring Chrysler Building to become the highest building in the world.

All-weather



24-hour forecast



>90%

3-day forecast

>75%

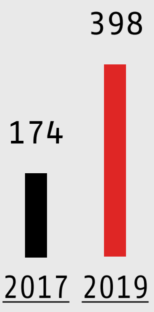
Umbrella or shades?

Thanks to ever more precise calculation methods, the weather can now be forecast for a complete week with approximately the same level of certainty that allowed only next-day predictions 30 years ago.

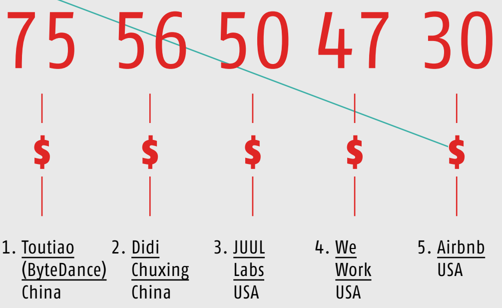
Turbo start!

There were 398 start-ups with a mark-to-market valuation before IPO or exit of more than USD 1 billion, also known as unicorns, at the beginning of 2019. In addition to the absolute certainty that the idea or company is lucrative, these high valuations also show great trust between the founder and the investors.

Number of unicorns with a mark-to-market valuation of > USD 1 billion*



Top five**



* before IPO or exit

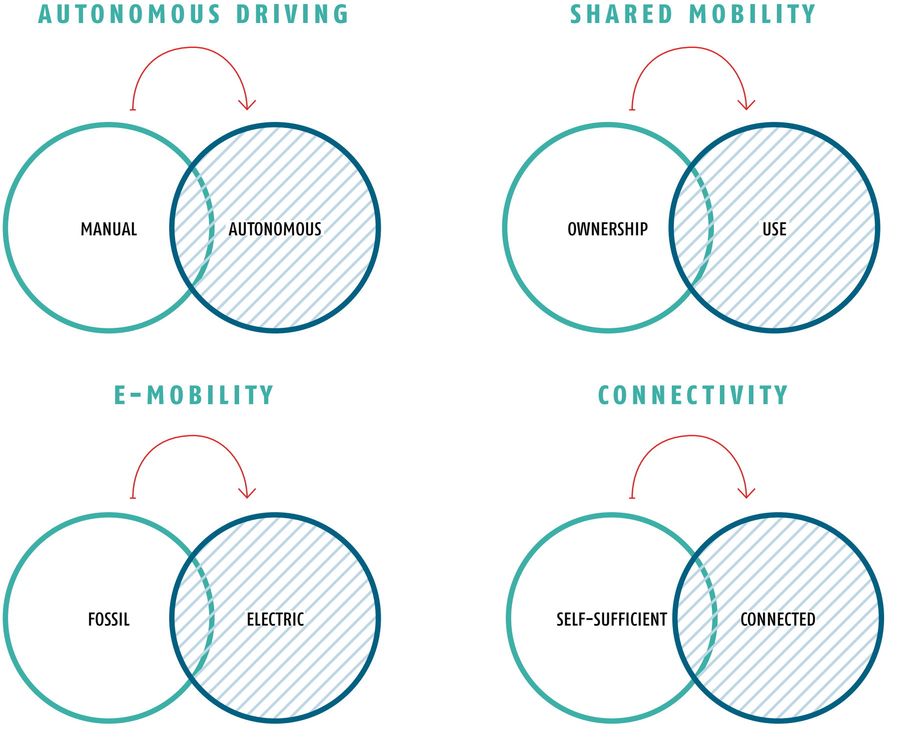
** as of Jan. 2019; figures in USD billion

HONESTY HELPS

THE AUTOMOTIVE INDUSTRY AS WE KNOW IT IS A THING OF THE PAST The automotive industry is facing the greatest changes in its history. There are no ifs and buts. The faster we accept this, the less time we will lose in finding solutions and making the most of new opportunities.

NEW DRIVE TECHNOLOGY: SHAKING UP STRUCTURES IN A KEY INDUSTRY
The vehicle industry remains one of Germany's key industries. Including supply companies, this industry employs 834,000 people. That's approximately one in eighteen jobs. This makes for a particularly uncomfortable situation when a downturn in the economy is also added to the current changes in the sector – in

DISRUPTION IN THE AUTOMOTIVE INDUSTRY: NEW MOBILITY PATTERNS AND NEW TECHNOLOGIES ARE CREATING NEW PROFIT POOLS



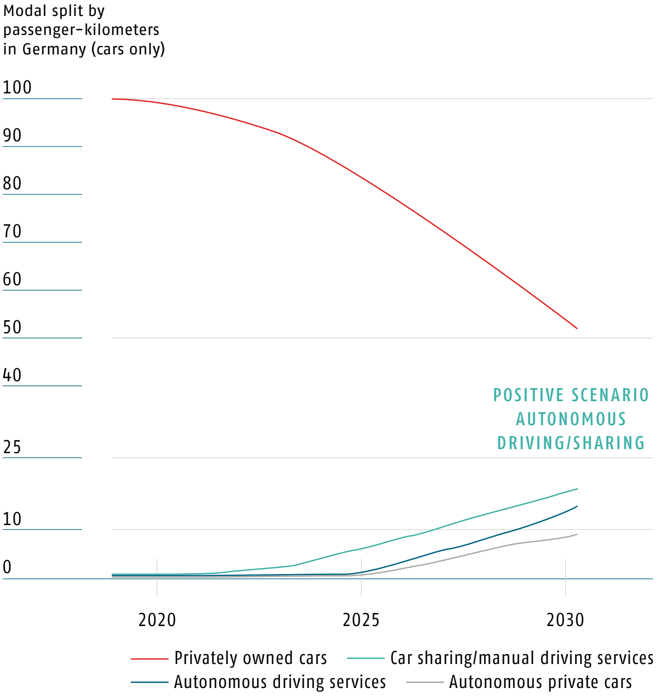
Source: goetzpartners, 2018 study

2019, the number of cars built was at its lowest level in 22 years. Domestic production sank 9 % to 4.7 million vehicles. This equates to 5.9 % of the global production. In 1997, the share was around double this figure.

Global automotive production also saw a downturn: the decline amounted to 5 % in 2019. Production declined in both Asia and the United States. Professor Stefan Bratzel heads the Center of Automotive Management in Bergisch Gladbach and is one of the most in-demand experts when it comes to automotive trends. In his opinion, the sector is in a volatile period: "Global trade conflicts and Brexit are currently having a noticeable impact on automotive production. At the same time, pressure – including from the political arena – is mounting on manufacturers to turn to alternative drives." Both of these factors are currently working together to form a tsunami that will, in his opinion, wash over the automotive industry in the coming years: "This transformation is leading to higher investment in e-mobility; this will result in lower industrial demand and thus also a lower demand for labor."

This will prove very challenging for automotive series production suppliers who solely work with internal combustion engines, according to Bratzel: "The industry is already increasingly entering into partnerships with companies that can help them push e-mobility and plug-in and hybrid technology forward." The topic of alternative drives based on fuel cells and synthetic fuels will also move up the agenda in the coming years. This may mean that the suppliers are different partners than the ones today.

MOBILITY MARKET 2030+: THE AUTOMOTIVE INDUSTRY'S ECOSYSTEM IS CHANGING



Source: Center of Automotive Management

DIGITALIZATION: NEW COMPETITORS INCREASE COMPETITION

The second biggest driver of change is digitalization. With the new possibilities offered by interconnectivity, big data companies such as Alphabet, Baidu, and Tencent are currently tapping into new business fields with highly profitable mobility services, data, and software. This makes them serious competitors for traditional vehicle manufacturers. They have considerable advantages in software, customer data, and artificial intelligence which allows them to establish new mobility models on the market.

This competitive advantage forces traditional car manufacturers to find new solutions so that they can continue to have a relevant share in the newly forming market. Suppliers can help by, ideally, supplying entire systems. The suppliers' advantage will stem from their experience in supplying hardware and software that are optimally interconnected.

THE MAIN TASKS FACING THE SUPPLIER INDUSTRY

CUSTOMERS	INCREASING PROXIMITY TO SYSTEMS SUPPLIERS
NEW AREAS WITH VALUE-ADDED POTENTIAL	LESS HARDWARE AND COMPONENTS, MORE SYSTEMS AND SOFTWARE
EMPLOYEE TRAINING	MORE INTERACTION, KEY ACCOUNTING AND DIGITAL SERVICES
VEHICLE ARCHITECTURE	MORE SOFTWARE AND INDIVIDUAL DEVELOPMENT SERVICES

SOCIAL CHANGE: FEWER CARS, MORE QUALITY

The new market modulation is also being driven by social change – as people continue to be drawn to the metropolises, the streets are becoming more crowded. Simultaneously, awareness of ecological concerns is also rising – particularly among the younger generations, who will be the customers of tomorrow. Many of them will not buy their own cars, but will hire transport as needed using online services. Pooling journeys using on-demand drive services and car-sharing concepts will lead to more mobility with fewer vehicles. Share Now, SIXT share, Uber, and numerous other services show that the future of mobility is already well underway.

This means mobility is gaining in importance but it also becoming a more demanding area. For vehicle manufacturers this means that they, too, will become platform providers. In the future, they will not just manufacture vehicles and sell the associated products and services, but they will also be closely networked with the complex everyday lives of users via mobility services. To do this they will need solid supply partners at their sides who can follow them into international markets. Stefan Bratzel: “In the future, automotive companies will increasingly offer their markets local-for-local services. Suppliers will have to learn to follow their customers. And that makes sense.”

AURORA AND IPETRONIK: ON THE RIGHT TRACK

The INDUS portfolio companies in the Automotive Technology segment have demanding times ahead – with challenges but also opportunities. Stefan Bratzel: “The supplier sector is trending toward larger sizes. This will lead to consolidation on the market. But there will still be room for the smaller companies.” But there will still be room for the smaller companies.” It is therefore essential that the suppliers maintain their USPs: “Innovative competitive advantages will be key in avoiding being drawn into dangerous price competition. Me-too products could pose a problem.” The industry expert believes there are opportunities in cooperation: “Pooling specializations also allows strengths to develop that others do not have.”

AURORA, the commercial vehicle specialist for heating and air-conditioning, and IPETRONIK, the specialist for measuring technology in vehicle development, are both ideal examples of how to operate successfully in a difficult market. Despite their smaller size, both are ideally positioned in the market and are there for their customers around the globe. While one has expanded its expertise through acquisition and uses the e-bus cluster (a cooperation project to develop innovative system solutions for manufacturers of electric buses) network to advance its prospects, the other is steadfastly expanding its USPs in the digital field.

A PROMISE KEPT

GROWING WITH INDUS PROFESSIONALLY AND PERSONALLY

The first portfolio companies were pooled following the establishment of INDUS in 1989. That was thirty years ago. Five members of the Group take a look back.

"The transfer of shares to the INDUS Group went better than expected; PEISELER continues to operate independently as an SME with the financial force of a group."
Dr. Benedict Korischem,
Managing Director, PEISELER GmbH & Co. KG,
part of the INDUS Group since July 2017

"I was pleased to find that the discussions with INDUS regarding the company's KPIs include lots of suggestions and the atmosphere is both pleasant and constructive. Suggestions regarding new products and manufacturing concepts are always a focal point of discussions, and they are received with great open-mindedness and accepted as future opportunities. Joint decisions are followed by approval and action. INDUS's willingness to invest in particular has opened new doors for PEISELER."

"In the beginning, my main challenge was juggling a number of topics, such as the Annual Shareholders' Meeting, M&A, HR, etc., but this also allowed me to contribute to major decisions, which I always found very motivating."
Erika Kühlem,
INDUS, Assistant to the Board of Management/Supervisory Board Chairman,
employee since April 1993

"Being able to contribute toward the positive development of INDUS has always been exciting and it still is – this requires a certain amount of trust on both sides. The tasks are very varied – they change and shift as the Group grows. A number of working groups have now been established in order to handle the growing number of tasks. I was able to actively help shape this process and contribute my experience to the groups' work."

"In my role supporting the Board of Management, I'm closely involved with topics that are important to INDUS, and my work focuses on the strategic element of strengthening portfolio structure."

Esther Rausch,
INDUS, Portfolio Management/Referee to the Board of Management,
at the company since October 2018

"With my background in deal advisory, INDUS offered me the opportunity to actively participate in driving targets, managing the varied portfolio, and company acquisitions. I support the Board of Management in the focused ongoing development of the INDUS portfolio, producing analyses for decision-making and economic conditions, and implementing the results in collaboration with the bodies responsible. In addition to the friendly atmosphere at the holding company, I am extremely pleased with the support I have received for my personal development training to become a chartered financial analyst."

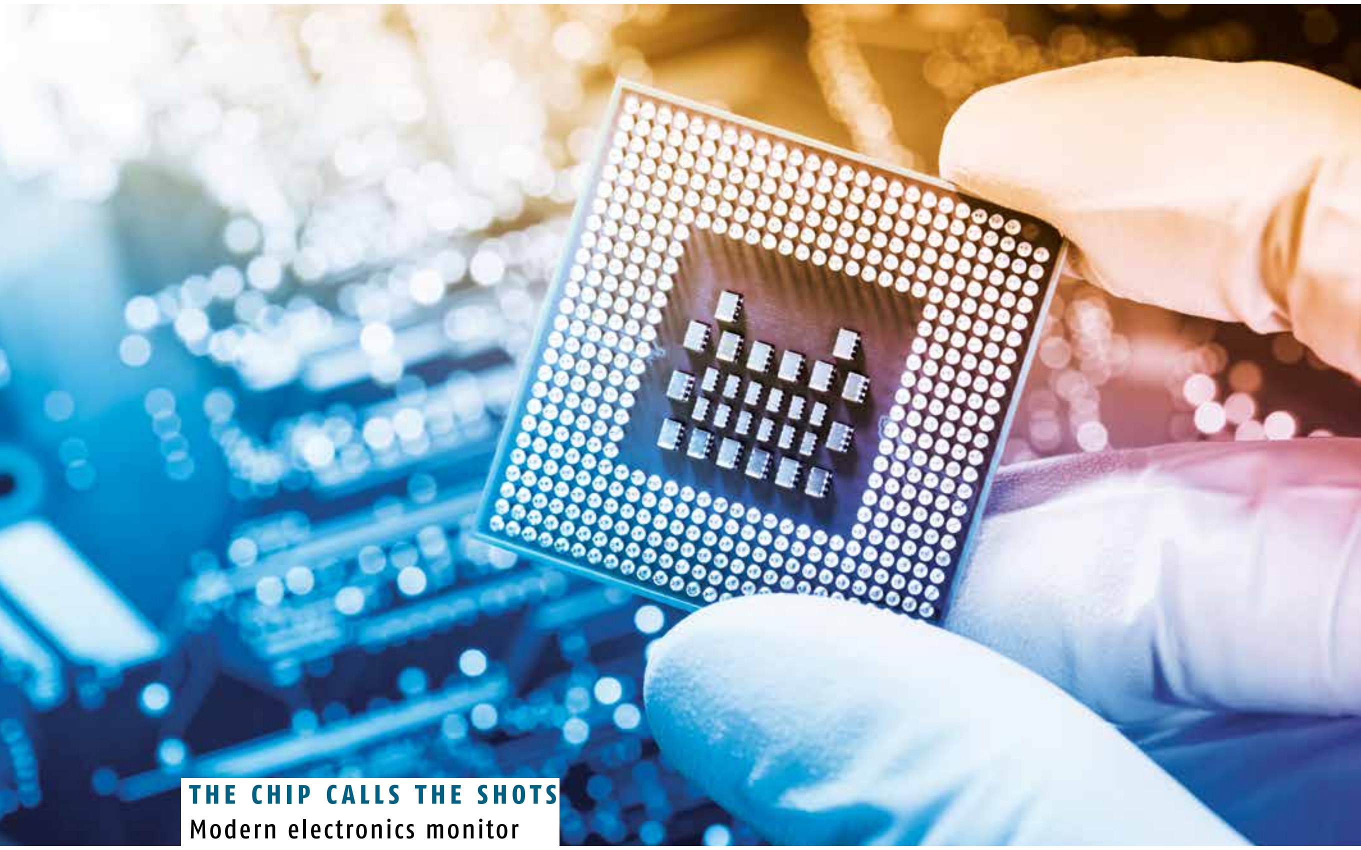
"After the individual custom solutions initially suggested by INDUS were delivered to us, the existing shareholders, the decision was easy."
Karl-Heinz Dürrmeier,
MESUTRONIC Gerätebau GmbH, Managing Director/CEO,
part of the INDUS Group since July 2019

"A considerable amount of sensitivity was required in the discussion around the main issue of how the SME character of the company can survive being integrated into a holding company structure. The INDUS Board of Management negotiated in a transparent and fact-driven manner from the very beginning. There was no mysterious maneuvering. And this laid the foundation for trust. MESUTRONIC is now part of the INDUS family and has found its port in a storm."

"Following my training, some of which was in the United States, I wanted to bring my ideas and skills to a globally active yet flexible company."
Daniel Kacerovsky,
M. BRAUN, Director of Sales, Service and Product Management,
at the company since May 2004

"After starting out as a sales engineer in Germany, then holding roles as the head of an international market segment and head of sales in Asia, and finally becoming a member of the management board at a subsidiary, I have been able to continually develop my skills. These opportunities are not a given for a junior engineer – you need to find the type of open corporate culture that M. BRAUN and INDUS have. My team and I are currently responsible for generating innovative new product ideas, getting them market-ready, marketing the entire product portfolio at an international level, sales, and putting these innovations into operation at the end users' sites."

ALGORITHMS INSTEAD OF AUTONOMY?



THE CHIP CALLS THE SHOTS
Modern electronics monitor our behavior on the road. The components come from the printer. Aircraft fly on autopilot. And in the operating room, robots guide the instruments as they make their way through human tissue. How reliable are machines? Two experts from the field of academia provide their insight.

[QUESTION] Professor Wallaschek: You experienced how mechatronics made inroads into the automotive industry. Now, with additive manufacturing, another technology is emerging which – if it becomes widely accepted – could change the world. What do you make of the situation?

PROF. DR. JÖRG WALLASCHEK Stereo lithography, laser sintering and the other technologies used in 3D printing aren't actually completely new. The foundation for these techniques was laid quite some time ago. What we're witnessing today is the industrialization of this technology. Algorithms based on mathematical models play a key role in this process – just as they did with mechatronics back in the day. If we are able to describe each step in a process exactly, then manufacturing can be monitored and optimized on-line, i.e. while the process is ongoing.

[QUESTION] What new opportunities is additive manufacturing associated with?

PROF. DR. WALLASCHEK Unlike almost all other production technologies, we can use additive manufacturing to manufacture tailor-made components in a cost-effective manner. This is a particularly interesting option in the field of medical technology. Prosthetic devices, dental braces, heart valves... there are all things that have to be tailored to suit the individual. And this is now within the realms of possibility thanks to mechatronics and additive manufacturing. Optical scanners, computer tomographs and similar systems produce the computer model for the system, and algorithms calculate the geometrics that are the best fit and the resulting structure of the components. And last but not least, algorithms control the manufacturing process, ensuring that the best component is produced for the specific application in question. Even though we tend only to see the physical systems, algorithms and mathematics are everywhere.

[QUESTION] How will production in the mechanical engineering segment change in the future?

PROF. DR. WALLASCHEK Additive manufacturing will only replace existing technologies to a certain extent. So it won't change the face of production in mechanical engineering completely. But we will see more and more new applications that can only be tapped into in a cost-effective manner with additive manufacturing. Additive manufacturing is a challenge and opportunity not only for manufacturing, but also for design. For example, we can use additive manufacturing to produce what are known as acoustic metamaterials. These are acoustically effective structures that can suppress the propagation of waves and vibrations. Although this is still in the fundamental research stages, it is an extremely inter-

"Digital models and algorithms are used to calculate the geometrics that are the best fit. This enables the structure of the components to be individually optimized."

PROF. DR.-ING. JÖRG WALLASCHEK

(Born in 1960) heads up the Institute of Dynamics and Vibrations and is currently Dean of the Faculty of Mechanical Engineering at Leibniz Universität Hannover. He is founding chair and member of the Advisory Board of L-LAB, a research center for lighting technology and mechatronics managed as a public-private partnership. Before being appointed as university professor, he was head of division at the AEG Research Institute of Daimler Benz AG in Frankfurt.

“The biggest technical hurdle for autonomous driving is the performance, security and reliability of the extremely complex system architectures and their software.”

PROF. DR. MATTHIAS PETZOLD

(Born in 1954) is head of the Fraunhofer Institute for Microstructure of Materials and Systems IMWS in Halle (Saale). From 2008–2018, he was director of the business unit “Materials and Components of Electronics” and was appointed honorary professor for microsystems technology at Merseburg University of Applied Sciences in 2007.

esting prospect for construction technology and for applications in aircraft and rail technology. We might have acoustic cloaks of invisibility in 10 years’ time.

[QUESTION] You’re a university professor. How do you incorporate the knowledge surrounding these new developments into the curriculum?

PROF. DR. WALLASCHEK Surprisingly, this is easiest when you’re dealing with the completely novel developments. The Faculty of Mechanical Engineering at Leibniz Universität, of which I am Dean, is very active in its research activities. We are the number two in Germany in the field of production engineering and rank fifth for mechanics and design in the ranking of the German Research Foundation. This means that we have a very large number of publicly funded research projects involving not only the PhD students, but also, naturally, our undergraduate students, who work, for example, on a particular aspect of a problem that forms part of a larger research project as part of their final dissertation. This allows our students to become experts in new technologies. Nowhere else are research and teaching as closely linked as they are here. And this also applies to projects funded by industry, in which we cooperate with companies like INDUS Holding AG.

[QUESTION] Professor Petzold, while we are still discussing drive technology in the automotive sector, you are already looking at the next level of development: autonomous driving. When will it become a reality?

PROF. DR. MATTHIAS PETZOLD We are focusing on the reliability of electronics, which is an absolute must as we move towards autonomous driving. Industry has defined five different development stages in this process, ranging from partially automated to fully autonomous vehicles. Some of these development features are already on the road, such as driver assistance systems like adaptive cruise controls or lane assist systems. On certain routes, cars can already drive without a driver up to a certain speed, although the necessary authorizations are still outstanding for some of these routes. This corresponds to stage 2–3. I believe that it will take another five to ten years before fully driverless driving is possible.

[QUESTION] What are the big hurdles right now?

PROF. DR. PETZOLD The biggest technical hurdle is the performance, security and reliability of the extremely complex system architectures and their software. At the Fraunhofer Institute IMWS, we are mainly helping our clients to develop electronic components that make these systems possible in the first place. Countless electronic components have to work in tandem with each other in an autonomous vehicle, from cameras and sensors to components for the processing, storage and transmission of data. Autonomous driving requires electronics to perform at a level that was simply unimaginable until a few years back in terms of speed and the volume and complexity of the data to be processed. The overall conditions for the application of electronic compontents in autonomous driving are completely different to those that apply, for example, to smartphones: in an autonomous vehicle, the potential damage caused by an electronics defect affects the safety of passengers and other road users immediately and directly. We also expect our cars to last 15 years, and not just two to three years. So it's about combining the very highest levels of performance at the cutting edge of technology with maximum reliability, preferably also in ever smaller spaces. In order to help to achieve this, we are supporting industry, for example, by supplying new methods for error analysis or for the optimization of materials and manufacturing processes.

[QUESTION] How many mechanical systems will the car of tomorrow need, and where?

PROF. DR. PETZOLD Professor Petzold Cars will always be mechanical devices, but they will increasingly become computers on wheels. The focus of innovation is shifting from a mechanical engineering product to a high-tech product in an increasingly digitalized and networked world. The manufacturers recognized this a long time ago – around 80% of car-related innovations today are based on electronics. In addition, the trend towards drive electrification has the potential to significantly reduce the number of mechanical components and their complexity. This trend is being driven less by autonomous driving and more by e-mobility.

[QUESTION] How do you see the issue of responsibility if IT makes the wrong decisions on the road?

PROF. DR. PETZOLD The unresolved issues such as liability, data protection, traffic and insurance law can be solved, but they will require a process of social dialogue in which research is responsible for providing the parties involved with appropriate information that is as neutral as possible. Setting the debates on the risks involved aside, however, it is important to remember that, if the technology works reliably, autonomous driving offers an opportunity for more efficient individual mobility and, above all, must better levels of road safety: more than 90% of all accidents today are caused by driver error, with an even higher figure for fatal accidents.

[IN]side

Introducing INDUS projects

BUDDE – RELIABLE LOGISTICS SOLUTIONS FOR INNOVATIVE CONVEYOR TECHNOLOGY

WHAT DO ELEPHANTS HAVE TO DO WITH THE NEW DPD PACKAGE SORTING EQUIPMENT?

The largest German warehouse to date of DPD, the international parcel and express service provider, has a floor space of over 17,000 square meters. Operations began at the start of September 2019 in the Westphalian district of Hamm. The total length of the turnkey conveyor technology integrated into the warehouse is 7.5 kilometers. It was installed by BUDDE as a customized system solution. The conveyor system is supported by around 1,000 tons of steel, which – and this is where our analogy comes into it – is approximately equivalent to the weight of 200 fully-grown elephants. “With an order volume of EUR 25 million, this was also a heavyweight in our company’s order history,” adds Managing Director Jürgen Budde.

FULLY AUTOMATED PEAK PERFORMANCE

The construction and assembly took two years before the system was operational. The preparations, which took months, took place at an alternative site in nearby Steinhagen. 400 trailer trucks transported the individual parts to Hamm, where they were assembled on site. Now the system can process up to 30,000 parcels per hour – fully automatically – thanks to cutting-edge control and scanning technology. Following the final expansion, up to

25
MILLION EUROS

1,000
TONS OF STEEL

200,000
PACKAGES PER DAY

17,000
SQUARE METERS

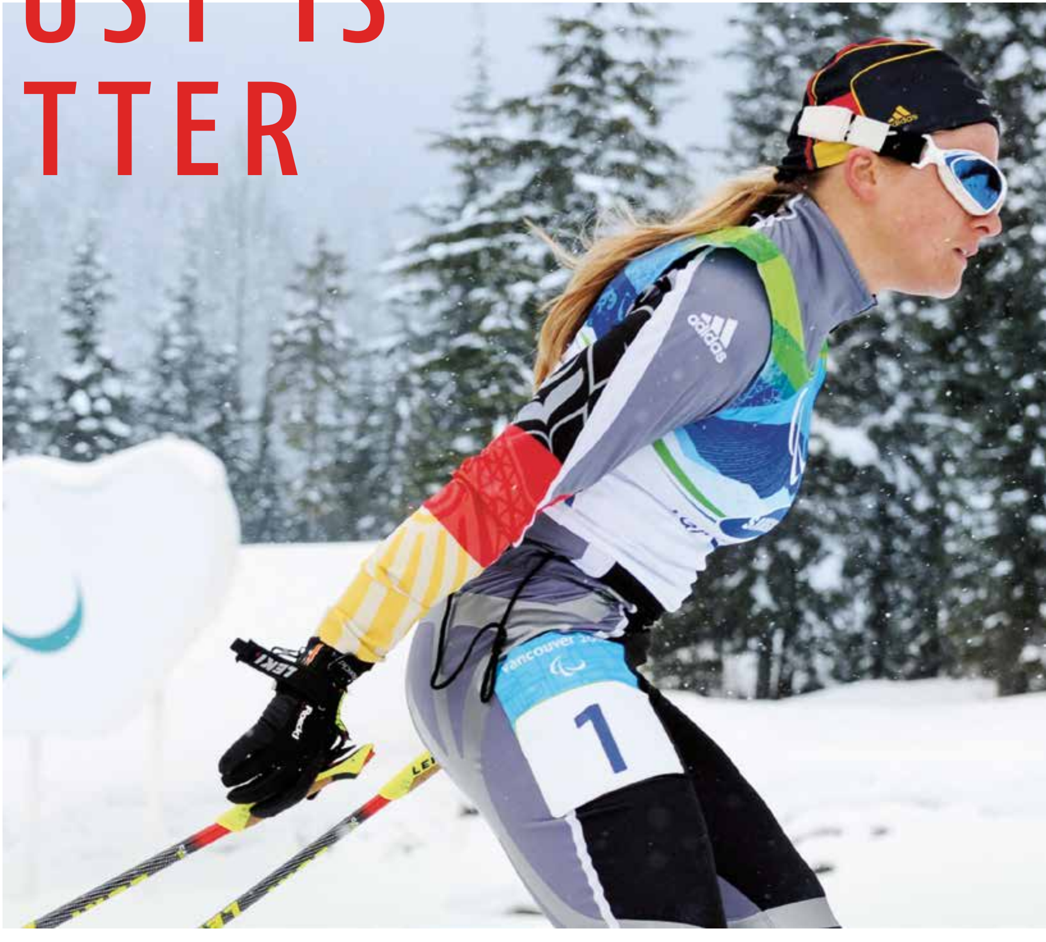
200,000 a day will be sorted and conveyed through the system using low-consumption, quiet motors and drives.

"We are very proud of our new parcel sorting center in Hamm. It is an important step in helping us to deal with future growth in volumes," said DPD CEO Boris Winkelmann at the opening. "The new location sets performance benchmarks for our German network."

GOOD PROSPECTS

With INDUS Holding AG as its parent company, the family-run company BUDDE, which, in addition to its registered office in Bielefeld, has offices in Delmenhorst and Schmalkalden, was able to tackle this and other challenges, and already has a total of five parcel service providers on the books. BUDDE is also constructing a similar-sized system in Augsburg for approximately EUR 25 million. "These large orders reflect our customers' confidence in BUDDE's experience, expertise, and performance as a full service provider of cutting-edge conveyor systems and operating logistics," explains Jürgen Budde. And he adds: "This is something that our approximately 300 employees in particular have every right to be proud of."

MONITORING IS GOOD, TRUST IS BETTER



INTERVIEW WITH TWELVE-TIME PARALYMPIC CHAMPION VERENA BENTELE The exceptional athlete has been blind from birth. She knows from experience that monitoring is good, because it gives us direction and allows us to achieve our goals. But trust enables us to harness our full potential and go for gold.

[QUESTION] Strictly speaking, getting onto a cross-country ski trail without the ability to see is risky. What motivates you?

VERENA BENTELE Everybody, whether with sight or blind, develops a way of dealing with risk over their lifetimes. Some travel without any plans through foreign countries with a backpack, others need to plan everything in detail. I've always enjoyed testing my limits – whether as a child skiing with my parents, horse riding, or cycling. When I stood on a cross-country ski trail for the first time, I didn't think about the risks: trees in

my way or the wrong instructions. But it quickly dawned on me that the communication between me and my guide had to work if I wanted to make it to the finish line fast and in one piece. This offensive manner of handling risks has always helped me to face the unknown without fear, whether at work or in sports.

[QUESTION] You have written a book about your experiences. One conclusion after reading it might be that your disability is actually your strength.

VERENA BENTELE I'd probably say my disability is more like a training program. If I come across an obstacle, I learn to overcome it. For example, I love cycling. I could spend my time being annoyed that I can't cycle alone – or I can find someone with the same passion. I have completed Europe's longest bicycle race three times on a tandem bike with a friend – a 540-kilometer stretch from Trondheim to Oslo. When the headwinds are strong during the bicycle race there are always two of us to battle against them. When one of us is tired, the other can put a bit more power into the pedaling. Once we reach the finish line we can share our joy and celebrate mastering the challenge together.

[QUESTION] You say it is trust that enables us to fully harness our potential. What do you mean by this?

VERENA BENTELE Monitoring everything – such as the work of employees – takes a lot of energy. But we really need this energy if we want to achieve great things. Trust helps us to focus our concentration on our activities, on our strengths, and our team. This means stepping out of your comfort zone, but you also get to know yourself better and often even find some hidden strengths – yours and those of others in the team. The time pressure during competitions, for instance, makes me faster and more focused. I can use this knowledge in my work. If I have a tight deadline, I won't allow myself to be distracted and I think of a race that I've won. This motivates me and helps me overcome any blocks or fears.

[QUESTION] If you compare your philosophy with your perception of business, what could businesses do better?

VERENA BENTELE I wish companies would make more use of their

The exceptional athlete was the first blind person to climb Mount Meru, and a while later Kilimanjaro on the same range.

Verena Bentele completed Europe's longest cycle race three times with her training partner Alex Heim, from Allgäu, Germany.

employees' creativity and appreciate the value of this creativity. Creativity can only fully flourish if the company has a good culture of accepting mistakes. Only those who know that making mistakes won't mean they lose the right to have a say and help to shape the future will be brave enough to try. I also think trust in diversity is important. For example, working women are still often asked, "How do you manage with kids?" Men, on the other hand, are hardly ever asked this since traditional gender roles are still firmly established in people's minds. But we will only see more women in management positions if there is a change in conditions and people's attitudes.

"TRUST IS BEST TRAINED WITH CLEAR TARGETS THAT EVERYONE INVOLVED IN THE TASK IS AWARE OF."

[QUESTION] You say trust can be trained. How? And how do you overcome disappointments?

VERENA BENTELE Trust is best trained with clear targets that everyone involved in the task is aware of. If we know the target, we can plan a way to achieve it and get the right help. Clear communication is also important. This includes unambiguous language and the opportunity to ask for support. For me, disappointments are best overcome by learning from mistakes but not dwelling on them.

[QUESTION] Your "tandem team strategy" is similar to the quality that defines the INDUS Group. What tips do you have for our management in dealing with a portfolio company with a difficulty?

VERENA BENTELE Let us first discuss difficulties. The initial thought that people have when they hear the word difficulty or disability is that there are obstacles to overcome. A disability is thought of as a weakness rather than a strength in other areas. My recommendation would be that the tandem team is open to new things and has faith that there are other special abilities to tap into. The tandem team strategy means everyone working to the best of their ability and someone putting in a bit more work when the other one is tired. But tandem also means everyone training to become better, develop ideas, and to really power through when they face a mountain, rather than giving up. Belief in change, special abilities, and the strength of teamwork are all a great help.

Her dedication to performance and discipline, and her ambition helped her win four World Championship gold medals and 12 Paralympic gold medals. She won her first Paralympic gold medal at the age of 16.

VERENA BENTELE

Verena Bentele, who has settled in Munich, is one of the most successful winter athletes in the world. At the age of 15 she won a European Championship, and at 16 she won her first gold medal at the Paralympics – the first of twelve. A recipient of the Bambi and Lareus World Sports Award, she completed her studies in 2011 with excellent grades, and has been successful since the end of her sporting career, too.

Read more at:
www.verena-bentele.com

INDUS TICKER 2019

Awards

In 2019, INDUS Group companies were again recognized for their very different but always sustainable commitment:

– MBN Managing Director Ernst Lieb is honored by Michael Kretschmer, Prime Minister of the Free State of Saxony, for his volunteer work and commitment to social issues.
– The new swimming pool dehumidifier from REMKO receives the Plus X Award innovation prize in the categories High Quality, User Friendliness, and Functionality. May 2019: Special awards for "Best Product of the Year" and "Best Brand of 2019"
– GSR and BETEK among "Top 100" most innovative companies
– With the website MIGUARCHITECT, MIGUA has developed an innovative work aid for architects and planners that has received the "German Innovation Award 2019."
– REMKO and HAUFF both awarded "Best Training Company in Germany."
– BILSTEIN & SIEKERMANN receives the bronze Employer Branding Award for best employer brand 2019 in the "Hidden Champions" category.
– INDUS again on CDP A list in 2019.

Innovation

The INDUS Group uses its innovative strength to tap into new business segments and technologies.

– Comsort GmbH, a subsidiary of BUDDE Fördertechnik GmbH in Bielefeld, develops a highly efficient, compact, and modularly expandable sorting system that is especially suited for the automated sorting of low-weight, small goods thanks to its technical stability and exacting precision.
– MBN GmbH completes proprietary construction of an adaptive and flexible screwing system with integrated magazine loading supported by INDUS innovation development bank and has deployed the solution in several series producers' assembly lines in the automotive construction sector.
– HAUFF-TECHNIK GmbH & Co. KG brings "G-Box" onto the market – a feed line for fiberglass house connections, offering network providers the option of significantly reducing labor and costs during the expansion of fiberglass networks.
– Dessauer Schaltschrank- und Gehäusetechnik GmbH is developing a battery container for the ICE 4 according to highest railway technical requirements in the form of an integrated underfloor steel container that can withstand *g*-forces of 3–5*g* during operation.

Internationalization

– ELTHERM: Chile (Santiago de Chile) since January 2019, Eltherm Kazakhstan (Nur-Sultan), January 2019
– IPETRONIK: India (Bangalore), January 2019

First-level acquisitions

INDUS Group grows in 2019 with two first-level acquisitions:

– The Metals Technology segment is strengthened by the acquisition of Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG).
– INDUS acquires MESUTRONIC – a technology leader in metal and foreign body detection – for the Engineering segment.

Annual Shareholders' Meeting

Around 450 people attended the INDUS Annual Shareholders' Meeting on May 29, 2019, at the Congress Centrum Nord Koelnmesse in Cologne. In addition to the new INDUS strategy PARKOUR, the accompanying exhibition presented a variety of development bank projects focusing on 3D metal printing.

Other

– HORN celebrates 75th anniversary in August 2019
– Inauguration of the new KNUR building in May 2019
– PEISELER celebrates 200th anniversary in September 2019
– July 2019: Opening of the Smart Pfad trail funded by the Konrad G Schulz Foundation (AURORA)

[IN]spiring PROGRESS

IMPRINT

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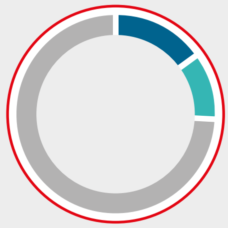
KEY FIGURES 2019

in EUR million	2019	2018	2017
Sales	1,742.8	1,710.8	1,640.6
EBITDA	225.7	218.1	213.9
EBIT before impairment	135.2	150.5	151.5
EBIT margin before impairment (in %)	7.8	8.8	9.2
Impairment*	17.3	16.1	0.0
EBIT after impairment	117.9	134.4	151.5
EBIT margin after impairment (in %)	6.8	7.9	9.2
Group net income for the year (earnings after taxes)	60.1	71.2	83.1
Operating cash flow	167.7	96.0	145.0
Cash flow from operating activities	147.3	74.7	124.0
Cash flow from investing activities	-76.2	-98.3	-110.0
Cash flow from financing activities	-46.1	-2.8	-3.9
Earnings per share (in EUR)	2.43	2.90	3.37
Cash flow per share (in EUR)	6.02	3.05	5.07
Dividend per share (in EUR)	0.80**	1.50	1.50
Dividend yield (in %)	2.1**	3.8	2.5
Dividend payout ratio (in %)	24.6**	48.0	43.9
	DEC. 31, 2019	**DEC. 31, 2018**	**DEC. 31, 2017**
Total assets	1,808.2	1,720.0	1,653.2
Equity	727.7	709.8	673.8
Equity ratio in %	40.2	41.3	40.8
Working capital	478.3	472.1	402.9
Net debt	546.2	482.8	398.9
Cash and cash equivalents	135.1	109.6	135.9
Total assets of INDUS Holding AG	1,593.0	1,551.3	1,450.8
Equity of INDUS Holding AG	934.7	893.5	855.6
Equity ratio INDUS Holding AG (in %)	58.7	57.6	59.0
Portfolio companies (number as of Dec. 31)	47	45	45
Employees within the Group (on average)	10,856	10,714	10,210

* Impairments on goodwill and property, plant, and equipment.
** Subject to approval at Annual Shareholders' Meeting, which is expected to take place in August 2020.

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

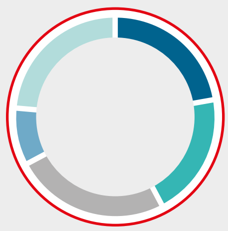


UP TO 5 YEARS
15 / 7

5 TO 10 YEARS
11 / 5

MORE THAN 10 YEARS
74 / 35

2019 SALES BREAKDOWN BY SEGMENT (in % / EUR million)



CONSTRUCTION/ INFRASTRUCTURE
22.3 / 388.9

AUTOMOTIVE TECHNOLOGY
20.1 / 350.3

ENGINEERING
24.9 / 434.6

MEDICAL ENGINEERING/ LIFE SCIENCE
9.2 / 159.7

METALS TECHNOLOGY
23.5 / 409.2

GOALS

— Growth — Value Development — Balanced Portfolio

ADDED VALUE

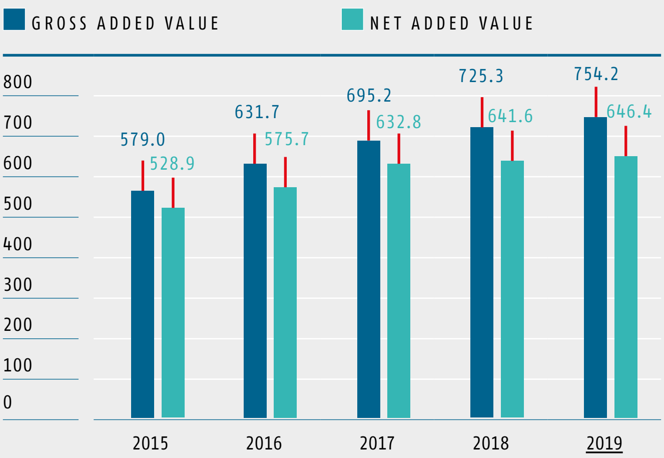
BUSINESS PERFORMANCE

(in EUR million)

	2019	2018
Sales	1,742.8	1,710.8
Other operating income	34.4	20.6
Own work capitalized	7.6	7.9
Changes in inventory	-22.9	35.1
Miscellaneous income	1.0	0.6
Business performance	**1,762.9**	**1,774.9**

DEVELOPMENT ADDED VALUE

(in EUR million)



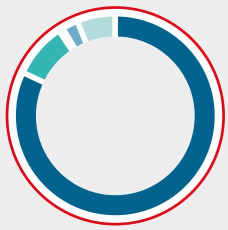
ADDED VALUE

(in EUR million)

	2019	2018
Business performance	1,762.9	1,774.9
Material expenditure	-782.4	-811.9
Other operating expenditure	-226.3	-237.7
Gross added value	**754.2**	**725.3**
Depreciation	-107.8	-83.7
Net added value	**646.4**	**641.6**

UTILIZATION OF NET ADDED VALUE IN 2019

(in % / EUR million)



EMPLOYEES
81.6 / 527.5

SHAREHOLDERS*
9.2 / 59.5

OTHER SHAREHOLDERS
0.1 / 0.6

LENDERS
3.1 / 20.0

THE STATE
6.0 / 38.9

* Distribution of profits and retained earnings

COMPANY AND SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

This letter has been written near the end of March 2020, at a time when the coronavirus crisis is spreading rapidly across Europe and the world. It is impossible to predict how the situation is going to evolve and impact the macro-economic environment over the coming weeks and months. Despite this, or rather because of this, our annual report wants to provide you with important information about the INDUS Group. Even in these difficult times, your interest in INDUS is a good choice.

Taking the right action in times of great uncertainty was the key issue in financial year 2019. This is even more true for 2020. All of our employees, the managing directors of the portfolio companies and we, the Board of Management for INDUS, must make new decisions on a daily basis. We are constantly being challenged both in our professional and private lives. Knowing that we are all part of the strong INDUS Group helps because we know that it is stable enough to come through these difficult times.

The Board of Management is now faced with the task to "batten down the hatches" and get the INDUS Group ready for what is to come. We have already initiated a number of measures with the aim of providing our portfolio companies with the best possible support and securing the financial stability of the Group. This means some tough decisions had to be made – for instance, limiting our investment activities. But this is unavoidable.

We would like to first look back on 2019: Positive performance of the Construction/Infrastructure, Engineering and Medical Engineering/Life Science segments, and broadly stable growth in the Metals Technology segment have given us the strength to at least partly compensate the poor developments in the Automotive Technology segment.

We have done most of our homework. The programs designed to improve the operational excellence of our Group companies are showing the first results: we stopped the rise in working capital. The Group generated a high operating cash flow and our equity ratio remains well above 40%, while our repayment term of 2.4 years remains within our target range of 2.0 to 2.5 years.

Our proposed appropriation of distributable profit currently envisages a dividend of EUR 0.80 per share. This takes into account our forecast for 2020, which is based on the currently foreseeable economic consequences of the coronavirus pandemic and anticipates a significant decline in our company's financial position compared to the previous year. The Board of Management is continuously assessing the further development of the coronavirus pandemic and its impact on the INDUS Group, and must reserve the right to adjust the above dividend proposal before the invitation to the Annual Shareholders' Meeting is publicized.

We have been working consistently on the implementation of our PARKOUR strategy since early 2019. For the first focal point of our strategy, "Strengthening the portfolio structure," we were able to achieve an initial milestone at the first level with two company acquisitions. In MESUTRONIC GmbH, we have acquired a specialist in metal and foreign body detection in the growth industry of measuring and automation technology. The acquisition of Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG) complements our portfolio in the growth industry of logistics and infrastructure.

We achieved positive results in the second focal point of our strategy, "Driving innovation." To date, our development bank fund currently supports 16 projects, with 14 already complete. These projects have already generated orders totaling more than EUR 20 million during the year. We are also continuously expanding our network of experts. Various training programs and forums for exchange among the experts in our portfolio companies expand their knowledge. Our innovation development bank has proven to be an

Rudolf Weichert — Axel Meyer — Dr. Johannes Schmidt — Dr. Jörn Großmann excellent instrument for stimulating innovative activities in our portfolio companies.

The third focal point of our strategy, "Improving performance," has also picked up speed. The building up of experts in the holding company is taking effect. Almost all European production facilities have now been audited under our "Operational Excellence in Production" program. Together with our managing directors, we derived individual action plans based on the findings. We are repeating the three-step training program for lean trainers, which was first carried out in 2019, again in 2020 owing to high demand. The "Operational excellence in business development/marketing/sales" program is also successfully underway. This involves the portfolio companies working on projects together with experts from the holding company. Specialist talks, training and closer links between our portfolio companies are a further focal point for the future.

Public debate about sustainability gained considerable momentum in 2019. This led to the adoption of the Climate Change Act in early 2020. The INDUS Group is committed to meeting these challenges. INDUS will further develop its activities to strengthen sustainable management in the holding company and portfolio companies in 2020. Particular attention will be given to the introduction of specific measures aimed at achieving the sector target in the Climate Change Act of a reduction in CO_2 emissions in industry of at least 35% by 2030 (compared to the base year 2018). It was especially pleasing in this context that INDUS was once again recognized by the Carbon Disclosure Project (CDP). Out of a total of 141 German businesses that reported under the "Climate Change" program, only nine were given the sought-after "A-List" rating – including INDUS.

The coronavirus crisis will shape the economic development in 2020, and the INDUS Group will not come out of it unscathed. The Board of Management is paying particular attention to the Automotive Technology segment, where the already initiated repositioning measures must continue to be rigorously carried through. Harsh measures may also be required in certain cases. Our PARKOUR Strategy continues in parallel. Its aim is to get our portfolio companies through this crisis and fit for the time afterwards.

The Supervisory Board meeting on March 26, 2020 agreed with the Board of Management to postpone the Group's Annual Shareholders' Meeting probably to August 2020. According to the information available at this time, it would be unrealistic to expect to hold such an event in Cologne in May of this year. We hope you will understand this decision, since we are concerned about the health of our shareholder structure and that of the INDUS employees. We will publicize the new date for the Annual Shareholders' Meeting on our website as soon as it has been agreed.

Both the Supervisory Board and Board of Management will closely monitor the financial performance over the course of the year and keep you up to date with the impact of the coronavirus pandemic on our Group.

The terms "courage, creativity, and reliability" will continue to inform our actions in these difficult times. Our magazine is dedicated to reliability this year. It is important to us, especially in difficult times, that you can rely on us. This is important for the economic stability of the Group. But it is also important for transparent communication, which allows you to accurately assess and evaluate both difficult decisions and their consequences, as well as opportunities. We do not support exaggeration or hysteria, regardless of its focus. If we examine our conduct critically, it is because we want to move forward continually. But we also do this from a position of entrepreneurial and financial strength.

Our shareholders contribute to this strength, and we must thank them expressly for their continued trust. The commitment of the INDUS Group companies' employees is equally important. We thank them in particular for their tireless efforts for the benefit of the portfolio companies and the entire Group.

We appreciate your loyalty especially at this time!

Best regards,

SUSTAINABILITY AT INDUS

Bergisch Gladbach, March 2020

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

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. After graduating with a degree in applied mathematics and completing his doctorate in the field of mechanical science, Dr. Schmidt initially assumed development tasks at Richard Bergner GmbH, a Schwabach-based manufacturer of electrical instruments, before ascending to become managing director in the course of his twelve years at the company. In 2000, he moved to ebm-papst Landshut GmbH, a manufacturer of ventilation motors and fans, to become its sole managing director. During his tenure there, his main achievements included advancing the development of new product platforms and internationalization of production sites.

DR. JÖRN GROßMANN

Board Member

Dr. Jörn Großmann (German citizen, born 1968) has been a member of the Board of Management of INDUS Holding AG since January 2019. After graduating with a degree in material sciences and completing his doctorate in the field of natural sciences, Dr. Großmann worked as a development engineer and later as technical director for Doncasters Precision Castings GmbH in Bochum, Germany. In 2004, Dr. Großmann became the managing director of Buderus Feinguss GmbH in Moers. In 2007, he joined the Georgsmarienhütte Group – initially as the managing director of Mannstaedt GmbH in Troisdorf. He was then appointed managing director of GMH Engineering GmbH, Georgsmarienhütte, and GMH Edelstahl Service Center GmbH, Burg. 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.

AXEL MEYER

Board Member

Axel Meyer (German citizen, born 1968) has been a member of the Board of Management of INDUS Holding AG since October 2017. After graduating with a degree in industrial engineering, he began his career at the Schuler Group in the massive forming segment – first in international sales and then as division manager. Between 2003 and 2008, he went from managing partner to management board member at the management consultancy firm IMAGIN Prof. Bochmann AG in Eppstein im Taunus. Axel Meyer then returned to Schuler AG as technological head for cutting and forming systems. He was then appointed managing director of Schuler Pressen GmbH and head of the Schuler Group service division in Göppingen. Axel Meyer 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 Board of Management of INDUS Holding AG 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 the professional qualifications of the Board of Management members may be found on our website. For information concerning memberships on other supervisory boards, see page 191.

THE INDUS SUPERVISORY BOARD

Members of the Supervisory Board are appointed for a period of five years; re-elections are permissible. Candidates must not be above the age of 70 at the time of their election or re-election. All members' terms end with the end of the Annual Shareholders' Meeting in 2023. Detailed information concerning the professional qualifications of the Supervisory Board members may be found on our website. For information concerning memberships on other supervisory boards, see page 190 et seq.

JÜRGEN ABROMEIT
Supervisory Board Chairman (since 2018)

WOLFGANG LEMB*
Deputy Supervisory Board Chairman (since 2018)

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

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

ISABELLA PFALLER
Member of the Supervisory Board (since 2018)

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

HELMUTH SPÄTH
Member of the Supervisory Board (since 2012)

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

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

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

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

CORNELIA HOLZBERGER*
Member of the Supervisory Board (Mandate assumed in 2019)

SUPERVISORY BOARD COMMITTEES

NOMINATION COMMITTEE
Jürgen Abromeit (Chairman) / Isabella Pfaller (Financial Expert) / Carl Martin Welcker

PERSONNEL COMMITTEE
Jürgen Abromeit (Chairman) / Dr. Dorothee Becker / Dorothee Diem / Wolfgang Lemb

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

MEDIATION COMMITTEE IN ACCORDANCE WITH SECTION 27 (3) OF THE GERMAN CODETERMINATION ACT (MitbestG)
Jürgen Abromeit (Chairman) / Pia Fischinger / Wolfgang Lemb / Isabella Pfaller (Financial Expert)

* 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 development, and compliance that were of material importance to the company and the INDUS Group. This included information concerning the straying of actual developments from previously reported goals and of actual business performance 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 Chairman also engaged in an intensive exchange of information and ideas with the Board of Management and regularly kept himself informed of significant company developments as they happened.

