# INTERIM REPORT H1 2019

INDUS HOLDING AG

[ INDUS ]

# HIGHLIGHTS

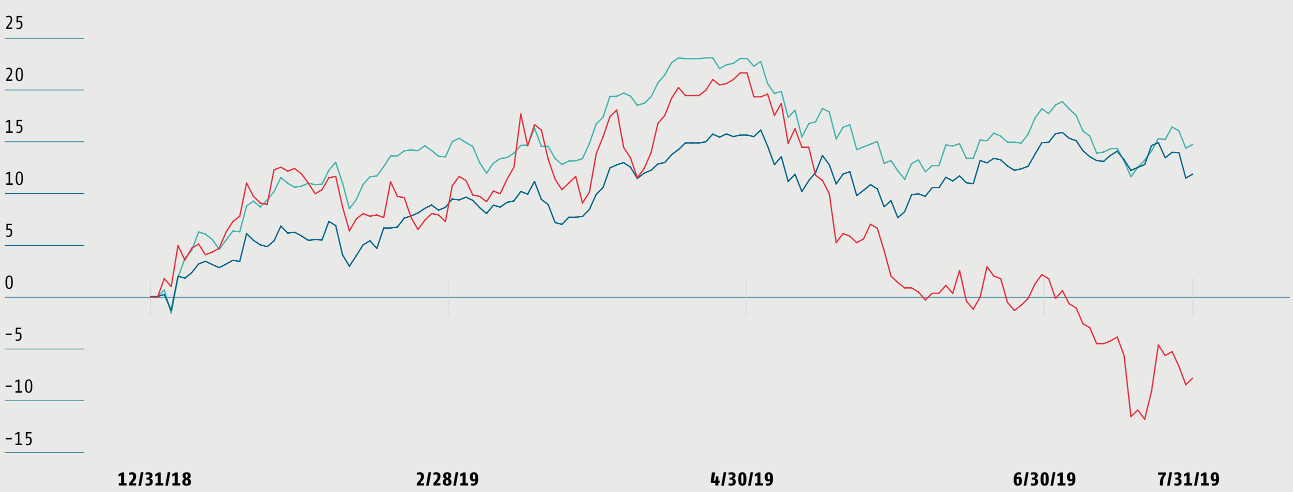
| in EUR million | H1 2019 | H1 2018 |
|---|---|---|
| Sales | 876.5 | 844.7 |
| EBITDA | 109.5 | 109.4 |
| EBIT | 66.5 | 76.2 |
| EBIT margin (in %) | 7.6 | 9.0 |
| Group net income for the year (earnings after taxes) | 37.7 | 43.7 |
| Operating cash flow | 24.4 | -22.4 |
| Cash flow from operating activities | 13.9 | -33.5 |
| Cash flow from investing activities | -18.9 | -28.2 |
| Cash flow from financing activities | -4.8 | 27.9 |
| | JUNE 30, 2019 | DEC. 31, 2018 |
| Total assets | 1,857.5 | 1,720.0 |
| Equity | 707.2 | 709.8 |
| Equity ratio in % | 38.1 | 41.3 |
| Net debt | 612.9 | 482.8 |
| Cash and cash equivalents | 100.0 | 109.6 |
| Investments (as of the reporting date) | 46 | 45 |

# CONTENTS



— Further increase in sales
— Construction/Infrastructure segment on track to achieve record results
— Automotive Technology segment significantly affected
— Acquisition of MESUTRONIC in June
— Planned sale of a minority interest in the second half of the year

**SHARE PRICE PERFORMANCE OF THE INDUS SHARE JANUARY TO JULY 2019 EXCL. DIVIDENDS** (indexed, in %)




Source: Bloomberg

# LETTER TO THE SHAREHOLDERS

**DEAR SHAREHOLDERS,**

The INDUS Group once again achieved growth in sales in the first half of the year. Developments in the Construction/Infrastructure segment, which is on course to achieve record results in terms of both sales and income in 2019, are particularly encouraging. The situation in the Automotive Technology segment has been exacerbated: the earnings position of the Group as a whole is under pressure due to a sustained drop in sales coupled with considerable repositioning expenses.

In what was, in part, a difficult economic environment, INDUS increased its Group sales by 3.8% in a year-on-year comparison in the first six months of 2019 to EUR 876.5 million. Almost three quarters of this growth was generated organically. The Engineering and Construction/Infrastructure segments achieved strong sales increases with rates in excess of 10%. In contrast, the Automotive Technology segment was hit by a drop in sales of almost 6.7%. This slump is now affecting not only series suppliers, but also companies in pre- and post-series production.

At EUR 66.5 million, consolidated EBIT is down by 12.7% on the previous year, mainly due to the fact that the Automotive Technology segment's contribution to EBIT was EUR 9.4 million lower. The share of the INDUS portfolio attributable to Automotive Technology is shrinking and – in terms of sales – the segment is now only the fourth-largest in the Group. This is due primarily to the fact that the Group is achieving further growth in the defined growth industries.

The Construction/Infrastructure segment showed encouraging development, with an 11.0% increase in sales resulting in a much higher increase in EBIT (20.9%). This is a record level. The fact that the bottom-line figure for the Engineering segment was not higher despite the marked increase in sales is due to key major projects that are associated with slightly weaker margins. Developments in the Medical Engineering/Life Science segment are positive. This segment generated EBIT growth of 8.3% on the back of a 4.9% increase in sales. Sales in the Metals Technology segment are on a slight downward trajectory and the EBIT margin is roughly on a par with the previous quarter at 7.6%.

In general, the current overall international environment, with the tariff and currency war between the United States and China, the political uncertainty in the Middle East, as well as Brexit and a lack of unity within the EU, are putting pressure on parts of the INDUS Group's business. We have those areas that are in our sphere of influence under control. We are on track with our repositioning projects. This makes the systematic implementation of our PARKOUR strategy all the more important.

On the acquisition side, we were able to report the successful conclusion of an agreement to purchase MESUTRONIC GmbH back in May. MESUTRONIC, a specialist for foreign body detection in the measuring technology and control engineering sector, an industry of the future, joins our Engineering segment. We are currently pursuing a number of other interesting acquisition projects at both subsidiary and sub-subsidiary level.

The sale of a minority interest in the Automotive Technology segment to the majority shareholder, which was announced in July, will have a very positive impact on income for 2019 as a whole, resulting in an EBIT contribution of EUR 16.5 million. The transaction will result in an inflow of liquidity totaling around EUR 27.5 million into the Group, further strengthening its cash flow development for the year as a whole, which is already looking positive.

On the operational side of things, we do not expect to see any improvement in the environment for the Automotive Technology segment in the second half of the year either. In the Engineering and Metals Technology segments, a number of companies will see their economic situation deteriorate further. We are responding to the situation across the Group by making further improvements to our cost structures and continuing with our initiatives to achieve operational excellence. We are also making sure that considerable efforts are made to forge ahead with key future and innovation projects. We are confident about developments in the Construction/Infrastructure segment, which is heading for a record year, and the Medical Engineering/Life Science segment in general.

As things stand at the moment and based on a stable sales forecast, we now expect the Group to achieve operating income (EBIT) in a range of between EUR 152 million and EUR 158 million for the year as a whole, as opposed to the range of between EUR 156 million and EUR 162 million in the previous forecast.

