ANNUAL REPORT 2018

INDUS HOLDING AG

[INDUS]

[IN]spiring

PROGRESS

[01/19]

FASTER, BETTER, STRONGER

Goals are the driving force of success

PARKOUR

The next round for the INDUS strategy program

HORNGROUP JOINS THE CLOUD

Creating a digital ecosystem

PRESERVATION IS ALSO A GOAL

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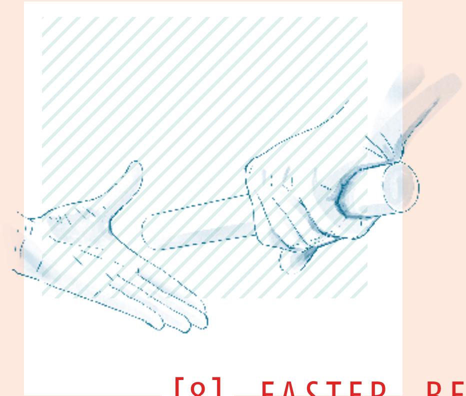


DR. JOHANNES SCHMIDT

Chairman of the
INDUS Holding AG
Board of Management

EDITORIAL

Dear Reader,

Did you set yourself personal or professional goals at the end of last year? Did you write them down? If you answered yes to the first question you are, statistically speaking, part of a minority. If you answered yes to the second question, too, you're an exception.

However, it is actually worthwhile to set goals for ourselves. They're important signposts for the up to 100,000 decisions that we have to make every day, most of them subconsciously. Goals give us direction and help us progress in life.

In the entrepreneurial world and therefore for us at INDUS, setting goals is a part of our everyday work. As a listed company we are specifically expected to set clear goals. Our investors do not just hand over their money hoping we will make them more money in any way we can think of. They have made a conscious decision not to invest their money elsewhere and chosen to become shareholders in our SME-focused business – with specific expectations resulting from our promises.

Over the past years we have formulated these promises using a strategy that we have gradually implemented. We have now developed our successful strategy further and named it PARKOUR. It is our plan for the next seven years. You can find out more about this and our goals on the following pages.

Together with my colleagues on the Board of Management, I hope you enjoy this edition of the INDUS Magazine.

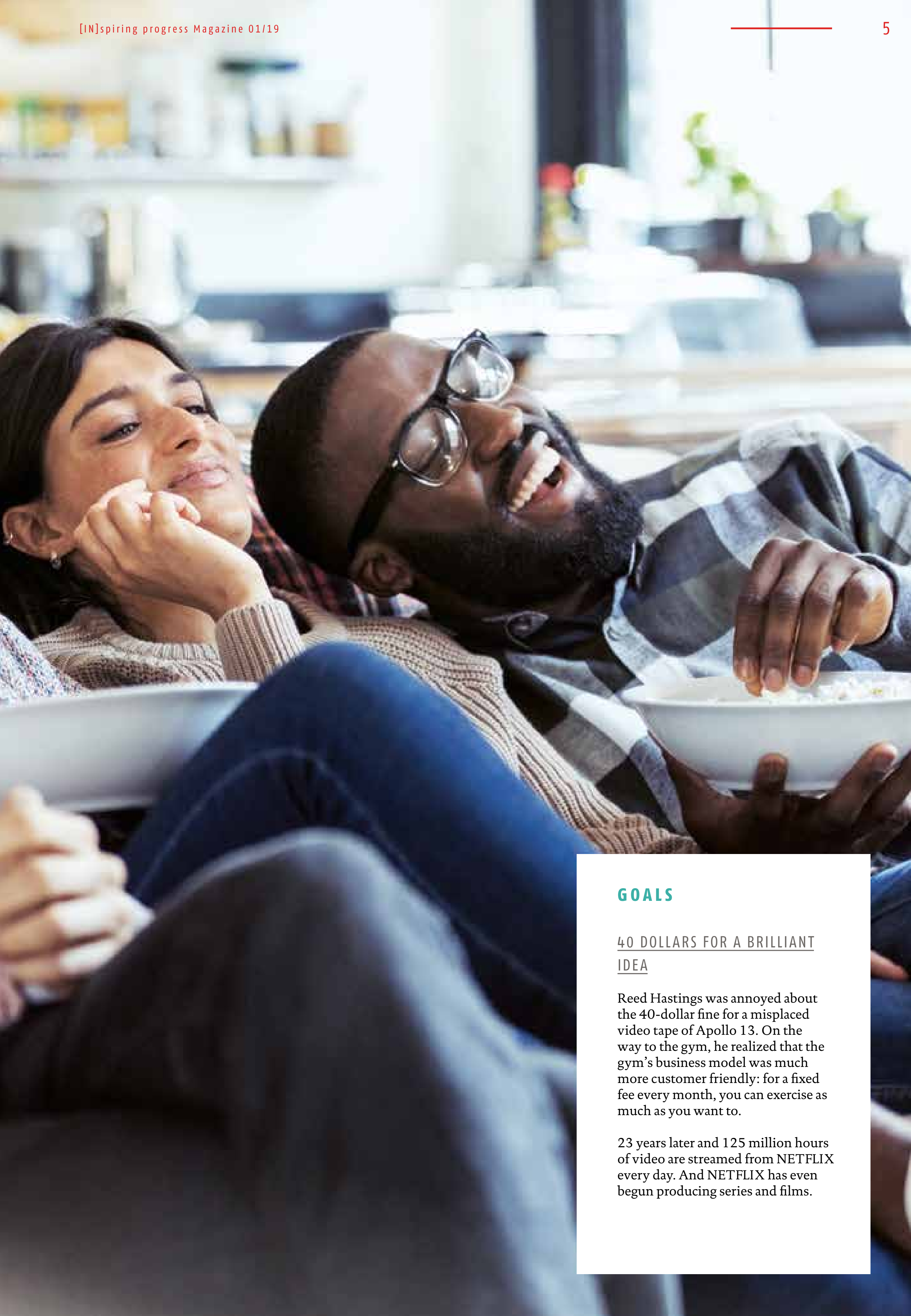
Johannes Schmidt Schmidt

GOALS

AT THE FINISH LINE, AFTER 27,000 NAUTICAL MILES

“I’ve wanted to sail around the world since I was 10. There were moments when I thought to myself: What on earth am I doing here? But I never wanted to quit. It was a dream and I wanted to make it come true.”

At 16, Laura Dekker became the youngest person to sail around the world.



GOALS

40 DOLLARS FOR A BRILLIANT IDEA

Reed Hastings was annoyed about the 40-dollar fine for a misplaced video tape of Apollo 13. On the way to the gym, he realized that the gym's business model was much more customer friendly: for a fixed fee every month, you can exercise as much as you want to.

23 years later and 125 million hours of video are streamed from NETFLIX every day. And NETFLIX has even begun producing series and films.

GOALS

"EVERYTHING IMPORTANT I HAVE EVER ACHIEVED WERE THINGS EXPERTS SAID COULDN'T BE DONE."

Henry Ford

GOALS ARE THE DRIVING FORCE OF SUCCESS How innate ambition is to humans is a question that scientists have not yet been able to answer definitively. But one thing is clear: curiosity and a desire to improve are qualities that have driven humanity to ever faster technological and economical development cycles since at least the 19th century. Progress is always particularly successful wherever people have set themselves specific goals.

FASTER, BETTER, STRONGER

GOALS HELP YOU MAINTAIN YOUR FOCUS AND OVERCOME OBSTACLES

GOALS MOTIVATE US

Hannibal and Scipio, Napoleon and Alexander I, Edison and Westinghouse, Scott and Amundsen, Kennedy and Khrushchev, Gates and Jobs, Bezos and Zuckerberg – human history is punctuated by pairs of names that connect two things: the desire to develop and the desire to succeed. We know their names because at the end of their stories they have created something we remember: great achievements, victories or defeats, and often surprises.

To achieve their goals, these people pushed themselves to their limits and often redefined these limits through their actions. They developed plans, walked new paths and took risks. They always found extraordinary strength that allowed them to overcome obstacles, survive lean times and clear away all doubts. Their most important driving force was the image of the moment in which they would achieve their goals.

In business, setting goals is part of the job. That is because people react to incentives. Goals offer incentives because achieving goals is always

THE WAY TO YOUR GOAL IS OFTEN A LONG ONE

coupled with a reward, whether directly or indirectly: more recognition, more money, greater market share, greater entrepreneurial flexibility. But to ensure we don't achieve our goals at the expense of others, we follow set values and rules derived from our goals: laws, standards and governance and compliance guidelines; all things we can expect others to stick to, too.

We develop strategies for our business within these guidelines. These strategies help us secure competitive advantages, be successful over the long term and create added value for society. Those who studied economics in the 1980s will have heard of the U.S. economist Michael Porter. He defined several possibilities of securing competitive advantages: cost leadership (advantage of costs) or differentiation (advantage of uniqueness). A third possibility is specialization in a niche position, focusing on market segments, products or uniqueness in special areas. These possibilities form the central frame of reference for INDUS companies in defining their corporate goals to secure their competitiveness to this day. But how do we achieve these goals as quickly and efficiently as possible?

EMPLOYEES ARE VITAL ON THE PATH TO ACHIEVING OUR GOALS

Management plays an important role in achieving corporate goals. This is because goals cannot be achieved by simply having management set suitable goals, creating the right conditions and checking the team's progress. Peter Drucker, whose "Management by Objectives" approach has made him one of the most influential management pioneers of the 20th century, believes the company's "followers" are the decisive factor in achieving goals.

Followers, or supporters, are those who actively and voluntarily follow the leader, in this case the company's management, and take responsibility.