COMPOSITION OF THE SUPERVISORY BOARD

The election process for selecting employee representatives to the Supervisory Board was completed on January 30, 2019, with the meeting of delegates. As requested by the company, the employee representatives were appointed by the Local Court of Cologne, effective as of the end of the extraordinary Annual Shareholders' Meeting on November 29, 2018, until January 30, 2019. In contrast to the court appointment, which was based on suggestions determined by the employee election process, the election only resulted in one change. Ms. Holzberger replaced Mr. Schönhals as an employee representative, and Mr. Schönhals has stepped down from the Supervisory Board. This has not affected the composition of the committees. Details regarding the composition of the Supervisory Board and its committees can be found on pages 6 and 7 of the annual report in the section "Management Bodies."

MEETING FREQUENCY AND ATTENDANCE

Five ordinary Supervisory Board plenary sessions were held in the 2019 financial year. In addition, one extraordinary phone conference was held and one resolution was taken by circulating written ballot. The Supervisory Board was also informed of a tragic accident at a construction site at one of the INDUS portfolio companies on September 3, 2019. The Board of Management attended all Supervisory Board meetings, although the Supervisory Board also regularly discussed agenda topics without the Board of Management.

The Supervisory Board regards its individualized disclosure of participation in meetings of the full Supervisory Board and of its committees as an element of good corporate governance.

Between board meetings, the chairwoman of the Audit Committee and in particular the Supervisory Board Chairman engaged in an intensive exchange of information and ideas with the Board of Management, ensuring that the Supervisory Board, as the controlling body, was included in all fundamental decisions. 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 AND WORK OF THE COMMITTEES IN THE 2019 FINANCIAL YEAR

	PARTICI-PATION	IN %
Supervisory Board		
Jürgen Abromeit (Chairman)	5/6	83
Wolfgang Lemb (Deputy Chairman)	5/6	83
Dr. Jürgen Allerkamp	4/6	67
Dr. Dorothee Becker	5/6	83
Dorothee Diehm	5/6	83
Pia Fischinger	6/6	100
Cornelia Holzberger	5/6	83
Gerold Klausmann	6/6	100
Isabella Pfaller	6/6	100
Helmut Späth	6/6	100
Uwe Trinogga	6/6	100
Carl Martin Welcker	4/6	67
Personnel Committee		
Jürgen Abromeit (Chairman)	3/3	100
Dr. Dorothee Becker	3/3	100
Dorothee Diehm	3/3	100
Wolfgang Lemb	2/3	67
Audit Committee		
Isabella Pfaller (Chairwoman)	2/2	100
Dr. Jürgen Allerkamp	2/2	100
Gerold Klausmann	2/2	100

As part of their personal development, Ms. Diehm, Ms. Fischinger, Ms. Holzberger, Mr. Lemb, Mr. Klausmann, and Mr. Trinogga attended a three-day seminar at the IG Metall education center in February 2020.

MAIN TOPICS OF THE MEETINGS

The Supervisory Board met with its new members in the **first ordinary meeting** held on **February 14, 2019**. The main topic of the meeting was the adoption of new rules of procedure for the Supervisory Board. The Chairman of the Board of Management was also appointed as the company's Labor Director. The Board of Management informed the Supervisory Board about the current status of the preliminary figures for the past financial year as of December 31, 2018; the current developments in repositioning projects in the Automotive Technology and Metals Technology segments; and ongoing planning for the financial year 2019.

Main topics of the **second meeting, on March 22, 2019**, were the submission and clarification of the annual financial statements for 2018 of INDUS Holding AG and the Group as well as the resolutions taken. The Chairwoman of the Audit Committee particularly addressed significant aspects of accounting for the consolidated financial statements to the Supervisory Board. At the Audit Committee's recommendation and after thorough exchanges with the external auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, the Supervisory Board approved the annual financial statements and the consolidated financial statements as well as the separate non-financial group management report for the financial year 2018. Based on the approved consolidated financial statements for 2018 and the recommendations of the Personnel Committee, the short-term variable components of members of the Board of Management's compensation for financial year 2018, the calculation parameters for long-term variable remuneration, and the sustainability targets were adopted for the 2019 financial year.

The Board of Management informed the Supervisory Board of the focus of its investment in the past year as well as the INDUS Group's economic position as of February 2019, including a special report on the ongoing repositioning projects. It also addressed the planned acquisition of MESUTRONIC Gerätebau GmbH, which the Supervisory Board approved following a discussion.

Other topics discussed included the 2018 annual risk management and compliance reports, and preparation for the Annual Shareholders' Meeting on May 29, 2019. The Supervisory Board agreed with the Board of Management's dividend proposal and the Board of Management's agenda proposal. On the basis of the proposal of the Audit Committee, the Supervisory Board at the Annual Shareholders' Meeting resolved to nominate Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Cologne, as the external auditor for the company and the Group for the 2019 financial year.

The Supervisory Board held a **third ordinary meeting** on **May 28, 2019**, the day before the Annual Shareholders' Meeting. The Supervisory Board dealt in depth with the Board of Management's report concerning business performance in the months from January to April 2019 at this meeting. The Board of Management also provided information on developments in the repositioning projects in the Automotive Technology and Metals Technology segments, and presented the Forecast I for portfolio companies to the end of 2019, which was based on the results in March 2019. The Board of Management also addressed the newly launched strategy program PARKOUR, which builds on the successfully implemented strategy COMPASS 2020. The Board of Management also informed the Supervisory Board that the purchase contract for the acquisition of MESUTRONIC Gerätebau GmbH had been signed.

On July 23, 2019, the Supervisory Board approved the sale of IPETRONIK Eichstätt GmbH's 49% share in TKI Automotive GmbH to the majority shareholder Audi Electronics Venture GmbH via circulatory written ballot.

In the **fourth ordinary meeting** on **September 18, 2019**, the Board of Management informed the Supervisory Board of the contract signed September 12, 2019, for the sale of the 49% share in TKI Automotive GmbH. The Board of Management also informed the Supervisory Board of its planned acquisition of Dessauer Schaltschrank- und Gehäusetechnik GmbH.

The Supervisory Board closely investigated the material changes in the framework conditions of compensation paid to the Board of Management in accordance with the drafts regarding the Implementation of the Second EU Shareholder Rights Directive (ARUG II) and the German Corporate Governance Code. The Board of Management and the Supervisory Board also submitted an updated declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), which is publicly available on the company's website.

Another point discussed was the financial performance. In addition to the monthly figures as of August 31, 2019, the Board of Management introduced the Forecast II, covering the period up to the end of 2019, which was based on actual figures as of June 30, 2019. As part of the special reports, the medium-term outlook for the repositioning projects was discussed in detail.

Directly following the company's ad hoc release on **October 14, 2019**, the Board of Management explained the reasons for revising the forecast for consolidated EBIT as of December 31, 2019, from EUR 152–158 million to just EUR 129–135 million to the Supervisory Board during an **extraordinary phone conference** on the same day. The main reasons were a clear decline in sales in the Automotive Technology segment, higher restructuring costs, and special one-off effects such as the insolvency of a customer based in Northern Ireland and a Turkish customer's exit from the market in the Automotive Technology segment.

The **fifth ordinary meeting** on **December 11, 2019**, began with the chairman of the Personnel Committee reporting on the current status of the implementation of the Second Shareholder Rights Directive into German law. He also covered the expected material changes resulting from the new version of the German Corporate Governance Code based on the latest draft, and the action required. Based on the Personnel Committee's recommendations, the Supervisory Board decided to extend the appointment of Axel Meyer to the company's Board of Management and approve Mr. Meyer's Board of Management contract extension.

The Board of Management reported to the Supervisory Board the current financial performance as of October 31, 2019, the current status of restructuring projects in the Automotive Technology segment, and the current outlook for the remainder of the 2019 financial year. The Board of Management then covered business planning for the 2020 financial year. In the discussion that followed, the Board of Management considered the details of the planning process. The Supervisory Board adopted the annual planning without changes.

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 chairmen 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 in the past year. In accordance with Section 27 (3) of the Codetermination Act, there was no need for the Mediation Committee or the Nomination Committee to convene. The personnel make-up of the committees is presented in the annual report under the heading "Management Bodies."

In the 2019 financial year, the Personnel Committee prepared the Supervisory Board's personnel decisions in **three meetings** on **March 22, 2019, September 18, 2019**, and **December 11, 2019**. Where necessary, decisions were made or resolutions to be taken were recommended to the Supervisory Board. The Committee dealt with contractual matters relating to members of the Board of Management – particularly an extension of Mr. Meyer's appointment to the Board of Management – and the issue of compensation paid to the Board of Management. In addition to recommendations for the Supervisory Board regarding the determination of the short-term incentive for the 2018 financial year, the calculation parameters for the long-term incentives, and sustainability targets for the financial year 2019, other focal areas of discussion for the Committee were the new framework conditions regarding compensation paid to the Board of Management as a result of the Second Shareholder Rights Directive coming into force in German law, as well as the new version of the German Corporate Governance Code. Details regarding compensation for the Supervisory Board members can be found in the compensation report.

The Audit Committee **met twice** in the 2019 financial year: on **March 22, 2019, and December 11, 2019**. Taking part in the meetings, in addition to members of the Board of Management, were representatives of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne. The Audit Committee obtained the external auditor's Statement of Independence as required, verified its qualifications, entered into the remuneration agreement, and established the focal points of the audit. The external auditor declared to the Audit Committee that there were no facts or circumstances present that would constitute grounds for assuming a lack of impartiality on its part. The main topics of discussion were the 2018 annual financial statements, the review of the risk management and compliance report for 2018, and further development of risk and compliance management.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

The accounting and law firm of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, appointed auditor of the separate and consolidated financial statements by resolution at the Annual Shareholders' Meeting of May 29, 2019, audited the annual financial statements, the consolidated financial statements, and the combined management report of the Group and of INDUS Holding AG pursuant to the Supervisory Board's instructions. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The external auditor provided the annual financial statements with an unqualified audit certificate. The auditor 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, and the combined management report, along with the external auditor's audit report, were presented to all members of the Supervisory Board in good time, as was the non-financial group management report. These were discussed in detail at the Supervisory Board meeting held on March 26, 2020, for adoption of the financial statements. This meeting was also attended by the external auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, 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 2019 annual financial statements and the 2019 consolidated financial statements. The annual financial statements for 2019 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, Cologne. The Supervisory Board raised no objections to the separate non-financial report for the INDUS Group.

COVID-19 PANDEMIC

All INDUS Group employees and their families are severely affected and challenged in many ways by the COVID-19 pandemic, both in their professional and personal lives. The managers of our portfolio companies and the INDUS Board of Management are working extremely hard to keep the impact of this crisis on our staff and businesses to a minimum. The Supervisory Board and Board of Management are working very closely together to coordinate their actions in response to the evolving situation. Representing their respective Board, the Chief Executive and the Chair of the Supervisory Board are in nearly daily contact to ensure that the Supervisory Board is kept informed of any critical developments within the INDUS Group. The last-minute amendments to the forecast for the 2020 financial year in the 2019 Consolidated Management Report were made in close cooperation with the Supervisory Board.

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. Our thoughts are with you and your loved ones during these difficult times.

Bergisch Gladbach, March 26, 2020

On behalf of the Supervisory Board,
Jürgen Abromeit
Chairman

THE INDUS SHARE

SHARE PRICE: REAL ECONOMIC ENVIRONMENT WEIGHS ON SHARE PRICE

Following the challenging conditions on the market and stock exchanges, especially in the second half of 2018, the INDUS share closed the 2018 financial year at EUR 39.00. We were pleased to see the share price begin to recover as early as January 2019 from the pressure it had been under.

The first quarter was entirely positive for the INDUS share. The stock markets recovered well following the continuation of trade negotiations between the United States and China, the longer-term refinancing business reported by the ECB, and the lively merger business. In line with this upward trend on the market, the share price fluctuated between EUR 39 and EUR 46 until the end of March, and the share's performance was further boosted by the publication of the preliminary figures for 2018. Weaker economic data both in the euro area and China, the uncertainty surrounding Brexit, and the decline in vehicle sales figures all led to higher volatility on the stock exchanges, but the effect on the stock markets remained temporary. The INDUS share closed the first quarter of 2019 with growth of 10.1% (SDAX price index excl. dividends +14.8%, DAX price index +8.5%).

KEY SHARE DATA (in EUR)

	2019	2018	2017
Earnings per share	2.43	2.90	3.37
Cash flow per share	6.02	3.05	5.07
Dividend per share[1]	0.80	1.50	1.50
Dividend yield in %[1]	2.1	3.8	2.5
Sum disbursed in EUR million[1]	19.6	36.7	36.7
Year-high closing price[2] (4/30/2019)	47.45	66.00	65.10
Year-low closing price[2] (8/14/2019)	31.45	37.65	50.48
Price at year-end[2]	38.85	39.00	59.50
Market capitalization[3] in EUR million	949.90	953.57	1,454.81
Average daily trading volume in number of shares	21,940	24,711	31,116

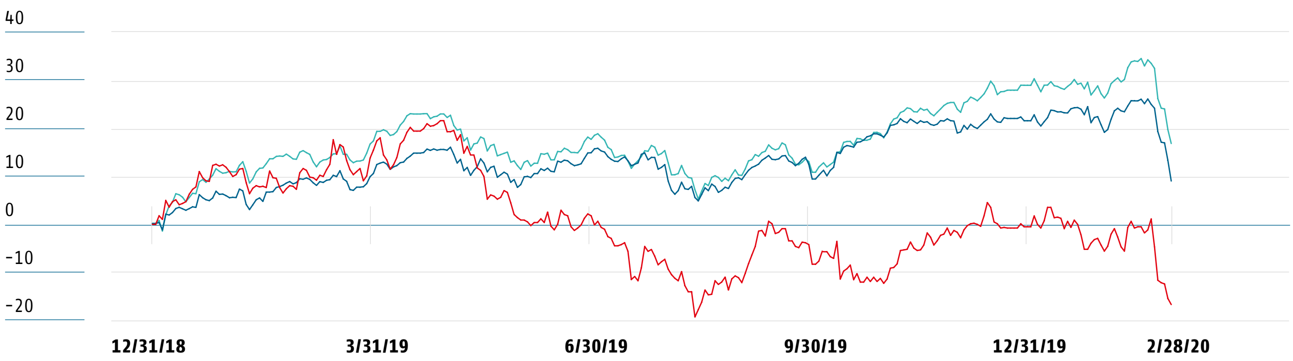
1) Subject to approval at Annual Shareholders' Meeting, which is expected to take place in August 2020.
2) Closing price XETRA.
3) As of reporting date, based on complete capital stock of 24,450,509 shares.

At the beginning of the second quarter of 2019, the publication of the figures for the financial year 2018 and the forecast for the 2019 financial year in particular caused demand among investors and drove the share price up, resulting in the share recovering value and ending April at EUR 47.45, a 21.7% increase compared with the closing price in the previous year. The easing of tensions in the trade dispute between the United States and China, the continuation of M&A activities, and low inflation rates around the world also had a positive impact. Nevertheless, the real economic environment continued its downturn, flanked by the year-lows of the ifo and ISM indices, the worsening inverse interest structure in the United States, and the disappointing economic data coming from China. The by now steep decline in call-off figures for series suppliers in the automotive industry has made it increasingly difficult for INDUS to create reliable forecasts. The decline in call-offs and the rising pressure on margins among the automotive series suppliers could no longer be fully compensated for by the diverse and well-positioned other companies in the portfolio, which resulted in the figures forecast for 2019 in March seeming too ambitious by the time the figures for the first quarter were published in May 2019. This put the share back under pressure, and it closed the end of June 2019 with just slight growth of 1.3% (SDAX price index +17.3%, DAX price index +13.8%).

The second half of 2019 was dominated by more setbacks in the trade dispute between the United States and China, the introduction of US import duties on certain EU goods, the deterioration of a variety of domestic and international economic indicators (incl. ifo, ISM, a 30-year-low in Chinese economic growth), the worsening of the unrest in Hong Kong, and reports of massive employee cutbacks in larger companies, especially in the German banking and automotive sectors. Surprisingly, these developments only had a brief negative impact on the stock markets. The approval of the Brexit agreement by the British parliament, the third lowering of the interest rate by the American Federal Reserve Bank, and the lowering of the interest rate by the Chinese central bank, the US–China trade agreement "Phase One," and the solid US economic and labor market data outshone the ongoing weaknesses of the hard economic data and pushed European and American lead indices to new all-time highs.

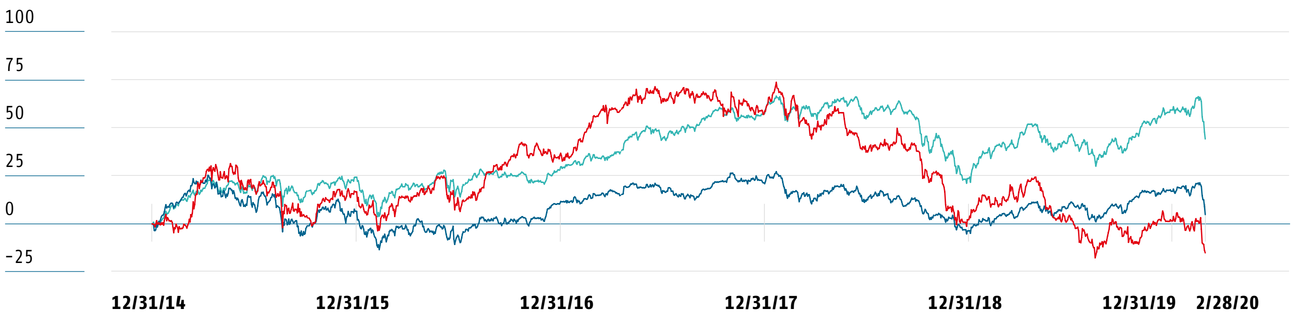
Like many other second-line stocks, the deteriorating real economic conditions caught up with the INDUS share in the second half of the year. The adjustment necessary for

SHARE PRICE PERFORMANCE OF THE INDUS SHARE IN 2019 EXCL. DIVIDEND (in %)



Source: Bloomberg

SHARE PRICE PERFORMANCE OF THE INDUS SHARE IN THE LAST FIVE YEARS EXCL. DIVIDEND (in %)



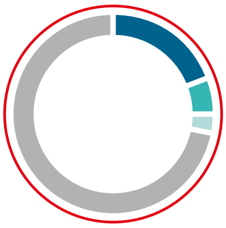
Source: Bloomberg

the income forecast for 2019 made in August and October 2019 along with the recognition of non-cash impairments on goodwill and property, plant, and equipment in the Automotive Technology segment in November 2019 led to the share not being able to hold on to the positive level it had attained by the end of the 2019 financial year. The diverse and solid positioning of the Group has maintained the robust and resilient substance of the Group despite the internal and external factors, leading to the INDUS share finishing the year with a slight 0.4% contraction in comparison with the previous year.

LIQUIDITY OF THE SHARE: INDUS SHARE REMAINS LONG-TERM INVESTMENT

As in the previous year, demand on the capital market met a rather restrained supply. On average, according to the statistics of the German Stock Exchange, 21,940 shares were traded per day on XETRA and the German regional exchanges during the financial year; in total, the figure amounted to approximately 6 million shares in 2019. In addition, larger trades were made outside of the exchanges: according to Bloomberg, another 3.7 million shares were transferred directly between buyers and sellers and over alternative trading platforms. Just over 60% of trading volume was on XETRA and regional German stock markets, according to Bloomberg, and was traded just above the level of the previous year.

SHAREHOLDER STRUCTURE OF INDUS HOLDING AG AS OF DEC. 31, 2019 (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 74.8%.

Source: company information

STABLE SHAREHOLDER STRUCTURE WITH MANY INSTITUTIONAL INVESTORS

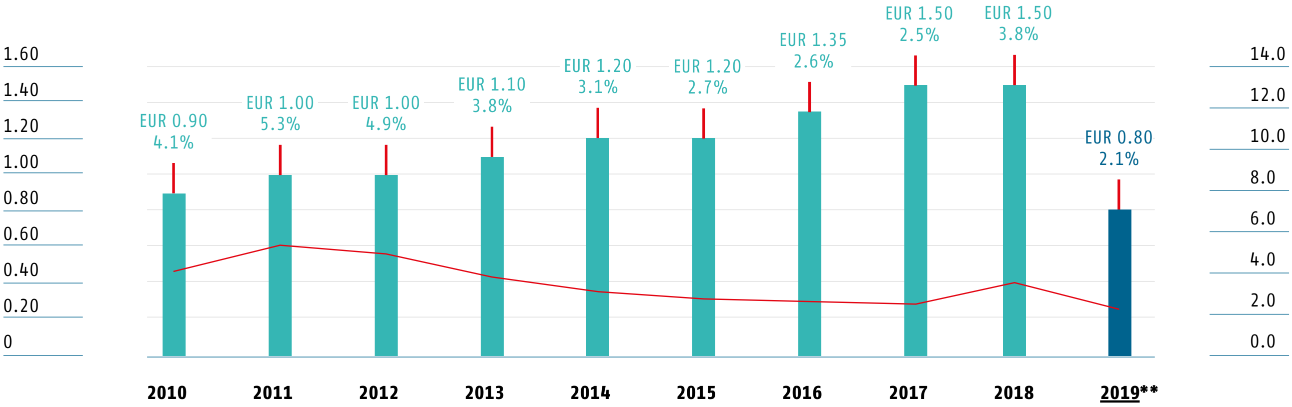
INDUS Holding AG's largest shareholder remains Versicherungskammer Bayern in Munich. In line with its long-term capital investment strategy, it holds 19.4% of the capital stock (according to the Board of Management's knowledge). The other anchor is formed by a group of private investors who are represented jointly. The spokesman for the group of proxy shareholders is Hans Joachim Selzer of Driedorf, Germany. This group holds 5.8% of INDUS shares, according to its own statements. 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 (71.8%) is held by a broad range of investors. INDUS Holding AG currently does not hold any treasury shares.

DISTRIBUTION: PROPOSED DIVIDEND OF EUR 0.80 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, 2019, the holding company had EUR 79.6 million in balance sheet profit. In view of the current extraordinary conditions caused by the coronavirus pandemic and the as yet unforeseeable effects that this will have, it is necessary to reinvest a higher proportion of the balance sheet profit for risk provisioning purposes, taking into account the significant year-over-year deterioration in the forecast. The Board of Management and the Supervisory Board will therefore propose a dividend payment of EUR 0.80 per share (previous year: EUR 1.50) to the Annual Shareholders' Meeting. This brings the total sum disbursed to EUR 19.6 million with a dividend payout ratio of 24.6%.

DIVIDEND PER SHARE* WITH DIVIDEND YIELD 2010 TO 2019 (in EUR/in %)



* Dividend payment of the financial year concerned.
** Subject to approval at Annual Shareholders' Meeting, which is expected to take place in August 2020.

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) Tradegate Exchange, Berlin, Hamburg, Hanover, Munich, Stuttgart (over the counter)
Market segment/Indices	Prime Standard / SDAX
Designated sponsors	Bankhaus Lampe, Commerzbank, HSBC Trinkaus & Burkhardt
Subscribed capital	EUR 63,571,323.62
Authorized capital 2019	EUR 31,785,660.51
Number of shares	24,450,509

SHARE ANALYSIS FOR INDUS HOLDING AG

Bankhaus Lampe	— February 2020 — Buy, target price EUR 45.00
Commerzbank	— November 2019 — Hold, target price EUR 38.00
FMR Research	— Analysis start April 2020 — recommendation and target price to follow
HSBC	— November 2019 — Buy, target price EUR 50.00
Independent Research	— February 2020 — Hold, target price EUR 39.00
LBBW	— November 2019 — Buy, target price EUR 40.00
M.M. Warburg	— February 2020 — Hold, target price EUR 42.30

TARGETED AND TRANSPARENT INVESTOR RELATIONS WORK

A central topic in the dialogue with the capital market in 2019 was providing information on current business performance, and implementing the updated strategy PARKOUR with Dr. Johannes Schmidt, who took over as Chairman of the Board of Management from Jürgen Abromeit in July 2018. Over the reporting period, the Board of Management sought a continuous exchange of views with existing and potential investors. For this purpose, it used finance events along with conferences and roadshows in and outside Germany.

FINANCE EVENTS 2019

April	— German Conference, Baden-Baden — Roadshow Hanover, Osnabrück
June	— DSW Investor forum, Cologne — Warburg Highlights, Hamburg
July	— Roadshow Stuttgart
August	— Commerzbank Sector Conference, Frankfurt am Main
November	— German Equity Forum, Frankfurt am Main

In addition to regularly publishing up-to-date information about INDUS, the Board of Management also regularly met for personal discussions and interviews with multipliers, analysts, and business reporters. INDUS maintains dialogue with private investors through the Annual Shareholders' Meeting, participating in the DSW Investor Forum and through personal contact. Interested investors can stay abreast of current events through the INDUS newsletter.

By actively cultivating relations with the capital markets, INDUS underscores its commitment to transparent and regular communication. INDUS has been a member of Deutscher Investor Relations Verband e.V. (DIRK), the German Investor Relations Association, since 2009. The financial calendar appearing at the end of this annual report provides an overview of the most important dates for the current financial year. The financial calendar is regularly updated and is available also on the company's website.

CONTACTING INVESTOR RELATIONS

Julia Pschribülla & Dafne Sanac
Phone: +49 (0)2204/40 00-66 /-32
Email: investor.relations@indus.de

Scheduled dates for 2020 and other Investor Relations information can be found at:
www.indus.de/investor-relations

PARKOUR – STATUS REPORT

By implementing the strategy program PARKOUR, which we developed in 2019, we will increase entrepreneurial fitness within the Group. The aim is for our portfolio companies and the Group as a whole to develop faster and improve operations. PARKOUR has three focal points: the targeted strengthening of the portfolio structure, driving innovation, and improving performance through operational excellence at the portfolio companies.

FIRST FOCAL POINT: STRENGTHENING THE PORTFOLIO STRUCTURE

The aim is to acquire two to three companies per year in the six pre-defined growth industries.

SIX GROWTH INDUSTRIES

1. AUTOMATION AND MEASURING TECHNOLOGY AND CONTROL ENGINEERING
2. CONSTRUCTION TECHNOLOGY
3. SAFETY TECHNOLOGY
4. MEDICAL ENGINEERING/LIFE SCIENCE
5. TECHNOLOGY FOR INFRASTRUCTURE/LOGISTICS
6. ENERGY AND ENVIRONMENTAL TECHNOLOGY

In 2019 we made two first-level growth acquisitions and we bought the remaining shares in two portfolio companies. We disposed of one minority interest.

In May 2019, we acquired MESUTRONIC Gerätebau GmbH, with registered office in Kirchberg, Bavaria, in the measuring technology and control engineering growth industry; the company is a technology leader in metal and foreign body detection to protect production plants. With the aid of sensors and dynamic sorting ability, the detectors remove contaminated products from production processes without interrupting the processes. In these times of rising efficiency demands, such solutions are becoming increasingly important. MESUTRONIC employs 210 staff and sells its systems in over 50 countries around the world. The dynamic sorting systems remove products contaminated with metal parts or other foreign bodies from the production process using advanced sensor technology. This significantly improves the efficiency of the overall process, which is becoming increasingly important in these times of higher demand for efficiency, and protects the end consumer against contaminated products.

In October 2019 we acquired Dessauer Schaltschrank- und Gehäusetechnik GmbH for the technology for infrastructure/logistics growth industry. The company is based in Saxony-Anhalt and is a specialist for high-quality metal and lead parts, components, switch cabinets, and machine casings, and strengthens our Group in the challenging field of lead processing, in which our portfolio companies BACHER and HAKAMA operate. The customers for this field are active in track vehicle technology, where we anticipate long-term growth as a result of the sustainability trend toward urban mobility.

In line with our multi-tier transaction model, we acquired the remaining 30% of shares in Munich-based D.M.S. GmbH

Design Modell-Studien in the past year for the Kieback Schäfer Group in the Automotive Technology segment. In the Metals Technology segment, we acquired the remaining 10% of shares in Helmut Rübsamen GmbH & Co. KG, Bad Marienburg.

In the Automotive Technology segment, our portfolio company IPETRONIK sold its minority interest in TKI Automotive GmbH to the majority shareholder in September. TKI specializes in thermal management, convenience electronics, and interior air conditioning for conventional and electric vehicles. The sale generated operating income of EUR 16.8 million and cash inflow of EUR 27.5 million for the Group.

SECOND FOCAL POINT: DRIVING INNOVATION

The aim is to strengthen our portfolio companies' ability to recognize opportunities on the market early, defend their market position using their innovativeness, and tap into new markets with their innovations.

We doubled our development bank budget in 2019: To support innovation projects, we now make up to 3% of our consolidated EBIT available to our portfolio companies each year. We carry between 50% and 80% of the project volume. We have expanded our definition of innovation: We also support innovations that relate to services and business processes.

We have professionalized our innovation management and expanded it to include further advisory and training elements. Through our innovation toolbox, we provide our portfolio companies with comprehensive methodological knowledge, and provide special support for questions relating to the six growth industries, digitalization in their company, and innovation strategies. And our portfolio companies engage in regular experience and knowledge transfer – not just within the Group but also with external institutes and organizations.

In the holding company, we have expanded our acquisition profile. Wherever the opportunity arises, we now also acquire innovative companies with new and fresh business models. Our focus is on growth industries and sectors already represented in our portfolio, which allows our portfolio companies to share their experience and expert knowledge.

INNOVATIONS IN 2019: FOUR AWARDS

REMKO REMKO won over the expert jury at the Plus X Awards, one of the world's biggest innovation prizes for technology, sports, and lifestyle, with its swimming pool dehumidifier SLE 45-85. REMKO's dehumidifier was named the best product of 2019.

GSR GSR-Ventiltechnik was recognized among the TOP 100 Innovators for its innovation management.

BETEK BETEK also made it into the TOP 100 Innovators with its innovative production network.

MIGUA With its website MIGUARCHITECT, MIGUA has developed an innovative and user-oriented work aid specifically for architects and planners. It received the German Innovation Award 2019.

BETEK and GSR shine in the TOP 100 innovation competition and win "Top-Innovator 2019" award.

THIRD FOCAL POINT: IMPROVING PERFORMANCE

The aim is to continually improve business processes by concentrating on actual added value to face increasing global competition and rising pressure on margins.

In 2019, we offered our portfolio companies more support in "increasing productivity in order processing." The main focus was on our portfolio companies' operating functions, such as production and logistics. We have helped a number of portfolio companies introduce lean management processes by providing training and insights into best practice.

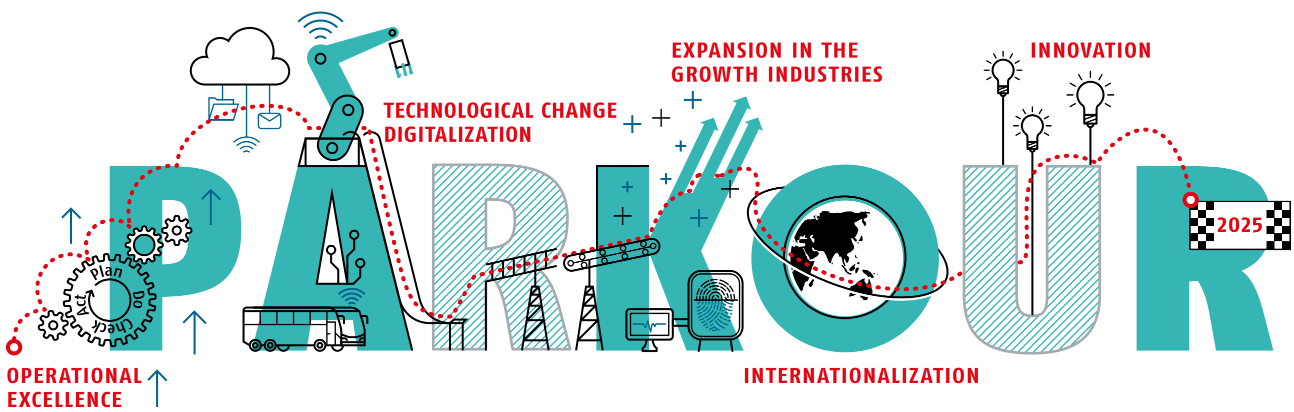
Our operational excellence initiative was also successfully launched with offers covering business development, strategic marketing, and sales.

Our aim is to strengthen methodological skills (e.g. market/potential and competition analyses, optimizing pricing), and help our portfolio companies in successfully selecting sales channels, setting up and expanding their sales organization, and by providing sales training.

SEVEN-POINT TARGET FOR 2025

1. **55 to 60 portfolio companies** with **sales > EUR 2.5 billion.**
2. **EBIT target margin** of **10%** once again reliably achieved.
3. **Growth industries** clearly represented in the portfolio.
4. **Innovation** established as growth driver in the portfolio companies.
5. **Digitalization:** Our portfolio companies have mastered the shift to the "Techgeneration."
6. **Operational excellence** implemented in the portfolio companies' value-adding core processes.
7. **Internationalization** successfully continued by the portfolio companies.

INDUS is the SME holding company in German-speaking Europe and – thanks to its reliability, courage, and creativity – the first contact for companies looking to sell.



SUSTAINABILITY AT INDUS

FUNDAMENTAL SUSTAINABILITY PRINCIPLES AT INDUS

Sustainable business forms the foundation of the future prospects for the environment, society, and economy. Resource-efficient production and the development of sustainable products are driven by high innovative ability and operational excellence – these are therefore at the heart of the strategy program PARKOUR.

SUSTAINABLE BUSINESS IS IN INDUS' DNA

INDUS Holding AG's (hereafter INDUS) corporate strategy PARKOUR concentrates on long-term investment in line with the concept "Buy, hold & develop." We at the INDUS Group firmly believe that entrepreneurial success is achieved through a sustainable vision: profits are generated in a way that is sustainable economically, socially, and ecologically.

This vision unites the INDUS Group's portfolio companies and has a material impact on the individual companies' planning processes. INDUS actively supports the portfolio companies in this regard in many ways: sustainability-related data is actively included in the corporate planning process through cooperative, strategic sparring sessions. The sustainable approach is also established in the companies' focus through initiatives to improve performance and drive innovation, where HR and financial capacities are made available for the benefit of the portfolio companies. A material factor in the lever "improving performance" is the optimization of efficiency in the portfolio companies' added value. As part of INDUS' innovation strategy, the INDUS development bank model has proven a successful means of financially supporting certain innovation activities in the portfolio companies. A significant criteria in selecting projects for funding is the aim of the innovation activity in a strategic future field – particularly when it comes to sustainable technologies in the field of green tech. This future field also serves as one of the target requirements in the acquisition of innovative companies, through which the Group aims to boost portfolio structure. As a result, the main tasks of INDUS include accompanying the portfolio companies and managing the portfolio in the interest of the investors.

When acquiring portfolio companies, the internal INDUS principle of sustainably creating added value is examined in the due diligence process (DD) and is included in the evaluation criteria for submitting offers. Every portfolio company went through this process before joining the INDUS Group. The process includes the examination of relevant sustainability risks and the observation of the real net output ratio; the development strategies in terms of innovative, sustainable products; working conditions; compliance with statutory and regulatory requirements at all locations; and the impacts of sales and production on the affected markets.

All in all, we examine whether all current and future portfolio companies live up to the requirements of the INDUS Code of Conduct in their actions. The Code of Conduct obliges every employee and the Group as a whole to understand their responsibilities with regard to laws, guidelines, society, and the environment. Due to the INDUS Group's decentralized operating structure, this means that sustainable business practices as well as regional and local initiatives are primarily initiated and performed by the portfolio companies. INDUS plays a supporting role by centrally recording sustainability-related data and feeding this information back to the Group both in an individual and consolidated format to refine strategic target setting together. INDUS also provides the portfolio companies with sustainability-related support offers such as energy audits.

The penetration of the INDUS sustainability strategy throughout the Group is reflected in the positive response from the business and capital markets: as in the years 2016–2018, INDUS has received its fourth top "A" grade in the CDP Climate Scoring. INDUS also held on to "Prime" status once more in the ISS-oekom rating (formerly oekom research AG), following on from 2018 unchanged. The awards confirm the success of the INDUS Group's active sustainability strategy measures, which will be presented in the following chapters.

WORKING TOWARDS SUSTAINABLE SUCCESS TOGETHER

Long-term success in association with the Group forms the core of INDUS' and its portfolio companies' ongoing strategy process. Looking into factors relevant to business practices, such as energy transformation, are vital for the strategy update and the corporate planning process. Dialogue with material stakeholders and analyzing their influence on the INDUS Group along the value chain is an essential part of the strategy process due to its significance for corporate success. The stakeholder groups that are relevant to the sustainability strategy were determined by the INDUS Board of Management in a strategy workshop in the 2016 financial year.

SEVEN KEY TOPICS OF THE SUSTAINABILITY STRATEGY

In the 2016 financial year, seven key topics that are highly relevant to the sustainable economic success of the INDUS Group were identified in a materiality analysis, and their materiality was confirmed during a stakeholder dialogue with the portfolio companies. The defined key topics were analyzed with regards to their impact on the operating activities, business performance, and income of the INDUS Group to determine their materiality (outside-in analysis). Correspondingly, the impact of INDUS' operating activities on sustainability aspects were evaluated (inside-out analysis). During the course of these analyses, specific fields of action were determined for each key topic, which are reflected in the INDUS Group's activities in the implementation of the sustainability strategy. To compare this internal analysis with other relevant stakeholder groups and to ensure relevancy to the sustainability strategy, the materiality of the key topics has been examined and discussed in the stakeholder dialogue ever since. The assessments of INDUS and the stakeholders have always aligned since the key topics were originally determined. In 2017, institutional investors and interested owners of family-run businesses (external) were questioned in structured interviews about their perception of INDUS' sustainability strategy. In the 2018 financial year, the focus of updating the materiality analysis was on the view of the portfolio companies (internal). The managing directors of the portfolio companies confirmed their assessments from previous years.

Together with the faculty for International Accounting and Auditing at the Technical University of Dortmund, structured interviews were conducted with portfolio companies' customers in the 2019 financial year. The materiality of the seven key topics was confirmed once more this year:

1. Investments: Investments are an important topic at the INDUS Group, both in terms of expanding the investment portfolio and for internal development.

2. Innovation: Improving efficiency through process innovations and developing new, sustainable products are fundamental components of the PARKOUR strategy program.

3. Internationalization: Inspecting the sustainability of the value chain is a vital factor in decisions related to the development of portfolio companies in international markets.

4. INDUS' role as a shareholder: The holding company supports the portfolio companies in their core processes.

RELEVANT STAKEHOLDER GROUPS		EXPLANATION
Investors	external	Investors expect INDUS to achieve the targets set out in the strategy program PARKOUR and to enhance the value of the INDUS Group in a stable and reliable manner. To achieve this, the holding company is given the opportunity to access capital.
Interested owners of family-run businesses	external	The maintenance and continuation of the owners' life's work is the focus of both the owners of family-run businesses and INDUS as a strong partner in the SME sector of German-speaking countries.
Portfolio companies	internal	Support from INDUS combined with the maximum amount of autonomy provides the portfolio companies with the necessary entrepreneurial freedom to further develop their own companies.
Portfolio companies' customers	external	With INDUS, the customers of the portfolio companies have a partner that offers the security of long-term business partnerships, today and tomorrow, with high-quality and innovative services.
Employees	internal	With their skills and dedication, INDUS Group employees form the foundation of sustainable economic success. In return, the INDUS Group provides an appealing work environment where human resources development is individually furthered.

The holding company's sustainability strategy therefore impacts the operating fields of the INDUS Group.

5. HR: Corporate development in the holding company and in the portfolio companies is secured by the development of staff – including by raising awareness of the sustainability strategy.

6. Social commitment: Accepting social responsibility throughout the INDUS Group is a central component of the Code of Conduct.

7. Resource efficiency: Preventing waste is a top priority in the operating activities of the portfolio companies, both for ecological as well as economical reasons.

The strategy program PARKOUR contains the key topics of investment, innovation, and internationalization as strategic pillars of growth and the value enhancement of the portfolio companies along with modules to guarantee a diverse portfolio structure. This results in a number of connections to the other four key topics of the sustainability strategy. For instance, resource efficiency is specifically included in the feasibility assessment on which investment decisions and process innovations are based. HR development for holding company and portfolio company staff is established in the strategic initiatives to improve performance and drive innovation. The INDUS Group's position in the seven key topics is continually strengthened and is constantly monitored through a key figure system.

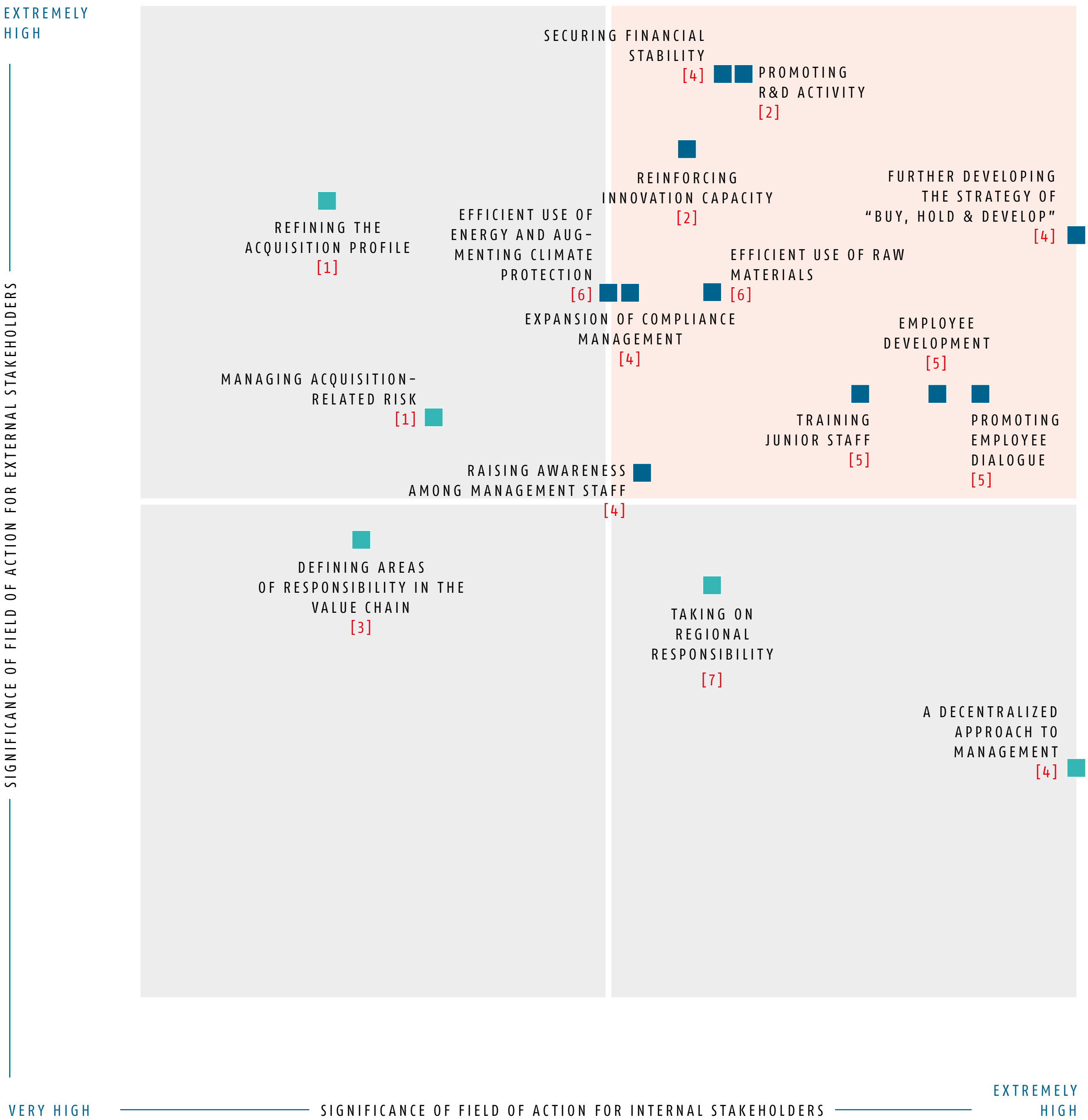
SUSTAINABILITY STRATEGY IN THE MATERIALITY MATRIX

To reflect the overview of the development of the significance of INDUS' key topics in the opinion of the customers of the portfolio companies, the structured interviews performed by the TU Dortmund were evaluated as neutral opinions and used to update the materiality matrix established in INDUS' sustainability report. Due to the complexity and scope of individual key topics, specific fields of action were discussed to represent the key topics. Through the consolidated visualization of the results of the materiality matrix, assumptions can be made regarding the significance of key topics in the opinion of internal and external stakeholders. INDUS analyzes shifts in the materiality matrix and decides based on this analysis whether and to what extent adjustments to the sustainability strategy are necessary.

The update of the materiality matrix in 2019 showed that the opinions of the portfolio companies' customers largely align with the opinions of the institutional investors and interested owners of family-run businesses (external stakeholders) interviewed in 2017. Differences largely related to the evaluation of the significance of the key topic HR, where the action fields "promotion of new employees," "personnel development," and "fostering employee dialogue" were all considered more important than in 2017. The external stakeholders' assessment therefore came closer to the internal stakeholders' assessment that these are very important fields of action. To underscore the importance of this key topic in the INDUS Group, HR will be a focal point in the 2019 report on progress in the sustainability report and will be presented more closely with project examples to represent all key topics.

The related field of action of "raising manager awareness," which is part of the key topic shareholder's role, was also evaluated as slightly more important than in 2017 and is now almost of equal significance for internal and external stakeholders. The importance of the field of action "defining responsibilities in the value chain" increased markedly for external stakeholders, which could be explained by the increased focus on the key topic of internationalization in light of worsening global trade conflicts. There were no other changes to the materiality matrix in the financial year, and no field of action became less significant in the opinion of external stakeholders, which underscores the necessity of sustainable business practices for economic success. This can

MATERIALITY MATRIX



[1] INVESTMENTS
[2] INNOVATION
[3] INTERNATIONALIZATION
[4] SHAREHOLDER'S ROLE
[5] HUMAN RESOURCES
[6] RESOURCE EFFICIENCY
[7] SOCIAL COMMITMENT

also be seen in the fact that the majority of fields of action in the materiality matrix are now located in the upper quadrants of significance for internal and external stakeholders, which highlights that the key topics of INDUS' sustainability strategy have been confirmed by internal as well as external stakeholders to be highly relevant and significant.

Overall, the increased awareness and significance of sustainability topics for economic success can be seen in the fact that the majority of fields of action in INDUS' sustainability strategy are considered significant, both by internal and external stakeholders. INDUS shares this assessment and considers it its responsibility to make a contribution from both an overall social and economic point of view. To fulfill this responsibility as a holding company and as a Group, it is vital for the future orientation of INDUS' sustainability strategy to identify improvement potential in all relevant fields of action. This applies in a consolidated form for the INDUS Group as well as individually in the holding company and in the portfolio companies. To efficiently and purposefully develop the successful sustainability strategy further, INDUS will make it its task in the 2020 financial year to push forward its sustainability strategy together with the portfolio companies, which will be explained in more detail in the following non-financial report.

THE INDUS GROUP'S NON-FINANCIAL REPORT

As part of the CSR Directive Implementation Act (CSR-RLUG), INDUS has been reporting on its general business model in the annual report's management report since the 2017 financial year as well as providing dedicated information on the topical sustainability aspects in the sustainability report. Due to the importance of the sustainability strategy's key topics, the INDUS Group's non-financial report is also structured along the seven key topics. The aspect "environmental concerns" is included under the key topic of resource efficiency, "employee concerns" and "respect for human rights" are covered in the key topic human resources. "Social concerns" is integrated into the key topic of social commitment, and "combating corruption and bribery" is part of the key topic of INDUS' role as shareholder.

In the 2019 financial year, the sustainability strategy was integrated into the PARKOUR strategy program as part of the initiatives "driving innovation" and "improving performance." Due to their strategic significance, further development of the sustainability strategy and securing that targets are met fall directly under the responsibility of the Chairman of the Board of the holding company. The strategic direction and regulatory as well as statutory topics in the CSR field are also discussed by all managing directors and the Board of Management at the annual entrepreneurs' conference (Unternehmertagung). This topic is therefore established in the holding company's regular Board of Management meetings. The sustainability strategy flows through the corporate strategy into the daily operating business of the portfolio companies. It is therefore part of the dialogue between the holding company's Board of Management and the managing directors of the portfolio companies. To establish a financial incentive for progress in sustainability aspects in addition to the strategic prospects, a bonus was integrated into the Board of Management's compensation system in 2016 as part of the short-term incentive (STI). The bonus is donated entirely to local charitable causes selected by the Board of Management.

The evaluation of sustainability risks is integrated into the risk management reporting tool as a separate category, which is applied during the update of the annual corporate planning process by the managing directors of the portfolio companies. Opportunities and risks resulting from sustainability topics are documented and analyzed according to the probability of occurrence and possible financial consequences down to the plant/operating level. Corresponding counter measures are initiated at holding company level and at the portfolio companies where necessary. In accordance with Section 289c III no. 3 and 4 of the German Commercial Code (HGB), material risks from business relationships, products, and services, and own operating activities are explicitly covered in the Opportunities and Risk Report of the management report in the INDUS annual report. In the 2019 financial year there were no individual risks that exceeded the materiality limits.

In terms of living up to the increased significance of a holistic strategic approach to sustainability in future, the 2020 financial year will be an important year in the development of INDUS' sustainability strategy. The focus on sustainable conduct as an independent strategic aspect of central importance will be advanced even more. Methodical adjustments as well as adjustments relating to strategy and content will be undertaken, and these will be interconnected.

In terms of content, the further development of the strategy in the 2020 financial year, particularly in light of setting fixed emissions-reduction targets, will be aligned with the sector-specific targets of the climate protection act which came into force in 2019. As the portfolio companies of INDUS are active in various segments and face different production and business environment realities, the actual targets will be set together with the portfolio companies. Emissions-reduction targets will be developed that are specific to the portfolio company and will lead to the implementation of Group-wide targets for reducing emissions in aggregate. Setting emissions-reduction targets together is in keeping with the partnership of equals that exists between the holding company and the portfolio companies. The vigorous acquisition activities will lead to the Group's further inorganic growth and thereby also to an increase in absolute emissions. This is why formulating emissions-intensity targets also makes sense for INDUS.

Methodologically, the reliability of non-financial performance indicators recording is a particular priority in the strategy update. This is significant because the identification of emissions sources and opportunities to reduce them is a necessary prerequisite for identifying and realizing company-specific and Group-wide savings potential. In addition to CO_2, nitrous oxide (N_2O), methane (CH_4), and partly fluorinated hydrocarbons (F gases) are also included in the calculation of the INDUS Group's greenhouse gas emissions (GHG emissions) and converted to CO_2 equivalents (CO_2eq) for uniform presentation. The amount of perfluorocarbons (PFCs) and sulfur hexafluoride (SF_6) greenhouse gas emissions are negligible in the INDUS Group's production processes and are not recorded individually. There are primarily three levers to increase the robustness of the data recorded, and we continually strive for improvements in these three. Firstly, the physical recording of consumption (activity data) will be advanced, especially when it comes to the recording and evaluation of data for individual consumption items such as special machinery and plant technology. The foundation for this was laid with the energy audit performed in the 2019 financial year, which is covered in the following topic "environmental concerns." Secondly, the timeliness and relevance of the emission coefficients used to calculate the INDUS Group's GHG emissions are continually checked to ensure the accuracy of the data evaluation and for improvement where possible. Thirdly, the system for categorizing GHG emissions types into direct and indirect GHG emissions was refined in accordance with the Greenhouse Gas (GHG) Protocol Standards for the first time in this sustainability report for the 2019 financial year. Specifically, INDUS will change the financial statement accounting method for determining organizational boundaries to the financial control method. In terms of content, this means that INDUS treats the GHG-E of the portfolio companies in the same way as the holding company's for financial statement accounting and categorization. This new approach gives the INDUS Group the possibility to categorize direct and especially also indirect emissions in more detail, for instance when it comes to the mobile combustion emissions of the vehicle fleet or upstream and downstream in the supply chain, to clarify and exploit potential for improvement. This new method is mentioned in the 2019 sustainability report to ensure a uniform method in the strategy update against the base year when formulating short-, medium-, and long-term targets. The following table shows the adjustment to the key figures in the 2018 sustainability report necessitated by the changes to financial statement accounting.