Bergisch Gladbach, August 2019

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

# INTERIM MANAGEMENT REPORT

# PERFORMANCE OF THE INDUS GROUP IN THE FIRST HALF OF 2019

**INDUS HOLDING AG CONSOLIDATED STATEMENT OF INCOME** (in EUR million)

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | **H1 2019** | **H1 2018** | **ABSOLUTE** | **IN %** |
| **Sales** | **876.5** | **844.7** | **31.8** | **3.8** |
| Other operating income | 5.4 | 5.5 | -0.1 | -1.8 |
| Own work capitalized | 2.8 | 2.1 | 0.7 | 33.3 |
| Changes in inventories | -0.6 | 29.7 | -30.3 | <-100 |
| **Overall performance** | **884.1** | **882.0** | **2.1** | **0.2** |
| Cost of materials | -406.3 | -407.2 | 0.9 | 0.2 |
| Personnel expenses | -263.1 | -252.2 | -10.9 | -4.3 |
| Other operating expenses | -105.2 | -113.2 | 8.0 | 7.1 |
| **EBITDA** | **109.5** | **109.4** | **0.1** | **0.1** |
| Depreciation/amortization | -43.0 | -33.2 | -9.8 | -29.5 |
| **Operating income (EBIT)** | **66.5** | **76.2** | **-9.7** | **-12.7** |
| Financial income | -8.4 | -9.2 | 0.8 | 8.7 |
| **Earnings before taxes (EBT)** | **58.1** | **67.0** | **-8.9** | **-13.3** |
| Taxes | -20.4 | -23.3 | 2.9 | 12.4 |
| **Earnings after taxes** | **37.7** | **43.7** | **-6.0** | **-13.7** |
| of which attributable to non-controlling shareholders | 0.4 | 0.6 | -0.2 | -33.3 |
| of which attributable to INDUS shareholders | 37.3 | 43.1 | -5.8 | -13.5 |

The business of the INDUS Group as a whole showed somewhat subdued development in the first half of the year overall: although the Group increased its sales by 3.8% in a year-on-year comparison in the first six months of 2019, operating income (EBIT) fell by 12.6%, due in particular to the difficult situation in the Automotive Technology segment. The Group was able to report a successful acquisition in the Engineering segment in May.

## FURTHER INCREASE IN SALES

In the first half of 2019, the INDUS portfolio companies increased their sales by EUR 31.8 million (3.8%) to EUR 876.5 million, as they benefited from an economic environment that was generally stable. In the Automotive Technology and Metals Technology segments, however, sales are on a marked/slight downward trajectory respectively due to economic factors. The organic increase in sales achieved by the INDUS Group came to 2.8% and is largely attributable to the Construction/Infrastructure and Engineering segments.

The change in inventories fell from EUR 29.7 million to EUR -0.6 million due to increased working capital management within the INDUS Group. The cost-of-materials ratio dropped from 48.2% to 46.4%. The personnel expense ratio remained virtually unchanged at 30.0% (previous year: 29.9%).

Depreciation and amortization increased by 29.5% to EUR -43.0 million in total. The increase is mainly due to the new lease accounting rule 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 8.0 million that were capitalized for the first time, other operating expenses fell by EUR 9.2 million due to the new lease accounting regulations.

## NEGATIVE TREND IN AUTOMOTIVE TECHNOLOGY PUTS PRESSURE ON CONSOLIDATED INCOME

At EUR 66.5 million, operating income (EBIT) was down by EUR 9.6 million on the previous year's figure. The EBIT margin came in at 7.6% (previous year: 9.0%). The reduction is due, in particular, to the Automotive Technology segment, where EBIT fell by EUR 9.4 million.

Financial income includes net interest, income from shares measured according to the equity method and other financial income. The valuations of the interest rate swaps and minority interests are reported within other financial income. Financial income fell by EUR 0.7 million in total, due in particular to the valuation of minority interests.

At EUR 58.1 million, earnings before taxes (EBT) was lower than the previous year's figure (EUR 67.0 million). Tax expenses came to EUR 20.4 million as against EUR 23.3 million in the previous year, pushing the tax ratio up slightly from 34.8% in the previous year to 35.1%. Before the interests attributable to non-controlling shareholders were deducted, net income for the period had fallen by EUR 6.0 million, to EUR 37.7 million (previous year: EUR 43.7 million). Earnings per share came to EUR 1.52 as against EUR 1.76 in the comparison period.

During the first six months of 2019, the INDUS Group companies employed on average 10,710 employees (previous year: 10,579 employees).

## ACQUISITION FOR THE ENGINEERING SEGMENT

INDUS acquired MESUTRONIC Gerätebau GmbH, Kirchberg, with effect from May 27, 2019. The company operates in the measuring technology and control engineering sector, an industry of the future, and is one of the technology leaders in metal and foreign body detection in production processes. MESUTRONIC systems are used to protect production equipment from metal parts and other foreign bodies, for example in the plastics and textiles industries. They are also used for the inspection of products for the absence of metal and other contamination, e. g. in the food and pharmaceutical industries. High-precision sensors detect unwanted foreign bodies. Particularly dynamic sorting systems divert these foreign bodies from production processes without the latter having to be interrupted. Both discrete product flows, such as for packaged food, and continuous material flows, such as plastic granulate, can be inspected.

MESUTRONIC delivers its systems to 50 countries worldwide and has its own service staff and spare parts service. The systems are produced exclusively at the company's headquarters in Kirchberg im Wald, Bavaria. A separate sales and service subsidiary is operated in France. MESUTRONIC generated annual sales of over EUR 24 million in 2018 and employs some 200 people at locations in Germany and France.

INDUS acquired 89.9% of the shares as part of a first step. The remaining shares will remain with the existing shareholders initially, although call/put options have been agreed.

## SALE OF A MINORITY INTEREST

INDUS Holding AG signed a basic agreement regarding the sale of a minority interest held by an INDUS Group company to the majority shareholder on July 23, 2019. The basic agreement is still subject to the final form of the purchase agreement, the approval of the buyer's Group Management Board and the consent of the anti-trust authorities. The transaction in the Automotive Technology segment is to be executed in the course of the third quarter of 2019. In the IFRS consolidated financial statements of INDUS Holding AG for the 2019 financial year, this transaction will result in other operating income of around EUR 16.5 million, which will lead to a corresponding contribution to EBIT in the Automotive Technology segment. The transaction will provide the INDUS Group with cash in the amount of EUR 27.5 million.

# SEGMENT REPORTING

INDUS Holding AG divides its investment portfolio into five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science and Metals Technology. As of June 30, 2019, our investment portfolio encompassed 46 operating units.

## CONSTRUCTION/INFRASTRUCTURE

### SEGMENT EARNINGS DRIVEN BY AIR-CONDITIONING DEVICES

Segment sales in the Construction/Infrastructure segment increased once again by EUR 18.9 million (11.0%) as against the same period of the previous year to EUR 190.9 million. Almost all companies in the segment contributed to the substantial growth in sales. Air-conditioning devices accounted for the largest share of growth.

Operating income increased disproportionately to sales, namely by 20.9% to EUR 27.8 million (previous year: EUR 23.0 million). At 14.6%, the EBIT margin reached a very encouraging value. It outstripped the solid margin seen in the previous year (13.4%) by 1.2 percentage points. This increase was achieved thanks to a particularly strong second quarter of 2019. The improved segment earnings were due not only to the excellent results achieved with air-conditioning devices (including the acquisition in the previous year), but also to the results achieved by the other portfolio companies.

All in all, the development seen in the Construction/Infrastructure segment is slightly ahead of expectations. The shortage of skilled workers remains a restrictive factor on growth. We expect to achieve the target margin of 13–15% for the year as a whole.

The investments made in the segment related exclusively to fixed assets. At EUR 8.0 million, they were up on the previous year's level (EUR 5.9 million).

**KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE** (in EUR million)

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | **H1 2019** | **H1 2018** | **ABSOLUTE** | **IN %** |
| Revenue with external third parties | 190.9 | 172.0 | 18.9 | 11.0 |
| EBITDA | 34.6 | 27.9 | 6.7 | 24.0 |
| Depreciation/amortization | -6.8 | -4.9 | -1.9 | -38.8 |
| EBIT | 27.8 | 23.0 | 4.8 | 20.9 |
| EBIT margin in % | 14.6 | 13.4 | 1.2 pp | – |
| Investments | 8.0 | 5.9 | 2.1 | 35.6 |
| Employees | 1,855 | 1,773 | 82 | 4.6 |

## AUTOMOTIVE TECHNOLOGY

### SEGMENT REPORTS DROP IN SALES AND EARNINGS

Sales in the Automotive Technology segment decreased by EUR 13.1 million, or 6.7%, to EUR 183.4 million. This downward trend is due to weaker call-off figures at series suppliers and to what is now also a slowdown in demand at the other pre- and post-series companies. This reflects the impact of the global drop in sales in the automotive and automotive supply industry, which the sector now expects to come in at around 5% for 2019 as a whole.

At EUR -5.1 million, operating income (EBIT) was down considerably, namely by EUR 9.4 million, on the previous year's value. The segment's EBIT margin came to -2.8%, as against 2.2% in the previous year. This is due, in particular, to the declining sales in the segment referred to above. In addition to series suppliers, other companies in the segment are now also being affected by the difficult market situation and the mounting cost pressure in the automotive sector. Cost-cutting measures implemented in the meantime have also been unable to compensate for this pressure. The two familiar series suppliers undergoing repositioning have also been hit not only by the drop in call-off figures, but also by considerable repositioning expenses.