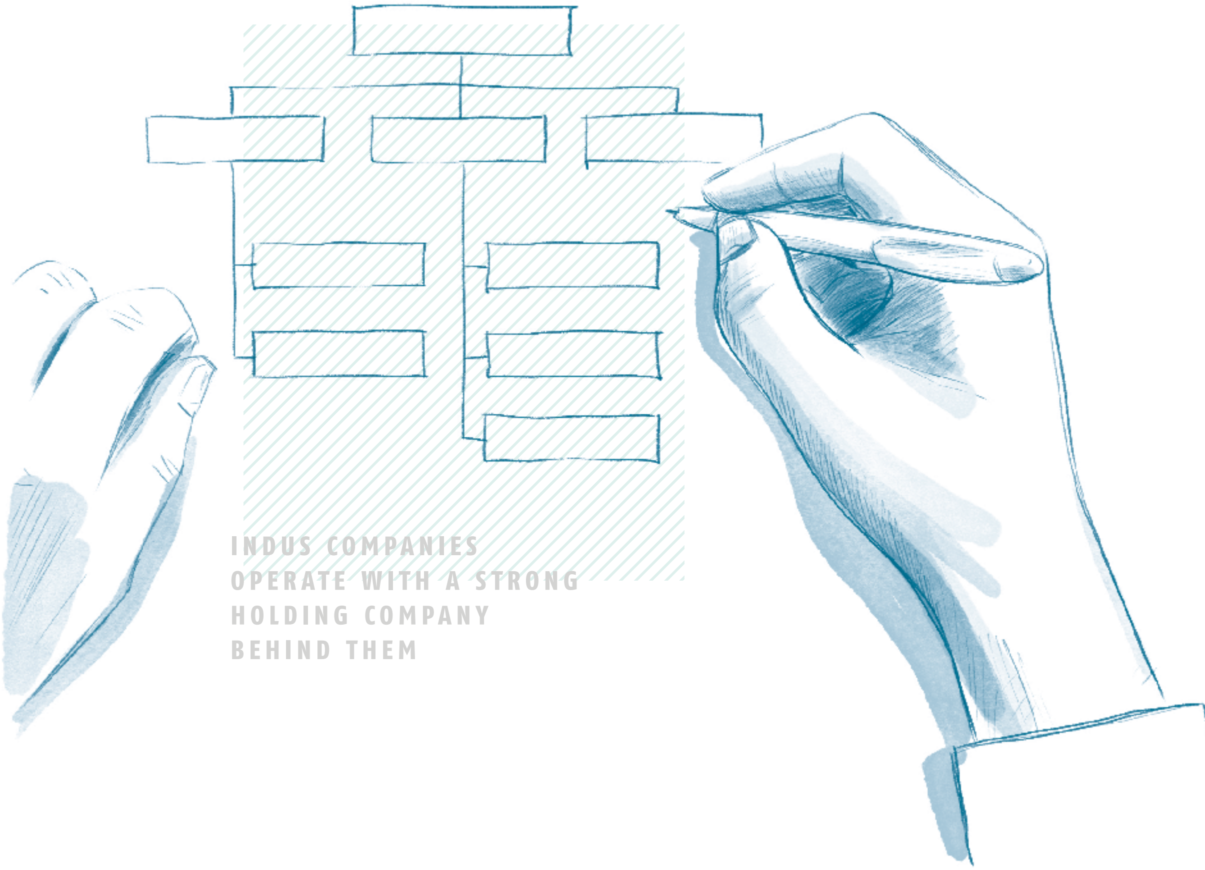
Management trainer Reinhard Sprenger once said: "Those who lead with no followers are merely taking a stroll." To make sure this does not happen, management must not only lead the way but also paint a clear image of the what they aim to achieve. And not with numbers. Numbers are abstract, cannot motivate and are almost always unappealing for employees. Harvard professor John Kotter believes managers need to inspire their employees. And to do that, they need a positive, emotional mission statement.

INDIVIDUAL AND ACTIVE SUPPORT ENABLES COMPANIES TO GRASP THEIR NEXT DEVELOPMENT OPPORTUNITY

INDUS: A GROUP OF STRONG SMEs

INDUS' mission statement shows a Group consisting of SME specialists in future growth industries that are expanding their businesses with courage and creativity, independently, successfully and reliably, under the umbrella of a solid holding company. The Group has built up such a positive image that it has become the first contact for SMEs in German-speaking countries looking to sell. For INDUS this is closely related to their interest in maintaining a corresponding culture (of values) shared by all companies in the Group.

The role that INDUS plays in implementing this mission statement is that of an active assistant and supporter. This internal understanding can also be described as servant leadership strategy, an approach that is tried and tested in the business world. The British entrepreneur Sir Richard Branson used this strategy in the 1970s to turn a small mail-order company for vinyl records into a multibillion-dollar business with companies now operating in a wide range of sectors. In addition to his pioneering spirit and his passion for business, his relationships with the people around him are one of his focal points. As a mentor he considers his job to be promoting self-confidence and decisiveness in his employees, even if that results in pursuing unconventional paths. Passing his fascination for listening to and learning from one another on to his employees and contemporaries is a material factor in his successful management philosophy, which has contributed to the outstanding development of his businesses.



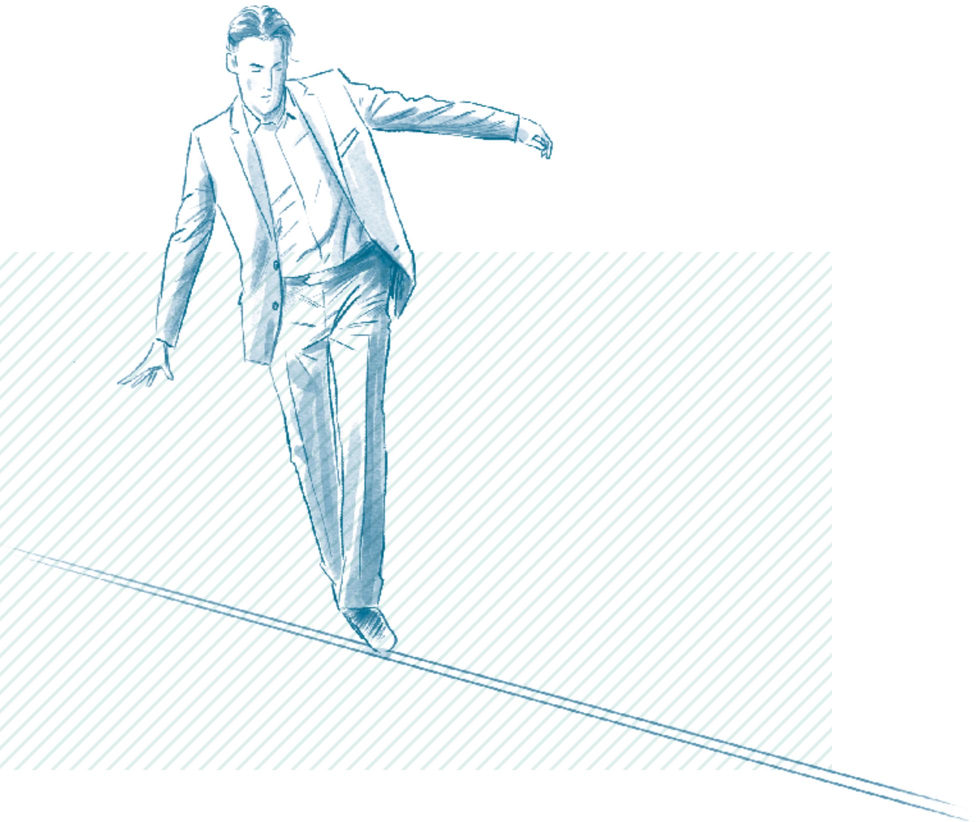
The servant leadership strategy can be applied perfectly to INDUS: actively promoting topics that will be relevant in future keeps the companies healthy, boosts their confidence and motivates them to strive for new goals.

BALANCE: AN IMPORTANT ELEMENT ON THE WAY TO OUR GOALS

Those who set themselves goals without having the appropriate tools are just dreamers. This never works out well in the business world. Overconfidence, bad preparation and bad market assessments are just three reasons why countless companies fail. Texaco and Chrysler, AEG and Babcock Borsig, Arcandor, Praktiker and Schlecker – market mechanisms do not care if a company is a well-known brand with a long history.

The importance of financial resilience was recently demonstrated by the Kirch Group. With one sentence, the CEO of Deutsche Bank at the time, Rolf Breuer, caused financial market partners' trust in the Group to erode, which swiftly brought down the media company.

That is one reason why INDUS considers the economic stability of the Group and its companies to be of the utmost importance. The management of the holding company would never consider economically gouging its portfolio companies with profit-transfer agreements. The individual companies are not just expected to choose their path independently, they are expected to do so from a position of economic balance. This approach gives us a realistic image of each portfolio company's "bill of health."



A SOUND
ECONOMIC BALANCE
IS A PREREQUISITE
FOR INDEPENDENCE

INDUS' role is to economically and strategically strengthen the companies and to provide security should unexpected events occur. And of course, in light of the severe changes in the market currently, to actively and individually support each portfolio company's development potential, so the INDUS companies can continue to pursue their goals in future from a balanced position, both for themselves and the Group as a whole.