INDUS' sustainability reporting is in accordance with the German Sustainability Code (DNK) criteria and therefore based on the principles of transparency and materiality. On this basis, four key figures of the 16 EFFAS (European Federation of Financial Analyst Societies) performance indicators are not reported. All key figures that are reported on are also taken into consideration in the due diligence process for new acquisitions. During the further development of the sustainability strategy in the 2020 financial year, the methodological reliability of data records and evaluation will be optimized so that in future other key figures can be ascertained.

Recording total investment in research for ESG-relevant fields of the business model (EFFAS V04-12) is not meaningful for the INDUS Group because the R&D activities of the portfolio companies are usually development activities that are recognized as expenses rather than investments in fixed assets. In addition, a uniform definition to determine the relevance of R&D expenses to ESG is currently not possible due to the diversity of the INDUS Group portfolio. Recording and examining this key figure is therefore not productive as it is not a performance indicator, because this key figure does not correlate with sustainable innovation or investment success for the INDUS Group. However, the INDUS holding company's innovation development bank does support innovation projects with the aim of developing sustainable products and resource-efficient production processes, and reports on these in the progress report for the key topic of innovation.

The key figure for the energy efficiency of our own products in comparison with the previous year (EFFAS E13-01) is not reported for two reasons: firstly, the product landscape and the energy consumption in the product life cycle is extremely inhomogeneous due to INDUS' diverse investment portfolio. In some cases, the products do not consume energy or they are processed further. As a result, the key figure would not be meaningful in aggregation as the change would also depend on the development of the investment portfolio and therefore no conclusion could be made with regard to energy efficiency and no improvements could be made for individual products. Secondly, recording this key figure would currently require excessive effort in light of the previously mentioned immateriality.

The key figures for the share of all suppliers and partners in the supply chain that have been evaluated for compliance with ESG criteria (EFFAS S06-01), and the share of all suppliers and partners in the supply chain that have been audited for compliance with ESG criteria (EFFAS S06-02) is not reported. Due to various production processes, the definition of concrete ESG criteria would be highly dependent on the companies and INDUS could therefore not define any meaningful, Group-wide ESG criteria that go beyond the principles of the INDUS Group Code of Conduct. As part of the 2020 strategy update following the definition of portfolio company-specific emissions-reduction targets, portfolio company-specific ESG criteria for the supply chain will also be discussed.

The twelve EFFAS performance indicators that have been gathered pertain to the 2019 financial year and are compared to those for the 2018 financial year. The existing financial data reporting system at INDUS, which has been expanded for the purpose of specifically gathering key figures, was used to collect the data. The performance indicators of all production facilities and larger office and sales units were collected. In comparison with the 2018 financial year, the scope of consolidation expanded to include ten foreign production facilities, larger sales offices at sub-subsidiary level, and three German sub-subsidiaries. Data is not collected for units with very low emissions (especially local sales offices), as GHG-E are assumed to be negligible. In total, the scope of consolidation for sustainability reporting in the 2019 financial year covered 97.3% of the gross added value of the entire INDUS Group before acquisitions made in the financial year. Even though these acquisitions do not form part of the scope of consolidation for sustainability reporting, due diligence processes performed as part of the acquisition are fully included in the data collection as the acquisition of SMEs is a material part of INDUS Holding AG's operations.

The INDUS Group's non-financial explanation and the reported EFFAS performance indicators, which are marked in the overview of all key figures at the end of the chapter, were performed with a limited assurance audit by the external auditor Ebner Stolz.

ENVIRONMENTAL CONCERNS

CLASSIFICATION

None of INDUS' portfolio companies are active in a sector with high energy consumption where participation in the European Union's emissions trading program is obligatory. The majority of the portfolio companies operate in the manufacturing sector using mechanical work processes. All portfolio companies' main locations are in Germany or in Switzerland and follow the high standards in those countries applicable to employee and environmental protection. At some production locations, manufacturing processes such as galvanization and painting are performed that may be harmful, but these are performed in compliance with the corresponding statutory regulations and monitoring processes. Due to INDUS' operating profile as a partner and supporter of the portfolio companies and buyer of new companies, the holding company's direct impact on the environment is negligible in comparison.

Growing the INDUS Group to between 55 and 60 portfolio companies by the year 2025 is part of INDUS' PARKOUR strategy program. This will lead to a significant increase in the total energy consumed, which in turn will lead to higher absolute emissions that are reported under the EFFAS E02-01 performance indicator, for example. This will relate to the INDUS Group, and total energy consumption will rise in line with new acquisitions. Due to the objective of growing inorganically and organically, the INDUS Group's and the holding company's total energy consumption and GHG-E will be significantly impacted. The emission intensity of the INDUS Group in terms of gross added value is therefore particularly important in monitoring the success of the sustainability strategy. However, the efforts to optimize total energy consumption and the GHG-E of each portfolio company in line with the sustainability strategy remain unaffected by this.

TARGETS/MEASURES

Reducing energy consumption and GHG emissions is a task that the holding company and the portfolio companies handle together. Accordingly, this already takes the form of regular strategy dialogues between the managing directors of the portfolio companies and the INDUS holding company Board of Management where measures specific to the portfolio company, climate-related opportunities and risks, and sustainability-related strategy direction are discussed and integrated into budget planning. Energy-efficient technologies also receive preferential treatment in the portfolio companies' investment plans. In line with the individual needs and underlying conditions of the portfolio companies, the portfolio companies work with approval management systems and defined and documented processes and regulations. Certified management systems have been put in place at some INDUS portfolio companies with high levels of electricity consumption to comply with regulatory requirements, but also to positively establish environmental concerns and occupational protection.

As part of the portfolio companies' and the holding company's corporate planning process, climate-relevant impacts to the operating activities are taken into consideration in the budget plans and the DD process. The holding company takes out corresponding insurance for all portfolio companies to cover them against natural disasters, business interruptions, liability, product liability, and transport damages. Just like all INDUS portfolio companies, new acquisitions must also be compatible with the INDUS Code of Conduct and integrate it and adhere to it in their daily operating business. The DD process is accompanied by the INDUS Board of Management so that strategic sustainability aspects such as the direction of the corporate strategy in the future field of green tech are actively taken into consideration. The vigorous efforts of INDUS in the field of acquiring new portfolio companies mean a due diligence process that is as standardized as possible is very important. In general, the targeted search for new acquisitions is focused on the defined future fields, which has led to a corresponding acquisition profile. As a result, no companies in the weapons industry or in sectors with high energy consumption or high emissions are acquired. One of the vital parts of the due diligence process is ensuring that statutory environmental requirements are adhered to and that corresponding precautions are in place in the risk management system to avoid events that would impact the environment.

INDUS reports the INDUS Group's total energy consumption pursuant to the EFFAS E01-01 performance indicator, the INDUS Group's GHG-E (Scope 1 & 2 pursuant to the financial control method of the GHG Protocol, EFFAS E02-01) and the INDUS Group's total weight and share of recycled waste (EFFAS E04-01 and EFFAS E05-01) – both in absolute values and relative to gross added value. Scope 2 GHG emissions are reported both as location-based and market-based in accordance with the GHG Protocol. Wherever the method is not explicitly indicated, values refer to the market-based method.

Targets will be reviewed in the 2020 financial year for the further development of the sustainability strategy and as a result of the shift to the financial control method in GHG-E financial statement accounting.

TARGET	PERFORMANCE INDICATOR	MEASURES	TIME FRAME
Reduction of energy consumption and waste produced	Total energy consumption (EFFAS E01-01); total weight of waste (EFFAS E04-01); share of total waste that is recycled (EFFAS E05-01)	Portfolio company-specific definition of targets and measures; Provision, analysis, and application of individual and Group-wide data records in strategy process at holding company and portfolio company level and in strategy dialogue	ongoing
Taking environmental protection aspects into account during new acquisitions	–	No acquisition of companies in segments with high energy consumption; Establishment of examination in due diligence for all potential new acquisitions	ongoing
Reducing Scope 1 & 2 emissions by 12% (2020) and 42.5% (2040) against the base year 2014	Scope 1 & 2 – GHG-E (EFFAS E02-01)	Purchasing electricity generated emission-free (green electricity); Reduction measures in the areas of building infrastructure and vehicle fleet	2020 and 2040

The holding company offsets its annual CO_2 emissions and offers the portfolio companies support in offsetting their GHG emissions, which, for example, eltherm GmbH & eltherm production GmbH took advantage of in 2019 to offset the emissions of their vehicle fleet. In the 2019 financial year, a total of 1,769 t of CO_2eq emissions were offset in this manner through an investment in the Jari/Pará REDD+ Project, a forest protection project that aims to protect the rainforest in Brazil.

The majority of production locations were audited by the external energy consultancy FutureCamp in the 2019 financial year, who had already performed audits back in 2015, as part of the Act on Energy Services and Other Energy Efficiency Improvement Measures. Many of the suggestions to improve energy efficiency from the 2015 financial year have been implemented since, which has led to, in some cases significant, energy savings. At FS-BF GmbH & Co. KG in Reichshof-Hahn, for example, the annual energy requirement was reduced by approximately 300,000 kWh between 2014 and 2018 by exchanging fluorescent tubes for LED lamps and replacing individual filling machines in production. During the 2019 energy audit, more suggestions were made that were relevant to investments which will be taken into consideration in the portfolio companies' future investment planning. In the 2019 financial year, the portfolio companies OFA, Kieback, Selzer, and mewesta were granted development funds as part of the de-minimis regulation, which enabled additional investment in energy-efficient plant technology in the field of compressed air supply.

RESULT

Despite the expansion of the scope of consolidation by a total of 13 companies at sub-subsidiary level, the Group's total energy consumption declined by approximately 1.8% to 223,452 MWh in the 2019 financial year. The INDUS Group's Scope 1 & 2 GHG-E (market-based method in accordance with the GHG Protocol) also declined by 1.7% to 78,261.5 t CO_2eq. A disproportionately high reduction of GHG-E was achieved in both stationary and mobile combustion with 2.4% and 2.0%.

The waste recycling rate improved markedly by 3.3% to 62.2%. Simultaneously, however, waste has increased to 17,880.4 tons, putting it back on a par with the levels seen in 2017, and the increase in the 2019 financial year can partially be explained through the expansion of the scope of consolidation. In line with the absolute increase in the weight of waste, waste intensity also increased from 22.7 to 24.8 t/EUR million gross added value (GAV).

The INDUS holding company's established and standardized DD process was used in the acquisition of Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG) based in Dessau-Roßlau and in the majority acquisition of MESUTRONIC Gerätebau GmbH, Kirchberg. Neither company is involved in the weapons industry or has a high level of energy consumption or emissions, and both follow the legal requirements and INDUS requirements in terms of environmental standards in their operating activities.

The definition of the future field green tech in the PARKOUR strategy program also led the INDUS innovation development bank to focus on the development of technologies and products that contribute to more energy-efficient production or have an energy-efficient use profile. Innovation projects with a volume of EUR 3.8 million received financial support in the 2019 financial year. An example of one of these innovation projects is the development of a magnetic valve for use in low temperatures and high pressure for application in the field of hydrogen refueling at the portfolio company GSR Ventiltechnik GmbH & Co. KG.

EMPLOYEE CONCERNS

CLASSIFICATION

For the INDUS portfolio companies, organic growth is built on supporting and training their own employees. Gaining qualified and highly motivated professionals is therefore a top priority. To maintain and secure these skills in their workforce, the INDUS Code of Conduct dictates exemplary conduct toward employees in general and specifically also in terms of remuneration, flexibility, freedom of association, and equality of rights. These principles are kept in mind when it comes to selecting suppliers. The relevant performance indicators pursuant to DNK include average development expenditure per employee (EFFAS S02-02), age structure (EFFAS S03-01), number of SA 8000 certified locations (EFFAS S07-02 II), share of female employees (EFFAS S10-01), and share of female executives (EFFAS S10-02).

TARGETS/MEASURES

The portfolio companies' operational autonomy means they are free to pursue individual strategies and measures to increase their attractiveness as employers as long as the minimum requirements of the Code of Conduct are adhered to. This ensures that the wellbeing of employees beyond the basic legal requirements is seen as a factor for success. Accordingly, continual improvement processes push up work standards. Adhering to salary levels suitable for the market, developing and training professionals beyond the companies' needs, and promoting employee identification with the company also bolster employer attractiveness. Examples of this may be including employees in the operating suggestions process, and monetary compensation when suggestions are successfully implemented. Many portfolio companies also offer work experience placements for pupils and student trainee positions. INDUS promotes employee development in the holding company and in the portfolio companies with seminar and training course offers.

The holding company ensures that employees are treated in accordance with legal requirements and that adequate occupational safety standards are adhered to during the due diligence process for new acquisitions. For example, information is gathered about training expenditure per employee and the internal evaluation system used. The holding company expects that the requirements outlined in the INDUS Code of Conduct are acknowledged and adhered to – in the past, the present, and the future. As each portfolio company and each DD process during new acquisitions is accompa-

TARGET	PERFORMANCE INDICATOR	MEASURES	TIME FRAME
Increasing employer attractiveness	Development expenditure per employee (EFFAS S02-02); age structure (EFFAS S03-01); share of female employees (EFFAS S10-01); share of female executives (EFFAS S10-02)	Portfolio companies define and develop targets and measures autonomously; Raising awareness and increasing transparency by recording and communicating development expenditure, age structure, and share of female employees and executives throughout the Group	ongoing
Committing to responsible conduct that is in accordance with legal requirements	–	Formulating and committing to company-specific codes of conduct	ongoing
Taking employee and human rights concerns into account during new acquisitions	–	Reviewing occupational health and safety aspects and upholding human rights in the due diligence process for new acquisitions	ongoing

nied directly by at least one member of the INDUS Board of Management, the strategic accompaniment and assurance of these aspects of employee concerns are managed at the top level of the holding company. The consolidated information collected in the Group is used to manage activities at the portfolio companies in order to develop the fields of activity related to employee concerns.

RESULT

Development expenditure per employee (full-time equivalent (FTE)) rose sharply in comparison with the previous year by 16.6%, amounting to EUR 283.07/FTE. There were no material changes to the age structure of employees in the INDUS Group. The share of female employees and female executives rose slightly by 1.6% to 31.5% and 1.1% to 16.5% respectively. As in the previous year, SA 8000 certification remained an uncommon international standard in the business fields in which the INDUS Group portfolio companies are active, which is why none of the companies are SA 8000 certified, but some are OSHAS 18001 certified. OSHAS 18001 is an international standard for occupational safety management systems.

The success of employee development and training schemes is reflected in the many accolades and awards the portfolio companies received. Bilstein & Siekermann GmbH & Co. KG in Hillesheim, for instance, were again named one of the best training companies in Germany by the economic journal Kapital in the categories apprenticeships and dual study courses. HAUFF-TECHNIK GmbH & Co. KG in Hermaringen was also recognized among the best training companies in Germany in these two categories in the same survey. INDUS also offers direct training for portfolio companies' employees with courses in strategy & innovation and lean management.

RESPECT FOR HUMAN RIGHTS

CLASSIFICATION

Respecting human rights is a matter of course for INDUS and it is firmly established in the Code of Conduct, both in reference to its own employees as well as suppliers, business partners, and other stakeholders. As the portfolio companies are largely active in the European market and employ qualified professionals there, the highest standards of human rights apply. This is not seen as an obstacle, but a natural part of entrepreneurship.

TARGETS/MEASURES

The applicable standards on respecting human rights that are a binding element of the Code of Conduct are continually adhered to. Checking these standards is also a firm element of the DD process; not meeting these standards means automatic exclusion. Visits and inspections of the portfolio companies by the Board of Management members responsible ensure that working conditions in the entire INDUS Group are in accordance with social, statutory, and ethical fundamental principles.

TARGET	PERFORMANCE INDICATOR	MEASURES	TIME FRAME
Committing to responsible conduct that is in accordance with legal requirements	–	Formulating and committing to company-specific codes of conduct	ongoing
Taking employee and human rights concerns into account during new acquisitions	–	Reviewing occupational health and safety aspects and upholding human rights in the due diligence process for new acquisitions	ongoing

RESULT

The large majority of INDUS' portfolio companies operate in Europe and abide by the high standards in place to protect human rights. There was no conflict in the 2019 financial year that related to respecting human rights. This will remain an ongoing target. The existing standards relating to human rights were also investigated during the DD process for acquiring DSG and MESUTRONIC.

SOCIAL CONCERNS

CLASSIFICATION

Preventing any negative impact on the direct local environment from production is strictly pursued through the integration of the portfolio companies in their local areas. Due to the high production standards and compliance with statutory requirements, negative impacts on the local environment are infrequent. As a result, the risk of potential complaints is low. The significance of the local environment for the portfolio companies is also made clear by the fact that they take responsibility for their products during production and use, but also during the rest of the product's life cycle, including product development and disposal.

TARGETS/MEASURES

The INDUS Group's portfolio companies and the holding company consider themselves active and important social members of the community. That is why supporting local cultural, scientific, and social projects is a focal point. Generally, INDUS' Code of Conduct calls for a responsible attitude towards the social environment, for example, through donations to social projects or sponsoring sports clubs or events.

A complaint management system is in place in each portfolio company with an escalation process that is appropriate for the statutory framework. Complaints are recorded and evaluated, and are then used as a basis for deriving appropriate measures, both to handle the complaint and for inclusion in a continual improvement process to avoid the underlying problems in the future. The legitimate complaints that are collected are monitored centrally and reported to the holding company for documentation along with any provisions that may be necessary. The holding company also supports the portfolio companies in taking the appropriate measures.

The donation activities and local social commitment of the holding company and the portfolio companies reflect the corporate values of INDUS. These factors are taken into consideration in the due diligence process for new acquisitions.

TARGET	PERFORMANCE INDICATOR	MEASURES	TIME FRAME
Portfolio companies' continual commitment in their region and beyond	–	Supporting best practice exchanges; Raising awareness and increasing transparency by recording and communicating donation volumes throughout the Group and monitoring local complaints	ongoing

RESULT

The INDUS Group vigorously supports social projects in its local environments. One example is its financial support for the association Frauen helfen Frauen ("Women Helping Women"), organized by the women's shelter in Bergisch Gladbach Bensberg, which supports women in their everyday lives who have fled from troubled environments. Another example is the donation made by imeco GmbH & Co. KG in Hösbach to a Protestant church in Königswalde that organized a youth festival with the slogan "freedom – no longer slaves." Open days, work placements for pupils, student trainee positions, and plant tours all embody the corporate values of the INDUS Group, and can be found throughout the Group. The volume of donations sank by 22% at a local level to EUR 218,926.38 and by 10% outside of the regions to EUR 180,152.29 in 2019. The percentage of portfolio companies working with workshops for disabled persons or correctional facilities rose to 27%. In the reporting year, there was one legitimate complaint from the local area, which was adequately addressed by a noise protection measure to prevent the cause of the noise.

COMBATING CORRUPTION AND BRIBERY

CLASSIFICATION

The majority of the INDUS Group's production locations are in Europe. As a result of the increase in activities relating to the strategic initiative of internationalization, however, it is likely that sales in countries with higher levels of corruption risk will rise, and with it theoretically also the risk of compliance breaches. To collect data for the performance indicator sales in countries with a high risk of corruption (EFFAS V02-01), a limit of less than 60 points in Transparency International's corruption perception index is in place, as in previous years, based on the rating in 2019. In addition to observing the developments in success rates in the prevention of compliance breaches, expenses and fines following suits and actions due to anti-competitive behavior, violations of anti-trust laws, and monopoly legislation (EFFAS V01-01) will also be monitored. INDUS also documents payments to political parties (EFFAS G01-01) centrally.

TARGETS/MEASURES

The holding company's and portfolio companies' commitment to avoid payments to political parties is set out in the INDUS Code of Conduct. The Code of Conduct also outlines the Group's fundamental commitment to ethical behavior in business transactions, both within the organization and with external parties. The commitments and requirements of the INDUS Group is also included through the standardized processes in the due diligence process for new acquisitions by the Board of Management. Due to the operational autonomy of the portfolio companies, the responsibility for ensuring conduct is in accordance with legal requirements lies with the managing directors. Breaches are recorded in INDUS' compliance reporting. The Board of Management accompanies and monitors the countermeasures initiated. Compliance topics are also a standard part of the agenda at the annual entrepreneurs' conference (Unternehmertagung), where the Board of Management discusses current developments such as the sales breakdown by country.

The holding company also organizes regular informational events related to compliance for the portfolio companies' executives. In the 2019 financial year, for example, the topic of cyber security was highlighted at the annual business conference and the correct way of handling secure and legal data processing and data storage was discussed. Data security in the holding company's and portfolio companies' networks and IT systems are continually examined by an external specialist using penetration tests. More compliance training courses are planned for 2020.

RESULT

The INDUS holding company and the portfolio companies exert no influence on legislative procedures through payments to political parties. INDUS and a number of portfolio companies have been members of the trade association Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA) since 2018, but here too, they exert no direct or indirect influence on legislative procedures through their membership in this trade association or any other trade association or organization.

In the 2019 financial year, the share of sales in countries with a high risk of corruption rose 1.6% to 19.1%. INDUS portfolio companies paid a total of EUR 29.7 thousand in significant monetary fines; there were no non-monetary penalties handed out to the portfolio companies or the INDUS holding company. In the 2019 financial year, as in the 2018 financial year, the share of political payments was 0.0% of total sales as a result of the portfolio companies' and the holding company's commitment to avoid payments to political parties in line with the Code of Conduct.

TARGET	PERFORMANCE INDICATOR	MEASURES	TIME FRAME
No payments to political parties	Payments to political parties (EFFAS G01-01)	Portfolio companies' individual commitments (documented in Code of Conduct)	ongoing
Avoiding compliance breaches	Expenses and fines following legal suits/action due to anti-competitive behavior, violations of anti-trust laws and monopoly legislation (EFFAS V01-01), sales in countries with a high risk of corruption (EFFAS V02-01)	Raising awareness and increasing transparency by recording and communicating sales in risk countries and expenses resulting from fines and legal action	ongoing
Taking compliance requirements into account during new acquisitions	–	Monitoring adherence to compliance requirements in the due diligence process for new acquisitions	ongoing

PROGRESS IN 2019

INVESTMENTS

SECURING THE OPERATIONS OF TOMORROW, TODAY

Investments drive organic growth at the portfolio company level and thereby lay the foundation for Group growth. To boost the investment portfolio inorganically, INDUS uses a structured acquisition process to specifically search for economically successful SMEs that can make a positive contribution to the Group's success over the long term.

STATUS QUO AND GOALS

The diversity of the investment portfolio means the INDUS Group represents a cross-section of manufacturing SMEs from German-speaking countries. To ensure the further growth of the Group, companies are especially sought after that offer a beneficial market position in growth industries. These six growth industries were selected during the development of the PARKOUR strategy program according to the above-average positive development outlooks forecast for these industries. In addition to an overview of the general economic framework, environmental factors and associated technological challenges were considered closely in the success forecast. Risk management is therefore included in the strategic process, continued in the operating area during the due diligence part of the acquisition process, and then supplemented with other topics relevant to sustainability such as employee concerns and compliance.

INDUS was successful in the targeted acquisition of portfolio companies at the subsidiary level in the 2019 financial year. In the automation and measuring technology, and control engineering growth industry, the investment portfolio was strengthened with a majority interest in MESUTRONIC Gerätebau GmbH from Kirchberg in the Bavarian Forest on May 27, 2019. MESUTRONIC is a technological leader in metal and foreign body detection in production processes and thus is an important contributor to the safety of production processes. On October 8, 2019, Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG), based in Dessau-Roßlau in Saxony-Anhalt, a specialist in the development, manufacture, and sale of high-quality metal and sheet metal parts, joined the INDUS Group – a valuable addition for INDUS in the technology for infrastructure/logistics growth industry, thanks to its expertise in the field of rail technology. A total of EUR 29.2 million was invested in the acquisition of new portfolio companies at the first and second level.

INDUS provides portfolio companies with support for investments to create capacity for future development and thereby enable organic growth. Taking environmental impacts into consideration is a priority, which means improvement suggestions from the energy audits performed in the 2019 financial year that are relevant to investments are considered in the investment planning. The holding company also encourages accessing public development funds and offers to help with the formal applications. For instance, four portfolio companies received funding to acquire energy-efficient compressor technology through the de minimis regulation in the 2019 financial year. There was plenty of positive news in the field of major investments, too: for example, the opening of a new production building at BETEK GmbH & Co. KG. A photovoltaic plant was also installed on the roof of the 6,500 square-meter building with an output of 500 kW and integrated into an efficient energy concept. In the 2019 financial year, a total of EUR 78.3 million was invested in property, plant, and equipment, and intangible assets in the INDUS Group.

OUTLOOK

INDUS intends to continue apace with its acquisition activities in the 2020 financial year. The focus will remain on profitable companies in the six previously defined growth industries. We have allocated an investment budget of not less than EUR 40 million for this in 2020. The focus on sustainable and efficient technology when investing in property, plant, and equipment, and intangible assets will be maintained.

INVESTMENT DEVELOPMENTS ACROSS THE ENTIRE INDUS GROUP FROM 2014 TO 2019 (in EUR million)

INNOVATION

DRIVING INNOVATION IN THE SME INDUSTRY

INDUS provides the portfolio company with methodological and financial support for the successful implementation of innovation strategies, innovation structures, and innovation projects. The innovation development bank boosts financial support for sustainable process and product innovations.

STATUS QUO AND GOALS

Due to their high levels of specialization, the INDUS portfolio companies occupy positions in the market that rely on technology and knowledge, and where continual and progressive product and process development are of vital importance for long-term success. Innovations also offer the possibility of tapping into new markets and occupying strategically beneficial positions in future fields. A prerequisite for this is an efficient and effective innovation process in the portfolio companies and financial commitment. To establish innovation as a sales driver in the Group, a total of 22 innovation projects with an overall volume of more than EUR 9.2 million received funding from INDUS' development bank in the 2019 financial year. Of this amount, EUR 3.8 million was allocated to development bank projects with the aim of developing more sustainable products or resource-efficient processes. By the end of 2019, ongoing development bank projects and those completed in 2019 made contributions to sales of more than EUR 8.0 million.

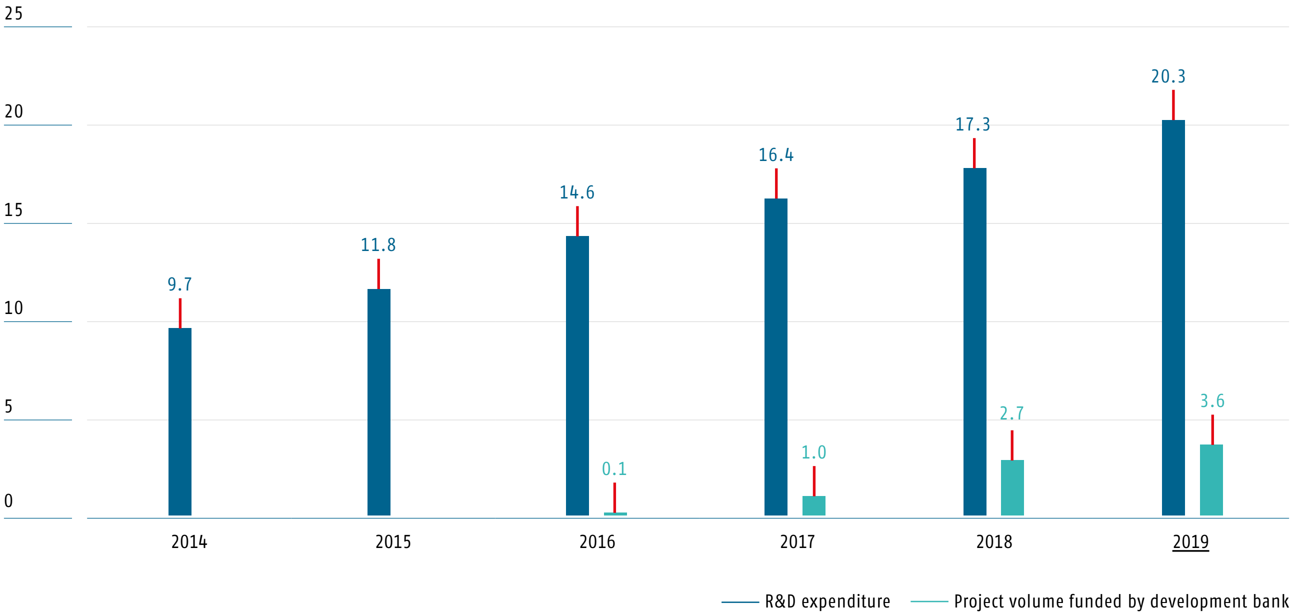
The positive effect of financial and methodological support for the INDUS Group's innovation activities is also reflected in the success the Group enjoys at national innovation competitions. BETEK GmbH & Co. KG, MIGUA Fugensysteme GmbH, and GSR Ventiltechnik GmbH & Co. KG were all recognized as top innovators in the TOP 100 competition. MIGUA also received the German Innovation Award 2019. The uptick in innovation activities is also reflected in the development of R&D expenditure in the INDUS Group. Since the 2014 financial year, R&D expenditure has risen 109% to EUR 20.3 million in the 2019 financial year. As part of the PARKOUR strategy program, extremely innovative projects that allow a great technological leap or a positive business field development are to be tackled, particularly in the future fields. For this purpose, the portfolio companies are seeking out external research networks and are supported in this by the holding company. This will give the portfolio companies better access to university networks and research associations. In the 2019 financial year, INDUS joined the Aachen Center for Additive Manufacturing (ACAM) as a business member on behalf of its portfolio companies, and thus offers access to RWTH Aachen University's knowledge and infrastructure in the field of production technology in a network of more than 30 industry members.

These external cooperations are also actively integrated into the INDUS Group's innovation projects. In addition to several workshops and training courses, ACAM also performed a field study to create a market entry strategy for a portfolio company's innovative product in cooperation with the European Business School in Oestrich-Winkel.

OUTLOOK

The holding company's methodological and financial offers of support will be continued in the year 2020. The development bank will continue to offer 3.0% of the annual consolidated EBIT in development funds. The range of offers for the portfolio companies will also expand further in the field of external cooperations, for example the cooperations with EBS or ACAM for the purpose of further technology screening. Internal cooperation will be stepped up further, for instance through future field-specific working groups. An Innovation Day is also being planned, where the Group's best practice examples will be discussed and exchanged with external experts from the fields of science and industry.

R&D EXPENSES AND PROJECT VOLUMES OF ALL SUPPORTED DEVELOPMENT BANK PROJECTS OF THE INDUS GROUP ACCORDING TO FINANCIAL YEAR (in EUR million)



INTERNATIONALIZATION

CONFIDENCE IN A GLOBALIZED WORLD

For INDUS, organic growth also means tapping into new growth markets while taking into account responsibility in the value chain. Funds are available for organic and inorganic market development.

STATUS QUO AND GOALS

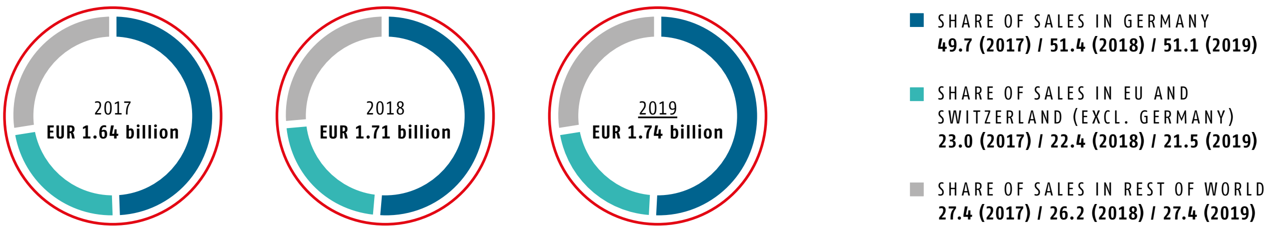
Foreign markets offer growth opportunities in the tapping of new markets and accompanying customers into these markets. To gain a strategically beneficial position, INDUS supports planning foreign expansion activities – both with investments and strategic sparring rounds to help avoid mistaken assumptions and investments.

At 27.4%, the INDUS Group's share of sales outside of the EU (including Switzerland) in the 2019 financial year was around 1.2% higher than in the previous year. In Europe (including Switzerland), the share of sales outside of Germany declined by 0.9% to 21.5%. Some portfolio companies increased activities in foreign production locations and expanded their sales skills in those regions. Examples include the launch of IPETRONIK GmbH & Co. KG's Indian subsidiary in Bengaluru, or the expansion of SMA Metalltechnik GmbH & Co. KG's Romanian production location. Establishing a presence locally means existing customers are effectively supported in their expansion and local value-added potential is exploited. Due to the scope of consolidation in sustainability reporting, the share of sales in countries with a high risk of corruption (corruption perception index < 60) according to Transparency International's definition (EFFAS V01-01) rose by 1.6% to 19.1%. Fines amounting to EUR 29,739.52 were imposed in China as a result of anti-competitive conduct, violations of anti-trust laws, and monopoly legislation (EFFAS V01-01) in the 2019 financial year.

OUTLOOK

INDUS will continue to advise, finance, and accompany acquisitions and the establishment of companies overseas at the sub-subsidiary level in future. The holding company also promotes the exchange of experiences and networking within the portfolio companies, as well as entry into appropriate external networks.

Share of sales development across the entire INDUS Group (in %)



SHAREHOLDER'S ROLE

THE OWNER WORKING FOR EVERYONE'S INTERESTS

With its diverse investment portfolio focused on long-term sustainable success, INDUS backs its portfolio companies with capital and advice in their economic consolidation. The success of the portfolio companies' corporate strategies is documented and made available to investors with attractive dividends.

STATUS QUO AND GOALS

A major success factor for INDUS is the value of SME-sector principles in the direct economic and social surroundings of the portfolio companies. The valuable reputation in the local area increases the perception of employer attractiveness. The holding company is a reliable partner for long-term corporate strategies, without an exit plan. This solid reputation also makes INDUS more attractive as a buyer to family-run SME companies where succession is not directly settled. Due to its reliable business relationships, INDUS is also an attractive partner for financing. A good reputation is important, too, for consistently preventing compliance breaches, fines, or unfair market practices.

Monitoring compliance with these objectives is the responsibility of the holding company due to their significance. The Board of Management performs this task using an ongoing and standardized risk management process. The operational independence of the portfolio companies means each of the managing directors performs this task individually for optimal reactions that are specific to each segment and each company. During the strategic dialogue, their assessments relating to the sustainability strategy are discussed with the Board of Management and placed in a macroeconomic context. INDUS performs this process continually as part of its strategic portfolio management and focuses in particular on consolidation in the topics governance, risk, and compliance (GRC).

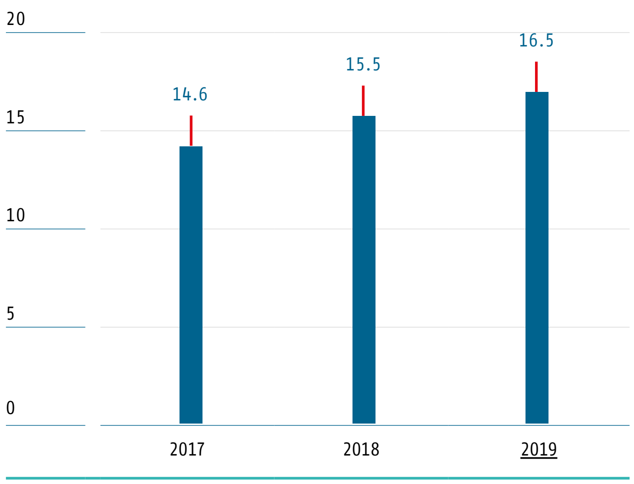
INDUS therefore also fulfills its responsibilities toward its investors through the sustainability strategy. Due to the strategic direction of long-term investment with dividends amounting to up to 50% of the balance sheet profit and a diverse portfolio, the company focuses on sustainable company development in line with the business model buy, hold & develop. To ensure this development over the long term, at least 50% of INDUS' annual balance sheet profit is reinvested to secure the profitable growth of the INDUS Group.

The holding company also passes this approach to diversifying risk in the portfolio on to its access to financing, where it cooperates with a selection of solid commercial banks while simultaneously making use of financial instruments to ensure long-term redemption structures. This approach is reflected in the target equity ratio of over 40% and a ratio of net debt to EBITDA of between 2.0 and 2.5. This target range was maintained once more in the 2019 financial year.

OUTLOOK

The PARKOUR strategy program sets out the long-term strategic framework that will carry the Group to 2025. Accordingly, INDUS will stick to its overarching strategy of buy, hold & develop as part of a decentralized management structure, and will support its portfolio companies financially, strategically, and methodologically. The establishment of the risk management system in the strategy planning process of the portfolio companies will be continued and coordinated centrally. To ensure investors' interests are represented, INDUS is planning a dividend distribution of between 40% and 50% of the annual balance sheet profit of INDUS Holding AG in the 2020 financial year, with unchanged targets for the equity ratio of over 40% and a ratio of net debt to EBITDA of 3.0 years at the most.

AVERAGE LENGTH OF TIME PORTFOLIO COMPANIES HAVE BEEN AFFILIATED WITH THE INDUS GROUP (in years)



HUMAN RESOURCES

THE FUNDAMENTAL PRINCIPLES OF SME CULTURE

The local roots of the portfolio companies remain the foundation for respecting employee concerns, along with personnel training and development, the development of junior executives, and gaining experts. "Local for local" is the motto behind the INDUS Group's attitude toward social and societal responsibilities both nationally and internationally.

STATUS QUO AND GOALS

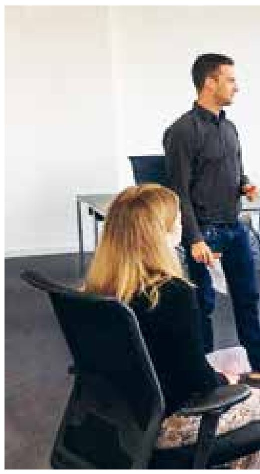
Due to the specific structure of the INDUS Group and the tried-and-tested autonomy of the portfolio companies, the workforce comprises highly specialized professionals both in the holding company and the portfolio companies. Important characteristics of the decentralized SME corporate culture are short decision-making paths, close teams, and flat hierarchies. The communicative strengths of employees and a respectful atmosphere are both emblematic of corporate culture at INDUS. The Board of Management has regular contact with all employees at the holding company as well as the upper management levels of the portfolio companies. How we treat one another in the Group is laid out in the Code of Conduct and based on the SME guiding principle of taking responsibility for oneself and the environment. The managing directors of the portfolio companies have formulated their own codes of conduct for their companies based on the INDUS Code of Conduct. The significance of the key topic of HR for internal and external stakeholders can be seen in the update to INDUS' materiality matrix in the 2019 financial year.

A respectful atmosphere, respect for the environment, and supporting and training employees are all at the heart of the efforts to increase employer attractiveness. INDUS has recognized that the development of the workforce and in particular further training for junior executives is especially important due to the portfolio companies' strong local bonds. That is why the holding company provides support for the portfolio companies in these areas by organizing training courses and seminars through the internal network. A variety of training courses running over a number of days for junior executives were on offer in the 2019 financial year, for instance, in the form of multi-tiered training courses on lean management or for various participant groups in the series of topics included under strategy, management & innovation. A Best Practice Day on the digitalization of production technology was also held in November 2019, where application examples from within the INDUS Group were discussed and the future prospects of digitalization in SMEs was looked at in detail.

In addition to internal training courses, the holding company also offers support in networking and the associated attendance at training courses. As part of the membership of the ACAM network, various training courses and information exchanges with companies using additive manufacturing technologies were attended in the 2019 financial year, for example, Formnext, the world's leading trade fair for additive manufacturing and intelligent production technology. Beside training employees, recruitment also forms one aspect of sustainable company management in SMEs. Various portfolio companies have been offering dual study courses, covering both technical apprenticeships and business degrees, for several years now, alongside structured apprenticeship programs. In the scope of consolidation for the sustainability report, the number of apprentices amounted to 409 in 2019, while the number of students on dual study courses was 76.

OUTLOOK

INDUS' established and successful training courses for employees of the holding company and portfolio companies will be continued in the 2020 financial year. We also plan to continue the training measures in the fields lean management and strategy, management & innovation. Following the success of the first event, we also intend to continue organizing Best Practice Days and add an Innovation Day, where innovation projects, innovation management systems, and working groups on future fields will be discussed and initiated within the Group. The external cooperation with ACAM and EBS will also be continued and the resulting training opportunities will be taken advantage of by more portfolio companies.



PROJECT HIGHLIGHT

HR DEVELOPMENT IN THE INDUS GROUP

The sustainable organic growth of the INDUS Group is enabled and supported by qualified employees. The portfolio companies provide first-class apprenticeships, access to dual study courses, and some have even established their own junior staff training programs. To boost the Group structure and encourage employee training, the holding company provides the portfolio companies with support in the form of specific training courses, which include a company presentation, a tour around the facilities to offer a look into daily business operations, and, ideally, take place in the training rooms of a portfolio company.

A training program on the topic "Strategy development and growth strategies" was held in September 2019, headed by Prof. Christoph Müller from the Henri B. Meier business school at the University of St. Gallen. The training course examined the strategy development process in various groups using a case study, and a corporate strategy was derived from this. The training course was held in HAUFF-TECHNIK GmbH & Co. KG's training rooms in Hermaringen and offered an interesting insight into daily business at the production facility. The evening's cooking event was held in the company restaurant, Kostbar, and was attended by Dr. J. Großmann from the INDUS Board of Management.

INDUS has been offering a three-step lean management training program since September 2018. The second step (Lean expert training) was held in February and March of 2019 at two portfolio companies (SMA Metalltechnik GmbH & Co. KG und HAUFF-TECHNIK GmbH & Co. KG) and the third step in October 2019 (Lean trainer training) at the training partner Staufen AG's location in Cologne. The focus of the training courses was on learning, disseminating, and the practical application of Lean principles, whether through case studies or visiting a company that has extensive experience in implementing lean management. Between the two steps, the participants performed their own Lean projects in their own companies to transfer what they had learned back into the company. The network built up between the participants will be enhanced with a working group on lean management.

RESOURCE EFFICIENCY

PROTECTING THE ENVIRONMENT DURING PRODUCTION

The holding company supports and raises awareness among INDUS portfolio companies with operational measures to improve efficiency with regard to the use of raw materials and the consumption of energy as well as the development of sustainable products and processes.

STATUS QUO AND GOALS

Due to INDUS portfolio companies' specialization in niche fields, the majority of the INDUS Group's production locations have a high production depth. The resources used in production have a significant impact on production costs. At the same time, preventable waste is created by inefficient production processes, which in turn have to be disposed of at a cost. This makes resource-efficient production a decisive driver and sustainable success factor for the INDUS Group portfolio companies both when it comes to input as well as output. The holding company supports portfolio companies in leveraging optimization potential in the production processes by offering methodological and financial support. The starting point for the program "Driving innovation" with regard to resource efficiency is the (further) development of resource-efficient processes and products in the future field green tech. The emissions intensity (based on Scope 1 & 2 emissions) of the INDUS Group fell 3.4% in the 2019 financial year due to the increased focus on resource- and energy-efficiency. The INDUS Group's total energy consumption was reduced by 1.8% to 223,452 MWh. A similar positive development was recorded in the recycling ratio for waste and the total water withdrawal intensity, which were improved to 62.2% and 837.3 m^3/EUR million GAV. In contrast, the total weight of waste climbed to 17,880 t, which puts this key figure back on the level recorded in 2017. A positive aspect of this, however, is that the total weight according to the EU Regulation on the shipment of waste (EC No 1013/2006) of hazardous waste declined by more than 200 t while the recycling rate simultaneously increased from 17.8% to 34.4%.

One significant lever in the efficient use of resources is improving energy efficiency across the Group. During the initial audits and the Group audits in accordance with the Act on Energy Services and Other Energy Efficiency Improvement Measures, another large part of the German production locations was audited in the 2019 financial year, following the last audit in 2015, with regard to the efficient use of resources by the external energy consultancy FutureCamp. These audits were coordinated centrally by the holding company. In comparison with the last energy audits performed, these audits confirmed that the implementation of the suggested improvements had led to energy savings, in some cases quite considerable savings, which brought down energy costs significantly. Four portfolio companies also received support for procuring energy-efficient plant technology in the field of compressed air supply due to the de minimis regulation in the 2019 financial year. The holding company also provides support for portfolio companies wishing to reduce their CO_2 emissions through the investment in the forest protection project Jari/Pará REDD+ in Brazil, which was used by eltherm GmbH & eltherm production GmbH, for instance, to offset the emissions of their vehicle fleet.

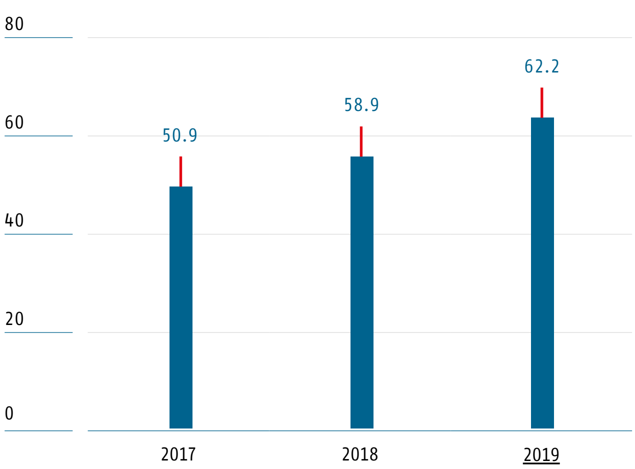
Due to the tightening of the regulatory and environmental framework conditions, performing climate-related scenario analyses is becoming more important among the manufacturing SMEs in Germany. In line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), INDUS analyzed the qualitative consequences of climate-related effects on the INDUS Group in the 2018 financial year and particularly identified major changes in the Automotive Technology segment, such as the technological shift to e-mobility and the changing user behavior in the shift to car sharing and using public transport. These assumptions were confirmed and strengthened in the 2019 financial year. Nevertheless, the current discussions in politics, the economy, and society regarding CO_2-neutral fuels show that no conclusive statements can be made at the moment about how drive technologies will develop in the future.

INDUS therefore advises portfolio companies on current developments, and specifically about the available production technologies to help the relevant portfolio companies with the further development of their technology and product portfolios. Here, the issue of the sustainability of the product portfolio and the production technologies used is decisive. One example of the corresponding consequence of the regulatory developments is the active ebbing away of the activities of Karl SIMON GmbH & Co. KG in the field of galvanic processes for coating plastic parts. Due to the planned ban on chromium trioxide in the near future and the high investments involved in renewing equipment technology, the decision was made that it would not be viable to invest in this equipment based on the climate-related scenario analysis.

OUTLOOK

The climate-related scenario analysis for the Automotive Technology segment in particular will be expanded in the 2020 financial year. Current economic and social developments will serve as the foundation for identifying further opportunities. The scenario analysis will also be used to refine the development of the product portfolio in the portfolio companies to exploit opportunities in the field of developing sustainable products and production technologies, as well as to optimize resource-efficiency in production. Development in the statutory framework will continue to be observed centrally by INDUS and fed back to the portfolio companies during the strategic dialogues. The holding company will also continue to support and promote carbon offsetting.

RECYCLING RATIO OF TOTAL WASTE PRODUCED (in %)



SOCIAL COMMITMENT

FULFILLING OUR SOCIAL RESPONSIBILITIES

As hidden champions, the INDUS portfolio companies believe that they have a special responsibility toward their direct social environments and local society. The reputation of the INDUS Group benefits from voluntary engagement.

STATUS QUO AND GOALS

INDUS' portfolio companies rely on their good reputations as reliable and attractive employers in their direct surroundings. Production at the portfolio companies is dependent on the local and regional infrastructure. It is therefore important to the INDUS Group that the communities around the portfolio companies remain intact, and that the portfolio companies are perceived as attractive employers and valuable members of society. This is promoted by financial commitments to local charitable organizations. The local bonds increase employee identification with the portfolio companies, which has a positive impact on the corporate culture. Accordingly, the entire INDUS Group is committed to protecting the local environments, alongside observing the generally applicable statutory and regulatory provisions. As a result of the high standards the Group sets for itself, there was only one legitimate complaint from the local area in the 2019 financial year, which was addressed immediately with a measure to reduce noise.

Local engagement is a top priority for the INDUS Group due to the local bonds. Nevertheless, INDUS also supports and encourages engagement beyond the local area. Local social organizations and associations received donations of EUR 218,926.38 in the 2019 financial year, while those beyond the local area received EUR 180,152.29. This financial support declined in comparison with the previous year. The range of this engagement covers a variety of projects and organizations, for example, in the field of education, art and culture, and sports clubs. The holding company also fulfills its local responsibilities through financial support for social organizations. There is a component of the Board of Management's short-term, performance-based incentive (STI) that acts as an incentive for achieving the targets set in the sustainability strategy. This money is donated by the INDUS Board of Management in full to social organizations.

OUTLOOK

INDUS, together with its portfolio companies, remains committed to its social responsibilities. Due to the decentralized organizational structure, responsibility for this commitment will remain with the portfolio companies to ensure this commitment benefits the local area. The holding company expressly does not seek a central framework for the direction and scale of social commitment.

CONTACT FOR CONTENT-RELATED QUESTIONS

Email: nachhaltigkeit@indus.de

KEY FIGURES

KEY TOPIC	KEY FIGURE	UNIT	2019	2018[1]	AUDITED[2]
Investments	Direct acquisitions*	Number	2	0	
	Add-on acquisitions (on sub-subsidiary level)*	Number	0	3	
	Investments in company acquisitions*	EUR million	29.2	11.5	
	Investments in property, plant, and equipment, and intangible assets*	EUR million	78.3	90.9	
	Inorganic growth in sales*	%	1.3	1.1	
Innovation	Expenses for research and development*	EUR million	20.3	17.3	
	Approved internal subsidies for innovation projects*	EUR million	3.2	3.0	
	Current cooperative relationships with universities and research institutions	Number	34	49	
	Received public subsidies for research projects	EUR '000	516.8	624.8	
	Industrial property rights applied for in the reporting year	Number	170	233	
Internationalization	Share of external sales in EU (incl. Switzerland, excl. Germany)*	%	21.5	22.4	
	Share of external sales in rest of world*	%	27.4	26.2	
	Employees in Europe (excl. Germany)	%	14.5	13.7	
	Employees outside Europe	%	12.1	11.2	
Shareholder's role	Equity ratio*	%	40.2	41.3	
	EBIT margin*	%	6.8	7.9	
	Organic growth in sales*	%	0.6	3.2	
	Direct portfolio companies*	Number	47	45	
	Average length of time portfolio companies have been affiliated with the INDUS Group	Years	16.5	15.5	
	Total monetary value of significant fines (> EUR 10,000)	EUR '000	29.7	0	
	Expenses for legal suits/action due to anti-competitive behavior, violations of anti-trust laws, and monopoly legislation (EFFAS V01-01)	EUR '000	0	1.4	✓
	Non-monetary penalties for non-compliance with laws and regulations	Number	0	0	
	Share of sales in regions with a Transparency International corruption index < 60 (EFFAS V02-01)	%	19.1	17.6	✓
	Number of all portfolio companies with SA 8000 certification (EFFAS S07-02 II)[3]	%	0	0	✓
Human resources	Female executives (first and second management levels) (EFFAS S10-02)[4, 5]	% of FTE	16.5	15.4	✓
	Female employees as a share of own workforce (EFFAS S10-01)[4, 5]	% of own FTE	31.5	29.9	✓
	Temporary workers as a share of the total workforce[4, 5]	% of FTE	2.8	4.0	
	Trainees[5]	Number	409	429	
	Participants in dual study programs[5]	Number	76	82	
	Reportable accidents at work (excl. commuting accidents)	Number	292	339	
	Fatal accidents at work (excl. commuting accidents)	Number	2	0	
	Percentage of INDUS Group employees who have received its Code of Conduct	%	99.7	100	
	Age structure and distribution (number of FTE by age group) (EFFAS S03-01)[5, 6]	Number	198/1743/2421/ 2418/2645/798	238/1788/2365/ 2434/2622/752	✓
	Average expenditure for training per FTE per year (EFFAS S02-02)[5]	EUR	283.07	242.82	✓

KEY TOPIC	KEY FIGURE	UNIT	2019	2018[1]	AUDITED[2]
Social commitment	Legitimate complaints from the local area	Number	1	0	
	Percentage of companies that cooperate with social institutions (workshops for disabled persons, etc.)	%	27.0	24.7	
	Local donations and sponsoring (culture, education, sports, social affairs)	EUR '000	218.9	280.9	
	Non-local donations and sponsoring (culture, education, sports, social affairs)	EUR '000	180.2	201.1	
	Payments to political parties as percentage of total sales (EFFAS G01-01)	%	0.00	0.00	✓
Resource efficiency	INDUS Group's Scope 1 emissions (EFFAS E02-01)[7]	in thousand t CO_2eq	20.8	21.3	✓
	INDUS Group's Scope 2 emissions (market-based, GHG Protocol Scope 2) (EFFAS E02-01)[7]	in thousand t CO_2eq	57.4	58.3	✓
	INDUS Group's Scope 2 emissions (location-based, GHG Protocol Scope 2) (EFFAS E02-01)[7]	in thousand t CO_2eq	58.5	59.3	✓
	INDUS Group's Scope 1-3 emissions[7]	in thousand t CO_2eq	3,436.2	3,311.6	
	INDUS Group's emissions intensity (Scope 1)[7]	in t CO_2eq /EUR million gross added value	28.9	30.1	
	INDUS Group's emissions intensity (Scope 1 & 2)[7]	in t CO_2eq /EUR million gross added value	108.4	112.2	
	Waste intensity	in t/EUR million gross added value	24.8	22.7	
	Total weight of waste (EFFAS E04-01)	t	17,880.4	16,050.7	✓
	Share of total waste that is recycled (EFFAS E05-01)	%	62.2	58.9	✓
	Total water withdrawal intensity	m^3/EUR million gross added value	837.3	932.9	
	Total energy consumption (EFFAS E01-01)	MWh	223,452	227,459	✓

1) Values from 2018 adjusted based on shift to financial control method.
2) AR: Audit review performed by Ebner Stolz.
3) SA 8000 is an international standard designed to improve the working conditions of workers and defines minimum requirements on social and labor standards.
4) The number of employees is expressed in full-time equivalents; part-time employees are accounted for proportionately according to the contractual work hours.
5) Employee numbers are reporting date figures on 12/31/2019 or 12/31/2018.
6) Classification based on years of age as of the reporting date: < 20 / 20–29 / 30–39 / 40–49 / 50–59 / > 60
7) Included in the calculation besides CO_2 were nitrous oxide (N_2O), methane (CH_4), and partly fluorinated hydrocarbons (F gases). Perfluorocarbons (PFCs) and sulfur hexafluoride (SF_6) are not explicitly included as these greenhouse gases are not emitted in relevant quantities in the INDUS Group's production processes.