We believe we will probably not be able to achieve the target margin of 3–5% for the year as a whole.

At EUR 7.9 million, investments were down by EUR 3.1 million on the same period of the previous year. In the previous year, investments included the acquisition of electronics specialist EE ELECTRONIC EQUIPMENT by the INDUS subsidiary AURORA.

**KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY** (in EUR million)

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | H1 2019 | H1 2018 | ABSOLUTE | IN % |
| Revenue with external third parties | 183.4 | 196.5 | -13.1 | -6.7 |
| EBITDA | 8.7 | 15.7 | -7.0 | -44.6 |
| Depreciation/amortization | -13.8 | -11.4 | -2.4 | -21.1 |
| EBIT | -5.1 | 4.3 | -9.4 | <-100 |
| EBIT margin in % | -2.8 | 2.2 | -5.0 pp | – |
| Investments | 7.9 | 11.0 | -3.1 | -28.2 |
| Employees | 3,358 | 3,552 | -194 | -5.5 |

## ENGINEERING

### MESUTRONIC STRENGTHENS SEGMENT

Segment sales in Engineering showed an increase of EUR 25.2 million as against the previous year (+13.8%). Growth was driven, in particular, by the segment's major plant engineering manufacturers. The order books at these portfolio companies are brimming and capacity utilization is assured for a period extending well into the coming years. Demand has since slowed considerably at a number of smaller companies in the segment.

Operating earnings (EBIT) were up by EUR 0.2 million (0.9%) to EUR 22.8 million. A small number of less profitable large-scale projects meant that the increase in EBIT was disproportionately low in relation to revenue. As a result, the EBIT margin for the first half of 2019 was down on the previous year's figure at 11.0% (12.4%). Projects that will make more substantial contributions to income again have been secured for the future.

The portfolio company acquired at the end of May, MESUTRONIC, has been part of the Engineering segment since June 2019. MESUTRONIC ranks among the market leaders in metal and foreign body detection.

As far as the year as a whole is concerned, we expect we will just achieve the EBIT target range of 12–14%.

The investments of EUR 3.8 million made during the reporting period relate to fixed assets and are down slightly on the previous year.

**KEY FIGURES FOR ENGINEERING** (in EUR million)

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | H1 2019 | H1 2018 | ABSOLUTE | IN % |
| Revenue with external third parties | 207.5 | 182.3 | 25.2 | 13.8 |
| EBITDA | 31.8 | 28.5 | 3.3 | 11.6 |
| Depreciation/amortization | -9.0 | -5.9 | -3.1 | -52.5 |
| EBIT | 22.8 | 22.6 | 0.2 | 0.9 |
| EBIT margin in % | 11.0 | 12.4 | -1.4 pp | – |
| Investments | 3.8 | 4.4 | -0.6 | -13.6 |
| Employees | 2,073 | 1,981 | 92 | 4.6 |

## MEDICAL ENGINEERING/LIFE SCIENCE

### DISPROPORTIONATELY HIGH EARNINGS GROWTH

The Medical Engineering/Life Science segment reported sales of EUR 81.5 million in the first half of 2019, which corresponds to an increase of EUR 3.8 million (+4.9%). With the exception of the product group non-wovens, all of the segment's product groups contributed to the growth in sales.

At EUR 9.1 million, operating income (EBIT) was up by 8.3% on the previous year's level (EUR +0.7 million). Orthotic devices and surgical stockings, as well as rehabilitation technology, contributed to this trend. 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. The highly competitive product groups non-wovens and surgical kits were hit by a slight drop in EBIT. The segment's EBIT margin came to 11.2% (previous year 10.8%), which is within the target range of 11–13% after only six months.

We expect the results achieved in the first half of the year to stabilize, making it possible to achieve the above mentioned EBIT target range for the year as a whole.

Investments stood at EUR 1.8 million, below the value seen in the previous year (EUR 3.2 million).

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

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | H1 2019 | H1 2018 | ABSOLUTE | IN % |
| Revenue with external third parties | 81.5 | 77.7 | 3.8 | 4.9 |
| EBITDA | 13.7 | 11.9 | 1.8 | 15.1 |
| Depreciation/amortization | -4.6 | -3.5 | -1.1 | -31.4 |
| EBIT | 9.1 | 8.4 | 0.7 | 8.3 |
| EBIT margin in % | 11.2 | 10.8 | 0.4 pp | – |
| Investments | 1.8 | 3.2 | -1.4 | -43.8 |
| Employees | 1,711 | 1,662 | 49 | 2.9 |

## METALS TECHNOLOGY

### SALES DOWN SLIGHTLY

Sales in the Metals Technology segment dropped slightly by -1.2% (EUR -2.7 million) to EUR 213.6 million in the first half of 2019, mainly due to lower sales in the field of carbide tools and mining. This area had, however, achieved an exceptionally high level of sales in the comparison period.

At EUR 16.3 million, operating income (EBIT) was down by EUR 6.2 million on the previous year's value. This trend was attributable, once again, to the field of carbide tools and mining, in which the drop in sales described above combined with underutilization put pressure on income.

The EBIT margin was down on the previous year's figure (10.4%) to 7.6%. It will be a challenge for the segment to achieve the target margin for the year as a whole of 8–10%.

The investment volume in the first half of the year came to EUR 3.9 million, on a par with the previous year (EUR 3.9 million).

**KEY FIGURES FOR METALS TECHNOLOGY** (in EUR million)

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | H1 2019 | H1 2018 | ABSOLUTE | IN % |
| Revenue with external third parties | 213.6 | 216.3 | -2.7 | -1.2 |
| EBITDA | 24.7 | 29.5 | -4.8 | -16.3 |
| Depreciation/amortization | -8.4 | -7.0 | -1.4 | -20.0 |
| EBIT | 16.3 | 22.5 | -6.2 | -27.6 |
| EBIT margin in % | 7.6 | 10.4 | -2.8 pp | – |
| Investments | 3.9 | 3.9 | 0.0 | 0.0 |
| Employees | 1,676 | 1,575 | 101 | 6.4 |

# FINANCIAL POSITION

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

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | **H1 2019** | **H1 2018** | **ABSOLUTE** | **IN %** |
| Operating cash flow | 24.4 | -22.4 | 46.8 | >100 |
| Interest | -10.5 | -11.1 | 0.6 | 5.4 |
| **Cash flow from operating activities** | **13.9** | **-33.5** | **47.4** | **>100** |
| Cash outflow for investment | -20.0 | -28.9 | 8.9 | 30.8 |
| Cash inflow from the disposal of assets | 1.1 | 0.7 | 0.4 | 57.1 |
| **Cash flow from investing activities** | **-18.9** | **-28.2** | **9.3** | **33.0** |
| Dividend payment | -36.7 | -36.7 | 0.0 | 0.0 |
| Dividends paid to minority shareholders | -0.3 | -0.3 | 0.0 | 0.0 |
| Cash inflow from raising of loans | 94.3 | 129.0 | -34.7 | -26.9 |
| Cash outflow from the repayment of loans | -49.5 | -47.7 | -1.8 | -3.8 |
| Cash outflow from the repayment of lease liabilities | -10.2 | -0.7 | -9.5 | <-100 |
| Cash outflow from the repayment of contingent purchase price commitments | -2.4 | -15.7 | 13.3 | 84.7 |
| **Cash flow from financing activities** | **-4.8** | **27.9** | **-32.7** | **<-100** |
| Net changes in cash and cash equivalents | -9.8 | -33.8 | 24.0 | 71.0 |
| Changes in cash and cash equivalents caused by currency exchange rates | 0.2 | 0.0 | 0.2 | – |
| Cash and cash equivalents at the beginning of the period | 109.6 | 135.9 | -26.3 | -19.4 |
| **Cash and cash equivalents at the end of the period** | **100.0** | **102.1** | **-2.1** | **-2.1** |

## STATEMENT OF CASH FLOWS: OPERATING CASH FLOW UP BY EUR 46.8 MILLION YEAR-ON-YEAR

Based on earnings after taxes of EUR 37.7 million (previous year: EUR 43.7 million), the operating cash flow in the first half of 2019 was EUR 46.8 million higher than in the same period of the previous year, amounting to EUR 24.4 million. This is due, in particular, to much lower working capital growth as against the same period of the previous year. This development shows that the program launched by the holding company to reduce the level of working capital at the portfolio companies as part of its endeavors to promote operational excellence is starting to pay off. As far as the year as a whole is concerned, we still expect to see a drop in working capital. The changes in lease accounting also contributed EUR 10.2 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. All in all, cash flow from operating activities rose by EUR 47.4 million to EUR 13.9 million.