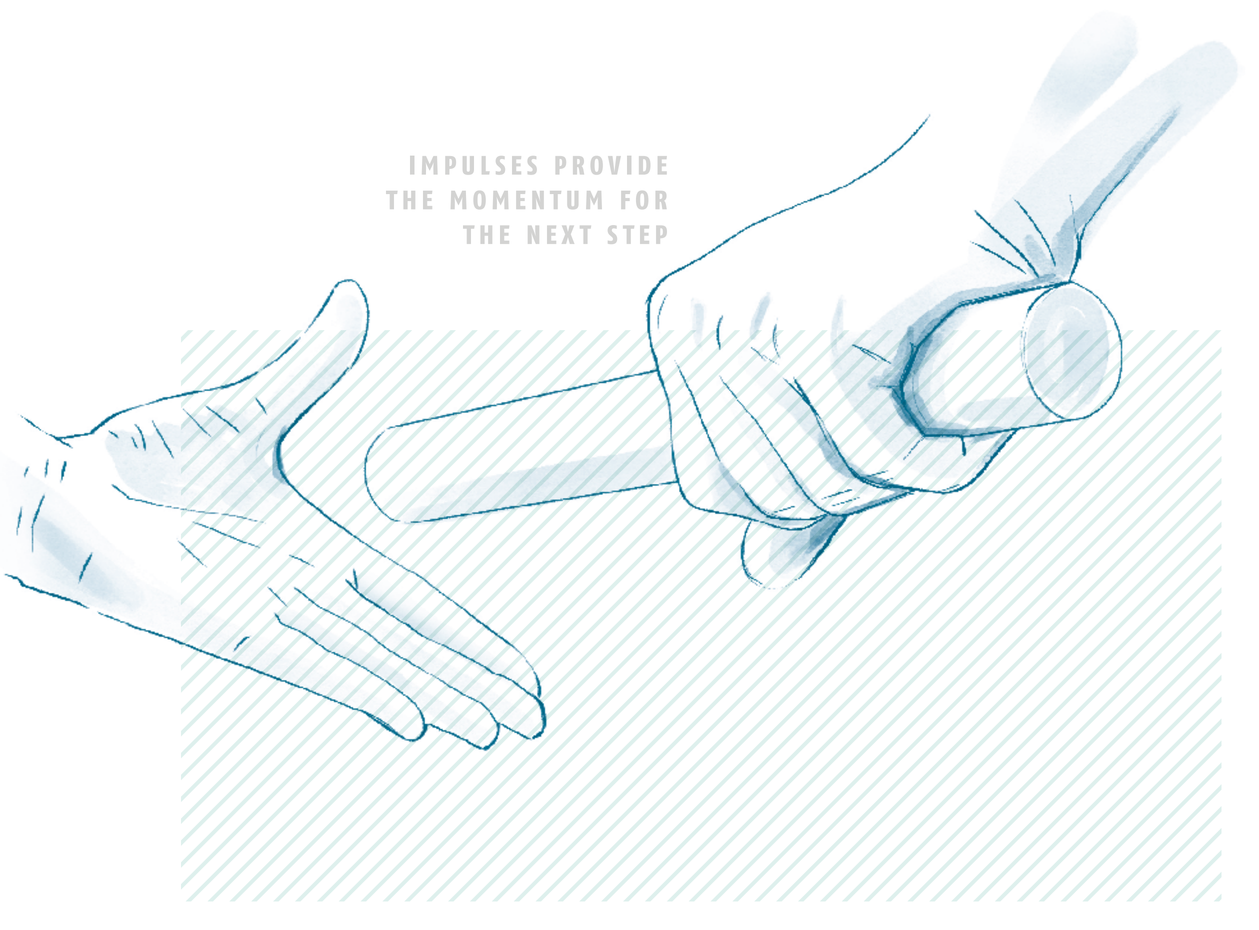
THE END IS JUST THE BEGINNING

What happens when we have achieved a goal? We're happy, feel we are on the right path, and are proud to have set a milestone for everyone to see. Now we could sit back and rest … but we don't. Instead of resting and enjoying our success for a while, we immediately set new goals and get to work implementing them. Why?

Nature itself wants us to keep moving. Whenever we achieve something special, our brains release dopamine, a reward hormone that makes us feel happy, and we want to experience it again. Dopamine is a success driver that stimulates creativity and helps us persevere through strenuous tasks. It is both motivation and reward in one.

Without doubt, though, we keep moving because our successes have awoken expectations, too. In the business world, particularly where others have invested in our abilities by buying shares, the short version of our mission is “to earn money.” This can only be achieved by keeping up in an environment that is in constant flux. Those who stand still in the competitive environment are not only overtaken, but in the worst case they are run off the road altogether.

INDUS never rests. The strategy program was just realigned with our latest goals, and the Group is highly motivated to complete the next chapter of the company’s story successfully.



PARKOUR

THE NEXT ROUND FOR THE INDUS STRATEGY PROGRAM The path we began to pursue in 2012 under the name COMPASS 2020 has proven successful. Now the INDUS Board of Management has outlined the next round's finish line: In the coming years, the Group companies will be expected to pick up the pace of development to ensure the Group grows further by 2025 and INDUS solidifies its position as leading German SME holding company.

THE WORLD IN 2019: CHANGES ARE COMING MORE RAPIDLY

In many emerging countries, the economy continues to grow at a fast pace and their view of themselves on the world market is changing. This applies above all to China, which is positioning itself strategically in key industries and raw materials markets. Driven by protectionist tendencies coming from the United States' politicians, the supposedly incontrovertible principle of free trade is in question. Brexit and a row of new crises in Europe are simultaneously threatening the stability of the common economic area. And in Germany? All eyes are on the automotive industry with its emissions problems and the challenges posed by e-mobility, and everyone expects politicians and companies to find the right solutions quickly, as they have always done in the past. After all, it's no accident that Germany is one of the world's leading economies.

However, "as always" is not as easy as it sounds in a phase of permanent change, especially as the current digitalization process is putting all global economies through their paces. The world will not wait for Germany. And the global industry will not wait for INDUS Group companies. This is why they take the reins themselves. They will be boosting their entrepreneurial power and increasing their development speed considerably.

“WE WILL STRENGTHEN THE PORTFOLIO WITH SUCCESSFUL COMPANIES FROM GROWTH INDUSTRIES.”

Dr.-Ing. Johannes Schmidt

PARKOUR: THE GOALS REMAIN, THE METHODS ARE NEW

The Board of Management has chosen PARKOUR for the new strategy program name, a discipline from the modern world of sports. In parkour, athletes move from A to B as quickly and efficiently as possible using only their own power and no equipment. The athlete overcomes a variety of obstacles by climbing, running and jumping. Just like parkour athletes, INDUS and the Group companies must find new ways to achieve their goals. The new INDUS strategy focuses specifically on three areas.

THE RIGHT MIX FOR THE FUTURE

INDUS wants to offer its shareholders a managed portfolio of attractive SMEs. So the portfolio remains viable for the future over the long term, it should cover a healthy mix of relevant industries. Since these industries develop and their importance fluctuates, the portfolio, too, has to adapt. Whether Industry 4.0 or digitalization, innovative structural engineering or public and private safety, medical technology for an aging society, intelligent logistics infrastructure or Green Tech – societal mega trends define the future fields that hold growth potential. To effectively exploit these opportunities, INDUS will acquire more companies for the portfolio from these relevant growth industries. These industries include automation, measuring technology and control engineering, safety technology, medical engineering and life science, technology for infrastructure and logistics and energy and environmental technology. The goal stands at two to three company acquisitions per year for the portfolio in these growth industries.

The newly acquired and existing companies will be developed in line with the business model “buy, hold & develop” on a long-term basis. The conditions in the Automotive Technology segment have, however, deteriorated further in recent years. In the area of series suppliers to the automotive industry, the Board of Management is currently looking at whether individual portfolio companies may develop better under new ownership, especially as the achievable EBIT margins in this

“WE PROVIDE EACH COMPANY WITH THE SUPPORT IT NEEDS.”

Rudolf Weichert

area are currently significantly below the 10% target.

DISCOVERING INNOVATIONS FASTER AND MORE FULLY

In the area of innovations, too, INDUS is gearing up another notch. In tapping new market opportunities the primary focus is no longer new products and services but rather increasingly the transformation of processes and structures as well as the digital development of the company's DNA. INDUS is also promoting internal and external networks that nurture innovation through mutual exchange.

To help the portfolio companies master the challenge of overcoming technological hurdles, INDUS supports them in acquiring new and innovative companies that are closely related to their own industry. The innovation know-how and economic means provided by the development bank, which have become well-established forms of support in the Group, will be continued. The holding company will increase personnel resources and double the approved development budget to an average of 3% of consolidated EBIT each year.

"OUR PORTFOLIO COMPANIES MUST SECURE THEIR LEADING MARKET POSITIONS USING THEIR INNOVATION SKILLS."

Dr. Jörn Großmann

MORE CONSISTENT IMPROVEMENT

The new strategy's third field of action is improving operational excellence. This involves developing the suitability of added-value core processes from order placement to order processing. The goal is to exploit further productivity potential in marketing and sales, procurement, production and logistics. By providing support in these areas, the Board of Management hopes to exploit the still-positive economic situation for the benefit of the portfolio companies to make them more resilient in difficult periods. And such periods will come. Either due to a slowdown in the economy or because companies in similar sectors or from other regions will increase the competitive pressure.

A forward-looking strategy that improves the health of companies and provides opportunities is internationalization. Here, too, portfolio companies can rely on active support from INDUS – whether in the form of capital for international acquisitions and to set up new locations, or in the form of know-how and networking connections.

THE EVOLUTION CONTINUES

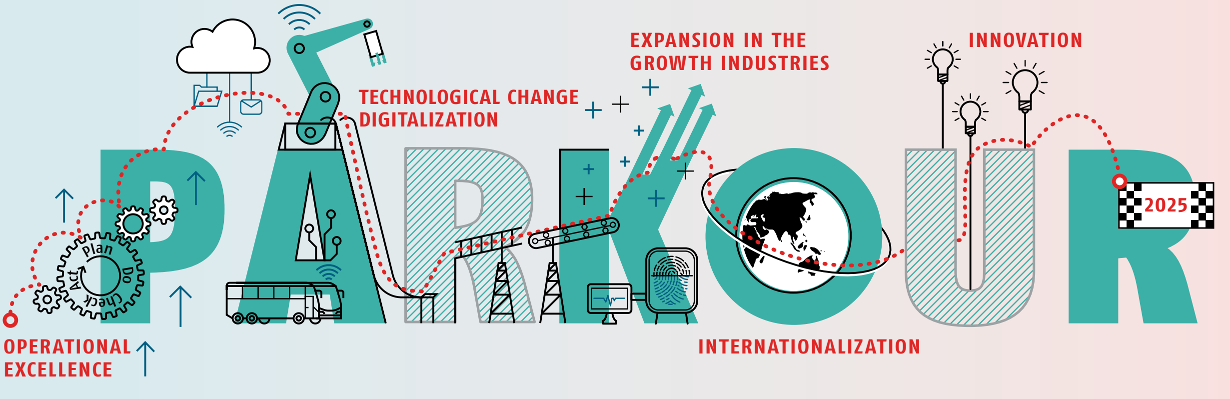
Changes are coming more rapidly – at INDUS too: More creativity. More courage. And more reliability. These are the qualities the Group has to secure stability and drive growth. The goal for 2025 is: sales amounting to EUR 2.5 billion with an ongoing target margin of "10% + X" resulting in a profitability that continues to satisfy our shareholders.