* Relates to entire INDUS Group.

COMBINED MANAGEMENT REPORT

INTRODUCTION TO THE GROUP

INDUS is a financial holding company with a portfolio of 47 SMEs based in German-speaking countries. As a specialist in the field of sustainable investment in and development of companies, the Group acquires for the most part owner-managed companies and assists them in their entrepreneurial development on a long-term basis. We intend to further expand the portfolio in the years to come through targeted acquisition of hidden champions in growth markets.

THE COMPANY

POSITIONING AND BUSINESS MODEL

ONE OF THE LEADING COMPANIES FOR SME INVESTMENT IN GERMANY

INDUS Holding AG (hereafter: INDUS) is among the leading specialists in the acquisition and long-term support of small and medium-sized manufacturing companies in German-speaking Europe. As a long-term investor, its investment activity is focused primarily on successful SMEs.

The number of the company's portfolio companies has gradually increased since its founding in 1989. As of the reporting date, its portfolio comprised 47 companies (previous year: 45). In total, 200 fully consolidated enterprises (previous year: 189) belong to the INDUS Group.

All direct INDUS portfolio companies have their registered offices in Germany (43) or Switzerland (4). The INDUS Group has a global presence through sub-subsidiaries, branches, portfolio companies, and representative offices in 32 countries on five continents. All foreign companies are managed directly by the portfolio company they belong to.

INDUS has been a listed company since 1995. The shares are traded on the Frankfurt and Düsseldorf exchanges on the regulated market and over the counter in Berlin, Hamburg, Hanover, Munich, and Stuttgart. The INDUS share is listed in the SDAX stock market index. INDUS fulfills the Prime Standard transparency requirements in its financial reporting.

INDUS has positioned itself in the competitive environment as a long-term oriented investor without exit strategy. This sets the company apart from the buy-and-sell and turnaround 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.

INDUS has its registered offices in Bergisch Gladbach in North Rhine-Westphalia. The holding company 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. As of the reporting date, the holding company had 33 employees, not including the Board of Management (previous year: 31). These employees report directly to the Board of Management. They are all employed by INDUS Holding AG and work at the company's registered offices.

BUSINESS MODEL: BUY, HOLD & DEVELOP

INDUS only directly acquires majority interests in portfolio companies. The companies – both those recently added and existing portfolio companies – are exclusively SMEs operating in the manufacturing sector in Germany or Switzerland, are already profitable at an above-average level at the time of acquisition, and have good long-term development prospects. INDUS primarily acquires owner-managed companies. Continuity and the company's SME status are secured with the transfer of ownership. Ideally, the portfolio company's former owners remain as managing directors and co-shareholders of the company during the transition phase. Continual portfolio expansion enhances the development prospects of the entire Group and ensures through acquisitions that, over the course of time, the portfolio will constitute an up-to-date cross-section of the relevant industries with promising futures.

The INDUS business model is predicated on a high degree of portfolio diversification achieved with companies operating in diverse business and technological fields, selling markets, and business cycles. This results in a high level of diversification in the Group's portfolio. With their respective core capabilities, the companies as a rule occupy a niche of the market of great interest for their sector, 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 in two ways: as a "development bank" and as an "advisor." As a development bank, INDUS provides its portfolio companies with capital – for investments in fixed assets and for development projects that enable strong future growth among the subsidiaries. INDUS also facilitates investments particularly in innovation, internationalization, and company acquisitions at sub-subsidiary level. Another area where INDUS provides specific support are projects that focus on improving operational excellence. The Board of Management provides the managing directors of the portfolio companies with advice through strategy meetings and encourages transfer of knowledge by establishing networks within the Group as well as with external partners. The Board of Management basically acts as a fund manager when it comes to overall portfolio development.

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

This allows the portfolio companies to develop long term in a fast-changing market environment while preserving their identity as an SME, and with the financially strong INDUS at their side. With their equity investments in a managed investment portfolio in this otherwise little-accessible SME asset class, shareholders in INDUS are able to make sound investments while profiting from regular dividend distribution.

EXTERNAL INFLUENCING FACTORS

As predominantly traditional industrial companies, the INDUS Group's portfolio companies operate under the influence of the general economy – in Germany, in Europe, and even in the international markets. At the same time, the individual companies are subject to sector-specific business cycles and are managed accordingly. Economic risks are spread across the Group as a whole owing to its diversified positioning, thereby balancing out the portfolio as a whole. This gives it a competitive advantage in the long term compared with non-diversified holding companies.

Cost factors also are important for the success of the portfolio companies. Globalization is increasingly thrusting SMEs into direct price competition with foreign competitors that are, in some cases, able to produce under economically more favorable conditions. Material, energy, and personnel costs are especially relevant cost variables. Using technological and innovation leadership to set companies apart is all the more important in such an environment, and this is where INDUS provides important support for its portfolio companies.

In light of the increasing lack of qualified employees, recruiting personnel while salaries are rising is an increasingly important factor. INDUS is tackling global competition and rising cost pressures by helping portfolio companies improve their organization internationally, too.

Another relevant factor impacting success is mastering the general technological shift. The digital transformation currently demands an even more intense development process from manufacturing companies. This means that business models need to be reviewed, 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 development bank.

Developments in the capital markets are also an important factor for the success of INDUS, as the situation at 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 (investment grade), the company is well prepared for fluctuations in the capital markets.

The current global economic situation is fragile overall, with additional risks for the macroeconomic environment. Group companies are attempting to mitigate these risks by closely considering affected markets in their entrepreneurial decisions.

The most significant external factor since the beginning of 2020 is the coronavirus pandemic, which is gaining in importance. The consequences of the global spread of the coronavirus and the resulting containment measures are having a massive impact on the global economy. The many restrictions on travel and the availability of supplies are having a negative impact on the provision of services to customers. Due to the growing number of infections, staff shortfalls are increasing, which have to be compensated for. Shortfalls and delays in providing services may lead to legal risks and financial repercussions. In addition, the coronavirus pandemic has put considerable strain on the capital markets.

PORTFOLIO

47 COMPANIES IN FIVE SEGMENTS

The portfolio consisted of 47 portfolio companies on the reporting date. These are assigned to five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology. In financial year 2019, these were the reportable segments per IFRS, with no change from the previous year.

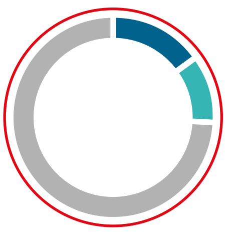
BASIC DATA FOR THE SEGMENTS (in EUR million)

	CONSTRUCTION/ INFRASTRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/LIFE SCIENCE	METALS TECHNOLOGY
Sales	388.9	350.3	434.6	159.7	409.2
Operating result (EBIT)	63.0	-35.8	54.6	18.6	25.8
Companies	11	9	12	5	10
Employees	1,874	3,360	2,180	1,718	1,687

PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

Approximately three quarters of the portfolio companies have belonged to the INDUS Group for more than ten years. Five portfolio companies have been in the INDUS portfolio for between five and ten years, and seven of the 47 portfolio companies have been acquired in the past five years.

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



1 TO 5 YEARS
15 / 7

5 TO 10 YEARS
11 / 5

MORE THAN 10 YEARS
74 / 35

PORTFOLIO STRUCTURE BY SALES

The portfolio companies' annual sales figures range from just under EUR 10 million to more than EUR 100 million. Roughly 55% of the portfolio companies generate annual sales figures of at least EUR 25 million. Fewer than one in five generate annual sales figures below EUR 15 million.

PORTFOLIO STRUCTURE BY SALES (in %)

UP TO EUR 15 MILLION
17

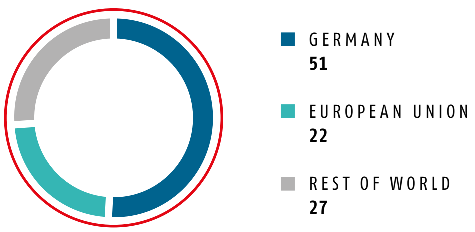
EUR 15 MILLION TO EUR 25 MILLION
28

OVER EUR 25 MILLION
55

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 sales and revenue is Germany at 51%. The companies generate another 22% of their revenue in other EU countries. A further 27% is generated outside the EU. The INDUS strategy also calls for an increase in the international share of sales in the years to come.

SALES BY REGION (in %)



PORTFOLIO CHANGES IN 2019

INDUS made two first-level acquisitions during the reporting period, and the minority interest in TKI Automotive GmbH was sold to the majority shareholder at a profit.

GROWTH ACQUISITIONS

In May, INDUS acquired 89.9% of MESUTRONIC Gerätebau GmbH, based in Kirchberg (Bavaria, Germany). The company is a technology leader in metal and foreign body detection in production processes. MESUTRONIC systems are used to protect production equipment from metal parts and other foreign bodies. The acquisition of MESUTRONIC is another addition to the INDUS portfolio of companies in the growth industry of measuring technology and control engineering.

INDUS acquired all shares in Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG) in September. DSG is an SME specializing in the development, manufacture, and sale of high-quality metal and sheet metal parts, components, switch cabinets, machine casings, and similar products that meet the highest industry and safety standards. As a specialist in the growth industry of infrastructure and logistics, DSG will strengthen the activities of INDUS in the challenging field of sheet metal processing in partnership with the Swiss portfolio companies BACHER and HAKAMA.

SALE OF MINORITY INTEREST IN TKI

IPETRONIK Eichstätt GmbH, an INDUS Holding AG portfolio company, sold a minority interest in TKI Automotive GmbH to the majority shareholder on September 12, 2019. TKI Automotive GmbH specializes in thermal management, convenience electronics, and interior air conditioning for conventional and electric vehicles. By selling the company, the Group gained EUR 16.8 million in other operating income. The sale led to cash inflow in the amount of EUR 27.5 million for the INDUS Group.

ACQUISITION OF REMAINING SHARES

In line with its tiered transaction model, INDUS acquired the remaining shares of D.M.S GmbH Design Modell-Studien (30%) and Helmut Rübsamen GmbH & Co. KG (10%) in the 2019 financial year.

No companies were disposed of and no businesses were discontinued in the financial year.

TARGETS AND STRATEGY

GOALS

GROWTH AND VALUE ENHANCEMENT AT THE PORTFOLIO COMPANIES

Our aim is for the INDUS Group to grow organically through the operational success of its portfolio companies. The aim is to achieve an EBIT margin of "10% + X" in the medium term. A considerable portion of the income earned is made available to the portfolio companies to finance further growth.

The value of the individual portfolio companies should increase in line with their development, which in turn should result in value appreciation of the whole portfolio. INDUS therefore systematically provides its portfolio companies with capital that they can use for their further development. INDUS actively advises the operationally independent portfolio companies on strategic decisions, shares its methodological expertise, and helps companies build internal and external networks.

BALANCED PORTFOLIO STRUCTURE

The INDUS Group plans to grow inorganically particularly through direct acquisitions in defined growth industries. To achieve this, INDUS constantly evaluates opportunities to buy other profitable industrial enterprises in the SME sector. Candidates of interest for the portfolio are companies that are active in future-oriented industrial niche markets and occupy leading positions in their markets. INDUS focuses on companies positioned in growth industries to ensure that the investment portfolio will continue to maintain a balanced, and hence stable, structure in the future.

This balance in the portfolio is of particular importance when some companies in the portfolio are faced with a structural or economic crises, and therefore cannot achieve long-term targets. Portfolio companies in the INDUS segment Automotive Technology are currently facing a structural crisis in the automotive technology sector and changes within the sector to future drive technologies. The full INDUS Group portfolio is now benefiting from the companies not involved with the sector in their niche markets.

INDUS applies definite investment criteria when acquiring companies for the portfolio: It continues to focus on successful manufacturing companies in the SME sector of the German-speaking countries with a stable business model and products that have strong growth potential. The companies achieve annual sales figures amounting to between EUR 20 million and EUR 100 million, and generate a sustained return on sales (EBIT margin) of 10% and more. They are active in attractive domestic and international niche markets with growth potential. They are unencumbered by old liabilities and are in an exemplary position in terms of sustainability considerations.

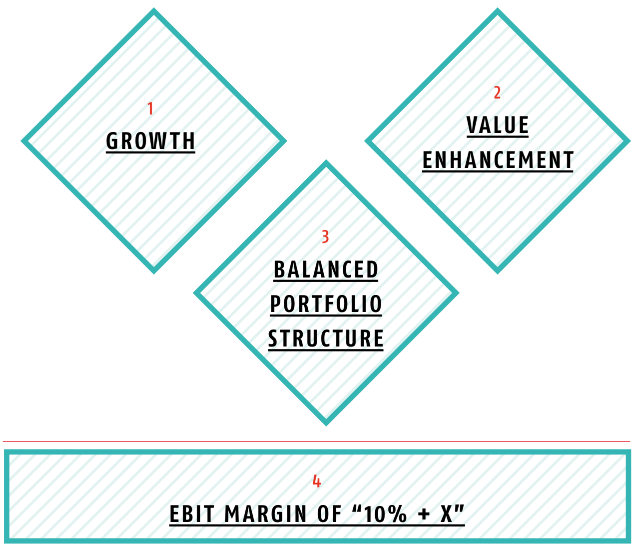
When considering potential acquisitions, INDUS looks especially at the arrangements for succession in the families managing them. In particular cases, corporate spin-offs also may be of interest to INDUS, provided that they will be able later to establish themselves in the marketplace as independent companies operating according to SME sector principles. The ability to acquire a majority of shares as a first step is a key factor for INDUS in their acquisition. INDUS attaches great importance to retaining senior management and executives of the portfolio companies well beyond the acquisition date. Purchase contracts are drafted in such a way to give INDUS the ability to acquire the former company owners' remaining shares at clearly pre-defined conditions when they leave the portfolio company's management.

INDUS avoids the direct acquisition of companies undergoing restructuring. Also excluded are involvements in subsidized industries and investments in the war technology and armaments sectors.

In addition to growth acquisitions for the portfolio, INDUS will seek out complementary additions to strengthen individual portfolio companies. For strategic acquisitions at sub-subsidiary level, the investment decisions are linked to the portfolio companies' individual investment 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.

Exit strategies play no role when INDUS makes its buying decisions, the "hold" principle being a key component of our corporate philosophy. However, to ensure stable performance and achieve the growth targets set for the individual company and the Group, separation remains an available 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 that a new form would make more financial sense for the company and its employees.

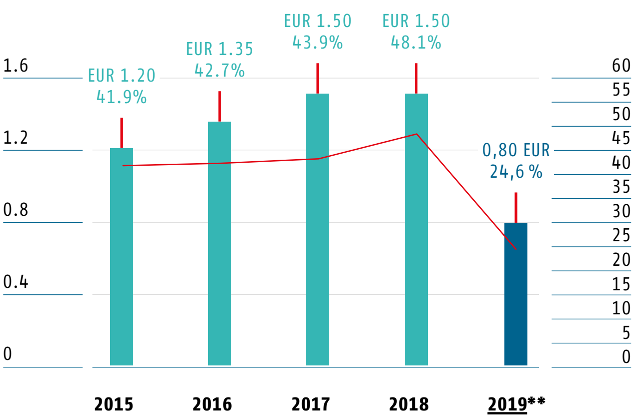
INDUS GOALS



THE INDUS DIVIDEND

As owners, the shareholders are entitled to share in the success of their company through predictable profit distributions. To that end, INDUS provides for regular payment of 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. At least 50% of the balance sheet profit is reinvested in the Group to ensure further profitable growth.

DIVIDENDS PER SHARE* WITH PAYOUT RATIO FROM 2015 TO 2019 (in EUR/in %)



Payout ratio
* Dividend payment of the financial year concerned.
** Subject to approval at Annual Shareholders' Meeting, which is expected to take place in August 2020.

Because of the coronavirus pandemic and its far-reaching effects, which cannot be fully ascertained at this point, the Board of Management of INDUS Holding AG has decided to propose a dividend of EUR 0.80 per no-par-value share to the Annual Shareholders' Meeting. This corresponds to approximately 25% of the balance sheet profit of INDUS Holding AG. Under the current unusual circumstances, it is necessary to reinvest a larger share of the balance sheet profit as a risk provision. The proposed dividend takes into account the forecast for 2020, which includes a significant deterioration in the financial position compared to the previous year. The basic dividend policy of INDUS remains unaffected for the subsequent years.

STRATEGY

PARKOUR: TACKLING GLOBAL OBSTACLES SUCCESSFULLY

In 2019, INDUS introduced the strategy program PARKOUR for the INDUS Group with sporting ambitions and methods for facing future challenges. PARKOUR acts on the changing conditions with a focus on the INDUS Group development until 2025.

The core task of INDUS as portfolio manager will continue to be the purposeful development of a diverse overall portfolio.

In light of the increasingly complex global conditions, a rise in global competition and the challenges posed by the digital transformation, INDUS will support its portfolio companies with more know-how and capital to secure their competitiveness. To get the INDUS portfolio companies fit for the current and future task PARKOUR, INDUS will sharpen its focus on supporting innovation and operational excellence. Assisting the companies in their internationalization measures will also remain a central pillar of the INDUS strategy. INDUS will set ambitious targets, encourage cooperation, and share the right methods. Further improving companies' performance in terms of sustainability is also an important target for INDUS, and will be actively supported.

The strategy comprises in essence three levers:

1. Strengthening portfolio structure
2. Driving innovation
3. Improving performance

1. STRENGTHENING PORTFOLIO STRUCTURE

PARKOUR aims to have INDUS add two to three companies to the portfolio 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. The Board of Management has defined six growth industries that will be prioritized for acquisitions to support the forward-looking future development of the portfolio:

THE PREFERRED SIX GROWTH INDUSTRIES FOR COMPANY ACQUISITIONS

1
AUTOMATION AND MEASURING TECHNOLOGY AND CONTROL ENGINEERING

2
CONSTRUCTION TECHNOLOGY

3
SAFETY TECHNOLOGY

4
MEDICAL ENGINEERING/LIFE SCIENCE

5
TECHNOLOGY FOR INFRASTRUCTURE/LOGISTICS

6
ENERGY AND ENVIRONMENTAL TECHNOLOGY

All six industries have above-average to very good prospects for development according to the relevant expert assessments. The aim is to have the INDUS portfolio represent a cross-section of the growth industries that are relevant for the Group. 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 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 current aim is to reposition these companies. Several repositioning projects are underway to realign series suppliers with the demands of future technologies. Automotive Technology will remain an INDUS segment following repositioning, however, in some cases it may be necessary to examine whether another owner could offer individual companies and their employees better long-term development opportunities. In line with INDUS' strategy, however, disposing of companies will remain an exception and is not part of the business model. There will be no change in the fundamental corporate strategy of "buy, hold & develop."

The portfolio companies' investment strategies as they apply to the acquisition of strategic additions at sub-subsidiary level are linked to the individual portfolio company. This applies in particular to innovative companies in the following future fields: PARKOUR includes plans for two to four strategic additions at portfolio company level per year.

2. DRIVING INNOVATION

For SMEs in particular, the main challenges faced today are the rapid technological shift and digital transformation. As specialists and market leaders in their niches, INDUS companies must review their business models to seize opportunities from the shift early to cement their market position and tap into new markets.

INDUS helps its portfolio companies cross the threshold into digital industries and make the most of new opportunities. Our innovation course has already delivered results.

As the shift is gathering pace in the markets, INDUS will boost its support for innovation over the coming years at various levels:

Development bank: INDUS provides financial support for promising innovation projects designed to produce new technologies or tap into new markets. The development funds cover 50–80% of the project volume. The holding company doubled the annual budget of up to 3% of the consolidated EBIT for this purpose in 2019. In addition to product innovations, INDUS is also increasingly looking into service and business process innovations.

Innovation toolbox: By imparting methodological knowledge, INDUS supports the portfolio companies in developing their innovation strategies and in systematically tapping into future fields. The aim of the advisory and training services it offers is to further professionalize the portfolio companies' efforts towards innovation management. At the same time, the holding company provides methodological knowledge to prepare the portfolio companies for challenges such as those posed by the digital transformation of business models.

Know-how transfer and networking: INDUS provides the companies with experience, trend assessments, and knowledge. It also creates connections to other companies within the Group for the portfolio companies as well as to external institutions and entities that can provide help with issues relating to the fundamental development of fields of innovation or, on a cooperative basis, with specific innovation projects.

Acquiring innovative companies: Innovative companies in growth industries are currently springing up in close proximity to our markets, with attractive points of contact for our portfolio companies. INDUS includes these companies with new, fresh business models in its acquisition profile for sub-subsidiaries.

3. IMPROVING PERFORMANCE

INDUS companies counter growing global competition and increasing pressure on margins by improving their operational excellence, i.e. the continual improvement of all business processes. INDUS assists its portfolio companies with the optimization of value-adding core processes from order entry to order processing. Lean management approaches are at the heart of our activities. These approaches avoid waste and they focus on added value in all tasks.

Securing contracts: INDUS provides advice in the areas of business development, strategic marketing, and sales. It supports portfolio companies' processes from strategic market cultivation right through to securing contracts. The support on offer includes 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.

Order processing: INDUS assists the portfolio companies in realizing productivity potential in procurement, production, and logistics. One significant element here is providing support for the portfolio companies to introduce lean management to achieve waste-free, Lean corporate processes. The support offer consists of an overarching training program on lean management as well as individual workshops with the portfolio companies to impart specific methodological knowledge. Specific optimization projects are accompanied directly by INDUS or by external partners commissioned by the holding company.

SUPPORT FOR INTERNATIONALIZATION

PARKOUR will continue to pursue the successful path of internationalization. The central focus will remain on Asia and North America in particular, in addition to Europe. INDUS supports the portfolio companies' internationalization in the following specific ways:

- Providing capital for the portfolio companies for strategic additions at sub-subsidiary level aimed at tapping into new markets worldwide.
- Providing funds for the construction and expansion of international production and distribution facilities.
- Assistance with internationalization through the clarification and handling of legal issues, the expansion of networks, and the establishment of local organizational structures.

MANAGEMENT CONTROL

PLANNING AND STRATEGY PROCESSES

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

As part of the planning process, a formal discussion is held between the entire Board of Management and individual managing directors. Using the flow of information and the exchanges with the managing directors, the INDUS Board of Management can gain an overall view of the business performance to be expected. The Board of Management uses this to create the planning for the necessary funds and then communicates 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.

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.

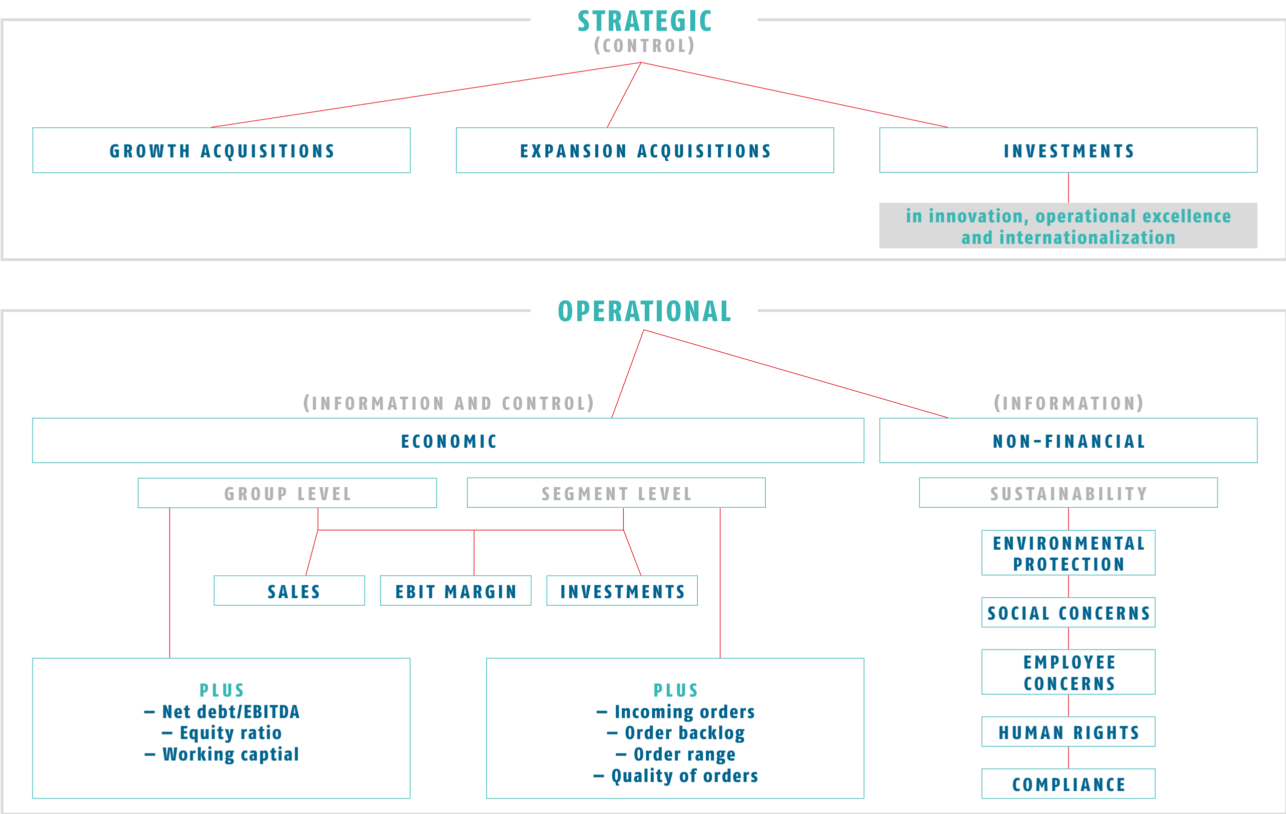
The target performance comparison results obtained by INDUS as part of its regular financial reporting for the last financial year are to be found in the Report on the Economic Situation.

INTERIM REPORTING

The portfolio companies inform INDUS about the financial performance of the companies on an ongoing basis. The companies send monthly reports covering the financial situation to the holding company. INDUS also receives information focused on specific topics. This gives the holding company's management an overview of 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 controlling system delivers early warning if there are divergences from the plans. The subsidiaries 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.

INFORMATION AND CONTROL PARAMETERS



REGULAR MANAGEMENT DIALOGUE

In addition to the obligatory information flows for consolidation, 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 companies' development.

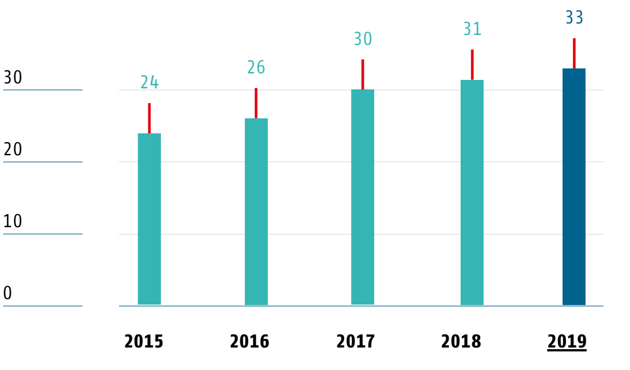
NON-FINANCIAL PERFORMANCE INDICATORS

EMPLOYEES

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

At the end of financial year 2019, the holding company had 33 employees (previous 31). It is in the interest of INDUS to maintain 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.

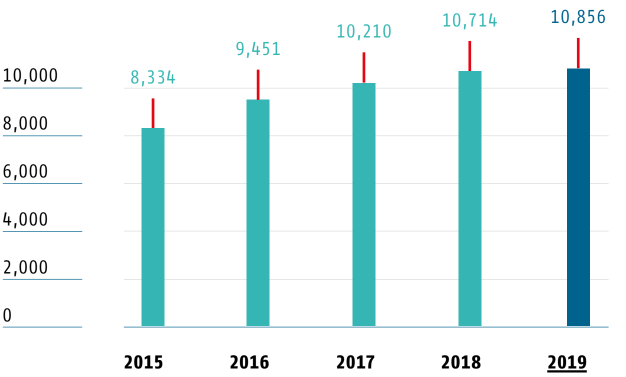
EMPLOYEES IN THE HOLDING COMPANY (Number)



IN THE GROUP: CULTIVATING AN SME-APPROPRIATE CULTURE

On average, 10,856 people were employed in the INDUS Group during the reporting year (previous year: 10,714). Management of those employed by the Group 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 especially true of the companies within the INDUS Group. A total of 448 trainees were employed throughout the Group in 2019 (previous year: 433); this equates to a trainee ratio of 4.1% (previous year: 4.0%).

EMPLOYEES IN THE INDUS GROUP'S INDIVIDUAL COMPANIES (Number)



DEVELOPMENT AND INNOVATION

R&D SUPPORT FOR PORTFOLIO COMPANIES

As a strictly financial investor, 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 of the times in terms of the technology and that their products are strategically well positioned in their markets, lie in the hands of the subsidiaries.

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 one of the central keys 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 investing in future fields: INDUS makes 3% of the annual consolidated EBIT available to portfolio companies through the internal development bank fund for innovation, which portfolio companies can use to advance new ideas. This enables INDUS to specifically promote highly innovative activities and projects in six predefined future fields that offer outstanding long-term development potential. These innovations enable the companies to tap into new business fields and technologies, and promise above-average earnings opportunities.

Knowledge platform & methodological support: The majority of the INDUS portfolio companies focus their development resources on incrementally improving the existing product portfolio. With the aid of a knowledge platform for innovation and technology management, INDUS helps the portfolio companies refine their ideas in this area and improve the effectiveness of development work. This support includes the innovation toolbox that INDUS offers to portfolio companies. The innovation toolbox is based on the concept of methodologically accompanying the identification of innovation potential, generating and selecting ideas, and project management during the innovation process, including bringing the innovation to market.

Networking & raising awareness: 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 dialogue 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 is continually seeking opportunities to collaborate in the fields of science, research, and economics.

INNOVATION ACTIVITIES UP AGAIN AT THE PORTFOLIO COMPANIES

The INDUS Group's research and development activities are reflected in the following figures: The expenses for R&D activities recognized in the INDUS Group's consolidated financial statements for 2019 amounted to EUR 20.3 million (previous year: EUR 17.3 million). This reflects a continual increase in the allocation of funds for this field, something that is expected to continue in the years to come.

This is especially important also for the reason that an increasing percentage of the portfolio companies have positioned themselves in the market as systems suppliers and development partners. This necessitates, besides a larger real net output ratio, an increasing measure of R&D capability and innovation effectiveness of their own. The relevance to customers is a top priority in development work: Successful development partnerships are in place with both customers and suppliers.

The portfolio companies' development activities also continue to expand their cooperation with research institutes and universities. Some Group companies are already collaborating closely with prominent 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. Collaboration with external partners on innovation projects funded by the INDUS development bank has become particularly important.

SUSTAINABILITY

CONSTANT CORPORATE SUCCESS THROUGH SUSTAINABLE MANAGEMENT

Regarding sustainability, the holding company and the portfolio companies believe that sustainable business practices form the foundation for long-term entrepreneurial success, both directly and indirectly. These are the key points of INDUS' point of view:

- 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.

Economically, INDUS uses traditional economic key figures, thus aligning itself with stability-oriented benchmarks. Its goal is to ensure its entrepreneurial success on a lasting basis in the interests of the Group, the shareholders, and other stakeholders. To that end the holding company provides a stable bottom line, an adequate liquidity, and a flexible financing basis. Portfolio companies receive financial support for investments and innovation processes to position themselves favorably on the market long term, and thus generate sustainable profits. Socially, all members of the INDUS Group align themselves with traditional SME industry benchmarks. 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 reflected in the company-specific codes of conduct and in the attitude towards social responsibility, particularly in the local regions where the portfolio companies operate. Ecologically, INDUS has been improving the transparency of economic activities gradually over the last years, and is supporting portfolio companies in their efforts to conserve resources. For instance, INDUS provides investment funds for efficiency measures and promotes sustainable product innovation in the future field of green technology. As far as governance and compliance are concerned, the Board of Management and Supervisory Board have always considered themselves bound to create added value in a responsible, transparent, and sustainable manner. They have consistently and nearly completely accepted the recommendations and suggestions of the German Corporate Governance Code since its introduction, thereby observing the rules of good corporate management and supervision. The importance of sustainability in the area of governance is also clearly reflected in its integration into the Board of Management's compensation system.

INDUS will again publish a non-financial report for the INDUS Group for the period to December 31, 2019. This will be published in the sustainability report (which is part of the annual report).

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 full declaration is available on the INDUS website under the heading "About INDUS/Corporate Governance."

The declaration of conformity that must be issued annually 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 September 18, 2019. In it they state that, with two exceptions, INDUS Holding AG is in compliance with all of the recommendations made by the government commission for the German Corporate Governance Code. The two exceptions relate to confidential whistle-blowing possibilities and the recommendation of a limit for serving on the Supervisory Board. The full declaration of conformity can be viewed on the INDUS website under the heading "About INDUS/Corporate Governance."

REPORT ON THE ECONOMIC SITUATION

Revenues for the INDUS Group rose from the prior year figure of EUR 1.71 billion to EUR 1.74 billion in the financial year 2019. Strong revenue increases in the Construction/Infrastructure and the Engineering segments were contrasted by a slump in the Automotive Technology segment. At EUR 135.2 million, operating income (EBIT) before impairment was lower than the EUR 150.5 million of the previous year, due to the revenue decline in the Automotive Technology segment mentioned above. Difficult market conditions, restructuring activities, and one-off effects proved to be a heavy burden. Moreover, as a result of the negative outlook for the future, impairment losses of EUR 17.3 million were recognized in the Automotive Technology segment, primarily on goodwill, which resulted in EUR 117.9 million operating income for the INDUS Group, down from the EUR 134.4 million of the previous year. The EBIT margins before impairment were 6.8% and 7.9% respectively. The ongoing excellent performance of the Construction/Infrastructure and Engineering segments deserves a special mention. Operating cash flow rose markedly from EUR 96.0 million in the previous year to EUR 167.7 in the reporting period as a result of the active reduction of the working capital increase and the changes in lease accounting under IFRS 16.

CHANGES IN THE ECONOMIC ENVIRONMENT

MACROECONOMIC TRENDS

EXPANSION OF GLOBAL ECONOMY LOSES MOMENTUM

Global economic growth slowed further in 2019. The growth rate was 3.0%; 0.7 percentage points below that of the previous year. This reduction is mainly due to the loss of momentum in the United States, China, and Europe. This development was also reflected in industrial production and global trade. Growth in industrial production came to a standstill during 2019, and global trade also suffered.

Major political issues played a substantial role in the negative financial performance during the year 2019. The main stress factors in the global economy were the United States/China trade war, which continued to escalate until the first part of a trade agreement was signed in January 2020, and the ongoing Brexit negotiations. Increased tensions in the trade policy relations between the United States and the European Union also had an impact during the year under review.

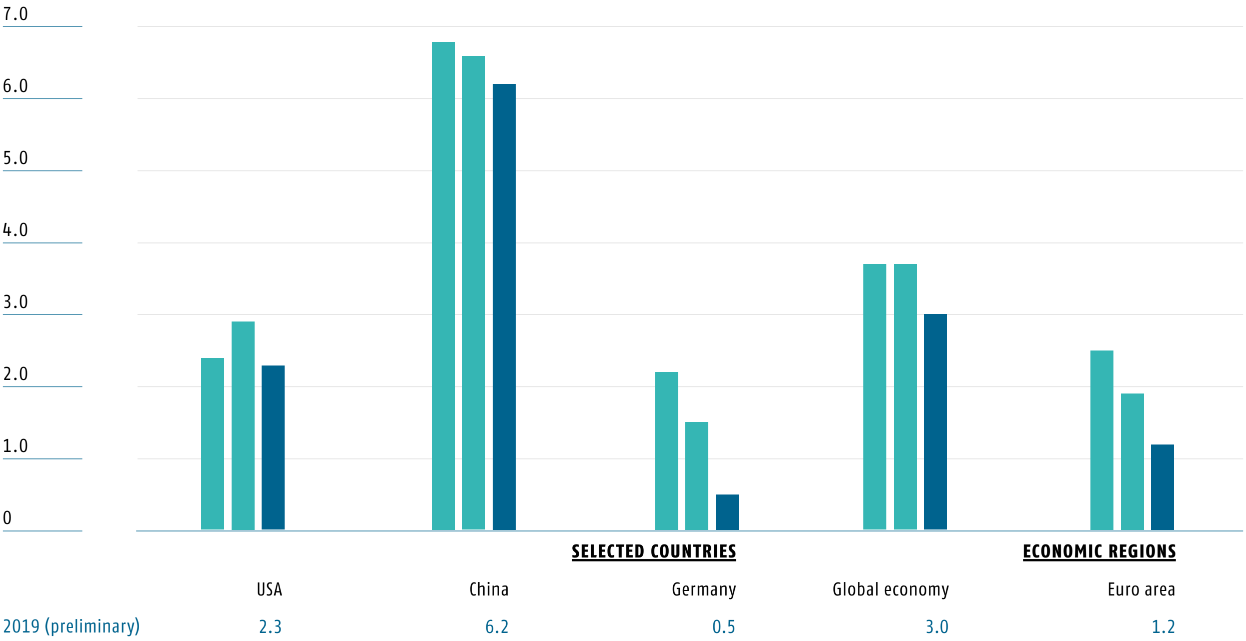
While there was still a substantial cyclical divide between Europe and its trade partners across the world in 2018, it narrowed significantly during the course of 2019. Increases in production in the United States in 2018 were still in stark contrast to weakened expansion in the eurozone. As fiscal impulses in the United States were coming to an end, the US economy also started to lose momentum, whereas the eurozone remained stable. In the UK, production actually increased towards the end of the period.

DOWNTURN IN GERMAN ECONOMY

The German economy was marked by a downturn during 2019. Following a weak summer, there was only a marginal recovery in terms of growth towards the end of the year in an annual comparison of the expansion, resulting in a one-percentage-point reduction to 0.5%. Higher macroeconomic uncertainty impacted the German economy in particular – which specializes in investment goods – and hence the investment climate. By contrast, the economic and construction industries continued to expand. The construction industry benefited from the still extremely favorable financing conditions, and the consumer industries from the ongoing robust labor market developments. Unemployment decreased by another 0.2 percentage points in comparison with the previous year, coming down to 5.0%. This occurred alongside an increase of 399,000 in the domestic labor force. Consumer prices rose by an average of 1.4% over the year (previous year: 1.7%).

Despite the continuing weakness in global industrial production, exports somewhat recovered towards the end of the year but were unable to compensate for the weak spring. In total, exports climbed 1.3% in 2019 (previous year: 2.1%). Imports also increased more slowly than in the previous year at 2.4% (previous year: 3.6%).

ECONOMIC TENDENCIES: CHANGE IN GROSS DOMESTIC PRODUCT (GDP), ANNUAL GROWTH (2017–2019) (in %)



Source: IfW, figures for Germany adjusted for calendar and seasonal effects.

FINANCIAL MARKETS STILL AFFECTED BY MONETARY POLICY, STOCK MARKETS TRENDING UP

Developments in the international financial markets during 2019 were impacted by shifting assessments of the political risks and monetary policy decisions of the central banks. In the United States, the Federal Reserve lowered the interest rate corridor in three steps by a total of 0.75 percentage points over the course of the year. In the fall, the European Central Bank followed suit with another reduction of its interest rate by ten basis points to -0.50% and resumption of bond purchases.

On the foreign exchange markets, the euro declined on a weighted average against the currencies of major trading partners. Its appreciation vis-à-vis a number of European currencies counterbalanced above-average exchange rate losses against both USD and GBP. Over the course of the year, the euro fell from USD 1.16 to a low of USD 1.09 and ended the year with USD 1.12.

CHANGES IN THE INDUSTRIAL ENVIRONMENT

GERMAN INDUSTRIAL PRODUCTION: SHARP DECLINES IN PRODUCTION INDUSTRY

German industry went into recession after several years of growth. According to the Federation of German Industries (BDI), as of September, production in the manufacturing industries (without construction) declined by 4.5% over the course of 2019 (-4.3% to the previous year). At -4% in the first nine months of the year, the decline was slightly lower in the manufacturing sector. As a result, capacity utilization in 2019 went down by more than 2%. According to the BDI, German exports increased by a mere 0.5% (previous year: +2.1%). By the third quarter, incoming orders in the processing industry had decreased by 5.6% over the previous year and lagged behind in the international markets. Demand in industrial goods also fell by 3.4% year-on-year.

CONSTRUCTION AND INFRASTRUCTURE MAINTAIN GROWTH

The construction boom continued unabated in 2019. According to estimates from the Hauptverband der Deutschen Bauindustrie (HDB), sales in the main construction sector rose by around 3% to EUR 137.2 billion in 2019 (nominal 8.5%). The latest forecasts of the ifo Institute in September 2019 assume a growth in construction investments of 3.9% for the year. Order backlogs in the construction business stayed high at approx. 4.0–4.2 months. After seven years of real sales increases, the construction industry is now riding on a high. However, according to an economic survey by the ifo Institute, the expectations of the construction companies are no longer quite as optimistic in 2019. Despite a high level of investments, there are signs of very weak development in road construction. The reasons are staff shortages in the planning and licensing authorities, changeover processes in the tendering procedures from state to federal agencies, as well as constraints on the part of public sector clients as a result of higher prices. The average number of employees continued to rise. It increased by 25,000 to approx. 857,000.

VEHICLE MARKET: GERMAN PRODUCTION DOWN, MARKED FALL IN EXPORTS

The vehicle industry is still in a phase of a fundamental reorientation. In parallel to an increasing demand for individual mobility, there is also an increase in the demand for low-emission drive systems, such as e-mobility, and alternative drives and mobility concepts. The changes in the industry are clearly reflected in the production figures: Over 2019 as a whole, the German automotive industry recorded a 9% reduction in domestic passenger vehicle production. However, this decline is not yet evident in the number of new car registrations. Compared to the previous year, new car registrations actually increased by 5% to 3.6 million vehicles. One of the reasons are catch-up effects resulting from hold-ups caused by the WLTP (Worldwide Harmonised Light Vehicle Test Procedure) in 2018. Another reason is a high number of registrations of manufacturers' and dealers' own vehicles in 2019. Exports reflect the changes more clearly: German passenger vehicle exports dropped by 13% to 3.5 million cars. Whilst the European passenger vehicle market was slightly up by 1.2% on the previous year with 15.5 million cars (EU28+EFTA, with Germany as a major market), sales in the United States went down by 1.4% to 17.0 million vehicles. Growth in the Chinese passenger vehicle market was also weak. It was down by 9.5% (21.0 million cars) on the previous year.

ENGINEERING: SECTOR SUFFERS FROM DIFFICULT BUSINESS ENVIRONMENT

The business environment became increasingly difficult for German engineering in 2019. Disquiet in the international markets and structural changes in the automotive industry resulted in minus figures for production and new orders. Production recorded a real fall in 2019 of approx. 3.2% against the previous year. Capacity utilization also recorded a decline. From the second half of the year onwards, it fell below the previous long-standing average of 86.2%. New orders went down by 9% on the previous year. As for international demand, domestic orders recorded a real reduction of 9%. Many customers had lost confidence as a result of the economic situation and either deferred or stopped investments altogether. This led to a nominal 3.5% fall in full-year sales from EUR 232.5 to EUR 229.9 billion (real -2.4%). The employment rate remained stable with over 1.06 million employees.

MEDICAL ENGINEERING/LIFE SCIENCE: WORLDWIDE GROWTH STABLE, GROWTH SLOWS IN GERMANY

According to the trade association Bundesverband Medizintechnologie (BVMed), sales revenues in the German medical engineering industry increased from EUR 30.3 billion to EUR 32 billion in 2019. The plus in sales declined slightly in the domestic market: it fell by 0.9 percentage points to 3.3% (previous year: +4.2%). The industry blames the additional requirements of the EU Medical Device Regulation (MDR) as the principal reason for this slowdown of growth in the German market. This has led to resource deficits in the notified bodies, longer valuation methods, and higher prices – with subsequent loss of competitiveness. Irrespective of these factors, German businesses continued to be very successful in the global market place during 2019. The export share amounted to 65%. Growth in sales across the world is estimated to come in at 5.8% for 2019 (-0.1% compared to the previous year) and remains high. To improve their competitiveness, most of the domestic companies continued or raised their level of investments in Germany. The same applies to research expenditure.

METALS TECHNOLOGY: MARKED DECREASES IN PRODUCTION AND INCOMING ORDERS

In 2019, developments in the metal manufacturing and processing industries were significantly worse than anticipated at the beginning of the year, and are now in recession. Considerable reductions in both production and incoming orders reflect this state of affairs. Full-year production in metal and electrical production fell by 5.1%. This strong decline can be mostly blamed on the automotive industry, but the electrical, metal products, and mechanical engineering sectors also followed in this downward trend. With -6.1%, the full-year figure for incoming orders dropped even further than production. There was very little difference between Germany and other countries with -6.4% and -5.8% respectively. This difficult climate is also seen ever more clearly in the labor market, for instance with rising numbers of workers on reduced working hours, which rose to almost 80,000 in November. At the same time, however, reports of short-time working also increased. According to the ifo Institute's business climate index, capacity utilization fell continuously during the year by a total of 7.7% and remains below the average of recent years.

PERFORMANCE OF THE INDUS GROUP

THE BOARD OF MANAGEMENT'S OVERALL ASSESSMENT

SALES FORECAST ACHIEVED – OPERATING INCOME (EBIT) WEAKENED BY POOR PERFORMANCE IN THE AUTOMOTIVE TECHNOLOGY SEGMENT

The INDUS Group achieved its sales targets in the 2019 financial year. Sales climbed by 1.9% to EUR 1.74 billion, putting it well within the forecast range of EUR 1.72–1.77 billion. Organic growth in sales was 0.6%. Growth in sales in the Construction/Infrastructure and Engineering segments were high, while they declined in the Automotive Technology segment.

Operating income (EBIT) fell short of expectations. At EUR 117.9 million it was under the previous year's figure of EUR 134.4 million. The main culprits for the deviation from the EBIT forecast of EUR 156–162 million are the difficult conditions in the Automotive Technology segment, the related restructuring activities at two series suppliers, and a 20% reduction in sales during the second half-year. Even selling a minority stake did not compensate for these factors. In addition, non-cash impairments arose during the intra-year planning process, reflected by lower forecasts at two INDUS portfolio companies in the Automotive Technology segment. The combination of the various effects in this segment have had a detrimental effect on income and are responsible for its decline. At 6.8% (previous year: 7.9%), the EBIT margin for the INDUS Group is well short of the "10% + X" target. Operating cash flow performed extremely well in 2019. Compared with EUR 96.0 million from the same period of the previous year, operating cash flow increased by EUR 71.7 million to EUR 167.7 million in 2019. This is mainly due to a welcome reduction in the working capital increase, and also, but to a far lesser degree, the changes in lease accounting under IFRS 16, effective as of January 1, 2019.

The segment analysis shows higher incomes in the Construction/Infrastructure, Engineering, and the Medical Engineering/Life Science segments, all of which achieved their target margins. With a margin of 16.2%, the Construction/Infrastructure segment exceeded both the already very good previous year figure of 13.9% and the target range. Both incoming orders and earnings collapsed in the Automotive Technology segment, which reduced the operating margin to -5.3% before impairments. The impairments of EUR 17.3 million discussed above only apply to the Automotive Technology segment (previous year: EUR 16.1 million; EUR 9.5 million of which is attributable to Automotive Technology and EUR 6.6 million to Metals Technology). Furthermore, the effects of restructuring programs at two portfolio companies in the Automotive Technology segments are clearly felt. Within the Metals Technology segment, the activities in the plastics plating sector will be discontinued in 2020. One-time expenses for this purpose were recognized in the year under review, which had a detrimental effect on the operating income (EBIT).

INDUS acquired two new portfolio companies in 2019. The first of these was MESUTRONIC Gerätebau GmbH in May. MESUTRONIC is a technology leader in metal and foreign body detection in production processes. The second acquisition followed in September with Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG). DSG is a specialist in developing and manufacturing high-quality metal and sheet metal parts. This acquisition is of strategic significance for INDUS, as, together with the Swiss portfolio companies BACHER and HAKAMA, it is strengthening the Group's activities in the challenging field of sheet metal processing.

In September, the minority interest in TKI Automotive GmbH was sold to the majority shareholder. This transaction allowed us to recognize other operating income of EUR 16.8 million and a EUR 27.5 million inflow of liquidity in the INDUS consolidated financial statements.

Investments in property, plant, and equipment, and intangible assets amounted to EUR 78.3 million. The two acquisitions mentioned above resulted in an outflow of EUR 29.2 million.

The Group's financial position remained very stable in 2019. At 40.3%, the Group's equity ratio exceeds the target ratio of 40% (previous year's equity ratio: 41.3%). Its traditionally favorable liquidity position gave INDUS enough economic strength for the capital investment it made or intended to make. This is why the company maintains liquidity buffers and credit lines. The repayment term (net debt/EBITDA) was 2.4 years (previous year: 2.2 years) and was within the stipulated target range of 2 to 2.5 years.

The negative developments in the Automotive Technology segment impacted the income of the INDUS Group. However there are a number of portfolio companies that are performing well and generated excellent results in 2019. Some of these even significantly exceed the trend in their sector. This is another example illustrating the importance of a broadly diversified portfolio. Going forward, the INDUS Board of Management will continue its strategy of strengthening the portfolio with more acquisitions in the defined future fields. In parallel, the Board of Management will concentrate on increasing operational excellence in the portfolio companies and supporting the development of innovations in 2020. The Group's PARKOUR strategy program combines all these activities and will be implemented more strongly over the coming years.