The cash flow from investing activities came to EUR -18.9 million, compared with EUR -28.2 million in the previous year. By way of an agreement concluded on May 25, 2019, INDUS Holding AG acquired 89.9% of the shares in MESUTRONIC, which was consolidated for the first time in June 2019. The cash component of the total consideration, however, was not paid until July 2019. Taking into account the purchase price payment made in July 2019, the transaction will result in a total cash outflow of EUR 21.7 million in 2019. In the reporting period, investments in property, plant and equipment and intangible assets came to EUR 25.4 million, down slightly on the level seen in the first half of the previous year (EUR 27.1 million).

Cash inflow from the raising of loans fell by EUR 34.7 million to EUR 94.3 million. Due and in some cases contingent purchase price liabilities of EUR 2.4 million were also repaid in the first half (previous year: EUR 15.7 million). The 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 shown in the cash flow from financing activities item since the start of this financial year. Cash flow from financing activities fell by EUR 32.7 million in total.

As a result, cash and cash equivalents were below the high level of EUR 109.6 million seen at the end of 2018 at EUR 100.0 million, and slightly down against the value seen in the first half-year of the previous year.

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

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | JUNE 30, 2019 | DEC. 31, 2018 | ABSOLUTE | IN % |
| **ASSETS** | | | | |
| **Non-current assets** | **1,048.9** | **968.5** | **80.4** | **8.3** |
| Fixed assets | 1,035.9 | 955.2 | 80.7 | 8.4 |
| Receivables and other assets | 13.0 | 13.3 | -0.3 | -2.3 |
| **Current assets** | **808.6** | **751.5** | **57.1** | **7.6** |
| Inventories | 423.0 | 408.7 | 14.3 | 3.5 |
| Receivables and other assets | 274.8 | 233.2 | 41.6 | 17.8 |
| Cash and cash equivalents | 100.0 | 109.6 | -9.6 | -8.8 |
| Non-current assets held for sale | 10.8 | 0.0 | 10.8 | – |
| **Total assets** | **1,857.5** | **1,720.0** | **137.5** | **8.0** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity and non-current liabilities** | **1,373.0** | **1,290.0** | **83.0** | **6.4** |
| Equity | 707.2 | 709.8 | -2.6 | -0.4 |
| Borrowings | 665.8 | 580.2 | 85.6 | 14.8 |
| of which provisions | 49.3 | 45.4 | 3.9 | 8.6 |
| of which payables and deferred taxes | 616.5 | 534.8 | 81.7 | 15.3 |
| **Current liabilities** | **484.5** | **430.0** | **54.5** | **12.7** |
| of which provisions | 84.9 | 73.6 | 11.3 | 15.4 |
| of which liabilities | 399.6 | 356.4 | 43.2 | 12.1 |
| **Total assets** | **1,857.5** | **1,720.0** | **137.5** | **8.0** |

## STATEMENT OF FINANCIAL POSITION: INCREASE IN TOTAL ASSETS DUE TO ADDITION OF MESUTRONIC AND INITIAL APPLICATION OF IFRS 16 "LEASES"

At EUR 1,857.5 million, the INDUS Group's consolidated total assets were 8.0% higher than they were as of December 31, 2018. The increase in total assets is due, in particular, to the mandatory application of IFRS 16 "Leases" since January 1, 2019, and to the initial consolidation of the newly acquired company MESUTRONIC. As of June 30, 2019, right-of-use assets from leasing in the amount of EUR 86.6 million were reported. Working capital also increased slightly, mainly due to an increase in receivables (EUR +36.8 million). The total amount of working capital as of June 30, 2019, came to EUR 532.8 million, which was 12.9% more than as of the end of 2018 (EUR 472.1 million). This increase in working capital is a planned seasonal factor and is down considerably on the figure of EUR 87.3 million seen in the same period of the previous year, coming to EUR 60.7 million in the first half of 2019.

The equity ratio as of June 30, 2019, amounted to 38.1%, 3.2 percentage points below the equity ratio as of December 31, 2018 (41.3%). The initial recognition of lease liabilities is responsible for the drop in the ratio compared with the level seen at the end of 2018. Another factor is the dividend payment made in the first half of the year.

**WORKING CAPITAL** (in EUR million)

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | JUNE 30, 2019 | DEC. 31, 2018 | ABSOLUTE | IN % |
| Inventories | 423.0 | 408.7 | 14.3 | 3.5 |
| Trade receivables | 239.3 | 202.5 | 36.8 | 18.2 |
| Trade payables | -72.7 | -65.7 | -7.0 | -10.7 |
| Advance payments received | -27.9 | -37.3 | 9.4 | 25.2 |
| Contract liabilities | -28.9 | -36.1 | 7.2 | 19.9 |
| **Working capital** | **532.8** | **472.1** | **60.7** | **12.9** |

Net financial liabilities came to EUR 612.9 million as of June 30, 2019, up by EUR 130.1 million on December 31, 2018. The increase is due to higher financial liabilities (EUR +120.5 million). The main reason for the increase in financial liabilities is the first-time application of IFRS 16 "Leases" and the associated recognition of lease liabilities.

**NET FINANCIAL LIABILITIES** (in EUR million)

| | | | DIFFERENCE | |
|---|---|---|---|---|
| | JUNE 30, 2019 | DEC. 31, 2018 | ABSOLUTE | IN % |
| Non-current financial liabilities | 543.7 | 465.9 | 77.8 | 16.7 |
| Current financial liabilities | 169.2 | 126.5 | 42.7 | 33.8 |
| Cash and cash equivalents | -100.0 | -109.6 | 9.6 | 8.8 |
| **Net financial liabilities** | **612.9** | **482.8** | **130.1** | **26.9** |

# OPPORTUNITIES AND RISKS

For the Opportunities and Risk Report of INDUS Holding AG, please consult the 2018 Annual Report. The company operates an efficient risk management system for early detection, comprehensive analysis, and the systematic handling of risks. The particulars of the risk management system and the significance of individual risks are explained in the Annual Report. Therein is stated that the company does not view itself exposed to any risks that might jeopardize its continued existence as a going concern.

# OUTLOOK

The INDUS portfolio companies are currently faced with a difficult economic environment. The manifold political risks, such as the trade conflict between the United States and China, the simmering conflict in the Middle East, the unrest caused by Brexit and the lack of unity among the EU states are putting significant pressure on the economic climate. The market recovery that participants were hoping to see a few months ago failed to materialize. This is compounded by the difficult situation in the automotive industry: the automotive crisis is now affecting more companies than just series suppliers. Portfolio companies pre- and post-series in the INDUS Automotive Technology segment are now also feeling the impact of the savings drive among OEMs. Vehicle manufacturers were unable to live up to the forecasts they released in the first quarter, with unit sales sliding further by as much as 7%. This had a direct impact on the supply sector.

In spite of this environment, the INDUS Group was able to increase its sales slightly in the first six months of 2019. Growth was driven by three out of the five segments. The negative developments in the automotive industry left a clear mark on the INDUS Automotive Technology segment, putting considerable pressure on the Group's result for the first half of the year.

Looking ahead to the second half of the year, we still do not expect to see any recovery on the automotive market, meaning that no significant improvement in operating income in the Automotive Technology segment is on the cards. The developments seen in the first six months will continue in the second half of the year. In addition, our repositioning projects are giving rise to further costs, putting additional pressure on margins. The fact that the repositioning projects are going to plan is encouraging.

The sale of a minority interest in the Automotive Technology segment, which was announced back in July, will generate income of around EUR 16.5 million in the second half of the year, compensating for the drop in operating income in this segment. This minority interest was acquired for a limited period of time from the outset and we have been able to sell it based on attractive conditions.

The Construction/Infrastructure segment is on track to achieve record results. It has shown very positive development throughout the last few years and is likely to continue to generate excellent margins. The Engineering segment is also on track in general. The segment's order situation is good, although demand is starting to slow at some portfolio companies. Developments in the Medical Engineering/Life Science segment are also pointing in the right direction. A slight increase in sales translated into a much more marked improvement in the EBIT margin. The Metals Technology segment recently reported a slight dip in sales and a disproportionately pronounced drop in income. Segment earnings reflect the reluctance to invest.