"OPERATIONAL EXCELLENCE WILL ALLOW OUR PORTFOLIO COMPANIES TO TAP DEVELOPMENT AND EFFICIENCY POTENTIAL."

Axel Meyer

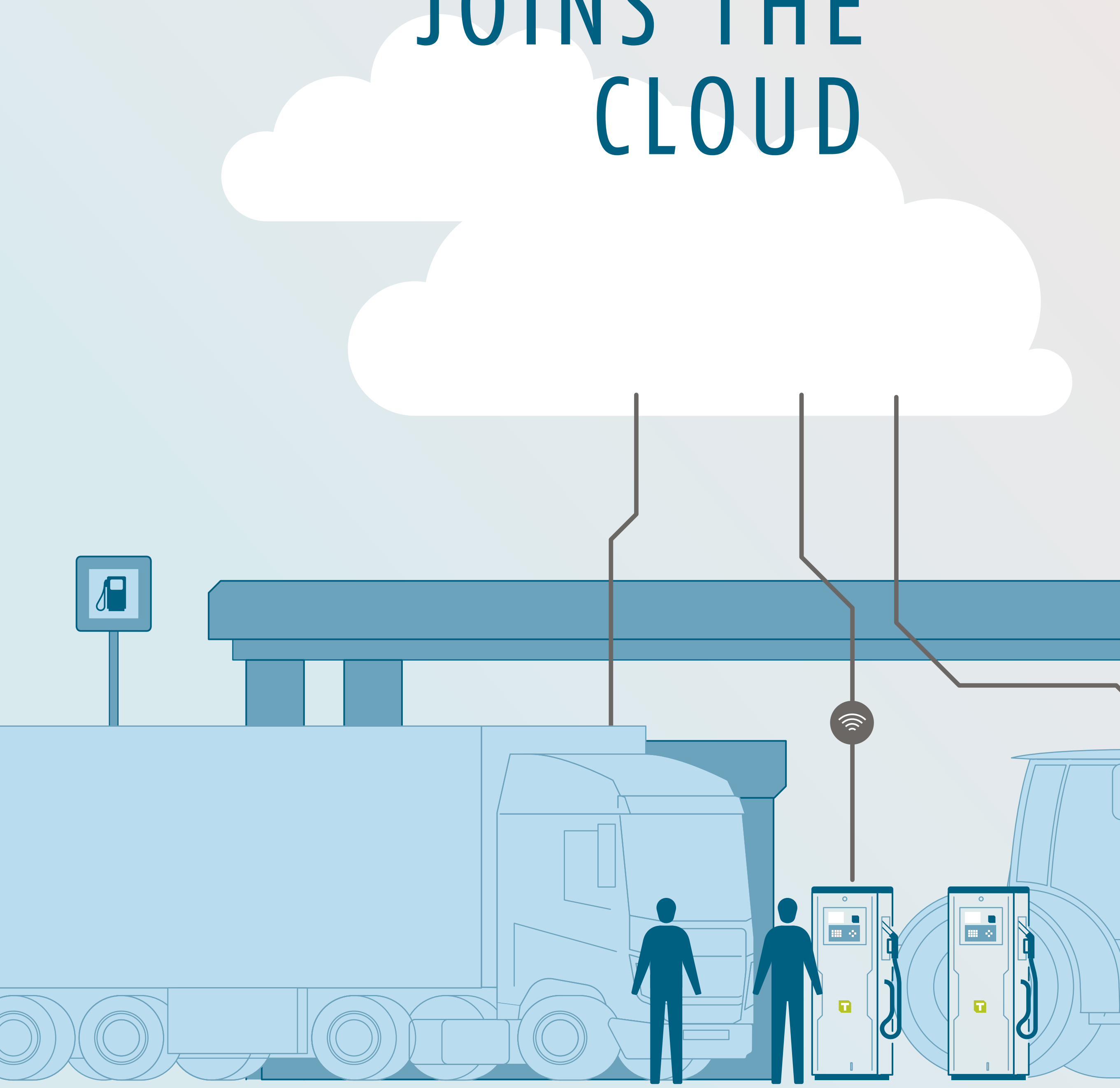
THE INDUS STRATEGY

- Strengthening portfolio structure
- Driving innovation
- Increasing performance



WHAT'S THE SAME	WHAT'S BECOMING MORE IMPORTANT
• INDUS' DNA • "buy, hold & develop" • Long-term orientation	• Vitality • Creativity • Courage

HORNGROUP JOINS THE CLOUD



CREATING A DIGITAL ECOSYSTEM

The days of different technologies with their respective machinery and devices existing separately next to each other are over in an increasing numer of sectors. Digitalization is bringing them together at breakneck speed. HORNGROUP, a specialist in refueling technology, is using the new opportunities provided by networking to gain important competitive advantages.

The data cloud connects

Based in Flensburg, Germany, HORNGROUP offers companies comprehensive products and services focusing on refueling and measuring fuels, gases and other substances. One example of their products is the mobile dispensing system for AdBlue®, which is used in car and truck workshops around the world.

Due to their company history and the variety of companies in the Group, HORNGROUP is working on data collection and evaluation with a variety of solutions. The company has developed the mytecalemit Cloud Solution project, a digital platform that will connect the Group's full product range. HORNGROUP is using a special software that can be gradually adapted to the specific needs of different applications and users.

Three steps to more comfort

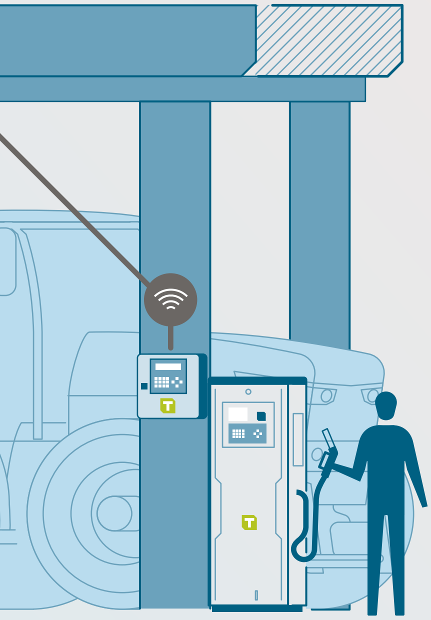
In the first step, HORNGROUP connects the fueling pumps of private fueling stations managed by the Group to the cloud. In future, the operator of a fueling station, such as a courier, can read the output data of the pump directly over a cloud connection, independent of location, rather than having to be on site.

The same will be possible with tank fill-level measurements in the second mytecalemit step. This doesn't just make dipsticks redundant but also optimizes the order process: once the liquid drops to a certain level, reordering can be set to occur fully automatically if necessary.

In a third step, HORNGROUP will connect the workshops it manages to make engine and transmission oil management simpler. Using the dealer management system, the workshops will be able to book the oil used directly over a workshop assignment. Operation of the new software is intuitive.

Internet of Things: added-value multiplier

The development goal for this project was an economy of scale that was transferable to other sectors. INDUS provided a large amount of support with its innovation support offer. The IoT software that HORNGROUP uses, for instance, could in future be used by other INDUS companies. The software can be highly individualized and the necessary changes can be made quickly and economically. And every additional user can build on the experiences of previous users. This lays a solid foundation for creating a digital ecosystem from this project that many portfolio companies can benefit from.



In any change of management, employees are an important constant.

PRESERVATION IS ALSO A GOAL

Approximately 150 employees are working on ROLKO's international sites in Germany, the Netherlands, Denmark and China.

THE CHALLENGES OF SUCCESSION

When SMEs face succession, the questions raised go much deeper than economic issues. The issues include continuing success stories that not only the management but also many employees identify with, the people who have made the success possible. This gives the leaving managers a responsibility to make the right decision when appointing a successor.

One of our hidden champions' success factors is their orientation toward quality and the urge to progress.

A SUCCESSFUL HANDOVER: EASIER SAID THAN DONE

Sooner or later, handing over the reins of responsibility becomes a central issue for every company. For those who have built up a business with love over many years, it means letting go and handing the reins over to the next generation. The next generation is expected to take over existing principles (because they have proved successful) while also developing the company in line with their own vision. How can that be done?

To successfully hand over a business, you don't just need the right successor – you have to do it at the right time. Many successful entrepreneurs fall into this typical trap by dealing with urgent issues before the important ones. And so they invest more time in the ever-more difficult day-to-day business than they do in strategic planning for the future.

LOOKING FOR A SUCCESSOR

What if there is no successor to take over a family business? This was the case at ROLKO, a manufacturer of rehabilitation technology based in East Westphalia. Founded in 1990 from an industry representative in Borgholzhausen, Germany, the company's history flowed like a storybook in the early years with the founder Willi Kohlgrüber and his son Achim. With wheels and tires for wheelchairs, and accessories such as wheelchair ramps and adjustable head rests, the two entrepreneurs tapped into the medical engineering/life science future growth market and saw rapid growth. In 2013, ROLKO was perfectly positioned with four plants in four countries and a worldwide customer base in 40 countries.

At this point in time, the now sole managing director, Achim Kohlgrüber, planned to hand over responsibility, but there was no suitable candidate in the family to hand the business over. At this critical point, his entrepreneurial network put him in contact with INDUS.

TWO BIRDS WITH ONE STONE

The success of the SME holding company INDUS, the promise to keep companies for the long

"IN TORSTEN EIKEMEIER WE HAVE FOUND A SUCCESSOR, WHO WAS ABLE TO EXPERIENCE OUR SPECIAL 'ROLKO-CULTURE' FROM THE BEGINNING AND WHO HAS BEEN ACTIVELY SHAPING IT IN HIS 30 YEARS OF SENIORITY. THUS, A SMOOTH TRANSITION WAS GUARANTEED."