PARKOUR puts the non-financial performance indicators under the spotlight and will keep a close eye on them to use them increasingly as management variables over coming years. EFFAS indicators from the areas of environmental protection, social and employee issues, human rights, and compliance are used to provide information about sustainability concerns. Please refer to the sustainability report, including the non-financial report.

TARGET PERFORMANCE COMPARISON

	ACTUAL 2018	TARGET 2019	ACTUAL 2019	LEVEL OF ACHIEVEMENT
GROUP				
Management variables				
Acquisitions	2 complementary additions at sub-subsidiary level	2 growth acquisitions	2 growth acquisitions	achieved
Sales	EUR 1.71 billion (+4.3%, of which 3.2% organic)	EUR 1.72–1.77 billion	EUR 1.74 billion	achieved
EBIT	EUR 134.7 million (EUR 150.8 million before impairment)	EUR 156–162 million	EUR 117.9 million	not achieved
EBIT margin (in %)	7.9	9–10	6.8	not achieved
Investments in property, plant, and equipment, and intangible assets	EUR 90.9 million	EUR 89 million	78.3	not achieved
Supplementary management variables				
Equity ratio (in %)	41.3	> 40	40.2	achieved
Net debt/EBITDA	2.2 years	between 2.0 and 2.5 years	2.4 years	achieved
Working capital	472.1	constant level	478.3	achieved
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 358.7 million	slight increase in sales	EUR 388.9 million	better than expected
EBIT	EUR 50.0 million	proportional increase in earnings	EUR 63.0 million	better than expected
EBIT margin (in %)	13.9	13–15	16.2	better than expected
Automotive Technology				
Sales	EUR 391.0 million	alight increase in sales	EUR 350.3 million	not achieved
EBIT	EUR -4.5 million (EUR 5.0 million before impairment)	noticeable increase in earnings	EUR-35.8 million (incl. EUR 17.3 million impairment)	not achieved
EBIT margin (in %)	-1.2 (+1.3 before impairment)	3–5	-10.2 (-5.3 before impairment)	not achieved
Engineering				
Sales	EUR 387.0 million	no change	EUR 434.6 million	better than expected
EBIT	EUR 52.0 million	no change	EUR 54.6 million	achieved in full
EBIT margin (in %)	13.4	12–14	12.6	achieved
Medical Engineering/Life Science				
Sales	EUR 154.3 million	slight increase in sales	EUR 159.7 million	achieved
EBIT	EUR 17.3 million	proportional increase in earnings	EUR 18.6 million	achieved in full
EBIT margin (in %)	11.2	11–13	11.6	achieved
Metals Technology				
Sales	EUR 420.0 million	slight increase in sales	EUR 409.2 million	not achieved
EBIT	EUR 28.3 million (EUR 34.9 million before impairment)	proportional increase in earnings	EUR 25.8 million	not achieved
EBIT margin (in %)	6.7 (8.3 before impairment)	8–10	6.3	not achieved

GROUP EARNINGS PERFORMANCE

1.9% INCREASE IN SALES

INDUS Group sales rose by 1.9% to EUR 1,742.8 million in the financial year. This growth in sales is attributable to more than half of the INDUS portfolio companies. By contrast, the group companies in the Automotive Technology segment (series suppliers and pre- and post-series portfolio companies) were unable to replicate the high level of sales achieved in recent years. Organic growth amounted to 0.6%, while inorganic growth amounted to 1.3%. The organic growth in sales was mainly generated by the portfolio companies in the Construction/Infrastructure and Engineering segments. The inorganic growth is based on the sales of two new acquisitions at portfolio-company level (MESUTRONIC and DSG), and the inorganic share of sales of a new acquisition at sub-subsidiary level acquired in 2018.

Other operating income amounted to EUR 34.4 million, compared with EUR 20.6 million in the same period of the previous year. This included in particular the gains resulting from the sale of the minority interest in TKI Automotive GmbH, which totaled EUR 16.8 million.

Change in inventories reported a fall of EUR 58.0 million from EUR 35.1 million to EUR -22.9 million. There was also a reduction in the cost of materials by -3.6% to EUR 782.4 million (previous year: EUR 811.9 million) as a result of improvements made in working capital management. Reduction of the working capital was a focus of our program to raise the level of operational excellence in the portfolio companies. The cost-of-materials ratio dropped 2.6 percentage points to 44.9% (previous year: 47.5%). Taking into account the changes in inventories, there would have been no improvement in the cost-of-materials ratio.

Developments in personnel expenses increased slightly disproportionately to sales, rising by 4.1% to EUR 527.5 million. Accordingly, the personnel expense ratio went up by 0.7 percentage points to 30.3% (previous year: 29.6%). This is the result of a decline in new orders in the Automotive Technology segment, and which could not be compensated by a parallel fall in personnel expenses.

Other operating expenses decreased by -4.8% to EUR 226.3 million. Due to the changes in lease accounting under IFRS 16, leasing expenses in particular went down by EUR 18.7 million. As a result, the operating income before depreciation/amortization (EBITDA) amounts to EUR 225.7 million (EUR +7.6 million).

At EUR 107.8 million, depreciation/amortization was EUR 24.1 million higher than in the previous year (28.8%). This included depreciation/amortization of EUR 90.5 million (previous year: EUR 67.5 million) and impairments of EUR 17.3 million (previous year: EUR 16.1 million). The increase is mainly due to the new lease accounting rules of IFRS 16 and, to a lesser extent, to the increase in investments in fixed assets in recent years. In line with the increase in depreciation/amortization due to right-of-use assets from lease contracts totaling EUR 16.3 million that were capitalized for the first time, other operating expenses fell by EUR 18.7 million due to the new lease accounting regulations. In addition to depreciation/amortization, goodwill impairments and minor fixed asset impairment losses totaling EUR 17.3 million were recognized (previous year: EUR 16.1 million). These are attributable to the Automotive Technology segment (previous year: Automotive Technology and Metals Technology) as a result of subdued growth forecasts.

LOWER EBIT; UNDER PRESSURE FROM THE AUTOMOTIVE TECHNOLOGY SEGMENT

This pressure has resulted in an operating income or EBIT of EUR 117.9 million for 2019, a reduction of 12.3% or EUR 16.5 million below the previous year (EUR 134.4 million). This equates to an EBIT margin of 6.8% against 7.9% in the previous year. Without taking impairments into account, the Group generated earnings of EUR 135.2 million (previous year: EUR 150.5 million). The EBIT margin before impairment is 7.8%, as against 8.8% in the previous year.

Net financial income improved by EUR 0.8 million, from EUR -19.7 million to EUR -18.9 million. The financial income includes net interest, income from shares measured according to the equity method, and other financial income. Net interest went down from EUR -13.6 million to EUR -15.5 million. Measurements of minority interests in particular are reported in the other financial income item. A EUR 2.3 million reduction in expenses was achieved here due to scheduled acquisitions of minority interests and lower earnings in the portfolio companies.

Earnings before taxes (EBT) fell from EUR 114.7 million in the previous year to EUR 99.0 million. Tax expenses decreased by EUR 4.6 million to EUR 38.9 million, with a rise in the

CONSOLIDATED STATEMENT OF INCOME (in EUR million)

	2019	2018	2017	DIFFERENCE 2019 TO 2018 ABSOLUTE	DIFFERENCE 2019 TO 2018 IN %
Sales	**1,742.8**	**1,710.8**	**1,640.6**	**32.0**	**1.9**
Other operating income	34.4	20.6	16.5	13.8	67.0
Own work capitalized	7.6	7.8	5.1	-0.2	-2.6
Change in inventories	-22.9	35.1	5.2	-58.0	> 100
Overall performance	**1,761.9**	**1,774.3**	**1,667.4**	**-12.4**	**-0.7**
Cost of materials	-782.4	-811.9	-745.9	29.5	3.6
Personnel expenses	-527.5	-506.6	-479.6	-20.9	-4.1
Other operating expenses	-226.3	-237.7	-228.0	11.4	4.8
EBITDA	**225.7**	**218.1**	**213.9**	**7.6**	**3.5**
Depreciation/amortization	-107.8	-83.7	-62.4	-24.1	-28.8
Operating income (EBIT)	**117.9**	**134.4**	**151.5**	**-16.5**	**-12.3**
Financial income	-18.9	-19.7	-22.3	0.8	4.1
Earnings before taxes (EBT)	**99.0**	**114.7**	**129.2**	**-15.7**	**-13.7**
Taxes	-38.9	-43.5	-46.1	4.6	10.6
Earnings after taxes	**60.1**	**71.2**	**83.1**	**-11.1**	**-15.6**
of which attributable to non-controlling shareholders	0.6	0.3	0.7	0.3	100.0
of which attributable to INDUS shareholders	59.5	70.9	82.4	-11.4	-16.1

tax ratio from 37.9% to 39.3% – primarily as a result of the lack of tax relief resulting from goodwill impairment and loss carryforwards within the Group. Due to its business model, INDUS does not form tax groups.

Earnings after taxes totaled EUR 60.1 million (previous year: EUR 71.2 million). This equates to a decline of 15.6% as compared to the previous year. Interests attributable to non-controlling shareholders amounted to EUR 0.6 million (previous year: EUR 0.3 million). Earnings after taxes for INDUS shareholders amounted to EUR 59.5 million. This equates to earnings per share of EUR 2.43 as compared to EUR 2.90 in the previous year.

IMPROVED SHARE OF SALES AND EARNINGS (EBIT) IN CONSTRUCTION/INFRASTRUCTURE AND ENGINEERING

The individual segments' shares of sales and earnings have changed further in their ratios to one another. The Construction/Infrastructure segment's contribution to sales increased to 22.3% (previous year: 21.0%), that of Engineering to 24.9% (previous year: 22.6%), and that of Medical Engineering/Life Science to 9.2% (previous year: 9.0%). This makes Engineering the strongest segment in terms of sales, overtaking Metals Technology, which generated a share of 23.5% in the reporting year (previous year: 24.5%). With a 20.1% share of sales (previous year: 22.9%), Automotive Technology now finds itself ranked fourth. This has been on a steady slide over recent years, in line with the economic conditions.

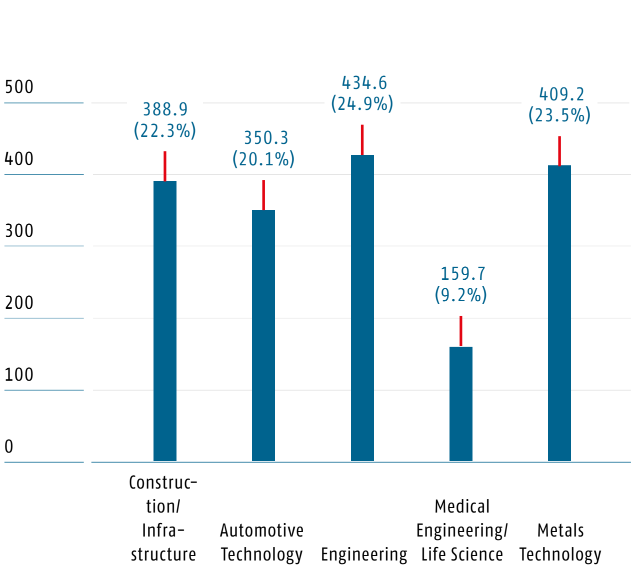
As in the previous year, both the Construction/Infrastructure and the Engineering segments produced outstanding results. The Construction/Infrastructure segment increased its contribution to the operating income (EBIT) by 15.0 percentage points to 49.9% of the INDUS income (previous year: 34.9%). The Engineering segment lifted its share to 43.3% (previous year: 36.3%), while the Medical Engineering/Life Science segment's contribution to income went up to 14.7% (previous year: 12.1%). The Metals Technology segment recorded a slight increase of its contribution to income to 20.4% (previous year: 19.8%). The poor conditions in the Automotive Technology segment resulted in a further reduction of its contribution to income from -3.1% in the previous year to -28.4%.

IMPACT OF IFRS 16 FINANCIAL STATEMENT ACCOUNTING ON THE INDUS SEGMENTS

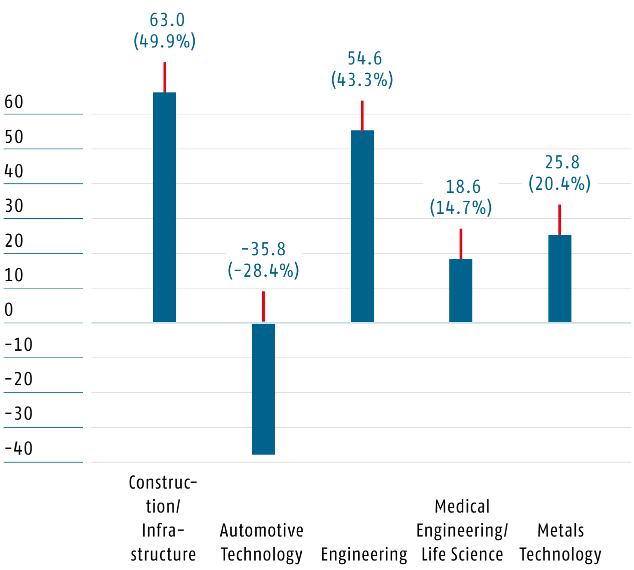
The operating income of the INDUS Group has benefited from the application of IFRS 16 financial statement accounting by EUR 2.4 million. Accordingly, the operating income benefit in the individual segments was as follows: Construction/Infrastructure EUR 0.6 million, Automotive Technology EUR 0.6 million, Engineering EUR 0.8 million, Medical Engineering/Life Science EUR 0.1 million, and Metals Technology EUR 0.3 million.

CONSOLIDATED FINANCIAL STATEMENTS

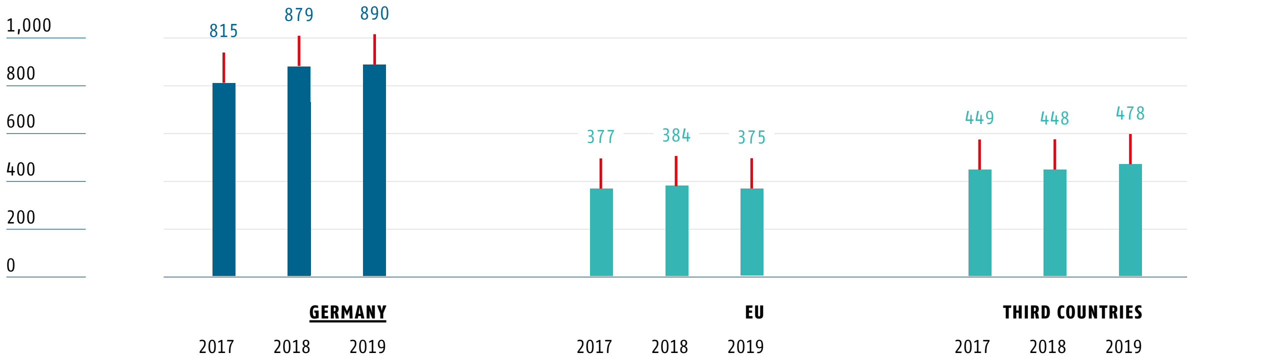
SALES BREAKDOWN BY SEGMENT (in EUR million)



EBIT BREAKDOWN BY SEGMENT (in EUR million)



SALES TRENDS BY REGION 2017–2019 (in EUR million)



CONTRIBUTION TO SALES BY THE REGIONS

The INDUS Group's sales increases are attributable in almost equal measure to its domestic and international business. In relative terms, the domestic share of sales decreased slightly by 0.3 percentage points to 51.1% (previous year: 51.4%).

Domestic sales increased by 1.3% to EUR 890.2 million as compared to the previous year. International sales increased by 2.5% to EUR 852.6 million.

EARNINGS TRENDS IN THE SEGMENTS

CONSTRUCTION/INFRASTRUCTURE

Segment description

The eleven portfolio companies in the Construction/Infrastructure segment operate in various areas within the construction industry. Their products and services range from reinforcements for reinforced concrete and construction materials, air conditioning and heating technology, network and cable laying to accessories for private housing construction. Traditional building construction and civil engineering are not included in the INDUS portfolio.

The segment remains profitable at an above-average level 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: 16.2% EBIT margin, the highest ever

The construction industry continues to flourish, and so did the Construction/Infrastructure segment in 2019. With growth rates well above the industry trend, the segment generated a record result of 16.2%, which far exceeded the EBIT target of 13–15%.

The INDUS portfolio companies reported segment sales totaling EUR 388.9 million (previous year: EUR 358.7 million). This represents a EUR 30.2 million, or 8.4%, rise in sales revenue. Almost all companies in this segment contributed to this increase. The highest growth was recorded in the area of air-conditioning devices. In addition, favorable weather conditions meant that the companies were able to work right through the winter months and hence generate sales.

The operating income (EBIT) rose disproportionately by 26.0% year on year, from EUR 50.0 million in 2018 to EUR 63.0 in 2019. All portfolio companies in the segment made a positive contribution to income. The high increase in earnings can be attributed to the area of air-conditioning devices in particular, which also includes complementary acquisition in the previous year. The major project in the digital infrastructure sector made excellent progress and was almost completed by the end of the year. The segment's 16.2% EBIT margin exceeds both the good previous year figure of 13.9% and the INDUS target range of 13–15%.

Investments totaling EUR 18.8 million in the reporting year were EUR 6.7 million less than the prior-year figure, which includes the acquisition of a supplier of room air conditioners. Investments in fixed assets were EUR 3.2 million higher in the reporting year than in the previous year. The resources were used for a new construction at a portfolio company in the infrastructure sector, among others.

AUTOMOTIVE TECHNOLOGY

Segment description

The Automotive Technology segment consists of nine units (previous year: nine). 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, development, model or prototype construction, pre-series and small series production, test and measurement solutions to solutions for specialized vehicles and series production of components for major manufacturers of cars and commercial or special-use vehicles.

The companies in this segment operate in an intensely competitive environment that is highly sensitive to developments in the vehicle market. In light of the difficult conditions series suppliers are currently facing, INDUS is currently considering whether, in individual cases, another owner might be able to offer companies and their employees a better future.

Segment performance: considerable fall in earnings in a difficult economic climate

The Automotive Technology segment continues to be challenged by the conditions facing the industry. The pressure caused by the technological shift towards e-mobility and the consequences of the emissions scandal continued to build, in particular for the series suppliers. In addition to the sales slump caused by the unfavorable conditions, ongoing restructuring activities had a detrimental effect on the INDUS Group companies in this segment.

Sales in the Automotive Technology segment decreased by EUR 40.7 million, or 10.4%, to EUR 350.3 million during the reporting period. This reduction is attributable to almost all portfolio companies in the segment. Already weakened in the previous year, the series suppliers suffered further significant falls in their call-off figures during the last financial year. Since the second half of the year, their sales declined by approx. 20% against the previous year. The pre- and post-series suppliers also faced lower demand.

At EUR -18.5 million, operating income (EBIT) before impairment was EUR 23.5 million lower than the previous year's figure. This resulted in an EBIT margin before impairment of -5.3% (previous year: 1.3%). In addition to the difficult market conditions discussed above, the reduction in sales during the second half of the year is also responsible for the significant decline in segment earnings. The ongoing pressure on prices and costs experienced by the series supplier is another factor, which was also felt more keenly

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

	2019	2018	2017	DIFFERENCE 2019 TO 2018 ABSOLUTE	IN %
Revenue with external third parties	388.9	358.7	330.4	30.2	8.4
EBITDA	77.0	60.1	57.6	16.9	28.1
Depreciation/amortization	-14.0	-10.1	-8.8	-3.9	-38.6
EBIT	63.0	50.0	48.8	13.0	26.0
EBIT margin in %	16.2	13.9	14.8	2.3 pp	–
Investments	18.8	25.5	13.4	-6.7	-26.3
Employees	1,874	1,839	1,714	35	1.9

during the 2019 financial year by the pre- and post-series companies in the segment. Two of the series suppliers are conducting extensive restructuring programs. These series suppliers were able to secure major series contracts, including for new electric models. However, the positive impact of these contracts will only be felt from 2021 onwards. The air-conditioning technology for buses sector had to bear exceptional burdens during the year under review: insolvency and the market exit of two customers. Overall, the Automotive Technology segment earnings include a high number of one-time expenses, which will not be repeated in 2020.

However, other operating income amounting to EUR 16.8 million was generated from the sale of the minority interest in TKI Automotive during the second half of the year.

As a result of the negative effects discussed above on the operating income (EBIT) and the lowered future earnings prospects, impairment losses on goodwill and, to a minor degree, tangible fixed assets totaling EUR 17.3 million were recognized (previous year: EUR 9.5 million). Operating income amounted to EUR -35.8 million (previous year: EUR -4.5 million). This equates to an EBIT margin of -10.2% (previous year: -1.2%).

Investments totaled EUR 22.8 million (previous year: EUR 29.5 million). The previous year figure also included the acquisition of ELECTRONIC EQUIPMENT by the INDUS subsidiary AURORA in addition to investments in fixed assets. The investments in fixed assets for the year under review are characterized by high investments in machinery by the series suppliers. These included in particular machinery for the production ramp-up of new series and to manage future e-mobility series.

ENGINEERING

Segment description

The Engineering segment comprises twelve units (previous year: eleven). The companies in this segment develop complete conveyor systems and robotic gripping systems, produce valve technology, automation components for final vehicle assembly, and equipment for inert gas systems, and design trace heating systems.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY (in EUR million)

				DIFFERENCE 2019 TO 2018	
	2019	2018	2017	ABSOLUTE	IN %
Revenue with external third parties	350.3	391.0	394.1	-40.7	-10.4
EBITDA	9.0	28.4	36.0	-19.4	-68.3
Depreciation/amortization	-27.5	-23.4	-21.8	-4.1	-17.5
EBIT before impairment	-18.5	5.0	14.2	-23.5	> 100
EBIT margin before impairment in %	-5.3	1.3	3.6	-6.6 pp	–
Goodwill impairment	-17.3	-9.5	0.0	-7.8	-82.1
EBIT after impairment	-35.8	-4.5	14.2	-31.3	< -100
EBIT margin after impairment in %	-10.2	-1.2	3.6	-9.0 pp	–
Investments	22.8	29.5	30.3	-6.7	-22.7
Employees	3,360	3,524	3,557	-164	-4.7

In the view of INDUS, the impressive technical capabilities and quality of goods “engineered and made in Germany” promise future growth, particularly in the sub-fields of automation, measuring technology, and control engineering. INDUS intends to invest more in acquisitions in this area. The segment constitutes one of the mainstays of Germany’s small and medium-scale industry and has good prospects.

MESUTRONIC was a new acquisition in the year under review. MESUTRONIC ranks among the market leaders in metal and foreign body detection.

Segment performance: double-digit growth in sales, EBIT margin again within target range

Segment sales in Engineering rose by EUR 47.6 million (+12.3%) to EUR 434.6 million (previous year: EUR 387.0 million). This rise reflects the organic growth in almost all of the companies in the portfolio, in particular in the sectors logistics, clean room systems, and vehicle assembly automation. The sales figure for MESUTRONIC, which has been consolidated since June, is responsible for additional growth in sales. In general, there has been an economic slowdown in the Engineering industry. Most of the INDUS portfolio companies performed considerably better than the industry trend during the last financial year.

Operating income (EBIT) rose by EUR 2.6 million, or 5.0%, to EUR 54.6 million (previous year: EUR 52.0 million). All portfolio companies in the segment once more made a positive contribution to income (EBIT). The continuing high demand for transportation logistics systems played a significant role in the high segment earnings figure. The segment’s EBIT margin was 12.6% (previous year: 13.4%), once again within the target range of 12–14%.

MESUTRONIC, the major acquisition in the year, is fitting in well with the Engineering segment and already made a positive contribution to segment earnings.

At EUR 30.9 million, investments were substantially higher than in the previous year. This figure includes the acquisition of the new INDUS portfolio company MESUTRONIC. Investments in fixed assets fell slightly in comparison to the previous year.

KEY FIGURES FOR ENGINEERING (in EUR million)

				DIFFERENCE 2019 TO 2018	
	2019	2018	2017	ABSOLUTE	IN %
Revenue with external third parties	434.6	387.0	375.1	47.6	12.3
EBITDA	73.0	64.2	64.0	8.8	13.7
Depreciation/amortization	-18.4	-12.2	-10.7	-6.2	-50.8
EBIT	54.6	52.0	53.3	2.6	5.0
EBIT margin in %	12.6	13.4	14.2	-0.8 pp	–
Investments	30.9	12.0	43.4	18.9	> 100
Employees	2,180	2,027	1,830	153	7.5

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 six growth industries in which the Board of Management sees potential for future growth. Despite high cost pressures in the medical industry and stringent regulatory requirements, the Medical Engineering/Life Science segment continues to offer a promising outlook and high margins.

Segment performance: encouraging rise in earnings

During the financial year 2019, the Medical Engineering/Life Science segment generated EUR 159.7 million (previous year: EUR 154.3 million), which represents a 3.5% rise (EUR 5.4 million). The medical compression garments and rehabilitation technology sectors in particular contributed to the growth in sales. The highly competitive non-wovens sector suffered revenue losses in 2019.

At EUR 18.6 million, operating income (EBIT) was up by 7.5% (EUR 1.3 million) on the previous year figure of EUR 17.3 million. The segment's EBIT margin increased from 11.2% in the previous period to 11.6% in the year under review, and is thus once again within the target range of 11–13%. However, the non-wovens and surgical sets sectors are impacted by a number of negative external factors, including strong competition, high costs, especially personnel, and the requirements of the new Medical Device Regulation. Their earnings are therefore lower than those of recent years. One encouraging development was the fact that optical lenses and full optical devices increased their contribution to income considerably in a year-on-year comparison. Medical compression garments generated the highest contribution to earnings. Income in the rehabilitation technology sector improved slightly over the previous year.

Investments were made exclusively in fixed assets in 2019 and, at EUR 4.9 million, were lower than the previous year figure of EUR 8.4 million.

METALS TECHNOLOGY

Segment description

This segment serves highly specialized customers in particular and comprises ten units (previous year: nine). The range of solutions is large and includes supplying for railroad

KEY FIGURES FOR MEDICAL ENGINEERING/LIFE SCIENCE (in EUR million)

				DIFFERENCE 2019 TO 2018	
	2019	**2018**	**2017**	**ABSOLUTE**	**IN %**
Revenue with external third parties	159.7	154.3	155.2	5.4	3.5
EBITDA	27.9	24.7	27.6	3.2	13.0
Depreciation/amortization	-9.3	-7.4	-6.8	-1.9	-25.7
EBIT	18.6	17.3	20.8	1.3	7.5
EBIT margin in %	11.6	11.2	13.4	0.4 pp	–
Investments	4.9	8.4	7.4	-3.5	-41.7
Employees	1,718	1,687	1,540	31	1.8

engineering, producing carbide tools for road construction and mining, and manufacturing housings for laboratory diagnostics and stainless metallic blasting agents, and bolt welding technology, for example for structural connecting elements used in bridge construction.

Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG) was acquired by the Group at the end of September 2019. DSG specializes in the development, manufacture, and sale of high-quality metal and sheet metal parts that meet the highest industry and safety standards.

The segment as a whole covers a very broad spectrum. INDUS plans to focus on further optimization moving forward.

Segment performance: strategic portfolio company unit acquisition in the sheet metal processing sector

The Metals Technology segment reported a decline in sales against the previous year. Sales fell from EUR 420.0 million in 2018 to EUR 409.2 million in the reporting year. The reduction is mainly due to the carbide tools sector. The Metals Technology segment is heavily export-oriented. For the INDUS portfolio companies in this segment, this means that business with China deteriorated due to the slowdown in the global economy and the palpable decline in demand.

At EUR 25.8 million, operating income (EBIT) was below the previous year figure of EUR 28.3 million. In the previous year, that figure included goodwill impairments of EUR 6.6 million. One factor in the lower earnings is the effect of the reduction in the above-mentioned Chinese business in an export-driven environment. Secondly, the planned discontinuation of activities in the plastics plating sector in 2020 had already incurred one-time expenses in the year under review.

The intention behind the acquisition of Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG) on September 30, 2019, is strengthening the Group's activities in the challenging field of sheet metal processing together with the Swiss portfolio companies BACHER and HAKAMA.

Investments in the year under review relate to the acquisition of DSG and property, plant, and equipment. Total investments in the Metals Technology segment were reduced by EUR 1.2 million.

KEY FIGURES FOR METALS TECHNOLOGY (in EUR million)

				DIFFERENCE 2019 TO 2018	
	2019	2018	2017	ABSOLUTE	IN %
Revenue with external third parties	409.2	420.0	385.6	-10.8	-2.6
EBITDA	46.1	48.5	37.7	-2.4	-4.9
Depreciation/amortization	-20.3	-13.6	-13.5	-6.7	-49.3
EBIT before impairment	25.8	34.9	24.2	-9.1	-26.1
EBIT margin before impairment in %	6.3	8.3	6.3	-2.0 pp	–
Goodwill impairment	0.0	-6.6	0.0	6.6	–
EBIT after impairment	25.8	28.3	24.2	-2.5	-8.8
EBIT margin after impairment in %	6.3	6.7	6.3	-0.4 pp	–
Investments	25.1	26.3	14.5	-1.2	-4.6
Employees	1,687	1,602	1,538	85	5.3

FINANCIAL POSITION

FINANCIAL AND LIQUIDITY MANAGEMENT

PRINCIPLES AND OBJECTIVES

Financial management at INDUS Holding AG is concerned primarily with liquidity management, procuring equity and outside capital, and managing interest rate and currency risks. As an asset-managing 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 single 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. For its financing purposes, 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, a balanced redemption structure, and simultaneous use of alternative financing instruments. To contain financing risks, the Group employs interest rate and currency derivatives. 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 liquidity enables INDUS not only to meet its payment obligations at all times, but also to exploit acquisition opportunities 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 ratings undertaken by INDUS' principal banks are "investment grade."

Financing analysis for 2019

INDUS continued in 2019 to use operating cash flow and long-term financing to cover its capital requirements. The main components continued to be long-term unsecured loan agreements, promissory note loans, and, to a lesser extent, leases. These instruments are reasonably scaled to the business volume of INDUS.

Application of new lease accounting rules starting January 1, 2019, means that former off-balance sheet lease liabilities are now recognized in the statement of financial position. Operating lease liabilities amounted to EUR 84.3 million on December 31, 2018. The majority of these were capitalized on January 1, 2019. Right-of-use assets from leases/rentals totaling EUR 75.7 million were reported in the statement of financial position on December 31, 2019. Financial liabilities from leases totaled EUR 74.5 million.

Liabilities to banks amounted to EUR 361.7 million as of the reporting date (previous year: EUR 358.8 million); these are primarily (99%) denominated in euros. The volume of credit held in foreign currencies is low and consists of Swiss francs at EUR 0.3 million (previous year: EUR 0.6 million) and South African rand at EUR 1.3 million (previous year: EUR 0.8 million). Promissory note loans amounted to EUR 245.2 million (previous year: EUR 228.3 million). INDUS also has unused credit lines totaling EUR 79.4 million (previous year: EUR 29.8 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 have been defined for two promissory note loans, which have been achieved.

FINANCIAL POSITION

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

	2019	2018	2017
Operating cash flow	167.7	96.0	145.0
Interest	-20.4	-21.3	-21.0
Cash flow from operating activities	**147.3**	**74.7**	**124.0**
Cash outflow for investments and acquisitions	-108.3	-103.8	-113.9
Cash inflow from the disposal of assets	32.1	5.5	3.9
Cash flow from investing activities	**-76.2**	**-98.3**	**-110.0**
Dividend payment	-36.7	-36.7	-33.0
Dividends paid to minority shareholders	-1.4	-0.5	-0.7
Cash outflow from the repayment of contingent purchase price commitments	-2.4	-23.0	-0.8
Cash inflow from raising of loans	141.5	155.8	151.0
Cash outflow from the repayment of loans	-125.4	-97.0	-119.1
Cash outflow from the repayment of lease liabilities	-21.7	-1.4	-1.3
Cash flow from financing activities	**-46.1**	**-2.8**	**-3.9**
Net changes in cash and cash equivalents	25.0	-26.4	10.1
Changes in cash and cash equivalents caused by currency exchange rates	0.5	0.1	-1.4
Cash and cash equivalents at the beginning of the period	109.6	135.9	127.2
Cash and cash equivalents at the end of the period	**135.1**	**109.6**	**135.9**

GREAT RISE IN OPERATING CASH FLOW

The basis for the operating cash flow, i.e. earnings after tax, fell by EUR 11.1 million to EUR 60.1 million (previous year: EUR 71.2 million). This was offset by higher depreciation/amortization due to the changes in accounting of leases under IFRS 16 among others. This line item increased by EUR 24.1 million to EUR 107.8 million (previous year: EUR 83.7 million). The changes in lease accounting also contributed EUR 17.9 million to the improvement in the operating cash flow, as lease payments previously included in the operating cash flow have been partly reclassified as cash outflows for the repayment of lease liabilities in the cash flow from financing activities item.

Cash inflows were reported in current operating assets as a result of improved working capital management with subsequent reductions in inventories (EUR -34.2 million) and trade receivables (EUR -4.4 million). The program initiated by the holding company to promote operational excellence is beginning to have an effect on reducing working capital at the portfolio companies. At EUR 167.7 million, operating cash flow increased substantially in comparison with the previous year by EUR 71.7 million (previous year: EUR 96.0 million).

Interest paid (including variable interest on purchase price commitments to minority shareholders) was slightly down with EUR -20.9 million against the previous year figure of EUR -21.6 million. This reflects, above anything, the continuing drop in interest expense for debts resulting from the rolling repayment of non-current financial liabilities that have higher interest rates and new borrowing on better terms.

This resulted in a cash flow from operating activities of EUR 147.3 million. It increased by EUR 72.6 million, mainly due to the lower rise in working capital and changes to lease accounting.

The cash flow from investing activities was EUR 76.2 million at the end of the financial year (previous year: EUR 98.3 million). This item includes the acquisitions of MESUTRONIC and DSG totaling EUR 29.2 million (previous year: EUR 11.5 million as a result of acquiring two sub-subsidiaries). At EUR 78.3 million, cash outflows for investments in intangible assets and items of property, plant, and equipment continue to be high, but were down on the previous year figure by EUR 12.6 million. Cash inflows from the disposal of assets increased by EUR 26.6 million to EUR 32.1 million. This high cash inflow is mainly due to the sale of the minority interest in TKI Automotive GmbH. Overall, cash flow from investing activities decreased by EUR 22.1 million to EUR 76.2 million. Taking the unusually high cash inflows from the sale of TKI into account, cash flow was similar to the previous year figure.

Cash flow from financing activities increased from EUR -2.8 million to EUR -46.1 million. The reason is significantly lower net borrowing, which was affected by the increase in working capital during the previous year. Cash outflows from the repayment of contingent purchase price commitments fell by EUR 20.6 million. The payment dates of the contingent purchase price commitments depend on exercising the respective contractually agreed terms of the call/put options. In addition, initial application of IFRS 16 Leases and the associated changes in financial statement accounting mean that cash outflow from the repayment of lease liabilities has been stated in the cash flow from financing activities item since the start of this financial year. These cash outflows totaled EUR 21.7 million (previous year: EUR 1.3 million).

Amidst all of its financing activity, as of the end of 2019 INDUS possessed a suitably high degree of liquidity. As of the reporting date, cash and cash equivalents amounted to EUR 135.1 million (previous year: EUR 109.6 million). A detailed statement of cash flows is part of the consolidated financial statements.

NET ASSETS

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

			DIFFERENCE	
	DEC. 31, 2019	DEC. 31, 2018	ABSOLUTE	IN %
ASSETS				
Non-current assets	**1,058.2**	**968.5**	**89.7**	**9.3**
Fixed assets	1,039.2	955.2	84.0	8.8
Receivables and other assets	19.0	13.3	5.7	42.9
Current assets	**750.0**	**751.5**	**-1.5**	**-0.2**
Inventories	381.4	408.7	-27.3	-6.7
Receivables and other assets	233.5	233.2	0.3	0.1
Cash and cash equivalents	135.1	109.6	25.5	23.3
Total assets	**1,808.2**	**1,720.0**	**88.2**	**5.1**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,389.4**	**1,290.0**	**99.4**	**7.7**
Equity	727.7	709.8	17.9	2.5
Borrowings	661.7	580.2	81.5	14.0
of which provisions	54.4	45.4	9.0	19.8
of which payables and deferred taxes	607.3	534.8	72.5	13.6
Current liabilities	**418.8**	**430.0**	**-11.2**	**-2.6**
of which provisions	74.6	73.6	1.0	1.4
of which liabilities	344.2	356.4	-12.2	-3.4
Total assets	**1,808.2**	**1,720.0**	**88.2**	**5.1**

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,808.2 million, a 5.1% increase from the previous reporting date. The increase in total assets is due almost exclusively to the mandatory application of IFRS 16 Leases since January 1, 2019, and to the initial consolidation of the newly acquired portfolio companies MESUTRONIC and DSG. Right-of-use assets from leases totaling EUR 75.7 million were recognized as of December 31, 2019 (previous year: 0 million). There was only a slight increase in working capital, in line with the Group's growth.

ASSETS UP, DUE TO NEW LEASE ACCOUNTING RULES AND ACQUISITIONS

As compared to the previous reporting date, non-current assets increased by EUR 89.7 million, or 9.3%, to EUR 1,058.2 million. The increase in assets is due to the first mandatory application of IFRS 16 Leases since January 1, 2019, in particular. Another factor is the initial consolidation of the new portfolio companies MESUTRONIC and DSG. This is counterbalanced by the impairments on goodwill and property, plant, and equipment, and also the sale of the minority interest in TKI Automotive GmbH.

Compared to the previous reporting date, current assets increased by EUR 1.5 million to EUR 750.0 million. Optimization of inventory levels in the portfolio companies led to a welcome 6.7% (EUR 27.3 million) reduction in inventories for the year, despite the acquisitions, with a corresponding rise in cash and cash equivalents of EUR 25.5 million.

EQUITY AND LIABILITIES: EQUITY RATIO STILL ABOVE 40% MARK DESPITE NEW LEASE ACCOUNTING RULE

Equity increased by EUR 17.9 million, partly due to the annual result, to EUR 727.7 million. The outflow of dividends was therefore overcompensated by current earnings. The equity ratio fell year-on-year from 41.3% to 40.3% as of the reporting date. The equity ratio thus remains above the lower limit of 40%, which was defined as the target. First-time recognition of the operating lease liabilities in the statement of financial position is the main culprit for the reduction.

At EUR 661.7 million, non-current liabilities were about EUR 81.5 million, or 14.0% higher than the previous year. This rise is almost entirely due to the increase in non-current financial liabilities, in particular the first-time application of IFRS 16.

WORKING CAPITAL (in EUR million)

			Difference	
	Dec. 31, 2019	Dec. 31, 2018	Absolute	In %
Inventories	381.4	408.7	-27.3	-6.7
Trade receivables	202.5	202.5	0.0	0.0
Trade payables	-55.9	-65.7	9.8	-14.9
Advance payments received	-18.9	-37.3	18.4	-49.3
Contract liabilities	-30.8	-36.1	5.3	-14.7
Working capital	**478.3**	**472.1**	**6.2**	**1.3**

INDUS calculates working capital by adding trade receivables to inventories and deducting trade payables along with received prepayments and contract liabilities. As of December 31, 2019, working capital stood at EUR 478.3 million. This represents a slight increase of just 1.3% compared to the previous year's reporting date, despite expansion of INDUS Group business activities and the initial consolidation of MESUTRONIC and DSG. This success is due to the working capital reduction scheme as part of the operational excellence program.

NET FINANCIAL LIABILITIES (in EUR million)

	DEC. 31, 2019	DEC. 31, 2018	DIFFERENCE ABSOLUTE	DIFFERENCE IN %
Non-current financial liabilities	546.3	465.9	80.4	17.3
Current financial liabilities	135.0	126.5	8.5	6.7
Cash and cash equivalents	-135.1	-109.6	-25.5	23.3
Net financial liabilities	**546.2**	**482.8**	**63.4**	**13.1**

INDUS calculates net financial liabilities as the sum of current and non-current financial liabilities less cash and cash equivalents. As of December 31, 2019, it amounted to EUR 546.2 million, which equates to an increase of 13.1% as compared to the previous year's reporting date. This increase is entirely due to the first-time application of IFRS 16 "Leases" and the resulting recognition of lease liabilities of EUR 77.8 million. The ratio of net debt to equity (gearing) is 75% (previous year: 68%). The net debt/EBITDA ratio is 2.4 (previous year: 2.2). The repayment term is therefore within the target range of 2.0 to 2.5 years.

INVESTMENTS AND DEPRECIATION/AMORTIZATION (in EUR million)

	2019	2018	2017	DIFFERENCE 2019 TO 2018 ABSOLUTE	DIFFERENCE 2019 TO 2018 IN %
Investments	**107.5**	**102.4**	**111.4**	**5.1**	**5.0**
of which in:					
Company acquisitions	**29.2**	**11.5**	**32.4**	**17.7**	**>100**
Intangible assets	**11.0**	**12.0**	**7.7**	**-1.0**	**-8.3**
Property, plant, and equipment	**67.3**	**78.9**	**71.3**	**-11.6**	**-14.7**
of which in:					
Land and buildings	7.1	4.3	7.2	2.8	65.1
Technical equipment and machinery	27.5	26.6	20.5	0.9	3.4
Other equipment, factory and office equipment	16.6	19.9	18.7	-3.3	-16.6
Advance payments and facilities under construction	16.1	28.1	24.9	-12.0	-42.7
Depreciation/amortization (without right-of-use assets/leases)*	**-91.5**	**-83.7**	**-62.4**	**-7.8**	**9.3**

* This table does not include amortization of right-of-use assets/leases totaling EUR 16.3 million (previous year: EUR 0 million).

Investments in the year under review were 5.0% higher than in the previous year and amounted to EUR 107.5 million. Of this amount, EUR 29.2 million was attributable to company acquisitions, EUR 67.3 million to investments in property, plant, and equipment (-14.7%), and EUR 11.0 million to investments in intangible assets (-8.3%). Investments in company acquisitions increased by EUR 17.7 million against the previous year as a result of INDUS acquiring two direct portfolio companies in 2019. By contrast, only two small growth companies were acquired in the previous year.

Investments in intangible assets registered a reduction of EUR 1.0 million to EUR 11.0 million. This is mainly due to the introduction of ERP systems and capitalization of development costs.

Investments in property, plant, and equipment continued to be the focal point of investments, and which remain high despite a reduction of EUR 11.6 million. 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.

The item investments in land and buildings includes a new production building at HAUFF-TECHNIK GmbH & Co. KG.

In 2019, 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 declined significantly by EUR 11.7 million to EUR 16.4 million.

Depreciation/amortization increased by EUR 24.1 million, with an effect of EUR 16.3 million, in particular as a result of the new lease accounting rules of IFRS 16. The goodwill impairments, and to a lesser degree property, plant, and equipment (totaling EUR 17.3 million), are included in the depreciation/amortization item.

FINANCIAL PERFORMANCE OF INDUS HOLDING AG

INDUS Holding AG's annual financial statements are prepared in accordance with the German Commercial Code (HGB) and summarized in the following tables. The complete annual financial statements are available separately.

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

				DIFFERENCE 2019 TO 2018	
	2019	2018	2017	ABSOLUTE	IN %
Sales	**5.9**	**5.8**	**5.6**	**0.1**	**1.7**
Other operating income	19.4	4.8	2.2	14.6	> 100
Personnel expenses	-6.6	-6.7	-6.0	0.1	1.5
Other operating expenses	-8.0	-9.1	-12.7	1.1	12.1
Income from investments	85.6	77.5	74.5	8.1	10.5
Income from long-term loans classified as financial assets	58.7	51.5	49.8	7.2	14.0
Other interest and similar income	9.8	8.5	6.6	1.3	15.3
Depreciation/amortization of intangible assets, fixed assets, and property, plant, and equipment	-0.6	-0.6	-0.5	0.0	0.0
Impairments of financial investments	-55.2	-27.7	-12.7	-27.5	99.3
Expenses from loss absorption	-11.7	-6.7	-5.8	-5.0	-74.6
Interest and similar expenses	-10.7	-10.7	-11.9	0.0	0.0
Earnings before taxes	**86.6**	**86.6**	**89.1**	**0.0**	**0.0**
Taxes	-8.7	-12.1	-7.3	3.4	28.1
Net income	**77.9**	**74.5**	**81.8**	**3.4**	**4.6**
Profit carried forward	1.7	1.8	1.7	-0.1	-5.6
Balance sheet profit	**79.6**	**76.3**	**83.5**	**3.3**	**4.3**

The income of INDUS Holding AG derives primarily from income from portfolio companies and income from long-term loans classified as financial assets.

Revenue comprised services performed for the portfolio companies by the company in its capacity as an asset-managing holding company. At EUR 5.9 million, they were EUR 0.1 million higher than the previous year's figure.

Other operating income increased from EUR 4.8 million to EUR 19.4 million as a result of an increase in income due to the appreciation of financial assets. This appreciation relates to reversal of impairments of financial assets in previous years. Personnel expenses fell slightly from EUR 6.7 million in 2018 to EUR 6.6 million in the reporting year. Other operating expenses decreased by EUR 1.1 million to EUR 8.0 million. Income from portfolio companies increased once more. In the previous year this income amounted to EUR 77.5 million. In the reporting year, we were able to appropriate income from the portfolio companies in the amount of EUR 85.6 million. Income from loans of financial assets rose by EUR 7.2 million, reaching EUR 58.7 million. At EUR 9.8 million, interest income was EUR 1.3 million higher than in the previous year.

Depreciation/amortization of property, plant, and equipment, and intangible assets remain unchanged at EUR 0.6 million (previous year: EUR 0.6 million). Impairments of financial investments relate to write-downs of shares in affiliated companies amounting to EUR 55.2 million that resulted from impairment testing of the carrying amounts of the investments. The impairments mainly relate to the Automotive Technology and, to a lesser degree, the Medical Engineering/Life Science segments. Expenses from loss absorption came to EUR 11.7 million and primarily related to losses in the Metals Technology segment. Interest expense remained at EUR 10.7 million, the same as in the previous year.

Hence, earnings before taxes amounting to EUR 86.6 million also remained at the previous year's level. Taxes for the financial year amounted to EUR 8.7 million, EUR 3.4 million less than in the previous year. Net income amounted to EUR 77.9 million, EUR 3.4 million higher than in the previous year.

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

	DEC. 31, 2019	DEC. 31, 2018
ASSETS		
Intangible assets	0.3	0.1
Property, plant,and equipment	9.4	6.0
Financial investments	1,153.3	1,138.4
Fixed assets	**1,163.0**	**1,144.5**
Receivables and other assets	415.4	394.0
Cash on hand and bank balances	14.0	12.4
Current assets	**429.4**	**406.4**
Prepaid expenses	0.6	0.4
Total assets	**1,593.0**	**1,551.3**
EQUITY AND LIABILITIES		
Equity	934.7	893.5
Provisions	2.9	3.1
Liabilities	608.7	609.0
Deferred tax liabilities	46.7	45.7
Total assets	**1,593.0**	**1,551.3**

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 41.7 million during the financial year and amounted to EUR 1,593.0 million as of December 31, 2019. This increase is mainly due to higher shares in affiliated companies as a result of the company acquisitions of MESUTRONIC and DSG in the year under review. In addition, some write-downs on carrying amounts of investments were reversed, which were counterbalanced by impairment of other portfolio companies. Current assets increased by EUR 23.0 million to EUR 429.4 million as a result of a rise in receivables from affiliated companies. Cash and cash equivalents increased by EUR 1.6 million to EUR 14.0 million.

The equity of INDUS Holding AG increased in the reporting period by EUR 41.2 million to EUR 934.7 million. The equity ratio as of December 31, 2019, amounted to 58.7% and is just above the equity ratio as of December 31, 2018 (57.6%). Liabilities totaling EUR 608.7 million as of December 31, 2019, are almost unchanged compared to the prior-year figure of EUR 609.0 million.

INDUS employed a total of 33 employees, not including the Board of Management, as of December 31, 2019 (previous year: 31 employees).

EVENTS AFTER THE REPORTING DATE

The spread of the coronavirus and resulting measures have already had a significant impact on the global economy and will lead to long-term changes in the economic environment.

Several companies have already adjusted their forecast for the coming months. The stock exchanges are in free fall. At the moment, it is impossible to predict for how much longer the number of people infected with the coronavirus will continue to rise in Germany and Europe. Based on the experience in China, massive economic disruption can be expected. To what extent this will influence the economy will depend on how well and how quickly the situation returns to normal.

The coronavirus pandemic is presenting the INDUS Board of Management and the managers of the portfolio companies with unprecedented operational challenges. Based on experience from China, the Board of Management is currently anticipating massive disturbances in the economic cycles for a period of four to six weeks. At the end of this period we expect the economy to recover relatively quickly. In our scenarios for this forecast, we have assumed that the economic situation will stabilize after six to eight weeks, i.e., in mid to late May. In the case of a significantly different scenario, the overall impact on the economy and the resulting effects on the portfolio companies of INDUS cannot be estimated at the present time. The forecasts predict that sales will fall from EUR 1.74 billion in 2019 to between EUR 1.50 and 1.65 billion in 2020, with a corresponding decline in operating income (EBIT) of between EUR 23 and EUR 33 million. Should the massive economic disruptions of the business cycles last longer than expected, higher losses cannot be ruled out.

The impact of the coronavirus pandemic on the Group is described in the Opportunities and Risk Report, while the Forecast Report discusses current developments and the latest assumptions for the 2020 financial year. The Forecast Report reflects the assessments of the Board of Management at the time of preparation of the annual and consolidated financial statements for INDUS Holding AG. Any further effects cannot be estimated at this moment in time.

INDUS constantly monitors the development of the coronavirus crisis and its impact on the business of its portfolio companies. Appropriate measures to support these companies are evaluated quickly and implemented at short notice.

There are no other post-balance sheet events that would have a significant impact on the INDUS Group.

FURTHER LEGAL INFORMATION

COMPENSATION REPORT

PRELIMINARY REMARKS

The Compensation Report describes the principles underlying the system by which the members of the Board of Management of INDUS Holding AG are compensated, and it explains the structure and amount of the individual members' income. The report also contains the particulars of the principles and the amount of compensation paid to members of the Supervisory Board.

The Compensation Report covers the applicable provisions of the German Commercial Code (HGB), the German Accounting Standards (DRS 17), the laws governing disclosure and appropriateness of the compensation paid to Board of Management members (VorstAG, VorstOG), and the principles of the German Corporate Governance Code (DCGK), as amended on February 7, 2017.

BOARD OF MANAGEMENT COMPENSATION

The Board of Management compensation system was reviewed in 2009 and presented at the 2010 Annual Shareholders' Meeting. In accordance with legal requirements, the compensation system consists of three elements: fixed salary, short-term incentives, and long-term incentives. When targets have been met in their entirety, variable components always account for more than 40% of compensation; components with a multi-year measurement base and short-term variable components are weighted accordingly. A sustainability component was introduced for the first time in the 2016 financial year.

The short-term incentive is based on earnings before taxes and interest (consolidated EBIT before impairments of goodwill). The target is set annually as part of the corporate planning process with the Supervisory Board. If the target is attained in full (100%), the bonus factor is likewise 100%.

BOARD OF MANAGEMENT COMPENSATION – GRANTED BENEFITS

(in EUR '000)

	JÜRGEN ABROMEIT CHAIRMAN OF THE BOARD (UNTIL JUNE 30, 2018)				DR. JOHANNES SCHMIDT CHAIRMAN OF THE BOARD (SINCE JULY 1, 2018, BOARD OF MANAGEMENT MEMBER SINCE 2006)			
	2018	2019	2019 (MIN.)	2019 (MAX.)	2018	2019	2019 (MIN.)	2019 (MAX.)
Fixed salary	700	0	0	0	490	540	540	540
Ancillary benefits	20	0	0	0	19	25	25	25
Total	**720**	**0**	**0**	**0**	**509**	**565**	**565**	**565**
One-year variable component of the compensation	350	0	0	0	200	230	0	345
Multi-year variable component of the compensation								
2018 tranche*	140	0	0	0	105	0	0	0
2019 tranche **	0	0	0	0	0	140	0	280
Total	**490**	**0**	**0**	**0**	**305**	**370**	**0**	**625**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**1,210**	**0**	**0**	**0**	**814**	**935**	**565**	**1,190**

* 2018 tranche: stock appreciation rights (Jan. 1, 2018–Dec. 31, 2023)
** 2019 tranche: stock appreciation rights (Jan. 1, 2019–Dec. 31, 2024)

If the target attainment is less than 50%, the resulting value for the bonus factor is 0. If it is between 50% and 125%, the bonus factor is twice the degree in excess of 50% to which the target is attained. A cap (maximum upper limit) applies at target attainments from 125%.