In order to boost the Group's earnings base, the INDUS companies are continuing to work on improving their cost structures and on forging ahead with the initiatives to achieve operational excellence. At the same time, they are working at full tilt on future and innovation projects.

INDUS is still planning to achieve sales of between EUR 1.72 billion and EUR 1.77 billion in 2019 as a whole. In the Automotive Technology segment, we expect to see slightly positive income thanks to the contribution to income made from the sale of the minority interest. The Metals Technology segment will be unable to match the high contribution to income that it made in the previous year. As a result, the other three segments will not manage to compensate for the effects in the Automotive Technology and Metals Technology segments in full. This has prompted us to make a slight downward correction to the income range for 2019 as a whole that we published in our previous forecast. We now expect our operating income (EBIT) for the year as a whole to fall in a range from EUR 152 million to EUR 158 million.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF INCOME

FOR THE FIRST HALF OF 2019

| in EUR '000 | NOTES | H1 2019 | H1 2018 | Q2 2019 | Q2 2018 |
|---|---|---|---|---|---|
| **REVENUE** | | **876,525** | **844,733** | **438,878** | **436,568** |
| Other operating income | | 5,407 | 5,479 | 2,560 | 2,809 |
| Own work capitalized | | 2,817 | 2,110 | -3,617 | 983 |
| Changes in inventories | | -593 | 29,673 | -7,006 | 10,671 |
| Cost of materials | [5] | -406,276 | -407,196 | -190,093 | -209,248 |
| Personnel expenses | [6] | -263,122 | -252,277 | -133,336 | -127,872 |
| Depreciation/amortization | | -43,056 | -33,219 | -21,688 | -16,786 |
| Other operating expenses | [7] | -105,238 | -113,184 | -52,793 | -56,443 |
| **OPERATING INCOME (EBIT)** | | **66,464** | **76,119** | **32,905** | **40,682** |
| Interest income | | 108 | 38 | 94 | 22 |
| Interest expense | | -7,635 | -6,166 | -3,919 | -2,983 |
| **NET INTEREST** | | **-7,527** | **-6,128** | **-3,825** | **-2,961** |
| Income from shares accounted for using the equity method | | 354 | -62 | 147 | 16 |
| Other financial income | | -1,233 | -2,906 | -1,284 | -962 |
| **FINANCIAL INCOME** | [8] | **-8,406** | **-9,096** | **-4,962** | **-3,907** |
| **EARNINGS BEFORE TAXES (EBT)** | | **58,058** | **67,023** | **27,943** | **36,775** |
| Taxes | [9] | -20,333 | -23,303 | -10,077 | -13,005 |
| **EARNINGS AFTER TAXES** | | **37,725** | **43,720** | **17,866** | **23,770** |
| of which attributable to non-controlling shareholders | | 450 | 579 | 370 | 485 |
| of which attributable to INDUS shareholders | | 37,275 | 43,141 | 17,496 | 23,285 |
| Earnings per share (basic and diluted) in EUR | [10] | 1.52 | 1.76 | 0.72 | 0.95 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FIRST HALF OF 2019

| in EUR '000 | H1 2019 | H1 2018 | Q2 2019 | Q2 2018 |
|---|---|---|---|---|
| **EARNINGS AFTER TAXES** | **37,725** | **43,720** | **17,866** | **23,770** |
| Actuarial gains/losses | -3,466 | 1,164 | -1,426 | 178 |
| Deferred taxes | 1,209 | -284 | 370 | -37 |
| **Items not to be reclassified to profit or loss** | **-2,257** | **880** | **-1,056** | **141** |
| Currency conversion adjustment | 352 | 22 | -1,369 | 212 |
| Change in the market values of hedging instruments (cash flow hedge) | -1,812 | -256 | -465 | -846 |
| Deferred taxes | 287 | 72 | 74 | 206 |
| **Items to be reclassified to profit or loss** | **-1,173** | **-162** | **-1,760** | **-428** |
| **OTHER COMPREHENSIVE INCOME** | **-3,430** | **718** | **-2,816** | **-287** |
| **TOTAL COMPREHENSIVE INCOME** | **34,295** | **44,438** | **15,050** | **23,483** |
| of which attributable to non-controlling shareholders | 450 | 579 | 370 | 485 |
| of which attributable to INDUS shareholders | 34,235 | 43,859 | 14,680 | 22,998 |

Income and expenses recognized directly in equity under other comprehensive income include actuarial gains from pensions and similar obligations amounting to EUR -3,466 thousand (previous year: EUR 1,164 thousand). These are mainly due to a 0.6 percentage point reduction in the interest rate for pension obligations.

Income from currency conversion is derived primarily from the converted financial statements of con-solidated international subsidiaries. The change in the market value of derivative financial instruments was the result of interest rate swaps transacted by the holding company to hedge against interest rate movements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS OF JUNE 30, 2019

| in EUR '000 | NOTES | JUNE 30, 2019 | DEC. 31, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | | 430,275 | 418,590 |
| Right-of-use assets from leasing/rent | | 86,641 | 0 |
| Other intangible assets | | 96,990 | 90,830 |
| Property, plant and equipment | | 405,856 | 418,227 |
| Investment property | | 2,898 | 2,953 |
| Financial investments | | 6,586 | 13,684 |
| Shares accounted for using the equity method | | 6,680 | 10,970 |
| Other non-current assets | | 3,201 | 3,126 |
| Deferred taxes | | 9,778 | 10,127 |
| **Non-current assets** | | **1,048,905** | **968,507** |
| | | | |
| Inventories | [11] | 423,016 | 408,693 |
| Receivables | [12] | 239,270 | 202,523 |
| Other current assets | | 19,225 | 22,993 |
| Current income taxes | | 16,257 | 7,655 |
| Cash and cash equivalents | | 100,004 | 109,647 |
| Non-current assets held for sale | [13] | 10,804 | 0 |
| **Current assets** | | **808,576** | **751,511** |
| **TOTAL ASSETS** | | **1,857,481** | **1,720,018** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| Subscribed capital | | 63,571 | 63,571 |
| Capital reserves | | 239,833 | 239,833 |
| Other reserves | | 400,889 | 403,719 |
| **Equity held by INDUS shareholders** | | **704,293** | **707,123** |
| Non-controlling interests in the equity | | 2,857 | 2,702 |
| **Equity** | | **707,150** | **709,825** |
| | | | |
| Pension provisions | | 47,693 | 43,702 |
| Other non-current provisions | | 1,670 | 1,688 |
| Non-current financial liabilities | [14] | 543,680 | 465,886 |
| Other non-current liabilities | [15] | 28,781 | 27,731 |
| Deferred taxes | | 43,965 | 41,172 |
| **Non-current liabilities** | | **665,789** | **580,179** |
| | | | |
| Other current provisions | | 84,939 | 73,576 |
| Current financial liabilities | [14] | 169,201 | 126,520 |
| Trade payables | | 72,709 | 65,659 |
| Other current liabilities | [15] | 148,195 | 150,825 |
| Current income taxes | | 9,498 | 13,434 |
| **Current liabilities** | | **484,542** | **430,014** |
| **TOTAL ASSETS** | | **1,857,481** | **1,720,018** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FROM JANUARY 1, 2019, TO JUNE 30, 2019

| in EUR '000 | SUBSCRIBED CAPITAL | CAPITAL RESERVE | RETAINED EARNINGS | OTHER RESERVES | EQUITY HELD BY INDUS SHAREHOLDERS | INTERESTS ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS | GROUP EQUITY |
|---|---|---|---|---|---|---|---|
| **AS OF DEC. 31, 2017** | **63,571** | **239,833** | **390,890** | **-23,381** | **670,913** | **2,900** | **673,813** |
| Earnings after taxes | | | 43,141 | | 43,141 | 579 | 43,720 |
| Other comprehensive income | | | | 718 | 718 | | 718 |
| **Total comprehensive income** | | | **43,141** | **718** | **43,859** | **579** | **44,438** |
| Dividend payment | | | -36,675 | | -36,675 | -304 | -36,979 |
| **AS OF JUNE 30, 2018** | **63,571** | **239,833** | **397,356** | **-22,663** | **678,097** | **3,175** | **681,272** |
| | | | | | | | |
| **AS OF DEC. 31, 2018** | **63,571** | **239,833** | **424,785** | **-21,066** | **707,123** | **2,702** | **709,825** |
| Earnings after taxes | | | 37,275 | | 37,275 | 450 | 37,725 |
| Other comprehensive income | | | | -3,430 | -3,430 | | -3,430 |
| **Total comprehensive income** | | | **37,275** | **-3,430** | **33,845** | **450** | **34,295** |
| Dividend payment | | | -36,675 | | -36,675 | -295 | -36,970 |
| **AS OF JUNE 30, 2019** | **63,571** | **239,833** | **425,385** | **-24,496** | **704,293** | **2,857** | **707,150** |