Achim Kohlgrüber, former managing director and owner of ROLKO

term and the offer of a gradual handover of management responsibilities convinced Achim Kohlgrüber and his father, who was still a partner, to sell. And so, INDUS acquired a majority share in mid-2014.

One of the most important factors in the entrepreneurs' decision to choose INDUS was the development opportunities that ROLKO would have with INDUS: The economic power of the parent company and their experience in supporting internationalization processes were two more factors.

Overall, the two former entrepreneurs were not only certain that they were handing over their business to an owner who would treat their life's work responsibly, they were also sure that their company would be able to overcome the increasingly tough challenges of international competition.

CORPORATE CULTURE IS A VALUABLE COMMODITY

But signing a contract with one or more former owners is only the first of two important steps. The second is carefully ushering in a new era for the company. That is why INDUS always employs a gradual process wherever possible, where both the shares and the management of the company itself are transferred in stages.

This was also the case at ROLKO. After INDUS had acquired the majority of shares, the former owner remained on the management team for over two years. In the fall of 2016, Achim Kohlgrüber handed over the reins to his former sales manager Torsten Eikemeier. A smart decision. After 30 years with the company, the new managing director not only had long-term experience, he also had the support of his employees.

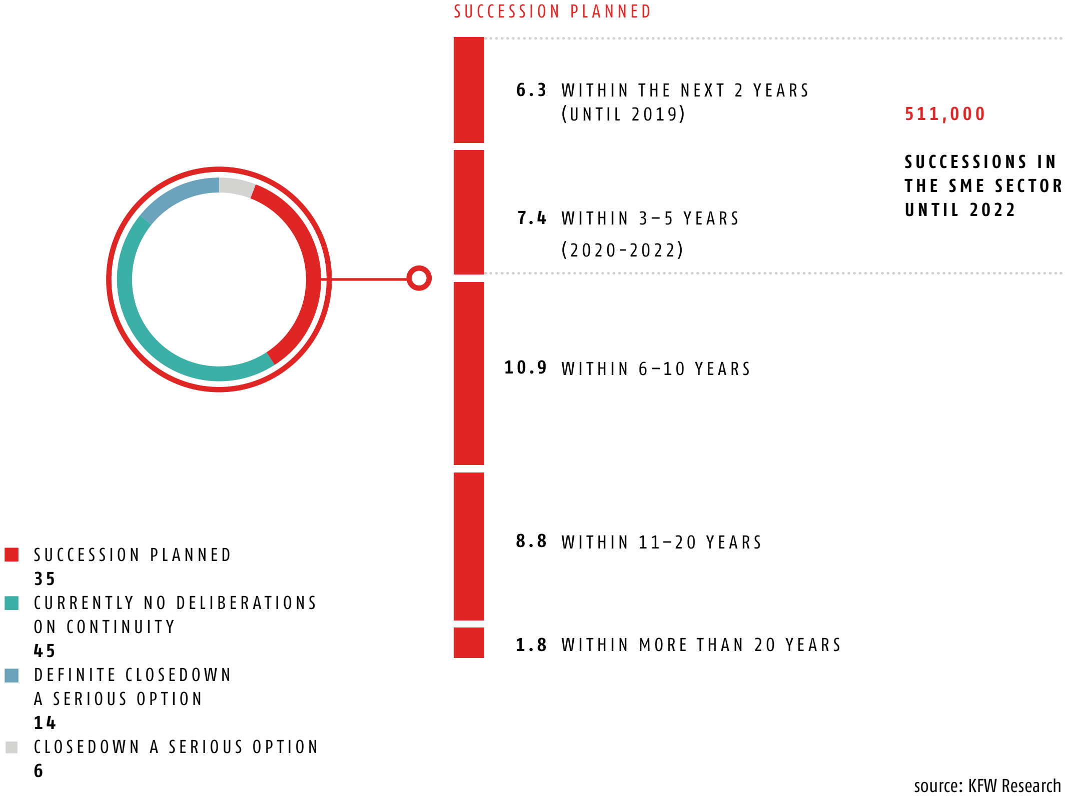
They knew he was one of them and would protect the corporate culture that had been built at ROLKO. Achim Kohlgrüber still advises the company and keeps in close contact.

THE REWARD FOR LETTING GO: NEW OPPORTUNITIES

It is now almost five years since INDUS acquired the company, and we can say the transfer was a success. Sales and income have improved, new employees have been hired, and the company is currently working on increasing production capacity through the construction of a new plant in Changtai, China. The goal: driving internationalization and serving not only a wider but also deeper market with additional products. Good wheels are not only in demand in the medical engineering/life science market, but also in industry.

CURRENT KEY FIGURES ON THE CONTINUITY OF GERMAN SMEs

(pie chart: share iof total SME sector; bar chart: division of succession in % acc. to lenght of time)

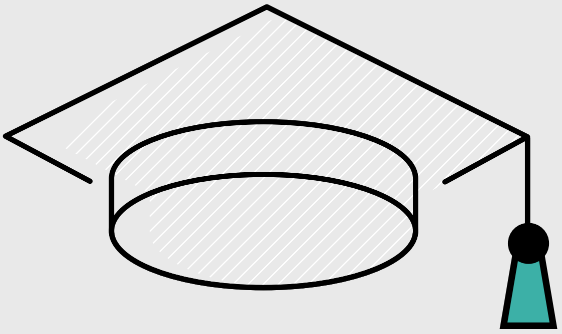


source: KFW Research

Success

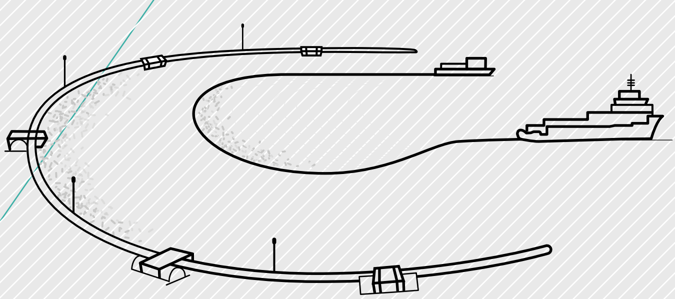
On October 16, 2011, Fauja Singh, 100 years old, completed a marathon, the oldest person to ever do so. Following a crisis, he took up running at 81; he completed his first marathon at 89. What spurs him on? An optimistic outlook and goals that help him stay active.

Ten times more



A long-term study of Harvard graduates showed that the income of graduates who had set their career goals clearly and in writing was on average ten times more than that of those who had not set themselves goals.

GOAL FACTS



Goal for 2040: -90% trash

A start

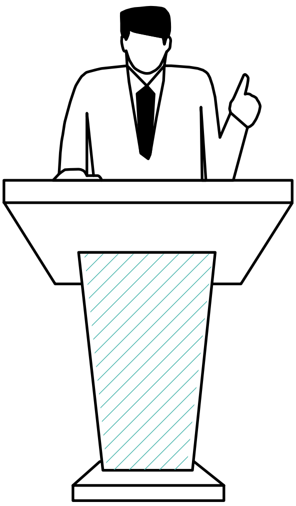
At the age of 16, Boyan Slat was snorkeling on holiday and saw more trash than fish. He researched how to remove plastic from the world's oceans and founded the initiative The Ocean Cleanup. The goal: clearing 90% of the trash from the world's oceans by 2040. With his idea, he has collected approx. 35 million dollars from sponsors and supporters. At the beginning of 2018, the first device was set into the water in Alameda near San Francisco.

Unusual

Before the future Bayer CEO Marijn Dekkers landed his first CEO position, he visited a management seminar held by the renowned Harvard professor Michael Porter. At dinner the night before, the professor gave the surprised participants the task of writing a ten-minute farewell speech as CEO. Looking back, this was the best advice Marijn Dekkers had ever been given:

»Think back from the end.«

If you start at the end, the path you need to follow to keep your eyes on your goal becomes much clearer.



»5–7 YEARS IS HOW LONG IT TAKES, UNTIL A SEED BEARS FRUIT IN A COMPANY.«

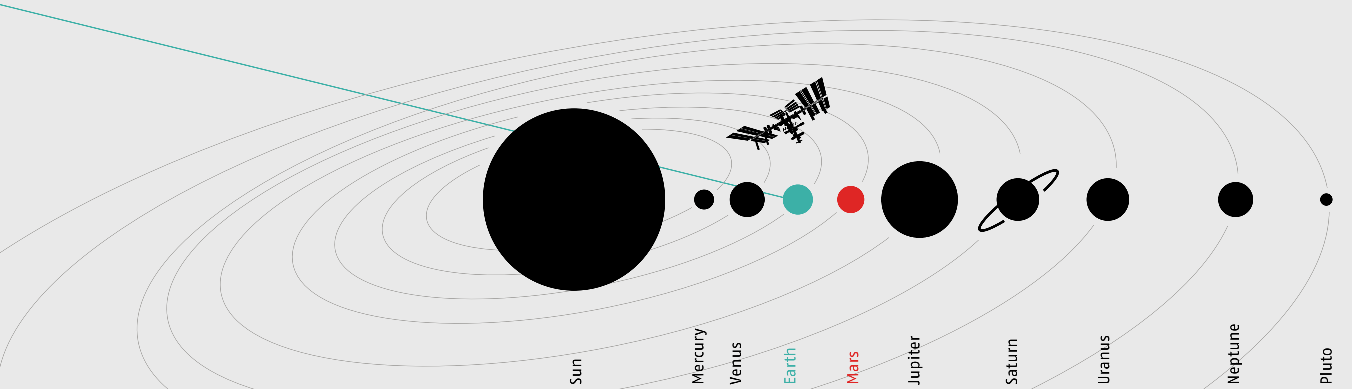
AMAZON FOUNDER JEFF BEZOS

In this time he let nothing and nobody dissuade him from his plans. AMAZON is now worth more than 700 billion dollars and is not only the largest book store but the largest department store in the world.