The long-term incentive consists of virtual stock options (SAR, stock appreciation rights). These involve the setting of an exercise price for stock appreciation rights as of the issue date. The contractually agreed target amount determines the number of virtual stock options. A payout can be made only if the share price is higher than this exercise price in the exercise period, and defined success hurdles are cleared (minimum price increase of 12% during the blocking period). The earliest possible payout date is subject to a four-year blocking period, and an upper limit (cap) applies when 200% of the target bonus is achieved. The number of SARs granted to Board of Management members in annual tranches is determined based on the option price at the grant date and the contractually specified target price. The options are non-forfeitable from the date they are granted.

In financial year 2019, 69,060 SARs were granted (previous year: 61,286). On the date on which they were granted, the total fair value of the SARs was EUR 350 thousand (previous year: EUR 385 thousand). The fair value of previously granted SARs was calculated at a total of EUR 636 thousand on the reporting date (previous year: EUR 471 thousand). A provision in this amount was formed in the annual financial statements. This addition for the financial year, before discount, is recognized with an amount of EUR 676 thousand in the personnel expenses item. A reversal of EUR 17 thousand in included in other operating income (previous year: EUR 1,026 thousand in other operating income and EUR 72 thousand in personnel expenses). Payments on stock options amounting to EUR 494 thousand were made during the financial year (previous year: EUR 560 thousand).

DR. JÖRN GROßMANN BOARD OF MANAGEMENT (SINCE 2019)				AXEL MEYER BOARD OF MANAGEMENT (SINCE 2017)				RUDOLF WEICHERT BOARD OF MANAGEMENT (SINCE 2012			
2018	2019	2019 (MIN.)	2019 (MAX.)	2018	2019	2019 (MIN.)	2019 (MAX.)	2018	2019	2019 (MIN.)	2019 (MAX.)
0	340	340	340	340	340	340	340	365	390	390	390
0	20	20	20	16	18	18	18	30	32	32	32
0	**360**	**360**	**360**	**356**	**358**	**358**	**358**	**395**	**422**	**422**	**422**
0	170	0	255	170	170	0	255	170	170	0	255
0	0	0	0	70	0	0	0	0	70	0	0
0	70	0	140	0	70	0	140	70	0	0	140
0	**240**	**0**	**395**	**240**	**240**	**0**	**395**	**240**	**240**	**0**	**395**
0	0	0	0	0	0	0	0	0	0	0	0
0	**600**	**360**	**755**	**596**	**598**	**358**	**753**	**635**	**662**	**422**	**817**

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 capping of payment claims into account. For the 2018 and 2019 financial years, Board of Management compensation was reported in individualized form on the basis of the standard tables recommended by the German Corporate Governance Code, as amended on February 7, 2017.

Ancillary benefits include taxable non-cash benefits, primarily the provision of a company car. Pension rights were acquired by a former member of the Board of Management through a deferred salary plan; the rights are covered by reinsurance policies of corresponding value.

In accordance with the recommendation in item 4.2.3 (2) of the German Corporate Governance Code, as amended on February 7, 2017, the Board of Management's compensation is to include upper limits overall and in regard to variable remuneration. The maximum compensation for the Board of Management can be found in the table "Granted Benefits."

BOARD OF MANAGEMENT COMPENSATION – AMOUNTS RECEIVED IN REPORTING YEAR (in EUR '000)

	Jürgen Abromeit Chairman of the Board (2012–June 30, 2018; 2008–June 30, 2018 Board of Management)		Dr. Johannes Schmidt Chairman of the Board (since July 1, 2018, Board of Management since 2006)		Dr. Jörn Großmann Board of Management (since 2019)		Axel Meyer Board of Management (since 2017)		Rudolf Weichert Board of Management (since 2012)	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Fixed salary	700	0	490	540	0	340	340	340	365	390
Ancillary benefits	20	0	19	25	0	20	16	18	30	32
Total	**720**	**0**	**509**	**565**	**0**	**360**	**356**	**358**	**395**	**422**
One-year variable component of the compensation	512	0	282	155	0	68	179	120	255	120
Multi-year variable component of the compensation										
2014 tranche*	280	0	140	0	0	0	0	0	140	0
2015 tranche**	0	269	0	118	0	0	0	0	0	107
Total	**792**	**269**	**422**	**273**	**0**	**68**	**179**	**120**	**395**	**227**
Benefit expenses	0	0	0	0	0	0	0	0	0	0
Total compensation	**1,512**	**269**	**931**	**838**	**0**	**428**	**535**	**478**	**790**	**649**

* 2014 tranche: stock appreciation rights (Jan. 1, 2014–Dec. 31, 2019)
** 2015 tranche: stock appreciation rights (Jan. 1, 2015–Dec. 31, 2020)

SUPERVISORY BOARD COMPENSATION

Supervisory Board compensation is governed by Section 16 (1) and (2) of the Articles of Incorporation. The Articles of Incorporation were revised at the company's extraordinary Annual Shareholders' Meeting on November 29, 2018. Every member of the Supervisory Board receives a basic payment of EUR 30 thousand for serving on the Supervisory Board, an attendance fee of EUR 3 thousand per meeting, fixed compensation of EUR 5 thousand for serving on Supervisory Board committees (except Mediation Committee), plus reimbursement of out-of-pocket expenses. The same applies to telephone and video conferences. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. The Committee chairmen receive twice the basic committee amount. Supervisory Board members who do not serve for the entire financial year receive pro rata compensation. This also applies to pro rata membership in committees. As in previous years, no loans or advances were granted to Supervisory Board members, nor any liabilities assumed on their behalf.

There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. Total compensation paid to Supervisory Board members in the 2019 financial year was EUR 667 thousand (previous year: 454 thousand). No Supervisory Board member received any fees for personally performed advisory services to Group companies (previous year: EUR 0 thousand). Offices that members of the Board of Management and Supervisory Board held in legally stipulated Supervisory Boards or comparable supervisory bodies in domestic and foreign commercial enterprises are disclosed in the Notes to the Consolidated Financial Statements under item [37]. See the Notes for related party disclosures.

Supervisory Board members received compensation as follows in the year under review:

SUPERVISORY BOARD COMPENSATION (in EUR '000)

	FIXED COMPONENT OF THE COMPENSATION		ATTENDANCE FEE		TOTAL	
	2018	2019	2018	2019	2018	2019
Jürgen Abromeit	7	80	6	30	13	110
Dr. Jürgen Allerkamp	44	35	41	12	85	47
Dr. Ralf Bartsch	27	0	21	0	48	0
Dr. Dorothee Becker	30	35	27	15	57	50
Dorothee Diehm	3	35	3	15	6	50
Pia Fischinger	3	30	3	16	6	46
Cornelia Holzberger	0	28	0	14	0	42
Prof. Dr. Kammerlander	27	0	21	0	48	0
Gerold Klausmann	3	35	3	15	6	50
Wolfgang Lemb	4	50	0	20	4	70
Isabella Pfaller	4	45	3	16	7	61
Sergej Schönhals	3	2	3	0	6	2
Helmut Späth	57	30	54	16	111	46
Uwe Trinogga	3	30	3	16	6	46
Carl Martin Welcker	30	35	21	12	51	47
Total	**245**	**470**	**209**	**197**	**454**	**667**

ACQUISITION-RELATED DISCLOSURES

DISCLOSURES IN ACCORDANCE WITH SECTIONS 289A (1) AND 315A (1) HGB: CAPITAL STOCK, VOTING RIGHTS, AND TRANSFER OF SHARES

As of December 31, 2019, the capital stock of INDUS Holding AG amounted in total to EUR 63,571,323.62. This is divided into 24,450,509 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 19.4% 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 8.2 of the Articles of Incorporation, the Supervisory Board may appoint one member of the Board of Management as chairman or spokesman, and another as deputy chairman.

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), the members of 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 if the Board of Management is dismissed within one year after a change of control without good cause within the meaning of Section 626 of the German Civil Code (BGB), the company will pay out severance to the members of the Board of Management. The severance payment will be based on the total compensation, including all fixed and variable components and non-cash benefits. Severance payments will be made for the period up to the scheduled end date in the case of termination for a maximum of two years, and in the case of dismissal for a minimum of two years, but only to a maximum of 150% of their compensation package for two years.

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.

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 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 contingent 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;
— or obligors of 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, fulfilling 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 28, 2024, once or in several installments, by a total of up to EUR 31,785,660.51 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 12,225,254 new registered no-par-value shares (Authorized Capital 2019) 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 be assumed also by one or more financial institutions chosen by the Board of Management with the obligation to offer them to the shareholders (indirect subscription rights). 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 excluding 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 excluding subscription rights pursuant to Section 186 (3) sentence 4 AktG does not exceed 10% of the capital stock, neither at the time at which this authorization takes effect nor at the time at which this authorization is exercised. 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 cases involving a capital increase through non-cash contributions, in particular for the purposes of acquiring a company, company divisions, investing in a company, or other material operating resources; 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 includes shares issued or to be issued with exclusion of subscription rights owing to a different authorization during the term of this authorization.

SHARE BUYBACKS

The Annual Shareholders' Meeting on June 3, 2015, also authorized the Board of Management, with the Supervisory Board's approval, to buy back treasury shares up to 10% of the company's capital stock existing when the resolution is taken. The authorization took effect at the end of the Annual Shareholders' Meeting on June 3, 2015, and applies until June 2, 2020. The authorization may be exercised in full or in part and 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 average value 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 10% on three days before the acquisition or the obligation to acquire.
- 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 10% of the average share price (closing auction prices in the Deutsche Börse AG's XETRA trading in Frankfurt am Main or in a comparable successor system) on three days before the offer is published. The volume of the offer may be limited. Should the total subscription of 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 shares in the company 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 limited in total to no more than 10% of the company's capital stock at the time of the resolution of the Annual Shareholders' Meeting concerning this authorization or, if less, to 10% of the capital stock at the time at which the shares are disposed of. The authorized volume decreases by the proportionate share of the company's capital stock that is attributable to shares, or to which conversion and/or option rights or obligations from bonds relate, that have been distributed or disposed of with exclusion of subscription rights, in direct application, application mutatis mutandis, or analogous application of Section 186 (3) sentence 4 of the AktG, since that authorization was granted.

The price at which shares are issued to third parties under this authorization may not be more than 5% less than the average 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 three days before the disposal obligation was created or the day of the stock market flotation;

— 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 liabilities 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 previous paragraph;
— 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 shares in the company, 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 of the AktG. In this case, the Board of Management is authorized to adjust the number of no-par-value shares in the Articles of Incorporation.

OPPORTUNITIES AND RISKS

INDUS employs a professional opportunity and risk management system. It helps the management of INDUS achieve its corporate goals. The core task of this system is to discover opportunities early on and to enable their use following an appropriate opportunity/risk assessment. At the same time, it is intended to ensure that the company is able to respond appropriately and confidently when unplanned events occur.

OPPORTUNITY MANAGEMENT

MARKET OBSERVATION AND ENGAGING IN STRATEGIC DIALOGUE TO IDENTIFY POTENTIAL

INDUS promotes and supports the entrepreneurial potential inherent in the Group. To that end the Board of Management uses, among other things, the instrument of "strategic dialogue" with the various managements. It assists the portfolio companies in part by discussing market and technological trends with the various managements at least once a year. These meetings allow the participants to discuss in particular, on an equal footing, the opportunities these trends present the portfolio companies.

The Board of Management consistently focuses on possibilities for the Group's further strategic development, independently of the portfolio companies. It particularly considers global growth drivers such as digitalization, mobility, infrastructure, health and safety. The Board of Management expects that these areas will be sources of exceptional development opportunities for the Group companies and attractive acquisition opportunities for the holding company. Opportunities arising from sustainable practices also play an increasingly important role.

ANALYSIS OF THE REGULAR INFORMATION FLOWS

Apart from the strategic discussions between the Board of Management and the various managements, all of the companies track opportunities and risks in their operational planning and monthly information exchanges to better assess and evaluate the current earnings and liquidity situation of the individual businesses.

THE SEARCH FOR STRATEGIC ADDITIONS

The holding company helps the portfolio companies exploit their opportunities by providing both advice and funds, for example for strategic additions at the company level (sub-subsidiaries). The opportunities the potential acquisitions present are evaluated by the responsible managing directors together with the Board of Management.

The opportunities are analyzed and developed locally, at an operational level, by the managing directors. These activities are based on analyses of the relevant markets and competitors and on various scenarios involving crucial cost drivers and success factors.

SYSTEMATIC INNOVATION MANAGEMENT IN THE PORTFOLIO COMPANIES

Opportunities emerge for the Group companies especially from the steady development of new products. Innovations help the companies maintain and enhance their positions in their niche markets. In dialogue with their customers and suppliers, the portfolio companies analyze the possibilities for new applications for their technologies in the short, medium, and long terms. An important starting point for developing their businesses further is the product innovations of their customers themselves. New products often require innovative production processes, to which the portfolio companies can contribute their expertise.

SYSTEMATIC SUSTAINABILITY MANAGEMENT IN THE PORTFOLIO COMPANIES

With the support of INDUS, the portfolio companies engage with the opportunities offered by systematic sustainability management. These approaches are discussed in detail in the sustainability report, which forms part of this annual report. ort.

SUPPORT FROM THE HOLDING COMPANY FOR OPPORTUNITY MANAGEMENT

INDUS provides support and advice for the portfolio companies' opportunity management efforts and offers potential solutions that the portfolio companies may individually access. A detailed description of these support measures may be found in the "Development and Innovation" section.

DESCRIPTION OF THE OPPORTUNITIES

STRATEGIC OPPORTUNITIES FOR THE GROUP

INDUS' business policy revolves around increasing the value of the portfolio. The most significant strategic opportunities therefore derive from acquiring, holding, and financing the portfolio companies' development possibilities. INDUS' M&A activities are therefore of central importance. To systematically take advantage of its acquisition opportunities, INDUS has identified target markets in which potential new portfolio companies are expected to be found through active searching. The investment team at INDUS Holding AG is continually identifying potential target companies and analyzing them carefully. To find further interesting acquisition possibilities, INDUS is studying more closely, in addition to its five established segment markets, the markets for technology for infrastructure/logistics, energy and environmental technology, automation and measurement technology, control engineering, and the field of safety technology.

To realize these opportunities, INDUS is continually expanding its network and increasingly enlisting the assistance of outside industry experts in recognition of the fact that the market for SMEs with less than EUR 100 million in annual sales figures is highly diversified. These consultants work exclusively for INDUS and identify suitable portfolio additions based on a clear set of requirements.

INDUS understands that, as a long-time buyer of the hidden champions among the SMEs, it occupies a special position in the marketplace. We are of the view that INDUS has an excellent reputation in the SME sector because it acquires companies to hold them for the long term and to assist them in their business development, not to sell them. Potential sellers therefore sometimes even approach INDUS exclusively to make solid succession plans for their company.

Thanks to its long history of success, consistent business performance, and sound financing policies, INDUS has the necessary resources needed to purchase new companies at any time without depending on banks. This, in addition to a proven and expeditious acquisition process, puts the Group in a position to make effective use of the opportunities the acquisition market offers and to complete sales negotiations in just a few weeks without the involvement of third parties.

OPERATIONAL OPPORTUNITIES FOR THE PORTFOLIO COMPANIES

INDUS portfolio companies are benefiting primarily from positive macroeconomic developments in the manufacturing sector. As a result of the coronavirus crisis however, the Board of Management anticipates a dramatic decline in the German economy in the current year. 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.

We believe INDUS' hidden champions have considerable development expertise. 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 an increase in public investment in infrastructure.

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.

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 an integral 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.

The objective of the risk management system is to identify, take stock of, analyze, assess, manage, and monitor risks systematically. The Board of Management regularly, and as required by events, examines and revises the company's risk register. On this basis, the necessary risk control measures are defined and documented and their effectiveness is also monitored using the risk register. 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) OF THE GERMAN COMMERCIAL CODE (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 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. The annual financial statements are prepared in accordance with the German Commercial Code (HGB). The ICS is structured for maximum security. 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 RISKS

The portfolio companies and INDUS Holding AG identify and assess risks locally and initially by means of a 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 overall assessment of the Group's risk exposure is based on an aggregation of the individual risks in each risk category. To illustrate the potential effects from the Group's perspective, the assessment focused on the sum of the gross risks' expected values, i.e., initially leaving out of consideration measures that had been implemented to minimize risk.

BUSINESS RISKS (AS ASSESSED BY THE BOARD OF MANAGEMENT)	POSSIBLE FINANCIAL IMPACT (EXPECTED VALUE OF GROSS RISKS)	RISK SITUATION IN 2020 COMPARED WITH PREVIOUS YEAR
COVID-19 pandemic	critical	new category
Business environment and sector risks	significant	unchanged
Corporate strategy risks	significant	unchanged
Performance risks	significant	unchanged
Personnel risks	low	unchanged
EDP risks	low	unchanged
Financial risks	significant	slightly increased
Legal risks	significant	unchanged
Other risks	low	unchanged

Extent of the potential financial impact on consolidated income or consolidated EBIT:
low (< EUR 5 million), significant (between EUR 5 and 20 million), critical (> EUR 20 million).

COVID-19 PANDEMIC

The ongoing coronavirus pandemic has been included as a new risk category. Although there have been other epidemics in recent years, for example SARS, MERS, EBOLA and A/H1N1, their impact has been limited and they did not have the same global consequences. Until now, the probability of such as risk had been regarded as low and now needs to be revised. The risks resulting from the coronavirus pandemic are discussed below using the standard risk classification.

BUSINESS ENVIRONMENT AND SECTOR RISKS

The drastic measures taken to reduce the speed with which coronavirus infections are spreading have led global economic processes to become increasingly disrupted. This is compounded by the high degree of anxiety among consumers and investors and the effects it is having on consumption and investing activity. Just one example are the plant closures by the major vehicle manufacturers. As a result some Group companies will no longer be able to perform their services. The diversity of the INDUS Group portfolio companies, both in terms of industry and geographic location, is a clear risk-minimizing advantage. INDUS anticipates that significant parts of value-creating production can be maintained.

PERFORMANCE RISKS

The global travel restrictions have made operations abroad (e.g. for assembly) impossible. Services cannot be performed in full and invoiced. This affects the Engineering segment in particular. The closure of foreign and possibly domestic production facilities compromises the supply of primary materials and finished products. Essential spare parts are not available. There are massive disruptions in the supply chain. Here too, the wide geographic and industry-specific diversity of INDUS Group companies is a clear risk-minimizing advantage. INDUS currently anticipates that significant parts of value-creating production can be maintained. All entities are working hard on finding alternative suppliers (e.g. replacing suppliers in northern Italy) in order to secure supplies and build up required inventories and machine spare parts.

PERSONNEL RISKS

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.

Protecting staff from infection is the foremost objective of all portfolio companies. This can be achieved by following the advice of the German Federal Centre for Health Education (BZgA) and the Robert Koch Institute on how to prevent infection. 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. Many authorities have already imposed sweeping measures to protect the public from infection, e.g. by confining people to their homes, banning public gatherings and more. INDUS is convinced that these stringent measures will be effective in reducing the spread of the disease.

EDP RISKS

Maintaining operational functions is contingent on the corresponding digitization of vital processes. Unrestricted means of communication and appropriate IT equipment are essential to mitigating any risks. According to information available at this moment in time, the INDUS Group companies are in good shape. No portfolio company has reported any significant disruptions to their IT or communication systems. As far as we know at present, INDUS Holding AG is able to maintain full operations for the foreseeable future, thanks to an IT environment that includes completely virtual desktops, sufficient band-width for its internet connections, and digital financial processes.

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. Customers unilaterally extend payment terms or demand a price reduction but yet expect capacities to be maintained. Some cash outflows are fixed and cannot be stopped without risking liability or damages. 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. As a precaution, INDUS has increased its free liquidity to prevent any possible cash shortages. At the same time, monitoring of cash and cash equivalents has been substantially intensified. Moreover, there are additional unused credit lines available. Investments have been largely suspended and potential company acquisitions deferred. We have reacted quickly by putting these measures in place. Furthermore, the German Federal Government has announced an aid package for companies including liability waivers for the lending financing partners, short-time work payments and tax deferrals. The Federal Government continues to offer export credit guarantees (Hermes cover) for exports to China and other coronavirus risk areas.

LEGAL RISKS

Significant legal issues and risks have arisen from the COVID-19 pandemic and subsequent disruptions to performance relationships. These relate for instance to force majeure clauses, provisions on non-delivery, obligations to give notice of defects in accordance with the relevant contracts and applicable legislation in order to protect the Group companies' rights in any disputes, and in relation to the documentation of relevant events in order to assert claims for damages.

The INDUS Group's guiding principle in any COVID-19 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.

VALUATION RISKS ARISING FROM RECOGNIZED GOODWILL

The coronavirus pandemic is a non-adjusting event after the balance sheet date relating to the current financial year. At the moment it is unclear if and to what extent future income figures will be affected. This depends on the duration of the crisis, the post-crisis ramp-up curve, compensation effects for production losses and any long-term impact of the pandemic on financial performance.

Irrespective of the risks relating to the COVID-19 pandemic described separately above, INDUS' business activities continue to be subject to the following risks:

BUSINESS ENVIRONMENT AND SECTOR RISKS

The portfolio companies' business activities are subject to the close correlation between business results and developments in the overall economic environment. 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. 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.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. Currently 51.1% 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. In their reports to INDUS, they record on a monthly basis their human resources capacities and plan reserves so that they may take advantage of flexibility in production and personnel costs. 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 soft- 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 that at this time the bank-related default risk the company is exposed to is limited. The largest single liability represents roughly 8% of the total liability (previous year: approx. 10%). 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. 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 236.4 million as of December 31, 2019 (previous year: EUR 270.1 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 2.3 million as of December 31, 2019 (previous year: EUR 12.4 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."

Due to an increase in the likelihood of future default risk, the risk assessment for financial risks rose against the previous year.

LEGAL RISKS

INDUS Holding AG and its portfolio companies are exposed to numerous legal risks. These lie primarily in the areas of competition, anti-trust, foreign trade, customs, and tax law. Risks also arise from the individual portfolio companies' operating activities, through warranty and product liability claims triggered by customer complaints. Effective contract and quality management minimizes this risk, but it cannot be eliminated completely. The holding company provides the companies in the Automotive Technology segment with consulting services to support their contract management.

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 415.2 million in goodwill (previous year: EUR 418.6 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. During the reporting year, impairment losses were recorded, primarily on goodwill, in the amount of EUR 17.3 million (previous year: EUR 16.1 million). INDUS has accounted for the goodwill risk by reporting in the statement of financial position any impairments identified through impairment testing.

THE BOARD OF MANAGEMENT'S OVERALL ASSESSMENT

NO IDENTIFIABLE GOING CONCERN RISKS

Growth through acquisitions is a key focus of the INDUS Group's long-term strategy, and the Group was able to add two new portfolio companies to its portfolio in the financial year 2019. For 2020, 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 2020 in possible acquisitions at both the portfolio level and the level of the portfolio companies (sub-subsidiaries). However, in order to manage liquidity, this goal is now subject to the economic conditions normalizing in the second half of the year after the coronavirus crisis.

The approximately EUR 123 million that has been earmarked for planned investments (in both property, plant, and equipment, and company acquisitions) should be used to exploit the opportunities in the portfolio. As a result of the coronavirus crisis, all non-essential investments have been suspended for liquidity management reasons and taking advantage of these opportunities will therefore shift to the second half of the year. In addition, shares of minority shareholders amounting to a total of EUR 22 million are due to be bought under existing contracts. With greater promotion of innovation management in the portfolio companies, opportunities will be considerably greater as the result of product innovations.

Risks to performance in 2020 are posed in particular by economic trends under the impact of major geopolitical conflicts and situations of instability in many countries. Development in Europe is also characterized by numerous uncertainties, particularly the upcoming Brexit. It is the opinion of the Board of Management that the risks in 2020 for INDUS have not changed substantially as compared to the previous year – with the exception of the risks arising from the coronavirus crisis discussed above.

The impact of this crisis on the portfolio companies has been included in the forecast repost to the extent they can be assessed. We have based our assessment on a scenario in which the situation will stabilize in approximately 6–8 weeks. In the event that this scenario changes, the macroeconomic impact and its effects on INDUS' portfolio companies cannot be estimated at this moment in time.

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 evaluated the company's overall risk exposure and explained it in the comments on the individual risks. In the financial year ended, the Board of Management identified no risks that could materially affect the Group as a going concern, either individually or in combination with other risks. At the time of writing, there are no identifiable threats to this status, even taking the coronavirus crisis scenario risk into account, foreseeable in the immediate future.

FORECAST REPORT

Germany, Europe and the world are currently in the grip of the coronavirus crisis. Future macroeconomic development depends on the course of the pandemic and the time it takes for the situation to normalize. This forecast report takes full account of the conditions prevailing at the time of writing this report at the end of March 2020. The INDUS Group expects sales totaling EUR 1.5–1.65 billion and an operating income (EBIT) of EUR 85–95 million for 2020.

FORECAST ECONOMIC OUTLOOK

MASSIVE IMPACTS OF THE CORONAVIRUS INEVITABLE

Since the start of the year, the situation caused by the coronavirus has become a relevant influencing factor for the future economic development. The outbreak in the Chinese province of Wuhan has highlighted the importance of China as the workshop for the global industry. The drastic measures taken to reduce the speed of the spread of coronavirus infections have led to increasing disruption of the economic processes in Germany, Europe and the entire world. Several companies have already adjusted their forecasts for the coming months. The stock exchanges are in free fall. At the moment, it is impossible to predict for how much longer the number of people infected with the coronavirus will continue to rise in Germany and Europe. Based on the experience in China, massive economic disruption can be expected. How badly the economy will be affected depends on how well and how fast the Situation will return to normal.

The following paragraphs on the global and German economy and the forecast for the segments are based on our knowledge at the time of writing of this report.

GLOBAL ECONOMIC GROWTH UNDER PRESSURE

According to its forecast, the Kiel Institute for the World Economy (IfW) expects growth to decline by 1 percentage point to 2.0% in 2020. Increases in production are predicted to decline at the same rate, that is, from 3% in 2019 to 2% in 2020. This is the lowest growth rate since the last global recession in 2008/2009. Following the slowdown of growth in China, the hitherto robust US economy has now also lost its momentum. As a result of the quarantine to slow the spread of the coronavirus, China had a weak first quarter, but a recovery of economic activity is expected during the course of the year. Production was at a standstill at the end of the Chinese New Year celebrations; by the end of February 80% of businesses in China had restarted their activities. The forecasts for the world economy, the Eurozone, China and Germany were significantly reduced in March 2020.

Risks continue to arise from the United States-China trade war, the Brexit process, and any political conflicts that could flare up as a result of measures initiated by the US government at short notice. There are also political risks in Europe, such as the smoldering budget argument in the EU following the United Kingdom's exit. In addition, there are risks arising from the coronavirus crisis: production shortfalls due to disrupted supply chains, high losses in raw material supplies, and a high degree of anxiety among consumers and investors and its effect on consumption and investing activity.

CHANGE IN GROSS DOMESTIC PRODUCT (GDP) (in %)

	2019 (FORECAST PY)	2019 (PRELIM. CALCULATION)	2020 (FORECAST)
Economic regions			
Global economy	3.4	3.0	2.0
Euro area	1.7	1.2	-1.0
Selected countries			
United States	2.5	2.3	1.5
China	6.1	6.2	3.8
Germany	1.8	0.6	-4.5 to -8.7

Source: Kiel Institute for the World Economy (IfW), values for Germany adjusted for calendar and seasonal effects.

GERMAN ECONOMY IN LOCKDOWN

For 2020, the economists at the IfW and ifo Institute expect the German economy to decline dramatically as a result of the drastic measures to slow the spread of the coronavirus crisis: Following on from the weak 0.5% growth in the previous year, the growth rate is likely to be around -4.5% if the lockdown lasts until the end of April. Key will be how well industry and private consumption will recover after the lockdown. Due to the worldwide economic slowdown however, no significant compensation effects are expected in the year.

Exports are likely to shrink by 1.0% in 2020 (2019: 0.9%) China is the third-largest export market (7%) and is thus responsible for a substantial part of this reduction. Exports of goods to the United Kingdom will also continuously decline. The same applies to imports. They continue to be impacted by the weak investment dynamic and are predicted to fall to 1.2% (2019: 1.9%). The effects resulting from the measures to reduce the spread of the coronavirus are another burden. A substantial proportion of German imports come from China (10%). The IfW also assumes that in addition to supply chain issues, investments will also be deferred.

The growth in employment rates with commensurate rising salaries in the labor market will come to a standstill in the industries affected by the coronavirus crisis. According to the ifo Institute, the annual average unemployment rate will rise from 5.0% in 2019 to 5.3%. The economic experts of the IfW predict that the price rises will decline slightly in 2020 from the prior-year figure (+1.4%), with a resulting inflation rate of 1.3%. Depending on the duration of the lockdown, further falls in the inflation rate can be expected.

The lockdown measures to reduce the spread of the coronavirus will lead to production stops and insolvencies. The ifo Institute therefore predicts a slowdown in German industrial production in 2020 (-0.5% compared to the 2019 figure). Other factors in addition to the ongoing trade conflicts are the crisis in the automotive industry, weak trade in goods, and fewer investments in plants and machinery. The German industry, with its strong focus on exporting investment goods will feel the full brunt of the decline in global trading. Expectations with regard to future business performance over the next 6 months vary and indicate increased insecurity in the companies. This insecurity will be compounded by plant closures to prevent the spread of infection among workers, suppliers' failures to deliver, especially for deliveries from China and Italy, and sales losses as a result of deferred or canceled contracts. The latest projections of the ifo institute (before lockdown) forecast a first-quarter fall of -1.7% and a second-quarter fall of -2.8% in the processing industry, followed by a recovery in the second half of the year. However, the ifo Institute believes that the lack of empirical values makes it impossible to accurately predict the economic impact of the coronavirus crisis at this moment.

FINANCIAL POLICY MEASURES INTRODUCED TO CUSHION THE ECONOMIC IMPACT OF THE CORONAVIRUS CRISIS

In order to provide further support for the economy, the European Central Bank (ECB) had already introduced a number of expansive measures in the second half of 2019. These include resumption of the asset purchase program, longer-term refinancing options with a maturity of three years, and a further reduction of the deposit interest rate. In the United States, the Federal Reserve had already lowered the base rate in three steps during 2019. Due to the foreseeable economic risks posed by the spread of the coronavirus, the US discount rate was reduced by 0.5 percentage points in a first step, to 1–1.25%, followed by a second step with an even greater reduction to the level of the ECB rate of 0–0.25%. The ECB affirmed a stable base rate of 0% and will refrain from any interest rate rises until the medium-term inflation target of just below 2% has been achieved. With economic expectations falling due to the lockdown of several European countries, inflation is expected to stay well below this target in 2020.

The effects of the coronavirus in Europe have caused concerns about the threat of cash shortages in the financial markets. In order to calm the markets, the ECB announced that it will buy up to EUR 750 billion in government and corporate bonds and other assets during 2020. Additional measures to support liquidity in the markets include longer-term bank refinancing and lower interest rates for loans to small and medium-sized businesses. The German Federal Government also reacted with immediate measures to protect both companies and employees and will provide "unlimited cash" for this purpose. Liquidity shortages in SMEs are to be eased through tax moratoriums and loan guarantees. These measures are intended to ensure a ready cash supply for the economy and loan facilities for the businesses.

PROCESSING INDUSTRY EXPECTS SLUGGISH DEVELOPMENT IN 2020, CONSTRUCTION AND MEDICAL ENGINEERING/LIFE SCIENCE CONTINUE THEIR UPWARD TREND

The following estimates for the industries that are of relevance to INDUS are based on information and sources available at the time of preparation of the financial statements. With a few exceptions, the estimates for the different sectors do not take the effects of the coronavirus pandemic and its economic consequences into account.

Companies in the German construction sector again have high hopes for the current financial year. However, the Hauptverband der Deutschen Bauindustrie (HDI) anticipates a slight weakening of real growth to 1% (nominal approx. 5.5%). Sales are thus likely to reach EUR 145 billion. There is likely to be a slowdown in construction project investment, with growth here predicted to grow steadily within an annual range of 1.5% to 3.3%. The latest forecasts of the ifo Institute of September 2019 assume a growth in construction investments of 3.4% for the current year and 2.8% for next year. Residential construction is expected to perform very well. Close to 290,000 building permits were granted between January and October 2019. Consequently the completion of around 310,000 residential properties and a nominal growth rate of 7% can be anticipated for 2020. Predictions for the commercial construction sector present a more varied picture. There was a reduction in building permits for factory and workshop construction, while there was an upwards trend for building permits for retail and warehouse premises, and also for office and administrative facilities. In light of this, commercial construction is expected to rise by a nominal 5.5%. Public construction continues to be dominated by the federal government's investment drive. Provided the transition from state administration back to the federal government goes smoothly, we can expect nominal growth of 4%. Construction companies' demand for qualified staff remains high. The HDB therefore expects the headcount to continue to rise to 870,000 workers (+1.5%).

The transformation process on the international vehicle market is continuing with the same momentum. The industry is increasingly working towards e-mobility, different types of emissions, and digitization. It is becoming ever more clear that the German automotive industry is facing serious problems as a result of structural changes and investing too late in the e-mobility sector. The subsequent loss of mostly well-paid jobs will also be felt in other sectors in the longer term. New car registrations have fallen by around 5% across the world last year, and the German Association of the Automotive Industry (VDA) anticipates a further reduction of around 1%, to 78.9 million in 2020. This figure is only just above the figure recorded in 2015 (78.2 million). After many years of growth, the number of new vehicle registrations in Germany will probably fall by up to 9% to 3.2–3.4 million. A reduction in new registrations at the start of the year and production until February of 9% and 10% respectively confirm the negative predictions. The key market EU and also the German market had fallen by 7.3% by February 2020, while the USA reported 4.5% growth. The Chinese market, where the economic activity was reduced to halt the spread of the coronavirus, fell steeply in the first two month of the year (-43.8% compared to the previous year). At the start of the year, German car makers exported roughly 15% fewer vehicles than during the same period last year. As a result of the coronavirus outbreak, the VDA also predicts significant reductions in sales outside China. The IfW expects production in the automotive industry to fall by up to 70% in the shorter term.

The outlook for Medical Engineering/Life Science continues to be good, even with companies needing to comply with the more stringent requirements of the EU Medical Device Regulation (MDR). The majority of businesses demand an extension of the MDR transitional period beyond May 26, 2020, and a "grandfather" policy for a simplified recertification of existing products. They also demand shorter assessment procedures. The MDR-related regulatory and documentation costs have multiplied. The companies fear that, due to economic reasons, some products will disappear from the market or not even be launched in the first place. The pressure will increase in particular for SMEs, and some of these businesses are likely to exit the market over the coming years. As a result of its well-trained workforce and good infrastructure, Germany remains an attractive location.

In the German engineering sector, the downturn looks set to continue for the moment: trade association Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA) economists forecast another decrease of 2% in production, adjusted for inflation, in 2020. The sector's high export ratio makes its growth highly dependent on economic developments in key export markets such as the United States and China. In light of normal cycles, the trade association does not believe the sector is facing any fundamental crisis. The predicted recovery is likely to be delayed due to technology-related lead times, and any increase in production cannot be expected before the second half of 2020. Low capacity utilization has an effect on the labor market with some job losses and a rise in short-time working.

The mood in the metal manufacturing and processing industry continued to worsen towards the end of year. Expectations for 2020 are therefore lower, with 48% of businesses considering their order situation to be bad. There has been a notable reduction in both capacity utilization and order backlogs as a result of the weak economy. At a mere 76.5% in January 2020, capacity utilization is now below its long-standing average. Reported short-time working affected 34,000 at the end of the year, five times more than in January of the previous year. The industry is highly export-driven and is likely to keenly feel the impact of the predicted lower exports. According to the ifo Institute's business climate index, some positive signs of a possible recovery emerged at the start of 2020.

EXPECTED GROUP PERFORMANCE

PARKOUR: THE INDUS GROUP'S STRATEGY PROGRAM UNTIL 2025

In 2018, the INDUS Board of Management developed the PARKOUR strategy program, which has been implemented since 2019. The key aims are growth, value enhancement, and securing a balanced portfolio structure.

PARKOUR puts a new focus on increasing entrepreneurial fitness: the individual portfolio companies and the Group as a whole need to improve their operations and grow faster. A high degree of entrepreneurial fitness will play a decisive role in the portfolio companies' ability to successfully overcome the consequences of the coronavirus crisis.

PARKOUR has three specific aspects: the targeted strengthening of the portfolio structure, driving innovation, and improving performance through operational excellence at 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, the Group intends to focus acquisition activities on 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.

The INDUS Group is facing up to the changes in the automotive industry. Wide-ranging repositioning is underway to get the series suppliers ready for the emerging and promising automotive technologies. Furthermore, INDUS intends to investigate whether a different owner would be able to offer certain series suppliers and their employees better long-term development opportunities. There could even be closures of some business units. However, the fundamental corporate strategy "buy, hold & develop" will remain unchanged.

To improve innovation ability within the existing portfolio, INDUS also supports the acquisition of new companies at the second level (sub-subsidiaries). This applies in particular to innovative companies in the future fields Industry 4.0/digitalization, innovative structural engineering, public and private safety, medical technology for an aging society, intelligent infrastructure for logistics, and green tech.

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 for new services, business processes and business models. Up to 3% of the consolidated EBIT is made available each year to drive promising innovation projects forward.

INDUS believes that innovations often come about as a result of exchange with others, and thus the existing network will be promoted internally and externally through cooperation with external partners and within the Group. Another goal is to purposefully pass know-how to the existing portfolio through the acquisition of innovative new companies.

IMPROVING PERFORMANCE

INDUS will concentrate on boosting performance at the portfolio companies by expanding operational excellence. Two strategic projects aim to improve performance: “Operational Excellence in Business Development/Strategic Marketing/Sales” and “Operational Excellence in Production.” The Business Development/Strategic Marketing/Sales project offers sales side support services to the portfolio companies, for instance in the areas of market development, competition analysis, sales optimization, and pricing. 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.

ADDITIONAL ACTIVITIES TO PROMOTE SUSTAINABILITY IN THE 2020 FINANCIAL YEAR

INDUS will further intensify its activities to promote sustainable business practices within the holding company and its portfolio companies. Special attention will be paid to introducing concrete measures to achieve the targets for a 35% reduction in industrial CO_2 emissions by 2030 (based on the figures for 2018) set by the German federal government in its Climate Action Program 2030.

EXPECTATIONS FOR THE FINANCIAL YEAR 2020

The following forecast report takes account of all known facts at the time of writing that could affect the performance of the INDUS Group. The statements about the predicted development in the economic situation include statements made by leading organizations, such as economic research institutes and banks.

The prevailing uncertainty at the time of writing this report, caused by the rapid spread of the coronavirus since the beginning of March 2020, makes it difficult to accurately predict the economic performance of the Group. At the moment, it is impossible to predict for how much longer the number of people infected with the coronavirus will continue to rise in Germany and Europe. Based on experience from China, the Board of Management is currently anticipating massive disturbances in the economic cycles for a period of four to six weeks. At the end of this period we expect the economy to recover relatively quickly. In our scenarios for this forecast, we have assumed that the economic situation will stabilize after six to eight weeks, i.e., in mid to late May. In the case of a significantly different scenario, the overall impact on the economy and the resulting effects on the portfolio companies of INDUS cannot be estimated at the present time.

In line with the projections of the IfW and the ifo Institute for March 18/19, 2020, the Board of Management expects a significant downturn in the German economy due to the coronavirus crisis, which could lead to a decline in German economic output of 4% to 5%. There are however indications that the decisive action taken by the politicians could lead to a V-shaped economic recovery, with a sharp rise following the anticipated lockdown. The asset purchase program of up to EUR 750 billion in government and corporate bonds and other assets during 2020 announced by the ECB on the evening of March 18, 2020, should have a stabilizing effect.

The German Federal Government already announced on March 13, 2020, that it would provide “unlimited liquidity assistance in order protect both companies and employees.” That should secure liquidity in the economy for the coming months at least. The March 13, 2020 decision on short-time working benefits will provide further relief to businesses because significant portions of personnel costs can actually be regarded as variable in the cash flow forecasts during the acute crisis.

The INDUS Board of Management currently expects further substantial sales reductions in the Automotive Technology segment and considerably reduced growth prospects in the Engineering segment compared to 2019. Despite the temporary effects of the coronavirus crisis, the Board of Management anticipates a solid degree of consolidation in the Construction/Infrastructure segment, albeit under the record highs of 2019. Overall, the forecasts predict that sales will fall to between EUR 1.50 and 1.65 billion. Operating income (EBIT) is likely to be in a range of EUR 85 million to EUR 95 million, which is also significantly below 2019. These target figures do not take into account the new acquisitions that are sought at the first and second levels. The range for the EBIT margin will probably be between 5% and 6.5%. These forecasts were made on the basis of the assumptions described above, including a stabilization of the economic situation after six to eight weeks.

The coronavirus is a material subsequent event for the financial year 2020. It is currently unclear as to whether the future earnings of the portfolio companies, and therefore the goodwill to be recognized, will be significantly impaired. This will depend on the duration of the crisis, the recovery after the crisis, the catch-up effects of lost production and the long-term impact that the pandemic will have on financial performance. The forecast for operating income (EBIT) does not include any impairment of goodwill.

It is impossible to say at this time how the M&A market will be affected by consequences of the coronavirus crisis. An uncertain macroeconomic environment with an increased liquidity preference could quite possibly lead to sellers’ price expectations becoming more realistic.

The INDUS Group investment budget for this year was set in December 2019 and totals around EUR 83 million (excluding acquisitions). In response to the coronavirus crisis, the Board of Management has ordered a suspension of all investments for all portfolio companies. Once the fuller impact of the coronavirus crisis can be assessed more accurately, a reduced investment budget will be set for 2020. At the end of 2019, a sum of EUR 40 million had been budgeted for company acquisitions in the year 2020. Moving forward, the Board of Management will decide on specific acquisition projects on a case-by-case basis, depending on further developments as a result of the coronavirus crisis. The Group also plans to buy the remaining shares of m+p, MBN, and PEISELER from the previous owners A sum of just under EUR 22 million has been earmarked for this purpose. This sum will need to be spent in order to fulfill the terms of existing contracts.

Maintaining economic stability and long-term liquidity of the INDUS Group is at the forefront of all steps taken by the Board of Management. The Board of Management has implemented a package of measures designed to reduce cash outflows both at Holding-company and portfolio-company level. Investments in fixed assets will be reduced compared to last year and dividend distributions are to be paid for from current cash flows and/or the available cash base. The INDUS Group’s equity ratio is not to fall below 40%. Under its revolving financing program, INDUS expects to incur debts in the form of loans and promissory note loans In such financing matters the Group can rely on its trusted bank partners, with whom we are in constant contact. The debt repayment terms based on EBITDA should remain in a range of 2.0 to 2.5 years, but could be extended temporarily to 3.0 years in 2020 as a result of the predicted fall in EBITDA.

FINANCIAL POSITION: GROWTH FORECAST

TARGET PERFORMANCE COMPARISON

	ACTUAL 2019	TARGET 2020
GROUP		
Management variables		
Acquisitions	2 growth acquisitions	dependent on overall performance
Sales	EUR 1.74 billion	EUR 1.50–1.65 billion
EBIT	EUR 117.9 million	EUR 85 million to EUR 95 million
EBIT margin (in %)	6.8	5–6.5
Investments in property, plant, and equipment, and intangible assets	EUR 78.3 million	less than previous year
Supplementary management variables		
Equity ratio (in %)	40.2	> 40
Net debt/EBITDA	2.4 years	≤ 3.0 years
Working capital	478.3	less than previous year
SEGMENTS		
Construction/Infrastructure		
Sales	EUR 388.9 million	falling sales
EBIT	EUR 63.0 million	falling income
EBIT margin (in %)	16.2	13–15
Automotive Technology		
Sales	EUR 350.3 million	falling sales
EBIT	EUR -35.8 million	rising income
EBIT margin (in %)	-10.2	-9 to -7
Engineering		
Sales	EUR 434.6 million	falling sales
EBIT	EUR 54.6 million	falling income
EBIT margin (in %)	12.6	~11
Medical Engineering/Life Science		
Sales	EUR 159.7 million	slight fall in sales
EBIT	EUR 18.6 million	falling income
EBIT margin (in %)	11.7	9–11
Metals Technology		
Sales	EUR 409.2 million	falling sales
EBIT	EUR 25.8 million	falling income
EBIT margin (in %)	6.3	5–7

The structural economic conditions for the Construction/Infrastructure segment remain good. Capacity utilization is at a record level. Consequently, the availability of workers in the German construction labor market continues to be difficult. Four out of five construction firms now consider the skills shortage a threat to their growth. Total sales in the Construction/Infrastructure segment are expected to fall slightly, but the segment will remain a reliable mainstay of the INDUS portfolio. A number of portfolio companies in the segment realized certain one-time effects in the 2019 financial year, raising earnings to a record high. Despite the coronavirus crisis, most of the companies had very little disruption to their normal operations. The Board of Management assumes that, even if temporary disruptions occur due to building site shutdowns and material shortages,, the resulting declines in performance can be compensated for over the full-year period because of good order volumes, and thus high pressure, in the German construction industry. Without the positive one-time effects of the 2019 financial year, operating income (EBIT) will be lower in 2020. The EBIT margin will probably be in the target range of 13% to 15%.

The structural developments in the Automotive Technology segment were already very challenging before the coronavirus crisis. The automotive industry must achieve the EU's ambitious CO_2 targets by 2030 and push ahead with the changeover to low-emission drive systems. In addition to this challenge felt by the entire industry, another strain for the INDUS segment is the ongoing repositioning activities at two series suppliers and one pre-series supplier. Starting on March 17, 2020, most of the German plants of automotive OEMs will either be fully or partially closed for two to four weeks as a result of the coronavirus crisis. The Board of Management currently predicts that these closures will last for four weeks. Based on an undisrupted total production capacity of 50 weeks, that equates to an 8% fall in production for the full year 2020. This also corresponds to the level of reduction in new vehicle registrations within the EU at the beginning of the year (-7.3%). The forecast for the Automotive Technology segment has been revised on this basis. In combination, these assumptions result in a markedly negative EBIT for this segment. The Board of Management predicts an EBIT margin of -9% to -7%.

Due to its composition, the INDUS Group's Engineering segment is not representative of the industry as a whole. Contrary to the general trend in this market, the segment is therefore expected to once again prove to be a solid linchpin in the INDUS portfolio during 2020. However, the companies in the traditional automation technology sector and the machine tool suppliers can expect a difficult year. Positive development and/or performance at a high level are expected for the plant engineering manufacturers in the logistics and vehicle assembly sectors. The Board of Management believes that the portfolio companies in this segment may experience disruptions to their processes as a consequence of the coronavirus crisis, and expects sales in the segment to be lower than in the previous year. The EBIT margin will be between 9% and 11%.

Conditions in the Medical Engineering/Life Science segment remain positive, despite the implementation of the more stringent requirements of the EU Medical Device Regulation (MDR) placing much greater demands on resources, both in terms of cost and time. There is a notable reluctance of customers to realize new products, simply because they are also engaged in licensing their existing products in accordance with the new MDR rules. The portfolio companies in the non-wovens sector continue to be affected with the ongoing change process, which is impacting development in the segment. The coronavirus crisis will probably lead to disruption of normal processes during March and April 2020. The suppliers of non-wovens and disinfectants may feel positive effects as a result of increased demand for these products. Overall, the Board of Management expects a slight sales reduction in the Medical Engineering segment and a lower operating income. The range for the EBIT margin is between 9% and 11%.

The portfolio companies in the Metals Technology segment anticipate mainly a lateral development for the year. Some of the portfolio companies close to the mechanical engineering sector will not be able to escape the economic cool-down. The structural changes at the sheet metal processors and the planned discontinuation of activities in the plastics plating sector discussed earlier in this report will have a positive effect. The Board of Management believes that the portfolio companies in this segment may experience disruptions to their processes as a consequence of the coronavirus crisis. One positive development is the good performance of the portfolio companies in the carbide tools sector, which by the end of February had already exceeded the forecast for the end of 2020. Another encouraging development is the resumption of production in China at the beginning of March. Overall, slight falls in both sales and income are predicted for the Metals Technology segment, and the EBIT margin is expected to be between 5% and 7%.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

in EUR '000	NOTES	2019	2018
REVENUE	[7]	**1,742,799**	**1,710,788**
Other operating income	[8]	34,426	20,566
Own work capitalized	[9]	7,559	7,856
Change in inventories	[10]	-22,883	35,116
Cost of materials	[11]	-782,448	-811,929
Personnel expenses	[12]	-527,461	-506,637
Depreciation/amortization	[13]	-107,810	-83,657
Other operating expenses	[14]	-226,286	-237,677
OPERATING INCOME (EBIT)		**117,896**	**134,426**
Interest income		288	285
Interest expense		-15,805	-13,850
NET INTEREST	[15]	**-15,517**	**-13,565**
Income from shares accounted for using the equity method		684	67
Other financial income		-4,089	-6,222
FINANCIAL INCOME	[15]	**-18,922**	**-19,720**
EARNINGS BEFORE TAXES		**98,974**	**114,706**
Taxes	[16]	-38,902	-43,521
EARNINGS AFTER TAXES		**60,072**	**71,185**
of which attributable to non-controlling shareholders		615	331
of which attributable to INDUS shareholders		59,457	70,854
Earnings per share, basic, in EUR	[17]	2.43	2.90
Earnings per share, diluted, in EUR		2.43	2.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	2019	2018
EARNINGS AFTER TAXES	**60,072**	**71,185**
Actuarial gains/losses	-8,669	481
Deferred taxes	2,627	-69
Items not to be reclassified to profit or loss	**-6,042**	**412**
Currency conversion adjustment	3,060	2,584
Change in the market values of hedging instruments (cash flow hedge)	-1,192	-728
Deferred taxes	184	47
Items to be reclassified to profit or loss	**2,052**	**1,903**
OTHER COMPREHENSIVE INCOME	**-3,990**	**2,315**
TOTAL COMPREHENSIVE INCOME	**56,082**	**73,500**
of which attributable to non-controlling shareholders	615	331
of which attributable to INDUS shareholders	55,467	73,169

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR '000	NOTES	DEC. 31, 2019	DEC. 31, 2018
ASSETS			
Goodwill	[18]	415,169	418,590
Right-of-use assets from leasing/rent	[19]	75,738	0
Other intangible assets	[20]	101,409	90,830
Property, plant, and equipment	[20]	430,679	418,227
Investment property	[20]	2,843	2,953
Financial investments	[21]	6,366	13,684
Shares accounted for using the equity method	[22]	6,951	10,970
Other non-current assets	[23]	3,309	3,126
Deferred taxes	[24]	15,720	10,127
Non-current assets		**1,058,184**	**968,507**
Inventories	[25]	381,364	408,693
Receivables	[26]	202,527	202,523
Other current assets	[23]	21,107	22,993
Current income taxes	[24]	9,889	7,655
Cash and cash equivalents		135,120	109,647
Current assets		**750,007**	**751,511**
TOTAL EQUITY AND LIABILITIES		**1,808,191**	**1,720,018**
EQUITY AND LIABILITIES			
Subscribed capital		63,571	63,571
Capital reserve		239,833	239,833
Other reserves		422,510	403,719
Equity held by INDUS shareholders		**725,914**	**707,123**
Non-controlling interests in the equity		1,807	2,702
Equity	[27]	**727,721**	**709,825**
Pension provisions	[28]	52,942	43,702
Other non-current provisions	[29]	1,482	1,688
Non-current financial liabilities	[30]	546,341	465,886
Other non-current liabilities	[31]	21,370	27,731
Deferred taxes	[24]	39,602	41,172
Non-current liabilities		**661,737**	**580,179**
Other current provisions	[29]	74,608	73,576
Current financial liabilities	[30]	135,045	126,520
Trade payables		55,931	65,659
Other current liabilities	[31]	140,096	150,825
Current income taxes	[24]	13,053	13,434
Current liabilities		**418,733**	**430,014**
TOTAL EQUITY AND LIABILITIES		**1,808,191**	**1,720,018**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR '000	SUBSCRIBED CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES	EQUITY HELD BY INDUS SHAREHOLDERS	SHARES HELD BY NON-CONTROLLING SHAREHOLDERS	GROUP EQUITY
AS OF DEC. 31, 2017	**63,571**	**239,833**	**390,890**	**-23,381**	**670,913**	**2,900**	**673,813**
IFRS 15 adjustments			-283		-283		-283
AS OF JAN. 1, 2018	**63,571**	**239,833**	**390,607**	**-23,381**	**670,630**	**2,900**	**673,530**
Earnings after taxes			70,854		70,854	331	71,185
Other comprehensive income				2,315	2,315		2,315
Total comprehensive income			**70,854**	**2,315**	**73,169**	**331**	**73,500**
Dividend payment			-36,676		-36,676	-529	-37,205
AS OF DEC. 31, 2018	**63,571**	**239,833**	**424,785**	**-21,066**	**707,123**	**2,702**	**709,825**
AS OF DEC. 31, 2018	**63,571**	**239,833**	**424,785**	**-21,066**	**707,123**	**2,702**	**709,825**
Earnings after taxes			59,457		59,457	615	60,072
Other comprehensive income				-3,990	-3,990		-3,990
Total comprehensive income			**59,457**	**-3,990**	**55,467**	**615**	**56,082**
Dividend payment			-36,676		-36,676	-1,376	-38,052
Change in scope of consolidation						-134	-134
AS OF DEC. 31, 2019	**63,571**	**239,833**	**447,566**	**-25,056**	**725,914**	**1,807**	**727,721**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	2019	2018
Earnings after taxes	60,072	71,185
Depreciation/appreciation of non-current assets (excluding deferred taxes)	107,810	83,657
Gains (–)/losses (+) from the disposal of fixed assets	–17,416	10
Taxes	38,902	43,521
Financial income	18,922	19,720
Other non-cash transactions	254	–405
Changes in provisions	–1,227	–892
Increase (–)/decrease (+) in inventories, receivables, and other assets	39,247	–74,552
Increase (+)/decrease (–) in trade payables and other equity and liabilities	–27,442	970
Income taxes received/paid	–51,633	–47,396
Dividends received	244	192
Operating cash flow	**167,733**	**96,010**
Interest paid	–20,930	–21,642
Interest received	483	286
Cash flow from operating activities	**147,286**	**74,654**
Cash outflow from investments in		
Intangible assets	–10,953	–11,993
Property, plant, and equipment	–67,297	–78,892
Financial investments	–779	–1,367
Shares in fully consolidated companies	–29,188	–11,516
Cash inflow from the disposal of other assets	32,065	5,451
Cash flow from investing activities	**–76,152**	**–98,317**
Dividends paid to shareholders	–36,676	–36,676
Dividends paid to minority shareholders	–1,375	–529
Cash outflow from the repayment of contingent purchase price commitments	–2,431	–23,014
Cash inflow from raising of loans	141,487	155,824
Cash outflow from the repayment of loans	–125,414	–96,971
Cash outflow from the repayment of lease liabilities	–21,732	–1,340
Cash flow from financing activities	**–46,141**	**–2,706**
Net changes in cash and cash equivalents	24,993	–26,369
Changes in cash and cash equivalents caused by currency exchange rates	480	135
Cash and cash equivalents at the beginning of the period	109,647	135,881
Cash and cash equivalents at the end of the period	**135,120**	**109,647**

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 assigned to 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, 2019, to December 31, 2019, 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 26, 2020. The Supervisory Board approved the consolidated financial statements at its meeting on March 26, 2020.