Shares held by non-controlling shareholders mainly consist of minority interests in WEIGAND Bau GmbH and subsidiaries of the ROLKO Group. Where economic ownership of minority interests in limited partnerships and corporations had, at the time of purchase, already been transferred under reciprocal option agreements, those interests are shown under “other liabilities”.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FIRST HALF OF 2019

| in EUR '000 | H1 2019 | H1 2018 |
|---|---|---|
| Earnings after taxes | 37,725 | 43,720 |
| Depreciation/appreciation of non-current assets | 43,056 | 33,219 |
| Taxes | 20,333 | 23,303 |
| Financial income | 8,406 | 9,096 |
| Other non-cash transactions | -1,736 | 649 |
| Changes in provisions | 13,859 | 8,668 |
| Increase (-)/decrease (+) in inventories, receivables and other assets | -38,606 | -101,540 |
| Increase (+)/decrease (-) in trade payables and other equity and liabilities | -26,590 | -14,459 |
| Income taxes received/paid | -32,005 | -25,076 |
| **Operating cash flow** | **24,442** | **-22,420** |
| Interest paid | -10,635 | -11,148 |
| Interest received | 108 | 38 |
| **Cash flow from operating activities** | **13,915** | **-33,530** |
| Cash outflow from investments in | | |
| property, plant and equipment and intangible assets | -25,404 | -27,123 |
| financial investments | -161 | -203 |
| shares in fully consolidated companies | 5,510 | -1,626 |
| Cash inflow from the disposal of other assets | 1,100 | 728 |
| **Cash flow from investing activities** | **-18,955** | **-28,224** |
| Dividend payment | -36,675 | -36,675 |
| Cash outflow from the repayment of contingent purchase price commitments | -2,431 | -15,693 |
| Dividends paid to minority shareholders | -294 | -304 |
| Cash inflow from raising of loans | 94,281 | 128,974 |
| Cash outflow from the repayment of loans | -49,428 | -47,714 |
| Cash outflow from the repayment of lease liabilities | -10,225 | -649 |
| **Cash flow from financing activities** | **-4,772** | **27,939** |
| Net changes in cash and cash equivalents | -9,812 | -33,815 |
| Changes in cash and cash equivalents caused by currency exchange rates | 169 | 19 |
| Cash and cash equivalents at the beginning of the period | 109,647 | 135,881 |
| **Cash and cash equivalents at the end of the period** | **100,004** | **102,085** |

# NOTES

## BASIC PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

### [1] GENERAL INFORMATION

INDUS Holding AG, with registered office in Bergisch Gladbach, Germany, has prepared its condensed consolidated interim financial statements for the period from January 1, 2019, to June 30, 2019, in accordance with the International Financial Reporting Standards (IFRS), and their interpretation by the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable in the European Union (EU). The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are stated in thousands of euros (EUR '000).

These interim financial statements have been prepared in accordance with IAS 34 in condensed form. The interim report has been neither audited nor subjected to perusal or review by an auditor.

New obligatory standards are reported on separately in the section "Changes in Accounting Standards". Otherwise, the same accounting methods have been applied as in the consolidated financial statements for the 2018 financial year, where they are described in detail. Since these interim financial statements do not provide the full scope of information found in the annual financial statements, these financial statements should be considered within the context of the last annual financial statements.

In the Board of Management's view, this quarterly report includes all usual current adjustments necessary for the proper presentation of the Group's financial position and financial performance. The results achieved in the first half of 2019 do not necessarily predict future business performance.

Preparation of consolidated financial statements is influenced by accounting and valuation principles and requires 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.

### [2] CHANGES IN ACCOUNTING STANDARDS

All obligatory accounting standards in effect as of the 2019 financial year have been implemented in the interim financial statements at hand.

IFRS 16 "Leases" is applicable from January 1, 2019. The new standard for lease accounting supersedes 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.

The modified retrospective method will be applied for adjustments at INDUS. 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 be reported under depreciation/amortization or interest expense. As of January 1, 2019, right-of-use assets and financial liabilities of EUR 81.2 million from operating leases were recognized for the first time. In addition, the previous finance lease assets have been reclassified, at their residual carrying amounts as of December 31, 2018, within the balance sheet item "right-of-use assets from leasing/rent" (formerly reported as tangible fixed assets). Operating income (EBIT) from January 1 to June 30, 2019, was relieved by EUR 1.2 million due to the application of the new leasing regulations. In the statement of cash flows, cash flow from financing activities was reduced by EUR 10.2 million, while cash flow from operating activities was increased by EUR 10.2 million. Application facilitation for IFRS 16 has been used.

There are no other new standards or interpretations that affect the presentation of the financial position and financial performance of INDUS Holding AG in the consolidated financial statements.

## [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 71 thousand lower for the H1 2018 period. There were also minor adjustments to segment reporting.

## [4] BUSINESS COMBINATIONS

### 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, an industry of the future, 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 31,523 thousand on the acquisition date. This comprises a cash component and a contingent purchase price payment of EUR 4,043 thousand, which was measured at fair value, and call/put options relating to the minority interests, as well as profit-sharing rights for the remaining minority shareholders. The cash component was paid in July 2019. The amount of the contingent purchase price liability resulting from the call/put options for the minority interests is calculated based on EBIT multiples and a forecast regarding future EBIT.

Goodwill of EUR 11,568 thousand, determined in the course of the purchase price allocation, is not tax-deductible. The goodwill represents inseparable values such as the know-how of the workforce, positive earnings expectations for the future, and 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 | 11,568 | 11,568 |
| Other intangible assets | 36 | 9,621 | 9,657 |
| Property, plant and equipment | 5,800 | 0 | 5,800 |
| Financial investments | 2 | 0 | 2 |
| Inventories | 3,473 | 341 | 3,814 |
| Receivables | 3,648 | 0 | 3,648 |
| Other assets* | 959 | 0 | 959 |
| Cash and cash equivalents | 5,510 | 0 | 5,510 |
| **Total assets** | **19,428** | **21,530** | **40,958** |
| Other provisions | 1,477 | 0 | 1,477 |
| Financial liabilities | 3,106 | 0 | 3,106 |
| Trade payables | 349 | 0 | 349 |
| Other equity and liabilities** | 1,554 | 2,949 | 4,503 |
| **Total liabilities** | **6,486** | **2,949** | **9,435** |

* 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 1,852 thousand to the INDUS result for the period from January 1, 2019, to June 30, 2019, and operating income (EBIT) of EUR -151 thousand. If MESUTRONIC had been consolidated as of January 1, 2019, revenue would have amounted to EUR 11,194 thousand and EBIT to EUR -58 thousand.

Expenses affecting net income from the initial consolidation of MESUTRONIC reduced operating income by EUR 493 thousand. The incidental acquisition costs were recorded in the statement of income.

## NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

### [5] COST OF MATERIALS

| in EUR '000 | H1 2019 | H1 2018 |
|---|---|---|
| Raw materials, consumables and supplies, and purchased merchandise | -347,657 | -344,580 |
| Purchased services | -58,619 | -62,616 |
| **Total** | **-406,276** | **-407,196** |

### [6] PERSONNEL EXPENSES

| in EUR '000 | H1 2019 | H1 2018 |
|---|---|---|
| Wages and salaries | -222,292 | -213,961 |
| Social security | -38,474 | -36,050 |
| Pensions | -2,356 | -2,266 |
| **Total** | **-263,122** | **-252,277** |

### [7] OTHER OPERATING EXPENSES

| in EUR '000 | H1 2019 | H1 2018 |
|---|---|---|
| Selling expenses | -43,496 | -43,748 |
| Operating expenses | -33,562 | -40,638 |
| Administrative expenses | -25,527 | -24,897 |
| Other expenses | -2,653 | -3,901 |
| **Total** | **-105,238** | **-113,184** |

## [8] FINANCIAL INCOME

| in EUR '000 | H1 2019 | H1 2018 |
|---|---|---|
| Interest and similar income | 108 | 38 |
| Interest and similar expenses | -7,635 | -6,166 |
| **Net interest** | **-7,527** | **-6,128** |
| **Income from shares accounted for using the equity method** | **354** | **-62** |
| Market value of interest rate swaps | 2 | 7 |
| Minority interests | -1,282 | -3,046 |
| Income from financial investments | 47 | 133 |
| **Other financial income** | **-1,233** | **-2,906** |
| **Total** | **-8,406** | **-9,096** |

The item "minority interests" includes the effect on income from the subsequent valuation of the contingent purchase price liabilities (call/put options) of EUR 427 thousand (previous year: EUR -482 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 are reported under "other financial income" for the first time.

## [9] TAXES

The income tax expense in the interim financial statements is calculated based on the assumptions currently used for tax planning purposes.

## [10] EARNINGS PER SHARE

| in EUR '000 | H1 2019 | H1 2018 |
|---|---|---|
| Income attributable to INDUS shareholders | 37,275 | 43,141 |
| Weighted average shares outstanding (in thousands) | 24,451 | 24,451 |
| **Earnings per share (in EUR)** | **1.52** | **1.76** |

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## [11] INVENTORIES

| in EUR '000 | JUNE 30, 2019 | DEC. 31, 2019 |
|---|---|---|
| Raw materials, consumables and supplies | 150,270 | 149,227 |
| Unfinished goods | 117,238 | 113,263 |
| Finished goods and goods for resale | 125,047 | 127,785 |
| Advance payments | 30,461 | 18,418 |
| **Total** | **423,016** | **408,693** |

## [12] RECEIVABLES

| in EUR '000 | JUNE 30, 2019 | DEC. 31, 2019 |
|---|---|---|
| Receivables from customers | 217,272 | 189,909 |
| Receivables from construction contracts | 19,593 | 9,956 |
| Receivables from associated companies | 2,405 | 2,658 |
| **Total** | **239,270** | **202,523** |

## [13] NON-CURRENT ASSETS HELD FOR SALE

The held-for-sale non-current assets relate to the planned sale of a minority interest to the majority shareholder. INDUS concluded the basic agreement on the sale to the majority shareholder on July 23, 2019. The basic agreement is still subject to the final form of the purchase agreement, the approval of the buyer's Group Management Board and the consent of the anti-trust authorities. The transaction in the Automotive Technology segment is to be executed in the course of the third quarter of 2019.

## [14] FINANCIAL LIABILITIES

As a result of the mandatory application of IFRS 16 "Leases" from January 1, 2019, financial liabilities include approximately an additional EUR 72.2 million in lease liabilities as of June 30, 2019.

| in EUR '000 | JUNE 30, 2019 | CURRENT | NON-CURRENT | DEC. 31, 2018 | CURRENT | NON-CURRENT |
|---|---|---|---|---|---|---|
| Liabilities to banks | 416,305 | 107,877 | 308,428 | 358,829 | 79,223 | 279,606 |
| Liabilities from leasing | 77,476 | 18,242 | 59,234 | 5,323 | 4,215 | 1,108 |
| Promissory note loans | 219,100 | 43,082 | 176,018 | 228,254 | 43,082 | 185,172 |
| **Total** | **712,881** | **169,201** | **543,680** | **592,406** | **126,520** | **465,886** |

## [15] LIABILITIES

The EUR 41,726 thousand in other liabilities (Dec. 31, 2018: EUR 41,789 thousand) includes contingent purchase price liabilities 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.

# OTHER DISCLOSURES

## [16] SEGMENT REPORTING

### SEGMENT INFORMATION BY OPERATION FOR THE FIRST HALF OF 2019

**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 |
|---|---|---|---|---|---|---|---|---|
| **H1 2019** | | | | | | | | |
| Revenue with external third parties | 190,916 | 183,424 | 207,493 | 81,537 | 213,569 | 876,939 | -414 | 876,525 |
| Revenue with Group companies | 17,015 | 40,988 | 35,027 | 9,366 | 34,305 | 136,701 | -136,701 | 0 |
| **Revenue** | **207,931** | **224,412** | **242,520** | **90,903** | **247,874** | **1,013,640** | **-137,115** | **876,525** |
| **Segment earnings (EBIT)** | **27,845** | **-5,075** | **22,805** | **9,122** | **16,332** | **71,029** | **-4,565** | **66,464** |
| Income from measurement according to the equity method | 181 | -18 | 191 | 0 | 0 | 354 | 0 | 354 |
| **Depreciation/amortization** | **-6,781** | **-13,798** | **-9,032** | **-4,575** | **-8,436** | **-42,622** | **-434** | **-43,056** |
| **Segment EBITDA** | **34,626** | **8,723** | **31,837** | **13,697** | **24,768** | **113,651** | **-4,131** | **109,520** |
| **Investments** | **8,000** | **7,872** | **-1,687** | **1,817** | **3,921** | **19,923** | **132** | **20,055** |
| of which company acquisitions | 0 | 0 | -5,510 | 0 | 0 | -5,510 | 0 | -5,510 |

**SEGMENT REPORT IN ACCORDANCE WITH IFRS 8** (in EUR '000)

| | CONSTRUC-TION/ INFRA-STRUCTURE | AUTOMOTIVE TECHNOLOGY | ENGINEERING | MEDICAL ENGINEERING/ LIFE SCIENCE | METALS TECHNOLOGY | TOTAL SEGMENTS | RECON-CILIATION | CONSOLI-DATED FINANCIAL STATEMENTS |
|---|---|---|---|---|---|---|---|---|
| **H1 2018** | | | | | | | | |
| Revenue with external third parties | 172,004 | 196,502 | 182,320 | 77,723 | 216,341 | 844,890 | -157 | 844,733 |
| Revenue with Group companies | 15,918 | 38,992 | 29,479 | 9,141 | 27,316 | 120,846 | -120,846 | 0 |
| **Revenue** | **187,922** | **235,494** | **211,799** | **86,864** | **243,657** | **965,736** | **-121,003** | **844,733** |
| **Segment earnings (EBIT)** | **22,988** | **4,284** | **22,509** | **8,382** | **22,524** | **80,687** | **-4,568** | **76,119** |
| Income from measurement according to the equity method | -18 | -167 | 123 | 0 | 0 | -62 | 0 | -62 |
| **Depreciation/amortization** | **-4,909** | **-11,431** | **-5,930** | **-3,516** | **-7,031** | **-32,817** | **-402** | **-33,219** |
| **Segment EBITDA** | **27,897** | **15,715** | **28,439** | **11,898** | **29,555** | **113,504** | **-4,166** | **109,338** |
| **Investments** | **5,926** | **11,026** | **4,393** | **3,193** | **3,931** | **28,469** | **483** | **28,952** |
| of which company acquisitions | 0 | 1,626 | 0 | 0 | 0 | 1,626 | 0 | 1,626 |

**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 |
|---|---|---|---|---|---|---|---|---|
| **Q2 2019** | | | | | | | | |
| Revenue with external third parties | 104,357 | 90,638 | 98,190 | 40,614 | 105,308 | 439,107 | -229 | 438,878 |
| Revenue with Group companies | 8,904 | 20,084 | 18,137 | 5,028 | 14,250 | 66,404 | -66,404 | 0 |
| **Revenue** | **113,261** | **110,722** | **116,327** | **45,642** | **119,558** | **505,511** | **-66,633** | **438,878** |
| **Segment earnings (EBIT)** | **17,863** | **-5,266** | **9,965** | **5,278** | **7,689** | **35,529** | **-2,624** | **32,905** |
| Income from measurement according to the equity method | 64 | -37 | 120 | 0 | 0 | 147 | 207 | 354 |
| **Depreciation/amortization** | **-3,414** | **-6,888** | **-4,621** | **-2,302** | **-4,241** | **-21,466** | **-222** | **-21,688** |
| **Segment EBITDA** | **21,277** | **1,622** | **14,586** | **7,580** | **11,930** | **56,995** | **-2,402** | **54,593** |
| **Investments** | **3,076** | **5,614** | **-4,608** | **993** | **-3,934** | **1,141** | **33** | **1,174** |
| of which company acquisitions | 0 | 0 | -5,510 | 0 | 0 | -5,510 | 0 | -5,510 |