"radioactive"

Beyond outstanding

Marie Skłodowska, later Curie, set herself the goal of completing a scientific degree in Paris early on. This was not the only hurdle she mastered with apparent ease. In her scientific career, she was awarded two Nobel Prizes and was the first woman to teach and research at a university. She coined the term "radioactive" and changed the world with her research.



On track to the stars

The privately owned company SpaceX, founded in 2001, aims to develop technologies that will allow mankind to colonize Mars and spread life to other planets. Although achieving their goal may still be some way off, SpaceX overtook Arianespace as the world leader in satellite launches in 2016. Founder Elon Musk intends to send his seven-person SpaceX space capsule "Dragon" to the ISS space station in spring 2019.

DETOURS INCLUDED

AURORA TOOK AN ALTERNATIVE ROUTE
Originally, AURORA planned to set up its own software and electronics department. But the shortage of skilled workers in rural areas put an end to this plan. In the end it became clear that acquiring external know-how was the smarter solution: In 2018 AURORA acquired Dutch company EE ELECTRONIC EQUIPMENT, which has opened up many more opportunities.

TEMPERATE, EFFICIENT …

AURORA operates around the world as a specialist in the area of heating and air-conditioning technology for commercial vehicles. The company's systems ensure that the drivers of combine harvesters can do their work in air-conditioned cabs during Minnesota's hot summers. And that construction machinery drivers can level the ground and stay warm in the cooler Chinese provinces. And the bus driver in your city, too.

However, AURORA has not only been interested in achieving the right climate within driver's cabins regardless of the cold, warm, wet or dry conditions outside for a number of years now. Air-conditioning has also become more energy efficient during this time.

… AND INTELLIGENT

With the ongoing cooperation project e-bus cluster, which received considerable funding from the INDUS development bank, AURORA's heating and air-conditioning systems are interconnected with complex complete systems: Together with a group of companies, AURORA is developing innovative system solutions to increase energy efficiency, comfort and safety in electric buses. For example, the interior can be air-conditioned efficiently and individually using a new and intelligently controlled heat pump. To achieve this, the components must communicate with

one another within the bus and, in the future, throughout the fleet.

This sounds simple, but it is a complex technical task and requires in-depth software know-how in addition to a comprehensive knowledge of electronics. Both require personnel resources that can't be acquired at the push of a button or by placing advertisements. And especially not in rural Neckar-Odenwald, where AURORA is based in the small town of Mudau.

ACQUIRING SKILLS IN TWO STEPS

AURORA has already tried building up skills resources organically: As the tasks became more complex at the turn of the century, the company focused intensely on training and new positions. This worked at first and ensured that the key skills remained in house. But this clearly restricted the speed of development.

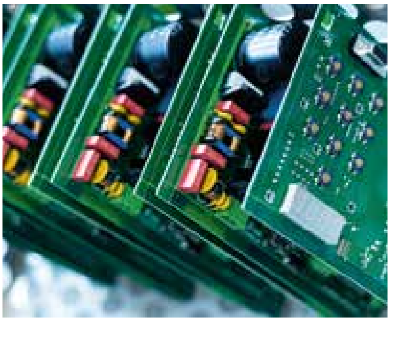
In 2013, the opportunity arose to acquire HEAVAC. The Dutch company had electronic control skills and also gave AURORA another point of access to the complementary bus market. The acquisition shows that integration isn't just about buying pure knowledge but that many development processes can be speed up by exchanging information.

And advancing digitalization presented further opportunities. To exploit this potential, AURORA needed more in-depth software expertise. And again, the opportunity came from the Netherlands: AURORA acquired EE ELECTRONIC EQUIPMENT at the beginning of 2018. The new subsidiary produces circuit boards and electronic components and was already an important supplier of hardware and software for controlling air-conditioning at the time of acquisition.

ADDED VALUE

Today, the AURORA Group successfully combines software and hardware expertise under one roof, and none of the new units had to sacrifice their own development approach. And why should they? The exchange between Mudau, Nuenen and Weert is lively, because they all realize progress toward a common goal can be even faster when you connect the different tried-and-tested approaches cleverly.

At AURORA they've long since stopped thinking about individual vehicles: The future lies in collecting and evaluating the performance and consumption data for different vehicles so the fleet can be deployed and maintained as efficiently as possible.



KEEPING A CLEAR HEAD

AN INTERVIEW WITH PARKOUR CHAMPION AMADEI WEILAND

While the majority of people see walls and chasms as obstacles, parkour runners see a challenge. The runner feels compelled to overcome these obstacles as quickly and creatively as possible. He chooses his own path based on his individual abilities. 30-year-old Amadei Weiland from Berlin has made this trendy urban sport his profession. In an interview, the world-record holder, world champion and Laureus Award winner gives us an insight into his extraordinary world.

[QUESTION] Amadei, when did you first come across this unusual sport?

AMADEI WEILAND I started learning kung fu when I was ten. I was fascinated by Jackie Chan films, where martial arts and acrobatics where combined. I thought: "I want to do that, too!" The first time I heard of parkour, when I was 14 or so, I knew I'd found a new love.

[QUESTION] And you were gone …

WEILAND Yeah. I knew this was right for me, even though at the time there was no way I could have known that I would be able to earn money from it. I had fun trying out new things and gradually getting better. I was able to design my own concepts and find the right partner. Finding the right partner today is easy, by the way. Almost everywhere I go now, I find another runner. It's amazing.

[QUESTION] When did you know this is what you wanted to do professionally?

WEILAND Before I started studying economics – which I did complete – I was already working as a professional parkour runner. I still looked for a "normal" job after I graduated, and I found something in the sports marketing field. But I quickly realized that I needed more action and I decided to concentrate on my career as parkour runner. Not a bad decision, I think! The sport is now so well established that there is talk of including it in the Olympics, which makes me both happy and sad, I must admit.

[QUESTION] Why do you feel so ambivalent about it?

WEILAND I love parkour, and commercialization is always a double-edged sword. But it certainly aids get more people interested in the sport, which helps the sport develop. And, last but not least, it gives athletes like me the opportunity to earn a living from it. Assignments always result in fascinating experiences. I get to know different companies and see the world. Like Israel, for example. I was filmed in Jerusalem's old town for the tourism office. Working in a historic location and working with great people was absolutely inspiring.

[QUESTION] Why do you love the sport so much?

WEILAND Competition is a positive art form. You don't just develop through intense training – of course that is part of it – but through experiences with others, learning from them and being inspired by them. And before you know it, you're working on moves that people thought were impossible. If you succeed you're so motivated and it drives other parkour athletes to work on their moves.

[QUESTION] In the 100m sprint you get in the blocks and run in a straight line. Parkour is different.

WEILAND That's what makes it interesting. Track athletes spend years whittling down their personal best. In parkour we try to avoid this. Our "track" is endlessly flexible and no two runs are the same. Many parkour moves are similar to gymnastics. The main difference is that gymnasts are fixated on their sequences. If a device is set up slightly differently, their sequences are completely messed up. This doesn't happen to us because our training focuses

"TRAINING HARD IS A BIG PART – BUT SO IS WORKING WITH OTHERS, LEARNING FROM THEM AND BEING INSPIRED BY THEM."

on evaluating new situations and obstacles correctly with lightning speed.

[QUESTION] Does this flexibility make the sport particularly dangerous?

WEILAND No. The most important thing is to keep your mind focused so you can assess your abilities and limits correctly. By deciding what I will do myself I can control the risk. I haven't broken a bone in the last 15 years and have only torn one ligament. I learned: When I force myself to do something on a bad day, I injure myself. When I've tackled harder jumps on other days, but was subconsciously confident that I could do it, I did. Without problems. Parkour is actually less dangerous than football. Another player could tackle you at any time. With parkour you only have to concentrate on yourself.

[QUESTION] What makes a good parkour runner?

WEILAND A good parkour runner avoids feeling pressured. That's not to say that he isn't happy to face challenges or competition. It's about allowing a positive "push," but staying in control.

Obstacles are the foundation of his success. He overcomes them not by dwelling on what could go wrong but focusing on the finish line.

The second trait is being hardworking: Usually parkour runners don't have a trainer to motivate them. You have to motivate yourself. And unlike in team sports, you alone are responsible for your success. You can't just return to your position and hope the others pull something out of the bag when things aren't going well. There is always a direct resonance. If you haven't trained and can't manage the jump, you'll notice it immediately and painfully.

And despite all his flexibility, a good parkour runner will think about what he's going to do in advance and then complete the run. Hesitating or thinking while you're running means you'll be distracted and literally miss a step. And that usually hurts. You need to know your goal before you start. That's the only way to run well.

AMADEI WEILAND

The business graduate started taking kung fu lessons when he was 10 and came in second in the European championship in 2002. He has been a successful parkour athlete since 2004, with achievements including coming second in the 2008 world championship and winning the championship in 2009 together with the German team. He has set several Guinness world records, is regularly booked as a stunt double and has more than 660,000 subscribers on his online video channel.

Find out more at:
www.parkour-amadei.de

INDUS TICKER 2018

Awards

Our innovativeness and training initiatives were particularly acknowledged in the second half of 2018:

- BILSTEIN & SIEKERMANN received the "Großer Preis des Mittelstandes" (Grand Prix of the SME sector) award from the Oskar-Patzelt-Stiftung.
- IEF-Werner was awarded the "Innovativ durch Forschung" (Innovation through Research) seal from the Deutsche Wissenschaft e. V. foundation association.
- SCHÄFER was recognized as "Top Ausbildungsbetrieb" (top training company) by IHK in 2018.
- As part of the Regional Training Initiative (RIB), AURORA received the silver training star of the „Initiative der Jungen deutschen Wirtschaft" (young German economy initiative).
- MBN was named „Vorbildlicher Ausbildungsbetrieb" (exemplary training company) for the second time by IHK Dresden.
- INDUS' 2017 Annual Report "[IN]spiring Progress" received the Gold LACP Vision Award.
- ISS-oekom, the sustainability ratings agency, confirmed INDUS Holding AG's "Prime" C+ status.

Innovation

INDUS' support for innovation is growing. Numerous development bank projects have reached market maturity.