[2] APPLICATION AND IMPACT OF NEW AND REVISED STANDARDS

All standards whose application was mandatory as of December 31, 2019, 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 2019 FINANCIAL YEAR

The following standards have necessitated changes for the present financial statements:

— IFRS 16 Leases will be applied for the first time from January 1, 2019. The new standard for lease transaction accounting will supersede IAS 17. In accordance with IFRS 16, all lease arrangements are included in the statement of financial position. The classification of leases as finance leases or operating leases will no longer apply to lessees. A right to the use of an asset is recorded on the asset side, a financial liability on the liability side.

INDUS has applied the standard since January 1, 2019. The modified retrospective method will be applied for adjustments. The new standard has a material effect on the financial position and financial performance of INDUS. Total assets will rise in line with intangible assets and financial liabilities. The leasing expenses formerly reported in other operating expenses will for the first time be reported under depreciation/amortization or interest expense.

As of December 31, 2018, operating lease commitments amounting to EUR 84.3 million are reported in the Notes. Right-of-use assets in the amount of EUR 77.8 million and financial liabilities in the amount of EUR 77.8 million were newly recognized as of January 1, 2019. The differences are due to different discount rates and the use of exemptions. Under these, leases of assets with a short lease term (short-term leases < 1 year) and leases of low-value assets (< EUR 5 thousand) are not recognized as an asset or liability in the statement of financial position, but continue to be recognized in other operating expenses.

The change in financial statement accounting leads to an improvement in operating income (EBIT) of EUR 2.4 million. Earnings before taxes were improved by EUR 0.6 million in 2019. In the statement of cash flows, cash flow from financing activities reduced by EUR 17.9 million, while cash flow from operating activities increased by EUR 17.9 million.

The application facilitations for the transition to IFRS 16 were utilized in full. The weighted average incremental borrowing rate at the transition date was 2.35%.

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

STANDARDS PUBLISHED BY DECEMBER 31, 2019, 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] CHANGE IN THE STRUCTURE OF THE STATEMENT OF INCOME

With effect from this financial year, the previous item "financial income" has been renamed "other financial income" and is now reported under operating income (EBIT). Similarly, the "income from shares accounted for using the equity method" are also shown under operating income. Together with net interest, the three items make up the "financial income." As a result of the change in presentation, the effect on income resulting from the subsequent valuation of purchase price commitments and from fair value changes in swaps is no longer shown under "interest expense," but rather under the item "other financial income." The change in presentation was made to reflect standard IFRS accounting practice. The figures for the previous year have been adjusted accordingly. The change in presentation results in operating income (EBIT) that is EUR 259 thousand lower for the period from January 1 to December 31, 2018. There were also minor adjustments to segment reporting and the statement of cash flows.

[4] 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 minority 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	
	1 EUR =	DEC. 31, 2019	DEC. 31, 2018	2019	2018
United Arab Emirates	AED	4.119	4.217	4.099	4.325
Brazil	BRL	4.516	4.444	4.413	4.309
Canada	CAD	1.460	1.561	1.486	1.530
Switzerland	CHF	1.085	1.127	1.113	1.155
China	CNY	7.821	7.875	7.734	7.807
Czech Republic	CZK	25.408	25.724	25.670	25.643
Denmark	DKK	7.472	7.467	7.466	7.453
UK	GBP	0.851	0.895	0.877	0.885
Hungary	HUF	330.530	320.980	325.229	318.824
South Korea	KRW	1.296.280	1.277.930	1.304.889	1.298.252
Morocco	MAD	10.740	10.971	10.732	11.050
Mexico	MXN	21.220	22.492	21.557	22.716
Poland	PLN	4.257	4.301	4.298	4.260
Romania	RON	4.783	4.664	4.746	4.654
Serbia	RSD	117.568	118.455	117.471	117.880
Singapore	SGD	1.511	1.559	1.527	1.593
Turkey	TRY	6.684	6.059	6.357	5.700
Taiwan	TWD	33.580	35.109	34.596	35.567
United States	USD	1.123	1.145	1.120	1.181
South Africa	ZAR	15.777	16.460	16.173	15.613

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 44 (previous year: 42) 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.

Since January 1, 2019, all 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.

Until December 31, 2018, leases were classified as operating leases or finance leases depending on the distribution of material opportunities and risks, resulting in only finance leases being accounted as assets.

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. The subsequent valuation of assets must occur in the categories "trading and derivatives," "hold," and "hold and sell" in accordance with the business model. Financial liabilities must be recognized in the category "financial liabilities, measured at fair value through profit and loss" or the category "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 cost 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 cost 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 cost; 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 the nominal value 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 bearing a warranty and the relevant warranty period, based on past experience. Individual provisions are formed for known loss and/or damage. Provisions for outstanding invoices, pending losses on contracts, and other obligations from sales activities are calculated on the basis of the services to be rendered. 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 average trade tax assessment multiplier of 395% and a solidarity surcharge of 5.5%, the income tax rate for domestic companies comes to 29.6% (previous year: 29.6%). Foreign tax rates range between 16% and 35% (previous year: between 16% and 35%).

As regards income realization from customer contracts, revenue is recognized in accordance with the five-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 (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, plant for metal detection, 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. Material financing components are not agreed in customer contracts. Warranty agreements that are standard for the industry were recognized as provisions for product warranties in the amount of EUR 11,980 thousand (previous year: EUR 12,039 thousand).

Stock appreciation rights granted as part of the 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.

The 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.

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 with 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 cash flow projections are 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 2020 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.

[5] 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	ABROAD	TOTAL	OF WHICH ATTRIBUTABLE TO INVESTMENTS OF LESS THAN 100%
Dec. 31, 2019				
Construction/Infrastructure	26	9	35	2
Automotive Technology	33	23	56	9
Engineering	29	26	55	25
Medical Engineering/Life Science	7	9	16	4
Metals Technology	21	9	30	1
Other	8	0	8	0
Total	**124**	**76**	**200**	**41**
Dec. 31, 2018				
Construction/Infrastructure	26	9	35	2
Automotive Technology	33	20	53	10
Engineering	28	23	51	22
Medical Engineering/Life Science	7	10	17	5
Metals Technology	16	9	25	3
Other	8	0	8	0
Total	**118**	**71**	**189**	**42**

Significant operating subsidiaries are provided in the Notes under [43]. The complete listing of investments of INDUS Holding AG in accordance with Section 313 HGB [Handelsgesetzbuch: German Commercial Code], 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 1,807 thousand (previous year: EUR 2,702 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 40,266 thousand (previous year: EUR 41,789 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, 2019, the scope of consolidation includes 37 limited liability companies (GmbH) as general partners that form a single company with the corresponding LLCs (December 31, 2018: 35 limited liability companies (GmbH) as general partners).

Additions to the scope of consolidation result from the acquisition or establishment of companies or the takeover of operating activities at portfolio companies not yet consolidated.

Disposals from the scope of consolidation are the result of portfolio company mergers.

[6] BUSINESS COMBINATIONS

DISCLOSURES ON INITIAL CONSOLIDATION FOR THE CURRENT FINANCIAL YEAR

MESUTRONIC

By way of an agreement concluded on May 25, 2019, INDUS Holding AG acquired 89.9% of the shares in MESUTRONIC Gerätebau GmbH, Kirchberg. MESUTRONIC operates in the measuring technology and control engineering sector, a growth industry, and is one of the technology leaders in metal and foreign body detection in production processes. MESUTRONIC will be assigned to the Engineering segment.

The fair value of the total consideration amounted to EUR 31,934 thousand on the acquisition date. This comprises a cash component and a contingent purchase price payment (call/put option) of EUR 4,137 thousand, which was recognized and measured at fair value. The cash component was paid in July 2019. Contingent purchase price liabilities from call/put options on minority interests are determined based on EBIT multiples and the forecast regarding future EBIT.

Goodwill of EUR 10,447 thousand, determined in the course of the purchase price allocation, is not tax-deductible. Goodwill represents inseparable values such as the workforce's know-how and positive future earnings expectations as well as synergies resulting from development, production, sales, and marketing.

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

NEW ACQUISITION: MESUTRONIC (in EUR '000)

	CARRYING AMOUNT AT TIME OF ACQUISITION	ASSETS ADDED DUE TO INITIAL CONSOLIDATION	ADDITION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	10,447	10,447
Other intangible assets	36	10,737	10,773
Property, plant, and equipment	5,800	322	6,122
Financial investments	2	0	2
Inventories	4,023	547	4,570
Receivables	3,648	0	3,648
Other assets*	1,241	0	1,241
Cash and cash equivalents	5,510	0	5,510
Total assets	**20,260**	**22,053**	**42,313**
Other provisions	1,477	0	1,477
Financial liabilities	3,106	0	3,106
Trade payables	350	0	350
Other equity and liabilities**	2,011	3,435	5,446
Total liabilities	**6,944**	**3,435**	**10,379**

* 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

MESUTRONIC was consolidated for the first time in June 2019. MESUTRONIC contributed sales amounting to EUR 13,970 thousand and operating income (EBIT) amounting to EUR 755 thousand to INDUS' income for the period from January 1, 2019, to December 31, 2019. If MESUTRONIC had been consolidated as of January 1, 2019, revenue would have amounted to EUR 23,327 thousand and EBIT to EUR 747 thousand.

Expenses affecting net income from the initial consolidation of MESUTRONIC had a negative impact of EUR 1,451 thousand on operating income. The incidental acquisition costs were recorded in the statement of income.

DSG

By way of an agreement concluded on September 30, 2019, INDUS Holding AG acquired 100% of the shares in Dessauer Schaltschrank- und Gehäusetechnik GmbH (DSG), with registered office in Dessau. DSG is an SME specializing in the development, manufacture, and sale of high-quality metal and lead parts, components, switch cabinets, machine casings, and similar products that meet the highest industry and safety standards. DSG has been allocated to the Metals Technology segment.

The fair value of the total consideration amounted to EUR 7,150 thousand as of the acquisition date and consisted entirely of cash.

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

NEW ACQUISITION: DSG (in EUR '000)

	CARRYING AMOUNT AT TIME OF ACQUISITION	ASSETS ADDED DUE TO INITIAL CONSOLIDATION	ADDITION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	6	6
Other intangible assets	1	4,730	4,731
Property, plant, and equipment	950	1,450	2,400
Financial investments	0	0	0
Inventories	1,956	339	2,295
Receivables	732	0	732
Other assets*	856	0	856
Cash and cash equivalents	249	0	249
Total assets	**4,744**	**6,525**	**11,269**
Other provisions	203	0	203
Financial liabilities	338	0	338
Trade payables	364	0	364
Other equity and liabilities**	1,284	1,930	3,214
Total liabilities	**2,189**	**1,930**	**4,119**

* 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 initial consolidation of DSG took place at the end of September 2019. DSG contributed sales amounting to EUR 2,244 thousand to the INDUS result for the period from January 1, 2019, to December 31, 2019, and operating income (EBIT) of EUR -767 thousand. If DSG had been consolidated as of January 1, 2019, revenue would have amounted to EUR 9,758 thousand and EBIT EUR -525 thousand.

Expenses affecting net income from the initial consolidation of DSG had a negative impact of EUR 662 thousand on operating income. The incidental acquisition costs were recorded in the statement of income.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

[7] REVENUE

Revenues include EUR 251,014 thousand in revenues using measurement over time (previous year: EUR 204,392 thousand). Also included is EUR 16,739 thousand in revenue from services (previous year: EUR 12,535 thousand). A breakdown of revenue by reportable segments can be found under segment reporting [33].

[8] OTHER OPERATING INCOME

in EUR '000	2019	2018
Income from the reversal of provisions	4,316	7,537
Release of valuation allowances	2,653	2,868
Transfer to earnings/release of deferrals carried as liabilities	1,074	1,376
Insurance compensation	776	714
Income from rental and lease agreements	335	352
Income from currency conversion	1,883	1,872
Income from asset disposals	18,187	828
Other operating income	5,202	5,019
Total	**34,426**	**20,566**

Income from currency conversion of EUR 1,883 thousand (previous year: EUR 1,872 thousand) is offset by expenses of EUR -1,147 thousand (previous year: EUR -1,590 thousand). The figure from exchange rate differences recognized in income therefore amounts to EUR 736 thousand (previous year: EUR 281 thousand).

Income from asset disposals includes income of EUR 16,779 thousand from the sale of the minority interest in TKI Automotive GmbH to the majority shareholder.

[9] OWN WORK CAPITALIZED

in EUR '000	2019	2018
Other own work capitalized	5,097	5,051
Own work capitalized in accordance with IAS 38	2,462	2,805
Total	**7,559**	**7,856**

Research and development expenses of EUR 20,272 thousand were recognized for the period (previous year: EUR 17,328 thousand).

[10] CHANGE IN INVENTORIES

in EUR '000	2019	2018
Work in progress	9,516	44,580
Finished goods	-32,399	-9,464
Total	**-22,883**	**35,116**

[11] COST OF MATERIALS

in EUR '000	2019	2018
Raw materials, consumables and supplies, and purchased merchandise	-658,981	-673,193
Purchased services	-123,467	-138,736
Total	**-782,448**	**-811,929**

[12] PERSONNEL EXPENSES

in EUR '000	2019	2018
Wages and salaries	-442,231	-427,450
Social security	-80,075	-74,834
Pensions	-5,155	-4,353
Total	**-527,461**	**-506,637**

Personnel expenses do not include the interest component from the transfer to pension provisions. This is recognized in net interest at EUR 1,120 thousand (previous year: EUR 974 thousand).

[13] DEPRECIATION/AMORTIZATION

in EUR '000	2019	2018
Depreciation/amortization	-90,546	-67,541
Impairment	-17,264	-16,116
Total	**-107,810**	**-83,657**

Impairments were necessary in the Automotive Technology segment due to lower earnings power. These consisted of goodwill impairments amounting to EUR 14,472 thousand. In the previous year, impairments related to the Automotive Technology segment in an amount of EUR 9,500 thousand and to the Metals Technology segment in an amount of EUR 6,215 thousand. The impairments were calculated on the basis of the recoverable amount of the relevant cash-generating unit.

Impairment of property, plant, and equipment amounting to EUR 2,792 thousand was also recognized (previous year: EUR 401 thousand).

[14] OTHER OPERATING EXPENSES

in EUR '000	2019	2018
Selling expenses	-93,537	-93,321
Operating expenses	-70,266	-81,068
Administrative expenses	-54,829	-53,520
Other expenses	-7,654	-9,768
Total	**-226,286**	**-237,677**

SELLING EXPENSES

in EUR '000	2019	2018
Shipping, packaging, and comissions	-47,449	-46,065
Vehicle, travel, and hospitality	-21,207	-23,822
Marketing and trade fairs	-14,018	-13,186
Receivables and guarantees	-8,646	-7,352
Other selling expenses	-2,217	-2,896
Total	**-93,537**	**-93,321**

Write-offs on receivables in the amount of EUR 521 thousand (previous year: EUR 473 thousand) were recognized through profit and loss in the financial year.

OPERATING EXPENSES

in EUR '000	2019	2018
Machinery and plant: rent and maintenance	-25,408	-28,569
Land and buildings: leases and occupancy costs	-14,832	-24,200
Energy, supplies, tools	-16,154	-16,216
Other operating expenses	-13,872	-12,083
Total	**-70,266**	**-81,068**

ADMINISTRATIVE EXPENSES

in EUR '000	2019	2018
EDP, office, and communication services	-16,849	-16,288
Consulting and fees	-19,290	-19,674
Insurance	-4,916	-4,812
Human resources management and continuing education	-7,706	-6,855
Other administrative costs	-6,068	-5,891
Total	**-54,829**	**-53,520**

OTHER EXPENSES

in EUR '000	2019	2018
Cost of currency conversion	-1,147	-1,590
Disposal of fixed assets	-772	-837
Other	-5,735	-7,341
Total	**-7,654**	**-9,768**

Expenses for short-term leases of EUR 44 thousand and for low-value leased assets of EUR 244 thousand are included in various items of other operating expenses.

[15] FINANCIAL INCOME

in EUR '000	2019	2018
Interest and similar income	288	285
Interest and similar expenses	-15,805	-13,850
Net interest	**-15,517**	**-13,565**
Income from shares accounted for using the equity method	**684**	**67**
Market value of interest rate swaps	2	11
Minority interests	-4,140	-6,425
Expense from/amortization of financial assets	-417	-284
Income from financial investments	466	476
Other financial income	**-4,089**	**-6,222**
Total	**-18,922**	**-19,720**

Interest expenses include interest expenses for lease liabilities pursuant to IFRS 16 of EUR 2,088 thousand. For the previous year, interest expenses for finance leases (IAS 17) were EUR 145 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 -1,947 thousand (previous year: EUR 530 thousand) and earnings after taxes that external entities are entitled to from shares in limited partnerships and stock corporations with call/put options. The corresponding amounts were recognized under “other financial income” for the first time in the 2019 financial year.

[16] TAXES

in EUR '000	2019	2018
Non-recurring taxes	-523	707
Current taxes	-48,494	-52,207
Deferred taxes	10,115	7,979
Total	**-38,902**	**-43,521**

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 after trade tax is ascribed to INDUS Holding AG and then subjected to corporate income tax. No tax group contracts have been concluded with limited liability companies. This situation is reflected in the item “No offsetting of income for autonomous subsidiaries.”

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

	2019	2018
Earnings before income taxes	98,974	114,706
Expected tax expenses 29.6% (previous year: 29.6%)	29,296	33,953
RECONCILIATION		
Non-recurring taxes	523	-707
Measurement of associated companies according to the equity method	-202	-20
Amortization of goodwill corporations	1,412	1,307
Structural effects of		
divergent local tax rates	611	554
divergent national tax rates	-711	-637
Corporate acquisition transaction costs	201	170
Tax-exempt disposal gains	-5,230	0
Capitalization or valuation allowance of deferred tax loss carryforwards	1,143	906
Use of actual tax loss carryforward	-1,221	-985
No offsetting of income for autonomous subsidiaries	8,673	4,609
Income attributable to other shareholders	1,226	1,902
Effects of the interest barrier on INDUS Holding AG	377	285
Other non-deductible expenses and tax-free income	2,804	2,184
Actual tax expenses	**38,902**	**43,521**
as a percentage of income	39.3	37.9

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 2.43 per share (previous year: EUR 2.90 per share). The weighted average number of shares in circulation remained unchanged in the current year at 24,450,509. See item [27] for further details.

in EUR '000	2019	2018
Income attributable to INDUS shareholders	**59,457**	**70,854**
Weighted average shares outstanding (in thousands)	24,451	24,451
Earnings per share (in EUR)	2.43	2.90

NOTES TO 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, 2019	CHANGES IN SCOPE OF CONSOLI-DATION	ADDITIONS	DISPOSALS	IMPAIRMENT	CURRENCY DIFFERENCE	CARRYING AMOUNT AS OF DEC. 31, 2019
Construction/Infrastructure	115,438	0	0	0	0	284	115,722
Automotive Technology	66,405	0	0	0	-14,472	-674	51,259
Engineering	142,481	10,447	0	0	0	304	153,232
Medical Engineering/Life Science	69,639	0	0	0	0	0	69,639
Metals Technology	24,627	6	0	0	0	684	25,317
Total goodwill	**418,590**	**10,453**	**0**	**0**	**-14,472**	**598**	**415,169**

	CARRYING AMOUNT AS OF JAN. 1, 2018	CHANGES IN SCOPE OF CONSOLI-DATION	ADDITIONS	DISPOSALS	IMPAIRMENT	CURRENCY DIFFERENCE	CARRYING AMOUNT AS OF DEC. 31, 2018
Construction/Infrastructure	111,660	3,510	0	0	0	268	115,438
Automotive Technology	75,322	645	0	-36	-9,500	-26	66,405
Engineering	142,523	0	0	0	0	-42	142,481
Medical Engineering/Life Science	69,639	0	0	0	0	0	69,639
Metals Technology	29,446	0	0	0	-6,215	1,396	24,627
Total goodwill	**428,590**	**4,155**	**0**	**-36**	**-15,715**	**1,596**	**418,590**

GOODWILL IMPAIRMENT

Impairment testing on goodwill is performed for cash-generating units (usually the portfolio companies including their subsidiaries).

The impairment test compares the CGU's recoverable value against the carrying amount including goodwill. INDUS typically uses the value in use to determine the recoverable value.

Value in use is calculated applying the latest estimates prepared by management. 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 0.10% (previous year: 1.00%), a market risk premium of 7.00% (previous year: 7.00%) and segment-specific beta coefficients derived by a peer group and borrowing rates. The following segment-specific pre-tax cost of capital rates were applied: Construction/Infrastructure 6.3% (previous year: 6.8%), Automotive Technology 8.5% (previous year: 9.3%), Engineering 7.9% (previous year: 7.9%), Medical Engineering/Life Science 6.1% (previous year: 6.9%) and Metals Technology 7.7% (previous year: 8.5%).

In the 2019 financial year, goodwill impairments were recognized in the amount of EUR 14,472 thousand. The impairments relate exclusively to the Automotive Technology segment. In the previous year, goodwill impairments were recognized in the amount of EUR 15,715 thousand. EUR 9,500 thousand of these related to the Automotive Technology segment and EUR 6,215 thousand to the Metals Technology segment.

An increase in the cost of capital before tax by 0.5 percentage points would lead to additional goodwill impairments in the amount of EUR 9,405 thousand (previous year: EUR 10,730 thousand) and impairments of property, plant, and equipment in the amount of EUR 0 thousand (previous year: EUR 736 thousand).

[19] RIGHT-OF-USE ASSETS FROM LEASING/RENT

Due to IFRS 16, right-of-use assets from leasing and rent have been recognized as intangible assets for the first time since January 1, 2019. The carrying amounts developed as follows:

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

	CARRYING AMOUNT AS OF JAN. 1, 2019	ADDITIONS	DISPOSAL	ADDITION DEPRECIATION	DISPOSAL DEPRECIATION	TRANSFERS/ EXCHANGE RATE DIFFERENCES	CARRYING AMOUNT AS OF DEC. 31, 2019
Right-of-use assets – land and buildings	0	70,617	-973	9,962	-973	-16	60,639
Right-of-use assets – technical equipment and machinery	0	8,342	-198	2,911	-198	1,999	7,430
Right-of-use assets – vehicles	0	9,915	-617	3,496	-617	-3	6,416
Right-of-use assets – other leasing/rent	0	2,030	-53	777	-53	0	1,253
Total right-of-use assets from leasing/rent	**0**	**90,904**	**-1,841**	**17,146**	**-1,841**	**1,980**	**75,738**

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 OTHER INTANGIBLE ASSETS, TANGIBLE FIXED ASSETS, AND INVESTMENT PROPERTY

PURCHASE/MANUFACTURING COSTS IN 2019 (in EUR '000)

	OPENING BALANCE JAN. 1, 2019	CHANGES IN SCOPE OF CONSOLI-DATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2019
Capitalized development costs	39,547	0	4,275	-11,610	0	86	32,298
Property rights, concessions, and other intangible assets	205,255	15,503	6,679	-978	187	291	226,937
Total other intangible assets	**244,802**	**15,503**	**10,954**	**-12,588**	**187**	**377**	**259,235**
Land and buildings	312,411	5,118	7,060	-219	10,243	1,880	336,493
Technical equipment and machinery	448,894	2,258	26,519	-8,450	5,383	1,873	476,477
Other equipment, factory and office equipment	190,680	1,146	16,571	-6,014	5,118	569	208,070
Advance payments and facilities under construction	31,273	0	16,104	-1,216	-25,868	29	20,322
Total property, plant, and equipment	**983,258**	**8,522**	**66,254**	**-15,899**	**-5,124**	**4,351**	**1,041,362**
Investment property	**3,673**	**0**	**0**	**0**	**0**	**0**	**3,673**

DEPRECIATION/AMORTIZATION IN 2019 (in EUR '000)

	OPENING BALANCE JAN. 1, 2019	CHANGES IN SCOPE OF CONSOLI-DATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2019
Capitalized development costs	25,599	0	3,503	-11,610	0	65	17,557
Property rights, concessions, and other intangible assets	128,373	0	12,628	-912	0	180	140,269
Total other intangible assets	**153,972**	**0**	**16,131**	**-12,522**	**0**	**245**	**157,826**
Land and buildings	102,783	0	10,862	-165	0	554	114,034
Technical equipment and machinery	337,149	0	30,715	-7,963	-2,734	1,390	358,557
Other equipment, factory and office equipment	125,092	0	18,375	-5,532	-225	382	138,092
Advance payments and facilities under construction	7	0	0	-7	0	0	0
Total property, plant, and equipment	**565,031**	**0**	**59,952**	**-13,667**	**-2,959**	**2,326**	**610,683**
Investment property	**720**	**0**	**110**	**0**	**0**	**0**	**830**

PURCHASE/MANUFACTURING COSTS IN 2018 (in EUR '000)

	OPENING BALANCE JAN. 1, 2018	CHANGES IN SCOPE OF CONSOLI-DATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2018
Capitalized development costs	34,848	0	4,671	-53	0	81	39,547
Property rights, concessions, and other intangible assets	190,549	6,426	7,321	-291	1,151	99	205,255
Total other intangible assets	**225,397**	**6,426**	**11,992**	**-344**	**1,151**	**180**	**244,802**
Land and buildings	300,129	18	4,320	-285	6,788	1,441	312,411
Technical equipment and machinery	427,347	0	22,749	-5,821	4,819	-200	448,894
Other equipment, factory and office equipment	171,779	220	19,879	-3,761	2,276	287	190,680
Advance payments and facilities under construction	18,699	0	28,113	-525	-15,034	20	31,273
Total property, plant, and equipment	**917,954**	**238**	**75,061**	**-10,392**	**-1,151**	**1,548**	**983,258**
Investment property	**6,973**	**0**	**0**	**-3,300**	**0**	**0**	**3,673**

DEPRECIATION/AMORTIZATION IN 2018 (in EUR '000)

	OPENING BALANCE JAN. 1, 2018	CHANGES IN SCOPE OF CONSOLI-DATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2018
Capitalized development costs	22,224	0	3,381	-53	0	47	25,599
Property rights, concessions, and other intangible assets	116,719	0	11,209	-261	680	26	128,373
Total other intangible assets	**138,943**	**0**	**14,590**	**-314**	**680**	**73**	**153,972**
Land and buildings	92,811	0	9,328	-231	519	356	102,783
Technical equipment and machinery	316,664	0	27,007	-5,394	-966	-162	337,149
Other equipment, factory and office equipment	111,464	0	16,831	-3,135	-233	165	125,092
Advance payments and facilities under construction	7	0	0	0	0	0	7
Total property, plant, and equipment	**520,946**	**0**	**53,166**	**-8,760**	**-680**	**359**	**565,031**
Investment property	**1,753**	**0**	**186**	**-1,219**	**0**	**0**	**720**

Intangible assets have definable useful lives. Change in scope of consolidation impacts additions in accordance with IFRS 3. Capitalized assets from finance leases are included in property, plant, and equipment in the previous year's figures. The residual carrying amounts from finance leases as of December 31, 2018, were EUR 11,660 thousand for land and buildings and EUR 2,061 thousand for technical equipment and machinery. Since January 1, 2019, the right-of-use assets from leases are recognized as a separate intangible asset and are explained under [19]. 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, 2019	DEC. 31, 2018
Capitalized development costs	14,741	13,948
Property rights, concessions, and other intangible assets	86,668	76,882
Total other intangible assets	**101,409**	**90,830**
Land and buildings	222,459	209,628
Technical equipment and machinery	117,920	111,745
Other equipment, factory and office equipment	69,978	65,588
Advance payments and facilities under construction	20,322	31,266
Property, plant, and equipment	**430,679**	**418,227**
Investment property	**2,843**	**2,953**

[21] FINANCIAL INVESTMENTS

in EUR '000	DEC. 31, 2019	DEC. 31, 2018
Other investments	2,482	2,612
Other loans	3,884	11,072
Total	**6,366**	**13,684**

Other loans relate to loans originated by the company recognized at amortized cost. 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.

The decrease in other loans mainly concerns the loan to the minority interest TKI Automotive GmbH, which was divested in the past financial year. The loan was repaid as part of the sale.

[22] SHARES ACCOUNTED FOR USING THE EQUITY METHOD

As of December 31, 2019, the carrying amounts of shares accounted for using the equity method totaled EUR 6,951 thousand (previous year: EUR 10,970 thousand).

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

in EUR '000	2019	2018
Purchase price of associated companies	5,569	8,408
Appropriated income in the period	684	24
Key figures of the associated companies:		
Assets	13,621	45,329
Liabilities	4,148	27,728
Capital	9,473	17,601
Revenue	16,811	32,598
Earnings	1,348	204

[23] OTHER ASSETS

in EUR '000	DEC. 31, 2019	DEC. 31, 2018
Accrual of payments not relating to the reporting period	9,237	9,265
Other tax refund claims	3,841	5,116
Non-current receivables	188	0
Reinsurance premiums	707	716
Loans and other receivables	780	873
Derivatives with positive market value	34	404
Other assets	9,629	9,745
Total	**24,416**	**26,119**
of which current	21,107	22,993
of which non-current	3,309	3,126

[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:

2019 (in EUR '000)	ASSETS	LIABILITIES	BALANCE
Goodwill of limited partnerships	4,126	-22,315	-18,189
Intangible assets	5	-44,998	-44,993
Property, plant, and equipment	2,197	-5,378	-3,181
Receivables and inventories	1,519	-4,370	-2,851
Other current assets	0	-10	-10
Long-term provisions	12,529	0	12,529
Other current liabilities	23,488	-670	22,818
Capitalization of loss carryforwards	9,995	0	9,995
Netting of accounts	-38,139	38,139	0
Deferred taxes	**15,720**	**-39,602**	**-23,882**

2018 (in EUR '000)	ASSETS	LIABILITIES	BALANCE
Goodwill of limited partnerships	4,527	-25,113	-20,586
Intangible assets	441	-21,820	-21,379
Property, plant, and equipment	1,740	-5,673	-3,933
Receivables and inventories	753	-3,373	-2,620
Other current assets	47	-119	-72
Long-term provisions	9,492	0	9,492
Other current liabilities	3,160	-374	2,786
Capitalization of loss carryforwards	5,267	0	5,267
Netting of accounts	-15,300	15,300	0
Deferred taxes	**10,127**	**-41,172**	**-31,045**

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 until the company is sold.

The change in the balance of deferred taxes is explained in the following tables:

DEVELOPMENT OF DEFERRED TAXES (in EUR '000)

	JAN. 1, 2019	STATEMENT OF INCOME	OTHER	DEC. 31, 2019
Trade tax	3,511	910	0	4,421
Corporate income tax	726	1,388	0	2,114
Foreign tax	1,030	2,430	0	3,460
Capitalization of loss carryforwards	**5,267**	**4,728**	**0**	**9,995**
Other deferred taxes	-36,312	5,387	-2,952	-33,877
Deferred taxes	**-31,045**	**10,115**	**-2,952**	**-23,882**

	JAN. 1, 2018	STATEMENT OF INCOME	OTHER	DEC. 31, 2018
Trade tax	3,855	-344	0	3,511
Corporate income tax	653	73	0	726
Foreign tax	1,229	-199	0	1,030
Capitalization of loss carryforwards	**5,737**	**-470**	**0**	**5,267**
Other deferred taxes	-42,831	8,449	-1,930	-36,312
Deferred taxes	**-37,094**	**7,979**	**-1,930**	**-31,045**

The other changes in deferred taxes are composed as follows:

in EUR '000	2019	2018
Provisions for mark-to-market evaluation of cash flow hedges	184	47
Currency conversion reserve	-399	108
Pension provisions (actuarial gains/losses)	2,627	-69
Change in scope of consolidation	-5,364	-2,135
IFRS 15 adjustments	0	119
Total	**-2,952**	**-1,930**

Recognized deferred taxes are based on tax loss carryforwards of EUR 60,671 thousand (previous year: EUR 34,340 thousand).

Other tax loss carryforwards amounting to a total of EUR 239,241 thousand (previous year: EUR 205,175 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.

Due to the low probability of realization, deferred tax assets of EUR 380 thousand were not recognized (previous year: EUR 0 thousand). Deferred tax assets of EUR 6,327 thousand (previous year: EUR 2,137 thousand) were offset against the corresponding deferred tax liabilities at companies with current tax losses.

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 total of the unrecognized temporary differences associated with investments in subsidiaries is EUR 20,339 thousand (previous year: EUR 43,488 thousand).

[25] INVENTORIES

in EUR '000	DEC. 31, 2019	DEC. 31, 2018
Raw materials, consumables, and supplies	132,655	149,227
Unfinished goods	96,908	113,263
Finished goods and goods for resale	124,951	127,785
Advance payments	26,850	18,418
Total	**381,364**	**408,693**

The carrying amounts for inventories include depreciation of EUR 18,656 thousand (previous year: EUR 18,779 thousand).

[26] RECEIVABLES

in EUR '000	DEC. 31, 2019	DEC. 31, 2018
Receivables from customers	180,579	189,909
Contract receivables	19,470	9,956
Receivables from associated companies	2,478	2,658
Total	**202,527**	**202,523**

In the current reporting year, EUR 188 thousand of receivables from customers with a payment term of over one year have been recognized (previous year: EUR 0 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	2019	2018
Costs incurred including prorated income	121,819	95,934
Advance payments received	133,195	122,059
Contract receivables	19,470	9,956
Contract liabilities	30,846	36,081

Contract liabilities relate to contracts with revenue recognition over time exhibiting an offset surplus of received advanced payments. These are shown under other liabilities in the statement of financial position. Of the contract liabilities recognized in the amount of EUR 36,081 thousand in the previous year, EUR 27,206 thousand were recognized as revenue in the reporting year. As of December 31, 2019, there are contract liabilities with allocated transaction prices of EUR 143,427 thousand (previous year: EUR 180,794 thousand). These are scheduled to be realized as revenue within the next 1 to 42 months.

The receivables include valuation allowances of EUR 7,883 thousand (previous year: EUR 6,483 thousand). The development is depicted below:

in EUR '000	2019	2018
Valuation allowances as of January 1	**6,483**	**5,999**
Exchange rate difference	24	25
Change in scope of consolidation	86	4
Additions	4,061	3,150
Utilization	-104	-680
Reversals	-2,667	-2,015
Valuation allowances as of December 31	**7,883**	**6,483**

Receivables in the amount of EUR 521 thousand (previous year: EUR 473 thousand) were derecognized through profit and loss in the financial year.

[27] EQUITY

SUBSCRIBED CAPITAL

The capital stock came to EUR 63,571,323.62 on the reporting date. Capital stock consists of 24,450,509 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

In accordance with Section 6 (1) of the Articles of Incorporation, the Board of Management is authorized, with the Supervisory Board's approval, to increase the company's capital stock in the period up until May 28, 2024, once or in several installments, by a total of up to EUR 31,785,660.51 in return for cash and/or non-cash contributions (including mixed non-cash contributions) by issuing up to 12,225,254 new registered no-par-value shares (Authorized Capital 2019). Shareholders will generally be given subscription rights. The new shares may be assumed also by one or more financial institutions chosen by the Board of Management with the obligation to offer them to the shareholders (indirect subscription rights). 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 10% of the capital stock, either at the time at which this authorization takes effect or at the time at which this authorization is exercised. 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 cases involving a capital increase through non-cash contributions, in particular for the purposes of acquiring a company, company divisions, investing in a company, or other material operating resources; 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 includes shares 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 contingent capital increase is conditional upon

- exercise by the holders or creditors of convertible bonds or warrants of 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.

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 40.2% (previous year: 41.3%).

INTERESTS ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Interests held by non-controlling shareholders essentially consist of the non-controlling interests in the limited liability companies WEIGAND Bau GmbH and subsidiaries 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 [31].

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 0.80 per no-par-value share (previous year: EUR 1.50 per no-par-value share). At 24,450,509 shares (previous year: 24,450,509 shares), this equates to a payment of EUR 19,560,407.20 (previous year: EUR 36,675,763.50). The full text of the proposed appropriation of distributable profit is published separately. The proposed dividend was not recognized in the balance sheets and there are no tax consequences.

OTHER RESERVES

DEVELOPMENT OF OTHER RESERVES (in EUR '000)

	JAN. 1, 2018	OTHER INCOME 2018	DEC. 31, 2018	OTHER INCOME 2019	DEC. 31, 2019
Currency conversion reserve	-1,316	2,584	1,268	3,060	4,328
Pension provisions (actuarial gains/losses)	-24,752	481	-24,271	-8,669	-32,940
Deferred taxes for pensions	6,242	-69	6,173	2,627	8,800
Reserve for cash flow hedges	-4,328	-728	-5,056	-1,192	-6,248
Deferred taxes for cash flow hedges	773	47	820	184	1,004
Total other reserves	**-23,381**	**2,315**	**-21,066**	**-3,990**	**-25,056**

Reserves for currency conversion and for cash flow hedges include unrealized gains and losses. The change in reserves for cash flow hedges 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 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 599,208 thousand (previous year: EUR 526,461 thousand). Taking equity in the statement of financial position into account, total capital comes to EUR 1,326,929 thousand (previous year: EUR 1,236,286 thousand). Relative to total interest-bearing capital employed, the equity ratio is 54.8% (previous year: 57.4%). The EUR 90,643 thousand increase in total capital (previous year: EUR 119,539 thousand) was due to a EUR 17,896 thousand increase in equity (previous year: EUR 36,012 thousand) and a EUR 72,747 thousand increase in interest-bearing debt capital (previous year: increase of EUR 83,527 thousand). The reinvested capital enhances INDUS' solid capital base.

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

STATEMENT OF INCOME (in EUR '000)

	2019	2018	CHANGE
Current service cost	2,569	2,535	34
Interest cost	1,120	974	146
Income from plan assets	-404	-325	-79
Past service costs	-16	-556	540
Administrative expenses – foundation	147	139	8
Cost of defined benefit obligation	**3,416**	**2,767**	**649**
+ Defined contribution plan cost	3,713	3,595	118
= Cost of pension commitments for the period in statement of income	**7,129**	**6,362**	**767**

BALANCE SHEET VALUE (in EUR '000)

	2019	2018	CHANGE
Present value of benefit obligations financed by provisions	52,942	43,702	9,240
Present value of funded benefit obligations	43,526	41,185	2,341
Defined benefit obligation: accumulated benefit obligations	**96,468**	**84,887**	**11,581**
Market value of plan assets	-43,526	-41,185	-2,341
Net obligation = provisions	**52,942**	**43,702**	**9,240**
Actuarial gains/losses	-32,940	-24,271	-8,669
Opening balance: amount carried on the statement of financial position as of January 1	**43,702**	**43,969**	**-267**
Pension obligation expenses	3,417	2,767	650
Pension payments	-2,878	-2,949	71
Actuarial gains/losses realized in equity	8,669	-481	9.150
Exchange rate change	32	396	-364
Change of scope in consolidation/netting	0	0	0
Closing balance: amount carried on the statement of financial position as of December 31	**52,942**	**43,702**	**9,240**
Underlying assumptions in %:			
Discount factor			
Germany	0.90	1.80	
Switzerland	0.25	0.90	
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	0.90	1.80	
Switzerland	0.00	0.90	

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 net obligation by EUR 5,632 thousand (previous year: EUR 2,936 thousand) or increase net obligation by EUR 7,134 thousand (previous year: EUR 3,319 thousand).

In connection with retirement benefits, payments amounting to EUR 3,502 thousand are expected in 2020 (in 2018 for 2019: EUR 3,340 thousand).

Plan assets primarily consist of reinsurance policies. Changes in plan assets are as follows:

in EUR '000	2019	2018
Assets as of January 1	**41,185**	**38,221**
Expected return on plan assets	404	325
Ongoing contributions by the companies	3,209	2,994
Pensions paid	-3,169	-2,080
Netting/other	420	377
Exchange rate change	1,477	1,348
Assets as of December 31	**43,526**	**41,185**

The statement of financial position also contains reimbursement claims of EUR 707 thousand (previous year: EUR 716 thousand).

[29] OTHER PROVISIONS

Other provisions include interest in the amount of EUR 37 thousand (previous year: EUR 67 thousand).

PROVISIONS 2019 (in EUR '000)

	OPENING BALANCE JAN. 1, 2019	CHANGE IN SCOPE OF CONSOLI-DATION	UTILIZED	REVERSED	ADDITIONS/ NEWLY CREATED	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2019
Sales and purchasing obligations	36,146	728	36,402	2,315	36,213	92	34,462
Personnel expenses	25,462	852	29,803	669	30,054	90	25,986
Other provisions	13,656	505	8,956	1,296	11,704	29	15,642
Total	**75,264**	**2,085**	**75,161**	**4,280**	**77,971**	**211**	**76,090**

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, 2019 CARRYING AMOUNT FOR REPORTING PERIOD	CASH-EFFECTIVE	NON-CASH EFFECTIVE			DEC. 31, 2019 CARRYING AMOUNT FOR REPORTING PERIOD
			INITIAL FINANCIAL STATEMENT ACCOUNTING	CHANGE IN SCOPE OF CONSOLI-DATION	EXCHANGE RATE CHANGE	
Liabilities to banks	358,829	-634	0	3,444	55	361,694
Liabilities from leasing	5,323	-21,732	90,904	0	25	74,520
Promissory note loans	228,254	16,918	0	0	0	245,172
Total financial liabilities	**592,406**	**-5,448**	**90,904**	**3,444**	**80**	**681,386**

	JAN. 1, 2018 CARRYING AMOUNT FOR REPORTING PERIOD	CASH-EFFECTIVE	NON-CASH EFFECTIVE			DEC. 31, 2018 CARRYING AMOUNT FOR REPORTING PERIOD
			INITIAL FINANCIAL STATEMENT ACCOUNTING	CHANGE IN SCOPE OF CONSOLI-DATION	EXCHANGE RATE CHANGE	
Liabilities to banks	346,989	11,901	0	0	-61	358,829
Liabilities from leasing*	6,664	-1,482	0	0	141	5,323
Promissory note loans	181,193	47,061	0	0	0	228,254
Total financial liabilities	**534,846**	**57,480**	**0**	**0**	**80**	**592,406**

* Finance leases

FINANCIAL LIABILITIES/DERIVATIVES (in EUR '000)

	DEC. 31, 2019 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks				
in the Group's currency EUR	360,088	99,765	232,549	27,774
in Swiss francs	269	269	0	0
in other currencies	1,337	958	379	0
Liabilities from leasing	74,520	15,971	38,193	20,356
Promissory note loans	245,172	18,082	162,947	64,143
Total financial liabilities	**681,386**	**135,045**	**434,068**	**112,273**
Derivatives – nominal values	238,587	44,401	154,803	39,383

	DEC. 31, 2018 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks				
in the Group's currency EUR	357,503	78,885	241,627	36,991
in Swiss francs	572	338	234	0
in other currencies	754	0	754	0
Liabilities from leasing*	5,323	4,215	1,108	0
Promissory note loans	228,254	43,082	137,543	47,629
Total financial liabilities	**592,406**	**126,520**	**381,266**	**84,620**
Derivatives – nominal values	270,071	35,504	162,619	71,948

* Finance leases

[31] OTHER LIABILITIES

in EUR '000	DEC. 31, 2019	CURRENT	NON-CURRENT	DEC. 31, 2018	CURRENT	NON-CURRENT
Liabilities to outside shareholders	58,948	40,662	18,286	59,552	35,066	24,486
Accounts payable for personnel	19,760	19,760	0	19,383	19,383	0
Derivative financial instruments	6,255	6,255	0	5,065	5,065	0
Advance payments received	18,858	18,388	470	37,297	36,701	596
Contract liabilities	30,846	30,846	0	36,081	36,081	0
Other tax liabilities	11,866	11,866	0	10,881	10,881	0
Accrual of payments not relating to the reporting period	2,198	1,837	361	1,804	1,615	189
Investment subsidies	1,752	0	1,752	1,978	0	1,978
Customer credit notes	8,784	8,784	0	3,584	3,584	0
Sundry other liabilities	2,199	1,698	501	2,931	2,449	482
Total	**161,466**	**140,096**	**21,370**	**178,556**	**150,825**	**27,731**

Liabilities to outside shareholders include with EUR 40,266 thousand (previous year: EUR 41,789 thousand) contingent purchase price commitments carried at fair value insofar as minority shareholders are able to tender their 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 2,848 thousand, EUR 1,947 thousand was recognized in expenses, and EUR 2,431 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	2019	2018
Cash transactions attributable to the acquisition of portfolio companies:	-34,947	-12,211
less assumed financial liabilities	5,759	695
Net purchase price	**-29,188**	**-11,516**

Cash and cash equivalents include limited-authorization accounts amounting to EUR 0 thousand (previous year: EUR 655 thousand). Investing and financing transactions of EUR 777 thousand (previous year: EUR 1,821 thousand) that did not lead to changes in cash and cash equivalents are not included in the statement of cash flows.

EUR 23,820 thousand was paid for leases (interest and principal repayment) in the financial year.