**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 |
|---|---|---|---|---|---|---|---|---|
| **Q2 2018** | | | | | | | | |
| Revenue with external third parties | 95,126 | 98,389 | 93,491 | 38,764 | 110,639 | 436,409 | 159 | 436,568 |
| Revenue with Group companies | 8,783 | 20,375 | 14,166 | 4,995 | 14,037 | 62,356 | -62,356 | 0 |
| **Revenue** | **103,909** | **118,764** | **107,657** | **43,759** | **124,676** | **498,765** | **-62,197** | **436,568** |
| **Segment earnings (EBIT)** | **15,203** | **1,903** | **10,017** | **4,629** | **11,163** | **42,915** | **-2,223** | **40,692** |
| Income from measurement according to the equity method | -18 | -178 | 88 | 0 | 0 | -108 | 124 | 16 |
| **Depreciation/amortization** | **-2,626** | **-5,722** | **-2,908** | **-1,767** | **-3,559** | **-16,582** | **-204** | **-16,786** |
| **Segment EBITDA** | **17,829** | **7,625** | **12,925** | **6,396** | **14,722** | **59,497** | **-2,019** | **57,478** |
| **Investments** | **2,635** | **4,055** | **2,149** | **2,271** | **2,688** | **13,798** | **1,066** | **14,864** |
| of which company acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

The table below reconciles the total operating results of segment reporting with the earnings before taxes in the consolidated statement of income:

**RECONCILIATION** (in EUR '000)

| | H1 2019 | H1 2018 | Q2 2019 | Q2 2018 |
|---|---|---|---|---|
| **Segment earnings (EBIT)** | **71,029** | **80,758** | **35,529** | **42,986** |
| Areas not allocated incl. holding company | -4,601 | -4,568 | -2,677 | -2,237 |
| Consolidations | 36 | 0 | 53 | 14 |
| Financial income | -8,406 | -9,167 | -4,962 | -3,988 |
| **Earnings before taxes** | **58,058** | **67,023** | **27,943** | **36,775** |

The classification of segments corresponds without change to the current state of internal reporting. The segment information relates to continued operations. 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. Transfer prices between segments are based on arm's-length prices to the extent that they can be established in a reliable manner and are otherwise determined on the basis of the cost-plus pricing method.

## 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 INDUS's diversification policy, 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 |
|---|---|---|---|---|
| **Revenue with external third parties** | | | | |
| H1 2019 | 876,525 | 452,744 | 188,538 | 235,243 |
| Q2 2019 | 438,878 | 221,136 | 97,794 | 119,948 |
| **Non-current assets, less deferred taxes and financial instruments** | | | | |
| June 30, 2019 | 1,029,339 | 873,699 | 54,730 | 100,910 |
| **Revenue with external third parties** | | | | |
| H1 2018 | 844,733 | 430,919 | 188,789 | 225,025 |
| Q2 2018 | 436,568 | 220,647 | 99,812 | 116,109 |
| **Non-current assets, less deferred taxes and financial instruments** | | | | |
| Dec. 31, 2018 | 941,570 | 801,157 | 51,185 | 89,228 |

## [17] INFORMATION ON THE SIGNIFICANCE OF FINANCIAL INSTRUMENTS

The table below shows the carrying amounts of the financial instruments. The fair value of a financial instrument is the price that would be paid in an orderly transaction between market participants for the sale of an asset or transfer of a liability on the measurement date.

**FINANCIAL INSTRUMENTS** (in EUR '000)

| | BALANCE SHEET VALUE | IFRS 9 NOT APPLICABLE | IFRS 9 FINANCIAL INSTRUMENTS | OF WHICH MEASURED AT FAIR VALUE | OF WHICH MEASURED AT AMORTIZED COST |
|---|---|---|---|---|---|
| **June 30, 2019** | | | | | |
| Financial investments | 6,586 | 0 | 6,586 | 2,476 | 4,110 |
| Cash and cash equivalents | 100,004 | 0 | 100,004 | 0 | 100,004 |
| Receivables | 239,270 | 19,593 | 219,677 | 0 | 219,677 |
| Other assets | 22,426 | 13,269 | 9,157 | 165 | 8,992 |
| **Financial instruments: Assets** | **368,286** | **32,862** | **335,424** | **2,641** | **332,783** |
| Financial liabilities | 712,881 | 0 | 712,881 | 0 | 712,881 |
| Trade payables | 72,709 | 0 | 72,709 | 0 | 72,709 |
| Other liabilities | 176,976 | 72,187 | 104,789 | 48,601 | 56,188 |
| **Financial instruments: Equity and Liabilities** | **962,566** | **72,187** | **890,379** | **48,601** | **841,778** |

| | BALANCE SHEET VALUE | IFRS 9 NOT APPLICABLE | IFRS 9 FINANCIAL INSTRUMENTS | OF WHICH MEASURED AT FAIR VALUE | OF WHICH MEASURED AT AMORTIZED COST |
|---|---|---|---|---|---|
| **Dec. 31, 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: Equity and Liabilities** | **836,621** | **90,449** | **746,172** | **46,854** | **699,318** |

Available-for-sale financial instruments are fundamentally long-term financial investments for which no pricing on an active market is available and the fair value of which cannot be reliably determined. These are carried at cost.

**FINANCIAL INSTRUMENTS BY BUSINESS MODEL PURSUANT TO IFRS 9** (in EUR '000)

| | JUNE 30, 2019 | DEC. 31, 2018 |
|---|---|---|
| Financial assets measured at fair value through profit and loss | 165 | 404 |
| Financial assets measured at cost | 332,783 | 324,621 |
| Financial assets recognized at fair value directly in equity | 2,476 | 2,612 |
| **Financial instruments: Assets** | **335,424** | **327,637** |
| Financial liabilities measured at fair value through profit and loss | 41,886 | 41,950 |
| Financial liabilities measured at cost | 841,778 | 699,318 |
| Derivatives with hedging relationship, hedge accounting | 6,715 | 4,904 |
| **Financial instruments: Equity and Liabilities** | **890,379** | **746,172** |

## [18] EVENTS AFTER THE REPORTING DATE

A Group company of INDUS Holding AG in the Automotive Technology segment concluded a basic agreement on the sale of its 49% minority interest to the long-standing majority shareholder on July 23, 2019. The basic agreement is still subject to the final form of the purchase agreement, the approval of the buyer's Group Management Board and the consent of the anti-trust authorities.

The transaction is to be executed in the course of the third quarter of 2019. The transaction and the sale of the shares accounted for using the equity method will result in an inflow of liquidity totaling around EUR 27.5 million into the INDUS Group. Operating income (EBIT) in the Automotive Technology segment will amount to around EUR 16.5 million. The contribution to earnings after taxes amounts to around EUR 16.2 million.

## [19] APPROVAL FOR PUBLICATION

The Board of Management of INDUS Holding AG approved these IFRS interim financial statements for publication on August 12, 2019.

## [20] RESPONSIBILITY STATEMENT

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the financial position and financial performance of the Group, and the interim Group management report 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 performance of the Group in the remainder of the financial year.

Bergisch Gladbach, August 12, 2019
INDUS Holding AG

The Board of Management

Dr. Johannes Schmidt

Dr. Jörn Großmann

Axel Meyer

Rudolf Weichert

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This interim report is also available in German. Both the English and the German versions of the interim report can be downloaded at www.indus.de under investor relations, financial reports and presentations. Only the German version of the interim report is legally binding.



# FINANCIAL CALENDAR

| DATE | EVENT |
|---|---|
| November 14, 2019 | Interim report Q3 2019 |

Please visit www.indus.de/en/investor-relations/financial-calendar for updates on the INDUS financial calender.

# IMPRINT

**RESPONSIBLE MEMBER OF THE BOARD OF MANAGEMENT**
Dr.-Ing. Johannes Schmidt

**DATE OF PUBLISHING**
August 13, 2019

**PUBLISHER**
INDUS Holding AG, Bergisch Gladbach

**CONCEPT/DESIGN**
Berichtsmanufaktur GmbH, Hamburg

**PRINT**
Gutenberg Beuys Feindruckerei GmbH, Langenhagen

WWW.INDUS.DE