- In September 2018, the e-bus cluster development bank project presented its project results on networked and efficient electric buses successfully with a ready-to-go eBus at the InnoTrans.
- In December 2018, 15 INDUS Group construction companies improved their construction methodology know-how in the field of additive manufacturing and 3D metal printing at a seminar conducted together with RWTH Aachen.
- The AURORA heat pump, which intelligently uses waste heat to air-condition and heat electric buses, was installed in around 400 units from international bus manufacturers in 2018.
- BETEK can successfully deploy PTA-plated carbide metal tools, developed thanks to a development bank project, in numerous series productions.
- The development bank project "box pick," an intelligent handling system for mixed parts developed by ASS, is successfully being used by INDUS subsidiary SMA, among others.

Operational excellence

To increase operational excellence at the portfolio companies, optimization projects for portfolio companies' added value processes are being introduced and supported by INDUS.

For example
- a project to revise the quality management system was organized at BACHER and has been successfully completed now with external certification.
- a manufacturing concept for optimizing order processing was created at MIGUA together with the RWTH Aachen's machine tool laboratory.
- a project to expand shop floor management as the central management and communication tool was launched at MIKROP.

A multi-tiered lean management training offer for management and skilled production employees forms the foundation for exploiting further efficiency potential:

- In September 2018, managing directors and technical managers from the INDUS Group took part in a practice-oriented kick-off event, "Lean Management for the SME Industry."
- In October 2018, the three-step training program "Lean Management" for heads of production and positions responsible for lean management was launched with the first basic module.

[IN]spiring PROGRESS

IMPRINT

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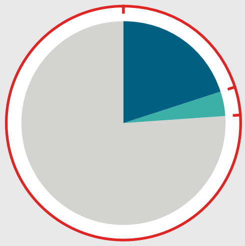
KEY FIGURES 2018

in EUR million	2018	2017	2016
Sales	1,710.8	1,640.6	1,444.3
EBITDA	218.4	215.3	200.9
EBIT before impairment	150.8	152.9	144.9
EBIT margin before impairment (in %)	8.8	9.3	10.0
Impairments*	-16.1	0.0	0.0
EBIT after impairment	134.7	152.9	144.9
EBIT margin after impairment (in %)	7.9	9.3	10.0
Group net income for the year	71.2	83.1	80.4
Operating cash flow	96.0	145.0	137.9
Cash flow from operating activities	74.7	124.0	114.5
Cash flow from investing activities	-98.3	-110.0	-104.4
Cash flow from financing activities	-2.8	-3.9	-14.9
Earnings per share (in EUR)	2.90	3.37	3.27
Cash flow per share (in EUR)	3.05	5.07	4.69
Dividend per share (in EUR)	1.50**	1.50	1.35
Dividend yield (in %)	3.8**	2.5	2.6
Dividend payout ratio (in %)	48.0**	43.9	42.7
	DEC. 31, 2018	**DEC. 31, 2017**	**DEC. 31, 2016**
Total assets	1,720.0	1,653.2	1,521.6
Equity	709.8	673.8	644.6
Equity ratio in %	41.3	40.8	42.4
Net debt	482.8	398.9	376.6
Cash and cash equivalents	109.6	135.9	127.2
Total assets of INDUS Holding AG	1,551.3	1,450.8	1,360.2
Equity of INDUS Holding AG	893.5	855.6	806.9
Equity ratio INDUS Holding AG (in %)	57.6	59.0	59.3
Portfolio companies (number as of Dec. 31)	45	45	44
Employees within the Group (on average)	10,714	10,210	9,451

* Impairments on goodwill and property, plant and equipment.
** Subject to approval at ASM on May 29, 2019.

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

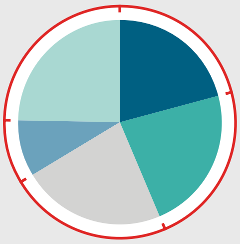


UP TO 5 YEARS
15 / 7

5 TO 10 YEARS
7 / 3

MORE THAN 10 YEARS
78 / 35

2018 SALES BREAKDOWN BY SEGMENT (in % / EUR million)



CONSTRUCTION/INFRASTRUCTURE
21.0 / 358.7

AUTOMOTIVE TECHNOLOGY
22.9 / 391.0

ENGINEERING
22.6 / 387.0

MEDICAL ENGINEERING/LIFE SCIENCE
9.0 / 154.3

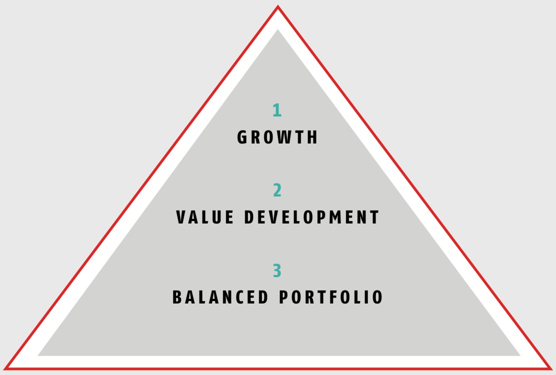
METALS TECHNOLOGY
24.5 / 420.0

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.

GOALS

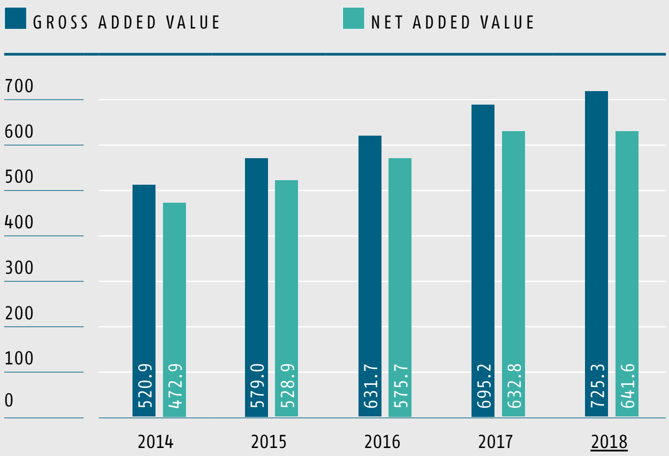


VALUE CREATION

BUSINESS PERFORMANCE (in EUR million)

	2018	**2017**
Sales	1,710.8	1,640.6
Other operating income	20.6	16.5
Own work capitalized	7.8	5.1
Changes in inventory	35.1	5.2
Income from shares accounted for using the equity method	0.1	1.1
Financial income	0.2	0.3
Interest income	0.3	0.2
Business performance	**1,774.9**	**1,669.1**

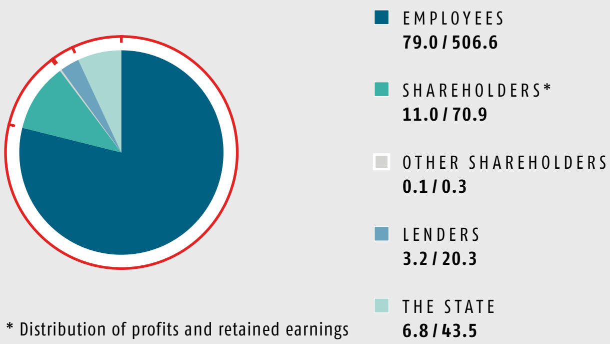
DEVELOPMENT VALUE CREATION (in EUR million)



ADDED VALUE (in EUR million)

	2018	**2017**
Business performance	1,774.9	1,669.1
Material expenditure	-811.9	-745.9
Other operating expenditure	-237.7	-228.0
Gross added value	**725.3**	**695.2**
Depreciation	-83.7	-62.4
Net added value	**641.6**	**632.8**

UTILIZATION OF NET ADDED VALUE IN 2018 (in % / EUR million)



* Distribution of profits and retained earnings

01

COMPANY AND SHAREHOLDERS

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

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

The INDUS Group once again achieved solid financial figures for the fiscal year past. Occasional lows, particularly in the Automotive Technology segment, were largely balanced out by the good performance of the other Group companies. This shows again that the diverse setup of our Group gives us a good amount of stability. Nevertheless, we must find solutions for the companies that are currently not performing as well. This is what we are working on.

With the new strategy program PARKOUR we have added new focal points to our successful measures for promoting our portfolio companies. It is our aim to increase the INDUS portfolio's future viability, and raise the fitness of our Group companies overall, by stepping up our activities.

It is important that we intensify our activities because the framework conditions for our portfolio companies are becoming ever more complicated: The digital transformation is increasing the pressure to change our current business models. Numerous crises and protectionist tendencies are noticeably weakening economic momentum. In such a situation it is vital that we concentrate on the virtues that make SMEs successful: courage, creativity and reliability. As part of our new strategy program, we will be stepping up our support for our hidden champions' core skills.

This means we will be there for our companies as a kind of "fitness trainer": We will disseminate knowledge relevant to the future of their industry and assist them in establishing their expertise in this area. We will push them to become even better in their value-adding core processes. And if they search out and pursue innovative paths to their successful development, we will make even more funds available to them than in the past.

We will also remain true to our philosophy – every INDUS company must find its own way – and we are using the image of a well-trained parkour athlete, who moves toward his finish line in as straight a line as possible, quickly, despite many obstacles, because the competition never sleeps.

The escalating situation that series suppliers in the automotive industry are facing shows this attitude will be vital to success. In this area in particular, companies must significantly focus on their operational excellence and consistently take advantage of the opportunities afforded by new business models, for instance in relation to e-mobility.

But in the INDUS segments that achieved good to very good income in the past fiscal year, we will be focusing on innovations and improving performance. Increased prices for raw materials and energy along with rising salary costs in relation to the increasing lack of skilled labor are noticeable in the prospering Construction/Infrastructure and Engineering segments. These factors are also restricting growth opportunities in the Metals Technology segment. The Medical Engineering/Life Science segment, which continues to offer good margins and very good growth prospects, is facing mounting competition and new regulatory requirements.

"We anticipate further growth for our portfolio companies in 2019. We have laid out a solid foundation for this with our PARKOUR strategy program."