[33] SEGMENT REPORTING

SEGMENT INFORMATION BY DIVISION

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
2019								
Revenue with external third parties								
From contracts with customers	332,410	326,400	253,391	154,164	408,589	1,474,954	92	1,475,046
In accordance with measurement-over-time method	56,402	14,456	180,156	0	0	251,014	0	251,014
From service contracts	59	9,437	1,073	5,552	618	16,739	0	16,739
Revenue with external third parties	**388,871**	**350,293**	**434,620**	**159,716**	**409,207**	**1,742,707**	**92**	**1,742,799**
Revenue with Group companies	35,329	81,282	77,053	19,004	62,486	275,154	-275,154	0
Revenue	**424,200**	**431,575**	**511,673**	**178,720**	**471,693**	**2,017,861**	**-275,062**	**1,742,799**
Segment earnings (EBIT)	**63,013**	**-35,799**	**54,585**	**18,616**	**25,771**	**126,186**	**-8,290**	**117,896**
Depreciation/amortization	**-13,960**	**-44,842**	**-18,436**	**-9,324**	**-20,301**	**-106,863**	**-947**	**-107,810**
of which amortization	-13,960	-27,578	-18,436	-9,324	-20,301	-89,599	-947	-90,546
of which impairment	0	-17,264	0	0	0	-17,264	0	-17,264
Segment EBITDA	**76,973**	**9,043**	**73,021**	**27,940**	**46,072**	**233,049**	**-7,343**	**225,706**
Income from measurement according to the equity method	**152**	**14**	**518**	**0**	**0**	**684**	**0**	**684**
Investments	**18,755**	**22,752**	**30,914**	**4,943**	**25,064**	**102,428**	**5,010**	**107,438**
of which company acquisitions	0	0	22,287	0	6,901	29,188	0	29,188
of which acc. to the equity method	0	0	0	0	0	0	0	0
Dec. 31, 2019								
Shares accounted for using the equity method	4,159	0	2,792	0	0	6,951	0	6,951
Goodwill	115,722	51,259	153,232	69,639	25,317	415,169	0	415,169

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
2018								
Revenue with external third parties								
From contracts with customers	302,328	373,690	245,914	152,573	419,593	1,494,098	-237	1,493,861
In accordance with measurement-over-time method	56,323	7,868	140,201	0	0	204,392	0	204,392
From service contracts	56	9,477	847	1,749	406	12,535	0	12,535
Revenue with external third parties	**358,707**	**391,035**	**386,962**	**154,322**	**419,999**	**1,711,025**	**-237**	**1,710,788**
Revenue with Group companies	33,234	80,637	70,189	19,196	55,562	258,818	-258,818	0
Revenue	**391,941**	**471,672**	**457,151**	**173,518**	**475,561**	**1,969,843**	**-259,055**	**1,710,788**
Segment earnings (EBIT)	**49,999**	**-4,493**	**52,027**	**17,345**	**28,312**	**143,190**	**-8,764**	**134,426**
Income from measurement according to the equity method	-78	-36	181	0	0	67	0	67
Depreciation/amortization	**-10,080**	**-32,922**	**-12,225**	**-7,417**	**-20,208**	**-82,852**	**-805**	**-83,657**
of which amortization	-10,080	-23,422	-12,225	-7,417	-13,592	-66,736	-805	-67,541
of which impairment	0	-9,500	0	0	-6,616	-16,116	0	-16,116
Segment EBITDA	**60,079**	**28,429**	**64,252**	**24,762**	**48,520**	**226,042**	**-7,959**	**218,083**
Investments	**25,531**	**29,476**	**11,979**	**8,425**	**26,337**	**101,748**	**653**	**102,401**
of which company acquisitions	9,890	1,626	0	0	0	11,516	0	11,516
of which acc. to the equity method	0	0	0	0	0	0	0	0
Dec. 31, 2018								
Shares accounted for using the equity method	4,006	4,640	2,324	0	0	10,970	0	10,970
Goodwill	115,438	66,405	142,481	69,639	24,627	418,590	0	418,590

RECONCILIATION (in EUR '000)

	2019	2018
Segment earnings (EBIT)	**126,186**	**143,190**
Areas not allocated incl. holding company	-8,485	-7,976
Consolidations	195	-788
Financial income	-18,922	-19,720
Earnings before taxes	**98,974**	**114,706**

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
2019				
Revenue with external third parties	1,742,799	890,190	374,341	478,268
Dec. 31, 2019				
Non-current assets, less deferred taxes and financial instruments	1,032,789	873,328	56,787	102,674
2018				
Revenue with external third parties	1,710,788	878,860	383,558	448,370
Dec. 31, 2018				
Non-current assets, less deferred taxes and financial instruments	941,570	801,157	51,185	89,228

[34] INFORMATION ON THE SIGNIFICANCE OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS (in EUR '000)

	BALANCE SHEET VALUE	NOT WITHIN THE SCOPE OF IFRS 9	IFRS 9 FINANCIAL INSTRUMENTS	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
DEC. 31, 2019					
Financial investments	6,366	0	6,366	2,482	3,884
Cash and cash equivalents	135,120	0	135,120	0	135,120
Receivables	202,527	19,470	183,057	0	183,057
Other assets	24,416	13,078	11,338	34	11,304
Financial instruments: Assets	**368,429**	**32,548**	**335,881**	**2,516**	**333,365**
Financial liabilities	681,386	0	681,386	0	681,386
Trade payables	55,931	0	55,931	0	55,931
Other liabilities	161,466	68,717	92,749	46,521	46,228
Financial instruments: Liabilities	**898,783**	**68,717**	**830,066**	**46,521**	**783,545**

	BALANCE SHEET VALUE	NOT WITHIN THE SCOPE OF IFRS 9	IFRS 9 FINANCIAL INSTRUMENTS	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
DEC. 31, 2018					
Financial investments	13,684	0	13,684	2,612	11,072
Cash and cash equivalents	109,647	0	109,647	0	109,647
Receivables	202,523	9,956	192,567	0	192,567
Other assets	26,119	14,380	11,739	404	11,335
Financial instruments: Assets	**351,973**	**24,336**	**327,637**	**3,016**	**324,621**
Financial liabilities	592,406	0	592,406	0	592,406
Trade payables	65,659	0	65,659	0	65,659
Other liabilities	178,556	90,449	88,107	46,854	41,253
Financial instruments: Liabilities	**836,621**	**90,449**	**746,172**	**46,854**	**699,318**

The fair value of financial liabilities that are measured at amortized cost is EUR 692,259 thousand (previous year: EUR 596,963 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, 2019	DEC. 31, 2018	2019	2018
Financial assets measured at fair value through profit and loss	34	404	-370	305
Financial assets measured at cost	333,365	324,621	-1,489	-323
Financial assets recognized at fair value directly in equity – of which attributable to equity instruments	2,482	2,612	0	211
Financial instruments: Assets	**335,881**	**327,637**	**-1,859**	**193**
Financial liabilities measured at fair value through profit and loss	40,273	41,798	0	-2
Financial liabilities measured at cost	783,545	699,318	172	71
Derivatives with hedging relationship, hedge accounting	6,248	5,056	0	0
Financial instruments: Liabilities	**830,066**	**746,172**	**172**	**69**

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 270 thousand (previous year: EUR 254 thousand). The corresponding total interest expenses are EUR 15,141 thousand (previous year: 13,211 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 management. 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. In principle, those risks which have an impact on the Group's cash flow are hedged. Such 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 information 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 (2019: EUR 135,120 thousand, previous year: EUR 109,647 thousand). It also has unused credit lines totaling EUR 79,408 thousand (previous year: EUR 29,782 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.

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, 2019			DEC. 31, 2018
	UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Interest rate derivatives	1,879	4,816	521	1,551	6,027	1,176
Total derivative financial instruments	**1,879**	**4,816**	**521**	**1,551**	**6,027**	**1,176**
Financial liabilities	147,109	459,992	125,435	136,620	403,528	87,121
of which liabilities from leasing	17,679	41,340	21,644	0	0	0
Trade payables	55,931	0	0	65,659	0	0
Other liabilities	133,842	19,617	1,752	150,825	25,753	1,978
Total financial instruments	**336,882**	**479,609**	**127,187**	**353,104**	**429,281**	**89,099**

Cash flows consist of principal payments 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 stated 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 total trade accounts receivable, there are eight customers (previous year: seven) with a share of more than 1% each. This equates to a share of about 21% of open items as recognized in the consolidated financial statements (previous year: 24%). The ten largest customers accounted for approximately 23% of Group sales (previous year: approximately 26%).

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)

	2019	2018
Amount carried in the statement of financial position	202,527	202,523
impairment contained therein	7,882	6,483
gross value of receivables before impairment	210,409	209,006
of which as per reporting date		
neither impaired nor overdue	157,038	159,271
not impaired and overdue by the following periods		
less than 3 months	37,660	37,062
3 to 6 months	3,866	3,391
6 to 9 months	960	1,803
9 to 12 months	773	894
over 12 months	1,933	2,495

The following table contains information on the estimated default risk and expected losses on trade receivables:

DEFAULT RISK ON RECEIVABLES

	LOSS RATE (WEIGHTED AVERAGE)	GROSS CARRYING AMOUNT	EXPECTED LOSS	IMPAIRED CREDIT RATING
Not overdue and between 1 and < 3 months overdue	0.86%	194,698	1,679	No
Between 3 and < 6 months overdue	5.53%	3,866	214	No
Between 6 and < 9 months overdue	9.66%	960	93	No
Between 9 and < 12 months overdue	11.21%	773	87	No
> 12 months overdue	20.31%	1,933	393	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 economic, political and geographic environment are taken into consideration. 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 basis points (BP):

MARKET PRICE RISK SENSITIVITY ANALYSIS (in EUR '000)

	DEC. 31, 2019		DEC. 31, 2018	
	+100 BP	-100 BP	+100 BP	-100 BP
Market value of derivatives	3,684	-3,877	2,606	-2,744
of which equity/hedges	3,684	-3,877	2,605	-2,743
of which interest expense per statement of income	0	0	1	-1
Market value of loans	17,015	-18,326	13,907	-14,593
Total market value	**20,699**	**-22,203**	**16,513**	**-17,337**

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 proprietary companies. 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 conversion of financial statements to the Group 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 -4,182 thousand (previous year: EUR -3,331 thousand). As in the previous year, net receivables in US dollars and Swiss francs are the main influence.

HEDGE ACCOUNTING

Hedging Instruments

As of the reporting date, exchange rate hedges with a nominal volume of EUR 2,338 thousand (previous year: EUR 12,351 thousand) were in place. Most of this exchange rate hedging consisted of transactions in US dollars, Chinese renminbi, and British pounds (previous year: US dollars, Chinese renminbi, and British pounds). Hedging contracts have a market value of EUR -104 thousand (previous year: EUR 235 thousand).

Interest rate hedges with a nominal volume of EUR 236,353 thousand (previous year: EUR 270,071 thousand) are in place. The market values amounted to EUR -6,111 thousand (previous year: EUR -4,904 thousand). Interest rate hedges relate to loan transactions already recognized in an amount of EUR 161,353 thousand (previous year: EUR 120,071 thousand) and future highly probable loan transactions subject to interest rate risks in an amount of EUR 75,000 thousand (previous year: EUR 150,000 thousand). 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 above, the following hedging instruments are part of hedge accounting:

HEDGE ACCOUNTING PURSUANT TO IFRS 9 (in EUR '000)

	NOMINAL AMOUNTS	CARRYING AMOUNT OF HEDGING INSTRUMENTS	BALANCE SHEET ITEM	CHANGES IN HEDGING INSTRUMENT VALUES RECOGNIZED IN OTHER INCOME
Dec. 31, 2019				
Cash flow hedges				
Interest rate hedges	236,353	-6,111	other current liabilities	-1,216
Exchange rate hedges	1,198	-137	other current liabilities	24
Total		**-6,248**		**-1,192**
Dec. 31, 2018				
Cash flow hedges				
Interest rate hedges	269,876	-4,895	other current liabilities	-1,231
Exchange rate hedges	2,022	-161	other current liabilities	503
Total		-5,056		-728

The average interest rate for interest rate hedges is 0.9% (previous year: 1.00%). The exchange rate hedges are exclusively in USD. The average exchange rate for the exchange rate hedges is EUR 1 = USD 1.2523 (previous year: EUR 1 = USD 1.1915).

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, 2018	-4,328	773
Change in fair value		
Interest rate hedges	-1,231	196
Exchange rate hedges	503	-149
As of December 31, 2018	**-5,056**	**820**
As of January 1, 2019	-5,056	820
Change in fair value		
Interest rate hedges	-1,216	191
Exchange rate hedges	24	-7
As of December 31, 2019	**-6,248**	**1,004**

[35] COLLATERAL FURNISHED

Collateral furnished for financial liabilities is presented in the following table:

PLEDGED ASSETS (in EUR '000)

	2019	2018
Land charges	20,828	14,599
Securities collateral	1,371	1,158
Other collateral	929	76
Total collateral	**23,128**	**15,833**

[36] CONTINGENT LIABILITIES

Liabilities from guarantees exist in the amount of EUR 7,785 thousand (previous year: EUR 5,886 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 14,094 thousand (previous year: EUR 19,871 thousand), of which EUR 13,983 thousand (previous year: EUR 18,149 thousand) was for property, plant, and equipment, and EUR 111 thousand (previous year: EUR 1,722 thousand) was for intangible assets.

[38] RELATED PARTY TRANSACTIONS

MEMBERS OF MANAGEMENT IN KEY POSITIONS AND AFFILIATED PERSONS

In line with the structure of the INDUS Group, members of management in key positions include the Supervisory Board (twelve members; previous year: six members between January 1 and November 29, 2018; twelve members between November 29 and December 31, 2018), the INDUS Holding AG Board of Management (2019: four members; between January 1 and June 30, 2018: four members; from July 1, 2018: three members) and the managing directors of the operating units (2019: 125 people; previous year: 124 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)

	PERIOD EXPENSE	OF WHICH ATTRIBUTABLE TO WAGES AND SALARIES	OF WHICH ATTRIBUTABLE TO SAR*	OF WHICH ATTRIBUTABLE TO SEVERANCE PAYMENTS	OF WHICH ATTRIBUTABLE TO PENSIONS
2019					
Indus Holding AG					
Supervisory Board	668	668	0	0	0
Board of Management**	2,795	2,445	350	0	0
Subsidiaries					
Managing directors	21,598	20,441	0	280	877
Family members	143	143	0	0	0
Total	**25,204**	**23,697**	**350**	**280**	**877**
2018					
Indus Holding AG					
Supervisory Board	454	454	0	0	0
Board of Management**	3,255	2,870	385	0	0
Subsidiaries					
Managing directors	21,736	21,522	0	180	34
Family members	113	113	0	0	0
Total	**25,558**	**24,959**	**385**	**180**	**34**

* SAR = stock appreciation rights.
** The granted benefits are listed for the Board of Management.

SUPERVISORY BOARD COMPENSATION

The Supervisory Board's compensation was redetermined 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 Chairman receives double the two aforementioned sums, and his 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 expenses for his/her activities in the past financial year. Committee chairmen receive 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 five times in 2019 and also held one telephone conference (previous year: six meetings, three telephone conferences).

BOARD OF MANAGEMENT COMPENSATION

The long-term incentive plan has been in place since January 1, 2010, offering SARs (stock appreciation rights). These stock appreciation rights represent a commitment by INDUS Holding AG to pay the holder an amount determined by the difference between the exercise price and current market price of company shares upon option exercise. 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 option terms stipulate a maximum limit (cap) to the payment amount accruing to the holder. SARs may only be exercised if the share price has risen by a certain percentage above the option strike price at the time of exercise (payout threshold). Members of the Board of Management receive no payout if the payout threshold is not exceeded. SARs are subject to a restriction period of four years from the tranche allocation date. They cannot be exercised during the restriction period. The exercise period immediately following the statutory waiting period amounts to two years.

The number of SARs granted to Board of Management members in annual tranches is determined based on the option price at the grant date and the contractually specified target price. In financial year 2019, 69,060 SARs were granted (previous year: 61,286). On the date on which they were granted, the total fair value of the SARs was EUR 350 thousand (previous year: EUR 385 thousand). The total number of SARs granted up to December 31, 2019, was 216,756 (previous year: 221,614). The fair value of previously granted, not yet exercised SARs totaled EUR 636 thousand as of the reporting date (previous year: EUR 471 thousand). A provision in this amount was formed in the annual financial statements. The addition is included in personnel expenses at EUR 676 thousand. A release of EUR 17 thousand is included in other operating income (previous year: EUR 1,026 thousand in other operating income and EUR 72 thousand in personnel expenses). Payments from stock options of EUR 494 thousand were made in the financial year (previous year: EUR 560 thousand).

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 capping of payment claims into account.

In the event of a material change in the composition of the Supervisory Board (change of control), the members of 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 if the Board of Management is dismissed 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 period of two financial years if the regular end of the contract differs from this period.

For the 2019 and the 2018 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).

Board of Management members received a total of EUR 2,908 thousand (previous year: EUR 3,582 thousand). A total of EUR 2,795 thousand is attributable to the financial year (previous year: EUR 3,255 thousand), of which EUR 1,705 thousand is attributable to fixed compensation (previous year: EUR 1,980 thousand), EUR 740 thousand to short-term variable compensation (previous year: EUR 890 thousand) and EUR 350 thousand to SARs (previous year: EUR 385 thousand). The previous year amounts to EUR 113 thousand (previous year: EUR 327 thousand). See the compensation section of the management 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 concern management members in key positions and their family members.

RELATED PARTY TRANSACTIONS (in EUR '000)

	SALES AND OTHER OPERATING INCOME	GOODS PURCHASES	OTHER PURCHASES	OPEN ITEMS	LOANS GRANTED
2019					
Related companies	2,248	5	166	1,361	675
Family members of managing directors and shareholders	0	157	58	1	0
Non-controlling shareholders	5,347	0	1,553	0	0
Managing directors of portfolio companies	2	0	527	46	0
Total related party transactions	**7,597**	**162**	**2,304**	**1,408**	**675**
2018					
Related companies	2,541	13	100	1,361	7,384
Family members of managing directors and shareholders	6	0	95	0	0
Non-controlling shareholders	3,129	0	1,382	0	0
Managing directors of portfolio companies	3,121	0	514	237	0
Total related party transactions	**8,797**	**13**	**2,091**	**1,598**	**7,384**

[39] EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES IN THE FINANCIAL YEAR

	2019	2018
Employees per region		
Germany	7,885	7,789
Europe (EU & Switzerland)	1,516	1,499
Rest of world	1,455	1,426
Total	**10,856**	**10,714**
Employees per segment		
Construction/Infrastructure	1,874	1,839
Automotive Technology	3,360	3,524
Engineering	2,180	2,027
Medical Engineering/Life Science	1,718	1,687
Metals Technology	1,687	1,602
Other	37	35
Total	**10,856**	**10,714**

[40] COST OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AUDIT

External auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft's fee for auditing the consolidated financial statements amounted to EUR 407 thousand (previous year: EUR 355 thousand), of which EUR 13 thousand (previous year: EUR 46 thousand) was for previous years, EUR 33 thousand (previous year: EUR 65 thousand) for other confirmation and valuation services, of which EUR 3 thousand for previous years (previous year: EUR 35 thousand), EUR 0 thousand (previous year: EUR 11 thousand) for accountancy services and EUR 3 thousand (previous year: EUR 0 thousand) for other services. "Confirmation services" refer to auditing services for the non-financial report of INDUS Group and a convenant confirmation.

[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 September 2019 and made it available to shareholders on the INDUS Holding Aktiengesellschaft website (www.indus.de).

[42] USE OF FACILITATION IN ACCORDANCE 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, 2019.

[43] EVENTS AFTER THE REPORTING DATE

The spread of the coronavirus and resulting measures have already had a significant impact on the global economy and will lead to long-term changes in the economic environment.

Several companies have already adjusted their forecast for the coming months. The stock exchanges are in free fall. At the moment, it is impossible to predict for how much longer the number of people infected with the coronavirus will continue to rise in Germany and Europe. Based on the experience in China, massive economic disruption can be expected. To what extent this will influence the economy will depend on how well and how quickly the situation returns to normal.

The coronavirus pandemic is presenting the INDUS Board of Management and the managers of the portfolio companies with unprecedented operational challenges. Based on experience from China, the Board of Management is currently anticipating massive disturbances in the economic cycles for a period of four to six weeks. At the end of this period we expect the economy to recover relatively quickly. In our scenarios for this forecast, we have assumed that the economic situation will stabilize after six to eight weeks, i.e., in mid to late May. In the case of a significantly different scenario, the overall impact on the economy and the resulting effects on the portfolio companies of INDUS cannot be estimated at the present time. The forecasts predict that sales will fall from EUR 1.74 billion in 2019 to between EUR 1.50 and 1.65 billion in 2020, with a corresponding decline in operating income (EBIT) of between EUR 23 and EUR 33 million. Should the massive economic disruptions of the business cycles last longer than expected, higher losses cannot be ruled out.

The impact of the coronavirus pandemic on the Group is described in the Opportunities and Risk Report, while the Forecast Report discusses current developments and the latest assumptions for the 2020 financial year. The Forecast Report reflects the assessments of the Board of Management at the time of preparation of the annual and consolidated financial statements for INDUS Holding AG. Any further effects cannot be estimated at this moment in time.

INDUS constantly monitors the development of the coronavirus crisis and its impact on the business of its portfolio companies. Appropriate measures to support these companies are evaluated quickly and implemented at short notice.

There are no other post-balance sheet events that would have a significant impact on the INDUS Group.

Bergisch Gladbach, March 26, 2020

INDUS Holding AG

The Board of Management

Dr. Johannes Schmidt

Dr. Jörn Großmann

Axel Meyer

Rudolf Weichert

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

We hereby certify that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the financial position and financial performance of the Group, and the combined management report for the 2019 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 as of December 31, 2019.

Bergisch Gladbach, March 26, 2020

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 2019 financial year in the amount of EUR 79,575,626.08:

Payment of a dividend of EUR 0.80 per no-par-value share (24,450,509) on the capital stock of EUR 63,571,323.62	19,560,407.20
Transfer to other retained earnings	59,000,000.00
Profit carried forward	1,015,218.88
Balance sheet profit	79,575,626.08

Bergisch Gladbach, March 26, 2020

The Board of Management

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

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

OPINIONS

We have audited the consolidated financial statements of INDUS Holding AG, Bergisch Gladbach, Germany, and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as of December 31, 2019, 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, 2019, 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 AG, Bergisch Gladbach, Germany, for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of the separate non-financial report and the declaration on corporate governance in accordance with Sections 289f and 315d HGB [Handelsgesetzbuch: German Commercial Code] published on the company website to which reference is made in the "Non-financial Performance Indicators" and "Corporate Governance" 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, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
- the accompanying combined management report as a whole provides an appropriate 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 appropriately 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 reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS OF OPINIONS

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, 2019. 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, constitute the key audit matters:

1) Goodwill impairment
2) Initial consolidation of Mesutronic Gerätebau GmbH, Kirchberg

On 1) goodwill impairment

a) Financial statement risk

The consolidated financial statements include the balance sheet item "Goodwill." As of the reporting date, goodwill in the amount of EUR 415.2 million was recognized. This goodwill is allocable to 44 cash-generating units.

As a result of the annual impairment test, impairment losses of EUR 17.3 million were recorded in relation to two cash-generating units. These impairment losses affected goodwill (EUR 14.5 million) and tangible fixed assets (EUR 2.8 million).

Company information relating to goodwill is 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 the two values from the fair value less costs of disposal or 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 an evaluation 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. 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. 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 plans upon which the impairment testing of material goodwill deemed at risk is based by means of analysis of the planning assumptions and documentation presented to us, and by means of discussion with the company's employees responsible for the respective portfolio companies and the local management. In the process, we have also examined these for potential judgment bias.

In addition, we have assessed the planning accuracy by comparing planning for the previous year against the actual values achieved.

We also examined the appropriateness of the valuation method applied and its methodical implementation, the derivation of segment-specific discounting interest rates as well as the accuracy of the accounting in random samples.

We have validated the calculation results of the company using additional analyses which also included sensitivity analysis.

We have also assessed the accuracy and completeness of the assets and liabilities included in the carrying amount of the cash-generating unit.

The valuation parameters and assumptions applied by the legal representatives have been correctly derived and are within an acceptable range.

On 2) initial consolidation of Mesutronic Gerätebau GmbH, Kirchberg

a) Financial statement risk

INDUS Holding AG acquired 89.9% of the shares in Mesutronic Gerätebau GmbH, Kirchberg, in the 2019 financial year. The fair value of the entire consideration for the acquisition of the company amounted to EUR 31.9 million.

The minority shareholders of Mesutronic Gerätebau GmbH, Kirchberg, were granted a right to tender their shares that INDUS Holding AG cannot withdraw from, combined with a purchase option for INDUS Holding AG. INDUS Holding AG has therefore also fully consolidated the minority interest and recognized a contingent purchase price commitment at fair value.

Company information relating to the acquisition of the company is contained in section 6 of the Notes.

The consideration transferred as part of an acquisition of a company along with the identified assets and liabilities acquired are to be recognized at fair value as of the time of purchase. If the value of the consideration transferred exceeds the sum of the revalued assets and liabilities identified, the difference must be recognized under goodwill. The purchase price allocation shows goodwill acquired in the amount of EUR 10.4 million.

The complete identification of assets and liabilities and the determination of their fair value is based on various assumptions made by the legal representatives of INDUS Holding AG, which are dependent on estimates and discretionary judgments. The valuation of the assets and liabilities identified is based on the cash flow expected in future. In light of this and due to the complexity of the valuation and the effects on the Group's financial position and financial performance, we considered this to be a key matter during the audit.

b) Audit approach and conclusions

As part of our audit we initially examined the resolution proposal for the Supervisory Board of INDUS Holding AG regarding the company acquisition as well as the expert fairness opinion obtained by the legal representatives of INDUS Holding AG in preparation for the business combination in order to understand the business combination, the acquired company's business model, the motive for purchasing the company, and the legal representatives' approach to identifying and valuing the consideration transferred as well as the assets and liabilities recognized at the acquisition date.

In conjunction with this, we also acknowledged the company purchase agreement, the due diligence reports, and other relevant agreements and documents.

We also examined the planning calculations and valuation parameters applied for the fairness opinion and the valuation, and whether the information in the notes required by IFRS 3 was complete.

The estimates and discretionary judgments of the legal representatives of INDUS Holding AG on which the valuation, purchase price allocation, and initial consolidation were based have been derived correctly and, taking into consideration the information we have seen, presented correctly.

OTHER INFORMATION

The legal representatives or Supervisory Board of INDUS Holding AG are responsible for the disclosures under other information. The other information comprises:

— the elements of the combined management report where the content has not been audited, named in the external auditor's opinion,
— the Report of the Supervisory Board,
— the Corporate Governance report in accordance with No. 3.10 of 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 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 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 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. We also:

— 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 control.
— 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.
— Evaluate the appropriateness of accounting standards used by the legal representatives and the reasonableness of estimates and related disclosures made by the legal representatives.
— 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.
— 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.
— 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.
— 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.
— 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.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

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 29, 2019. We were engaged by the Supervisory Board on November 29, 2019. We have been the group auditor of INDUS Holding AG, 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).

AUDITOR RESPONSIBLE

The auditor responsible for the engagement is Mr. Marcus Lauten.

Cologne, March 26, 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Nikolaus Krenzel Wirtschaftsprüfer	Marcus Lauten Wirtschaftsprüfer

STATEMENT OF THE INDEPENDENT AUDITOR

ON AN AUDIT TO OBTAIN LIMITED ASSURANCE ON THE COMBINED SEPARATE NON-FINANCIAL REPORT

To INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany

We have performed a limited assurance audit for INDUS Holding Aktiengesellschaft, Bergisch Gladbach, Germany, and the INDUS AG Group's (hereafter "INDUS AG") combined separate non-financial report and the sections referred to in the Group management report "Positioning and business model," "Opportunity management," and "Risk management" (hereafter "non-financial report") in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB (Handelsgesetzbuch: German Commercial Code) for the period January 1 to December 31, 2019.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

The legal representatives of INDUS AG are responsible for preparing the non-financial report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

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 the non-financial report are free from material misstatement, whether due to fraud or error.

AUDITOR'S DECLARATION OF INDEPENDENCE AND QUALITY ASSURANCE

In accordance with the requirements under European law and German commercial and professional law, we are independent of the company and have fulfilled our other professional responsibilities in accordance with these requirements.

Our auditing company applies the national statutory regulations and professional proclamations on quality assurance, particularly statutes for auditors and certified accountants 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)."

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 state with limited assurance that we did not become aware of any matters that led us to believe the company's non-financial report was prepared in a way that was not in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB in all material respects. 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
- 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
- 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 overall presentation of the information

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 AG non-financial report for the period January 1 to December 31, 2019, was not prepared in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB in all material respects.

PURPOSE OF THE STATEMENT

We provide this statement based on the terms of engagement entered into with INDUS AG. The audit was performed for INDUS AG, and the statement serves purely to inform INDUS AG of the results of the audit.

CONDITIONS OF THE ASSIGNMENT AND LIABILITY

The statement is not a suitable basis for third parties to make (investment) decisions on. Our responsibility is solely to INDUS AG and is restricted to the terms of engagement entered into with INDUS AG on December 2, 2019, as well as the “General Terms of Engagement for German Public Auditors and Public Audit Firms” from January 1, 2017, published by Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany). We bear no responsibility, liability, or other duties toward third parties.

Cologne, March 26, 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Marcus Lauten Wirtschaftsprüfer	Nikolaus Krenzel Wirtschaftsprüfer

FURTHER INFORMATION ON THE BOARD MEMBERS

THE SUPERVISORY BOARD OF INDUS HOLDING AG

JÜRGEN ABROMEIT
CEO of A-Xellence AG, Osnabrück
CHAIRMAN OF THE BOARD

WOLFGANG LEMB*
Managing Director of IG Metall, Frankfurt am Main
DEPUTY CHAIRMAN OF THE BOARD

DR. JÜRGEN ALLERKAMP
Fully qualified lawyer, CEO of Investitionsbank Berlin, Berlin

Further mandates within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG):
- BPWT Berlin Partner für Wirtschaft und Technologie GmbH, Berlin, Chairman of the Supervisory Board
- IBB Beteiligungsgesellschaft mbH, Berlin**

DR. DOROTHEE BECKER
Graduate economist, Spokesperson for the Management of the Gebrüder Becker, Wuppertal group of companies

DOROTHEE DIEHM*
First Authorized Representative of IG Metall – Freudenstadt office, Freudenstadt

PIA FISCHINGER*
Deputy Chairperson of the Karl Simon GmbH & Co. KG works council, Aichhalden

CORNELIA HOLZBERGER
(SINCE JANUARY 30, 2019)
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 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***

* Employee representative to the Supervisory Board
** This mandate is with a group company of Investitionsbank Berlin.
*** These mandates are with group companies of Versicherungskammer Bayern.

SERGEJ SCHÖNHALS*

(UNTIL JANUARY 30, 2019)

Shift Manager at S.M.A. Metalltechnik GmbH & Co. KG, Backnang

HELMUT SPÄTH

Businessman (Business graduate)

Further mandates within the meaning of Section 125 (1) sentence 5 of the German Stock Corporation Act (AktG):

— ifb AG, Cologne, Chairman 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

(SINCE JANUARY 1, 2019)

Dr. rer. nat., MBA

AXEL MEYER

Dipl.-Wirtschafts-Ing., LL.M.

RUDOLF WEICHERT

Business graduate

Further mandates in advisory bodies:

— Börsenrat (business advisory board) of Düsseldorf Stock Exchange

INVESTMENTS OF INDUS HOLDING AG

BY SEGMENTS	CAPITAL (IN EUR MILLION)	INDUS STAKE (IN %)
Construction/Infrastructure		
ANCOTECH AG, Dielsdorf/Switzerland*	3.95**	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*	1.69	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
Automotive Technology		
AURORA Konrad G. Schulz GmbH & Co. KG, Mudau*	6.72	100
BILSTEIN & SIEKERMANN GmbH & Co. KG, Hillesheim*	3.11	100
IPETRONIK GmbH & Co. KG, Baden-Baden*	2.75	100
KIEBACK GmbH & Co. KG, Osnabrück*	0.54	100
Konrad SCHÄFER GmbH, Osnabrück*	1.68	100
SELZER Fertigungstechnik GmbH & Co. KG, Driedorf*	9.45	85
SITEK-Spikes GmbH & Co. KG, Aichhalden	1.05	100
S.M.A. Metalltechnik GmbH & Co. KG, Backnang*	4.01	100
WIESAUPLAST Deutschland GmbH & Co. KG, Wiesau*	13.77	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*	1.25	100
GSR Ventiltechnik GmbH & Co. KG, Vlotho*	0.57	100
HORNGROUP Holding GmbH & Co. KG, Flensburg*	8.46	100
IEF-Werner GmbH, Furtwangen im Schwarzwald	1.28	100
MBN – Maschinenbaubetriebe Neugersdorf GmbH, Ebersbach-Neugersdorf*	0.74	75
MESUTRONIC Gerätebau GmbH, Kirchberg im Wald*	0.54	90

BY SEGMENTS	CAPITAL (IN EUR MILLION)	INDUS STAKE (IN %)
M+P International Mess-und Rechnertechnik GmbH, Hanover*	1.23	77
PEISELER GmbH & Co. KG, Remscheid*	1.04	80
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100
Medical Engineering/Life Science		
IMECO GmbH & Co. KG, Hösbach*	0.75	100
MIKROP AG, Wittenbach/Switzerland*	1.13**	100
OFA Bamberg GmbH, Bamberg*	1.55	100
RAGUSE Gesellschaft für medizinische Produkte mbH, Ascheberg*	0.92	100
ROLKO Kohlgrüber GmbH, Borgholzhausen*	0.62	100
Metals Technology		
BACHER AG, Reinach/Switzerland	3.20**	100
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*	5.08	100
VULKAN INOX GmbH, Hattingen*	1.07	100

* including subsidiaries
** CHF in million

KEY FIGURES

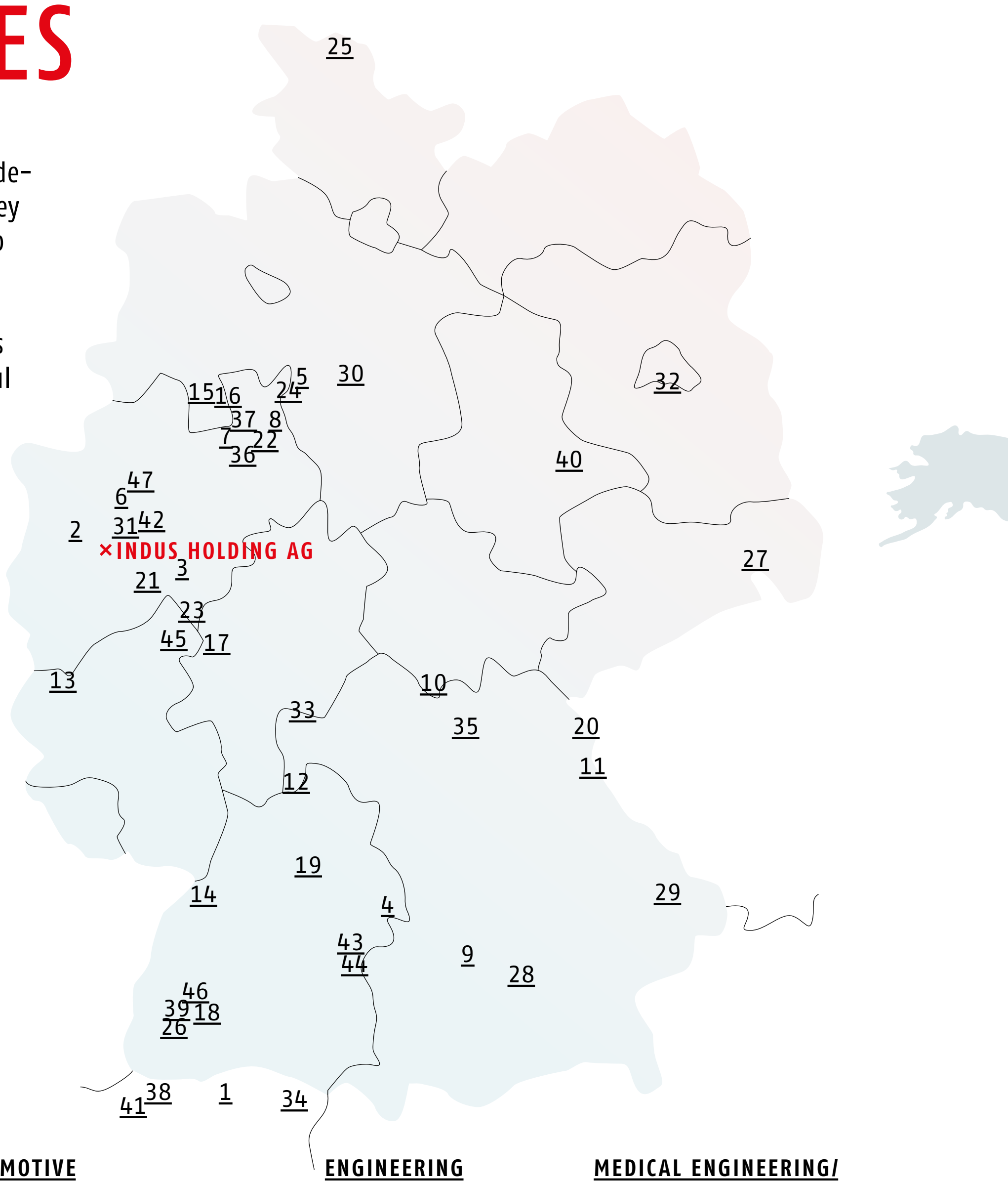
in EUR '000	2012	2013	2014	2015	2016	2017	2018	2019
Statement of Income								
Sales	1,105,271	1,186,785	1,255,723	1,388,857	1,444,270	1,640,640	1,710,788	1,742,799
of which domestic	569,488	611,191	655,198	708,993	735,486	815,497	878,860	890,190
of which abroad	535,783	55,594	600,525	679,864	708,784	825,143	831,928	852,609
Personnel expenses	306,240	322,628	349,010	392,012	430,230	479,679	506,637	527,461
Personnel expenses ratio (personnel expenses as % of sales)	27.7	27.2	27.8	28.2	29.8	29.2	29.6	30.3
Cost of materials	523,555	562,789	598,204	651,562	648,685	745,894	811,929	782,448
Cost of materials ratio (cost of materials as % of sales)	47.4	47.4	47.6	46.9	44.9	45.5	47.5	44.9
EBITDA*	151,243	161,828	173,532	185,473	199,424	213,918	218,083	225,706
Depreciation/amortization	45,818	43,685	47,970	50,103	55,976	62,438	83,657	107,810
EBIT*	105,425	118,143	125,562	135,370	143,448	151,481	134,426	117,896
EBIT return on sales (EBIT as % of sales)	9.5	10.0	10.0	9.7	9.9	9.2	7.9	6.8
Financial income*	20,558	19,447	24,857	26,075	20,070	22,290	19,720	18,922
EBT	84,867	98,696	100,705	109,295	123,378	129,291	114,706	98,974
Group net income for the year (earnings after taxes)	52,481	63,974	63,314	68,287	80,418	83,074	71,185	60,072
Earnings per share, basic as per IFRS (in EUR)	2.47	3.02	2.74	2.78	3.27	3.37	2.90	2.43
Statement of Financial Position								
Assets								
Intangible assets	310,706	360,493	412,268	453,630	483,008	515,044	509,420	592,315
Property, plant, and equipment	253,917	271,833	306,818	334,846	369,331	397,008	418,227	430,679
Inventories	219,058	236,056	265,690	281,612	308,697	339,154	408,693	381,364
Receivables	137,054	156,218	162,091	160,744	177,626	197,528	202,523	202,527
Other assets	41,333	40,383	45,029	56,752	55,762	68,571	71,508	66,186
Cash and cash equivalents	98,710	115,921	116,491	132,195	127,180	135,881	109,647	135,120
Equity and liabilities								
Equity	414,138	515,330	549,872	595,430	644,568	673,813	709,825	727,721
Provisions	68,229	74,566	80,750	92,235	96,815	118,730	118,966	129,032
Financial liabilities	440,497	423,529	462,315	488,550	503,731	534,846	592,406	681,386
Other equity and liabilities	137,914	167,479	215,450	243,563	276,490	325,797	298,821	270,052
Total equity and liabilities	**1,060,778**	**1,180,904**	**1,308,387**	**1,419,778**	**1,521,604**	**1,653,186**	**1,720,018**	**1,808,191**

in EUR '000	2012	2013	2014	2015	2016	2017	2018	2019
Group equity ratio (equity/total assets) as %	39.0	43.6	42.0	41.9	42.4	40.8	41.3	40.2
Non-current financial liabilities	331,146	304,769	367,935	367,935	389,757	439,545	465,886	546,341
Current financial liabilities	109,351	118,760	94,381	111,616	113,974	95,301	126,520	135,045
Net debt (non-current and current financial liabilities - cash and cash equivalents)	341,787	307,608	345,824	356,356	376,551	398,965	482,759	546,266
Net debt/EBITDA	2.3	1.9	2.0	1.9	1.9	1.9	2.2	2.4
Trade payables	37,313	45,543	47,942	46,749	55,409	66,162	65,659	55,931
Advance payments received and contract liabilities*	16,016	21,983	30,263	39,860	58,409	67,569	73,378	49,703
Working capital (inventories + trade receivables - trade payables - advance payments - contract liabilities**)	302,783	324,748	349,576	355,746	372,505	402,951	472,180	478,257
Gearing (net debt/equity)	0.8	0.6	0.6	0.6	0.6	0.6	0.7	0.8
Equity ratio (earnings after taxes/equity) in %	12.7	12.4	11.5	11.5	12.5	12.3	10.0	8.3
Investments	53,926	100,895	97,156	107,380	103,884	111,425	102,401	107,438
Statement of Cash Flows								
Operating cash flow	68,428	117,411	104,385	157,341	137,945	144,942	96,010	167,733
Cash flows from operating activities	45,919	97,522	86,961	130,942	114,564	123,962	74,654	147,286
Cash flow from investing activities	-53,525	-99,625	-95,234	-112,768	-104,454	-109,956	-98,317	-76,152
Cash flow from financing activities	-16,523	19,977	8,195	-3,149	-14,938	-3,898	-2,706	-46,141
Cash flow per share (in EUR)	2.07	4.35	3.56	5.36	4.69	5.07	3.05	6.02
Other Performance Indicators								
XETRA year-end price (in EUR)	20.26	29.20	38.11	44.51	51.64	59.50	39.00	38.85
Average number of shares	22,227,737	22,410,431	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509
Number of shares at year end	22,227,737	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509
Market capitalization	450,334	713,955	931,809	1,088,292	1,262,624	1,454,805	953,570	949,902
Total dividend (in EUR million)***	22,228	26,896	29,341	29,341	33,008	36,676	36,676	19,560
Dividend per share (in EUR)***	1.00	1.10	1.20	1.20	1.35	1.50	1.50	0.80
Number of portfolio companies	38	40	42	44	44	45	45	47

* All financial years adjusted to new statement of income structure
** Pre-2018: construction contracts with a negative balance instead of contract liabilities
*** Total dividend amount and dividend per share for the financial year; dividend proposal for the 2019 financial year – subject to approval at Annual Shareholders' Meeting, which is expected to take place in August 2020.

OVERVIEW PORTFOLIO COMPANIES

Our portfolio companies operate independently within their markets. They use this freedom to actively develop their businesses further, tailoring them 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

AUTOMOTIVE TECHNOLOGY

12 AURORA
13 BILSTEIN & SIEKERMANN
14 IPETRONIK
15 KIEBACK
16 SCHÄFER
17 SELZER
18 SITEK
19 S.M.A.
20 WIESAUPLAST

ENGINEERING

21 ASS
22 BUDDE
23 ELTHERM
24 GSR
25 HORNGROUP
26 IEF-WERNER
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 BACHER
39 BETEK
40 DSG
41 HAKAMA
42 KÖSTER
43 MEWESTA
44 PLANETROLL
45 RÜBSAMEN
46 SIMON
47 VULKAN INOX

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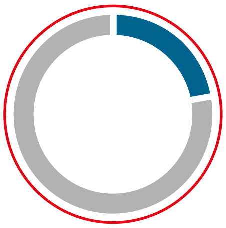
LOCATIONS OF THE INDUS GROUP WORLDWIDE

LOCATIONS WORLDWIDE

1 Canada
2 USA
3 Mexico
4 Chile
5 Brazil
6 United Kingdom
7 Netherlands
8 Switzerland
9 Austria
10 Germany
11 Italy
12 Hungary
13 Denmark
14 Czech Republic
15 Poland
16 Slovakia
17 Serbia
18 Finland
19 Romania
20 Turkey
21 Spain
22 France
23 Russia
24 Morocco
25 South Africa
26 United Arab Emirates
27 Kazakhstan
28 India
29 Singapore
30 China
31 South Korea
32 Taiwan

CONSTRUCTION/INFRASTRUCTURE



22.3%

EUR 388.9 MILLION OF TOTAL SALES

The construction and infrastructure sectors are elementary in any country. SMEs in the construction industry ensure that we in Germany can live and work comfortably. 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 2019: EUR 44.1 million
www.ancotech.com

BETOMAX SYSTEMS GMBH & CO. KG, NEUSS

Concrete construction solutions
Sales 2019: EUR 18.6 million
www.betomax.de

FS-BF GMBH & CO. KG, REICHSHOF/HAHN

Sealants made from silicone and acrylic
Sales 2019: EUR 40.9 million
www.fsbf.com

H. HEITZ FURNIERKANTENWERK GMBH & CO. KG, MELLE

Edge and wrapping veneer for the furniture and construction industries
Sales 2019: EUR 28.8 million
www.h-heitz.de

HAUFF-TECHNIK GMBH & CO. KG, HERMARINGEN

Innovative sealing systems for cables and pipe
Sales 2019: EUR 80.5 million
www.hauff-technik.de

MIGUA FUGENSYSTEME GMBH, WÜLFRATH

Section construction for expansion joints
Sales 2019: EUR 15.4 million
www.migua.de

OBUK HAUSTÜRFÜLLUNGEN GMBH & CO. KG, OELDE

Individual front door panels
Sales 2019: EUR 26.6 million
www.obuk.de

REMKO GMBH & CO. KG, LAGE

Efficient heating technology
Sales 2019: EUR 68.2 million
www.remko.de

SCHUSTER KLIMA LÜFTUNG GMBH & CO. KG, FRIEDBERG

Energy-efficient ventilation and air-conditioning technology
Sales 2019: EUR 15.5 million
www.klima-schuster.de

WEIGAND BAU GMBH, BAD KÖNIGSHOFEN IM GRABFELD

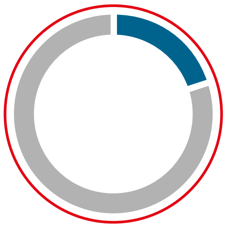
Modern pipeline and cable duct construction
Sales 2019: EUR 43.9 million
www.weigandbau.de

WEINISCH GMBH & CO. KG, OBERVIECHTACH

High-quality powder coating of metals
Sales 2019: EUR 6.4 million
www.weinisch.de

Sales by portfolio companies with external third parties

AUTOMOTIVE TECHNOLOGY



20.1%

EUR 350.3 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 2019: EUR 59.0 million
www.aurora-eos.com

BILSTEIN & SIEKERMANN GMBH & CO. KG, HILLESHEIM
Cold extrusion parts, turned parts, and locking screws
Sales 2019: EUR 18.7 million
www.bsh-vs.com

IPETRONIK GMBH & CO. KG, BADEN-BADEN
Measurement systems and services for automotive development
Sales 2019: EUR 47.4 million
www.ipetronik.com

KIEBACK GMBH & CO. KG, OSNABRÜCK
Prototype parts and small series for the automotive industry
Sales 2019: EUR 9.2 million
www.k-s-group.eu/kieback

SCHÄFER GMBH & CO. KG, OSNABRÜCK
Model and mold construction for the automotive and aviation industries
Sales 2019: EUR 18.2 million
www.k-s-group.eu/schaefer

SELZER GRUPPPE, DRIEDORF
Precision metal technology for the series production of automobiles
Sales 2019: EUR 77.5 million
www.selzer-automotive.de

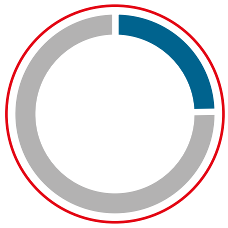
SITEK-SPIKES GMBH & CO. KG, AICHHALDEN
Tire studs and carbide tools
Sales 2019: EUR 22.1 million
www.sitek.de

S.M.A. METALLTECHNIK GMBH & CO. KG, BACKNANG
Products for automotive air-conditioning and servo technology
Sales 2019: EUR 45.4 million
www.sma-metalltechnik.de

WIESAUPLAST GMBH & CO. KG, WIESAU
Precision plastics
Sales 2019: EUR 52.8 million
www.wiesauplast.de

Sales by portfolio companies with external third parties

ENGINEERING



24.9%

EUR 434.6 MILLION OF TOTAL SALES

Sales by portfolio companies with external third parties

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 2019: EUR 21.9 million
www.ass-automation.com

BUDDE FÖRDERTECHNIK GMBH, BIELEFELD
Specialist in logistics and materials flows
Sales 2019: EUR 83.2 million
www.budde-foerdertechnik.de

ELTHERM GMBH, BURBACH
Specialist in electrical heat tracing systems
Sales 2019: EUR 42.1 million
www.eltherm.com

GSR VENTILTECHNIK GMBH & CO. KG, VLOTHO
Innovative valve technology for demanding industrial applications
Sales 2019: EUR 23.5 million
www.ventiltechnik.de

HORNGROUP HOLDING GMBH & CO. KG, FLENSBURG
Refueling technology and workshop solutions worldwide
Sales 2019: EUR 32.3 million
www.tecalemit.de

IEF-WERNER GMBH, FURTWANGEN
Automation components and systems
Sales 2019: EUR 26.6 million
www.ief.de

MBN MASCHINENBAUBETRIEBE NEUGERSDORF GMBH, EBERSBACH-NEUGERSDORF
Sophisticated solutions for special machinery and plant technology
Sales 2019: EUR 58.2 million
www.mbn-gmbh.de

M. BRAUN INERTGAS-SYSTEME GMBH & CO. KG, GARCHING
Inert gas glove box systems for industry and research
Sales 2019: EUR 78.0 million
www.mbraun.de

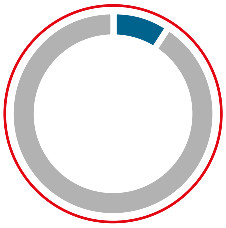
MESUTRONIC GERÄTEBAU GMBH, KIRCHBERG IM WALD
Metal and foreign body detection in production
Sales 2019: EUR 14.0 million
www.mesutronic.de

M+P INTERNATIONAL MESS- UND RECHNERTECHNIK GMBH, HANOVER
Measurement and test systems for vibration control and analysis
Sales 2019: EUR 12.2 million
www.mpihome.com

PEISELER GMBH & CO. KG, REMSCHEID
High-precision indexing devices and rotary tilt tables for machine tools
Sales 2019: EUR 29.4 million
www.peiseler.de

TSN TURMBAU STEFFENS & NÖLLE GMBH, BERLIN
International construction of towers
Sales 2019: EUR 13.2 million
www.turmbau.de

MEDICAL ENGINEERING/LIFE SCIENCE



9.2%

EUR 159.7 MILLION OF TOTAL SALES

As the population ages, healthcare is becoming a huge growth market, driven by a high 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 2019: EUR 24.2 million
www.imeco.de

MIKROP AG, WITTENBACH (CH)
Miniaturized precision optics
Sales 2019: EUR 15.7 million
www.mikrop.ch

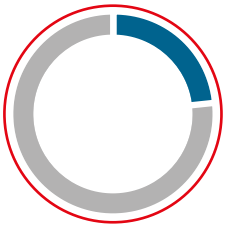
OFA BAMBERG GMBH, BAMBERG
Compression hosiery and bandages
Sales 2019: EUR 79.2 million
www.ofa.de

RAGUSE GESELLSCHAFT FÜR MEDIZINISCHE PRODUKTE MBH, ASCHEBERG-HERBERN
Indication-specific production of surgical drapes
Sales 2019: EUR 13.9 million
www.raguse.de

ROLKO KOHLGRÜBER GMBH, BORGHOLZHAUSEN
Rehabilitation equipment
Sales 2019: EUR 26.7 million
www.rolko.de

Sales by portfolio companies with external third parties

METALS TECHNOLOGY



23.5%

EUR 409.2 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 encompasses 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 made from steel and aluminum
Sales 2019: EUR 22.3 million
www.bacherag.ch

BETEK GMBH & CO. KG, AICHHALDEN
Carbide-tipped wear parts
Sales 2019: EUR 217.4 million
www.betek.de

DESSAUER SCHALTSCHRANK- UND GEHÄUSETECHNIK GMBH, DESSAU-ROSSLAU
Switch cabinets and machine casings
Sales 2019: EUR 2.2 million
www.dessauer-schaltschraenke.de

HAKAMA AG, BÄTTWIL (CH)
High-performance sheet metals
Sales 2019: EUR 21.1 million
wwwhakama.ch

KÖSTER & CO. GMBH, ENNEPETAL
Cold working parts and stud welding technology
Sales 2019: EUR 16.0 million
www.koeco.net

MEWESTA HYDRAULIK GMBH & CO. KG, MÜNSINGEN
Hydraulic control blocks and systems
Sales 2019: EUR 6.5 million
www.mewesta.de

PLANETROLL GMBH & CO. KG, MUNDERKINGEN
Stirring technology and power transmission technology
Sales 2019: EUR 6.0 million
www.planetroll.de

HELMUT RÜBSAMEN GMBH & CO. KG, BAD MARIENBERG
Metal processing and forming technology
Sales 2019: EUR 51.5 million
www.helmut-ruebsamen.de

KARL SIMON GMBH & CO. KG, AICHHALDEN
Components and assemblies made from metal and plastic
Sales 2019: EUR 39.1 million
www.simongruppe.de

VULKAN INOX GMBH, HATTINGEN
Granules for surface treatment
Sales 2019: EUR 27.1 million
www.vulkan-inox.de

Sales by portfolio companies with external third parties

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FINANCIAL CALENDAR

DATE	EVENT
February 20, 2020	Publication of preliminary figures for 2019 financial year
March 30, 2020	Publication of 2019 annual report
March 31, 2020	Analyst conference on the 2019 financial year
May 14, 2020	Publication of interim report on the first quarter of 2020
August 13, 2020	Publication of interim report on the first half of 2020
August 2020	Annual Shareholders' Meeting 2020, Cologne
November 12, 2020	Publication of interim report on the first nine months of 2020

IMPRINT

RESPONSIBLE MEMBER OF THE BOARD OF MANAGEMENT
Dr.-Ing. Johannes Schmidt

DATE OF PUBLISHING
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This annual report is also available in German. Both the English and the German versions of the annual report can be downloaded from the internet at www.indus.de under investor relations, financial reports and presentations. Only the German version of the annual report is legally binding.

DISCLAIMER:

This annual report contains forward-looking statements based on assumptions and estimates made by the Board of Management of INDUS Holding AG. Although the Board of Management is of the opinion that these assumptions and estimates are accurate, they are subject to certain risks and uncertainty. Actual future results may deviate substantially from these assumptions and estimates due to a variety of factors. These factors include changes in the general economic situation, the business, economic and competitive situation, foreign exchange and interest rates, and the legal setting. INDUS Holding AG shall not be held liable for the future development and actual future results being in line with the assumptions and estimates included in this annual report. Assumptions and estimates made in this annual report will not be updated.