DR. JOHANNES SCHMIDT

A look at the figures: INDUS again achieved very good growth in sales in the fiscal year 2018. Sales increased by 4.3% to EUR 1.71 billion. At the end of the year, EBIT before impairment came to approximately EUR 151 million, slightly below our planned figure. We are convinced that our Group is heading along the right track with PARKOUR, and, in light of the good growth prospects in four of five segments, we are optimistic about the current fiscal year. Even if macroeconomic growth momentum is on the decline, as we are currently seeing signs of.

We anticipate an increase in sales to between EUR 1.72 billion to EUR 1.77 billion and operating income (EBIT) between EUR 156 million and EUR 162 million. This will put the earnings margin with an EBIT margin of 9–10% again below the target figure aimed for, especially in light of the

02 SUSTAINABILITY AT INDUS

ongoing repositioning projects in the Automotive Technology segment. Supported by the PARKOUR strategy program, we will be able to achieve the EBIT margin target of "10% + X" again in the medium term.

"Operational excellence is a central success factor amid ever fiercer global competition. INDUS is backing its portfolio companies in this area with full force."

AXEL MEYER

In addition to developing the individual portfolio companies further, we also want to strengthen our Group through targeted acquisitions. New acquisitions will help us represent a cross-section of relevant industries in our portfolio in the future. Our search for new subsidiaries and sub-subsidiaries is focusing particularly on the automation, measuring and control engineering industries, construction technology and safety technology and medical engineering/life science technologies, technology for infrastructure and logistics along with energy and environmental technology. This is where we believe the decisive future growth opportunities lie.

We are also looking, on a case-by-case basis, at whether another owner may be able to offer certain companies and their employees a more promising future than INDUS can. However, INDUS's successful strategy "buy, hold & develop" will remain unaffected by such exceptional and well-founded cases.

We'd much rather by than sell. And we have budgeted EUR 50 million for new acquisitions in 2019. We were only able to acquire two complementary additions and complete one asset deal to strengthen our existing portfolio due to the tense situation on the M&A market in 2018. But the number of attractive companies on offer has already risen noticeably in the first months of 2019. We are therefore confident that we will achieve our target of two growth acquisitions in 2019.

As the Board of Management, we would like to thank our shareholders for the trust they have shown in our company. We look forward to pushing ahead with INDUS's successful business model in the current fiscal year, together with you and our 10,000+ employees around the world, and to further improve the fitness of our portfolio companies.

Bergisch Gladbach, March 2019

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

MANAGEMENT BODIES

THE INDUS BOARD OF MANAGEMENT*

* Detailed information concerning the professional qualifications of the Board of Management members may be found on our website. For information concerning memberships on Supervisory Boards, see page 173.

DR.-ING. JOHANNES SCHMIDT

Chairman of the Board

Dr. Johannes Schmidt (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 (born 1968) has been a member of the INDUS Holding AG Board of Management 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 (born 1968) has been a member of the INDUS Holding AG Board of Management 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.

RUDOLF WEICHERT

Board Member

Rudolf Weichert (born 1963) has been a member of the INDUS Holding AG Board of Management since June 2012. Before joining the INDUS Board of Management, he was a partner at accounting firm KPMG for nine years. He spent three of these years in Detroit, Michigan, 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.

JÜRGEN ABROMEIT

Chairman of the Board until June 30, 2018

THE INDUS SUPERVISORY BOARD*

Shareholders appointed new shareholder representatives to the Supervisory Board at the extraordinary INDUS Holding AG Annual Shareholders' Meeting on November 29, 2018, in Cologne. This came about as a result of a decision by the Higher Regional Court of Düsseldorf made June 4, 2018, according to which INDUS Holding AG is subject to the German Codetermination Act (MitbestG). In light of this decision, new shareholder representatives had to be appointed to the Supervisory Board. Four of the six former Supervisory Board members were eligible for reelection: Dr. Jürgen Allerkamp, Dr. Dorothee Becker, Helmut Späth and Carl Martin Welcker. Their reelection was confirmed at the Annual Shareholders' Meeting. Isabella Pfaller, member of the Board of Management of Versicherungskammer Bayern, and Jürgen Abromeit, former Chairman of the Board of Management of INDUS Holding AG were also appointed to the Supervisory Board as new members. Employee representatives to the Supervisory Board were selected during a separate election process, which was carried out in German INDUS Group companies and completed January 30, 2019. Until this point, employees had been represented by six court-appointed Supervisory Board members. Five of the six court-appointed employee representatives were confirmed at the works election. Cornelia Holzberger was the only new member elected to the Supervisory Board to replace Sergej Schönhals, who had been appointed by the court. All members' terms end with the end of the Annual Shareholders' Meeting in 2023.

JÜRGEN ABROMEIT
Supervisory Board Chairman (since November 29, 2018)

WOLFGANG LEMB**
Deputy Supervisory Board Chairman (since November 29, 2018)

DR. JÜRGEN ALLERKAMP
Member of the Supervisory Board (since November 29, 2018)
Deputy Supervisory Board Chairman (until November 29, 2018)

DR. RALF BARTSCH
Member of the Supervisory Board (until November 29, 2018)

DR. DOROTHEE BECKER
Member of the Supervisory Board

DOROTHEE DIEHM**
Member of the Supervisory Board (since November 29, 2018)

PIA FISCHINGER**
Member of the Supervisory Board (since November 29, 2018)

CORNELIA HOLZBERGER**
Member of the Supervisory Board (since January 30, 2019)

PROF. DR. NADINE KAMMERLANDER
Substitute Member of the Supervisory Board
(since November 29, 2018)
Member of the Supervisory Board (until November 29, 2018)

GEROLD KLAUSMANN**
Member of the Supervisory Board (since November 29, 2018)

ISABELLA PFALLER
Member of the Supervisory Board (since November 29, 2018)

SERGEJ SCHÖNHALS**
Member of the Supervisory Board
(from November 29, 2018, to January 30, 2019)

HELMUTH SPÄTH
Member of the Supervisory Board (since November 29, 2018)
Supervisory Board Chairman (until November 29, 2018)

UWE TRINOGGA**
Member of the Supervisory Board (since November 29, 2018)

CARL MARTIN WELCKER
Member of the Supervisory Board

SUPERVISORY BOARD COMMITTEES SINCE NOVEMBER 29, 2018

NOMINATION COMMITTEE

Jürgen Abromeit (Chairman) / Isabella Pfaller / Carl Martin Welcker

PERSONNEL COMMITTEE

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

AUDIT COMMITTEE

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

MEDIATION COMMITTEE IN ACCORDANCE WITH SECTION 27 (3) OF THE GERMAN CODETERMINATION ACT (MitbestG)

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

SUPERVISORY BOARD COMMITTEES UNTIL NOVEMBER 29, 2018

PERSONNEL AND NOMINATION COMMITTEE

Helmut Späth (Chairman) / Dr. Jürgen Allerkamp / Dr. Dorothee Becker

AUDIT COMMITTEE

Dr. Jürgen Allerkamp (Chairman, Financial Expert) / Dr. Ralf Bartsch / Prof. Dr. Nadine Kammerlander

* 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. 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 172.

** 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 fiscal year.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

In the year under review 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 developments from the originally communicated planning.

The members of the Supervisory Board always had sufficient opportunity to critically review, in their committees and plenary sessions, 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 financial, investment, and personnel 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 specific business transactions. Between board meetings, the Supervisory Board Chairman also engaged in an intensive exchange of information and ideas with the Board of Management and kept himself informed of significant company developments.

MEETING FREQUENCY AND ATTENDANCE

In fiscal year 2018 six ordinary Supervisory Board meetings were held up to the extraordinary Annual Shareholders' Meeting on November 29, 2018. The Board of Management attended five of these meetings. In addition, three extraordinary telephone conferences took place.

Following the extraordinary Annual Shareholders' Meeting on November 29, 2018, a constituent meeting was held of the newly elected, equally represented Supervisory Board, now consisting of twelve members. The extraordinary Annual Shareholders' Meeting elected Jürgen Abromeit, Dr. Jürgen Allerkamp, Dr. Dorothee Becker, Isabella Pfaller, Helmut Späth and Carl Martin Welcker to the Supervisory Board as shareholder representatives. The Local Court of Cologne appointed Dorothee Diehm, Pia Fischinger, Gerold Klausmann, Wolfgang Lemb, Sergej Schönhals and Uwe Trinogga to the Supervisory Board effective November 29, 2018, as requested by the company, because the election of employee representatives to the Supervisory Board had not been performed as of the day of the extraordinary Annual Shareholders' Meeting. The request for the court appointments was based on nominees already decided upon through the employee election process. The election process for selecting employee representatives to the Supervisory Board was completed on January 30, 2019, with the meeting of delegates.

At the Supervisory Board constituent meeting held directly following the extraordinary Annual Shareholders' Meeting on November 29, 2018, Jürgen Abromeit and Wolfgang Lemb were elected as Chairman and Deputy Chairman of the Supervisory Board, respectively. Members and a chairman were elected for the Mediation Committee in accordance with Section 27 (3) of the Codetermination Act, and members and chairmen were also elected for the Audit Committee, the Personnel Committee and the Nomination Committee. Details on the composition of the committees can be found on p. 9 of the "Management Bodies" chapter.

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.

SUPERVISORY BOARD MEETINGS AND WORK OF THE COMMITTEES IN THE 2018 FISCAL YEAR

	PARTICIPATION	IN %		PARTICIPATION	IN %
Supervisory Board (until 11/29/2018)			**Supervisory Board (from 11/29/2018)**		
Helmut Späth	6/6	100	Jürgen Abromeit	1/1	100
Dr. Jürgen Allerkamp	6/6	100	Wolfgang Lemb	0/1	0
Dr. Ralf Bartsch	6/6	100	Dr. Jürgen Allerkamp	1/1	100
Dr. Dorothee Becker	6/6	100	Dr. Dorothee Becker	1/1	100
Prof. Dr. Nadine Kammerlander	6/6	100	Dorothee Diehm	1/1	100
Carl Martin Welcker	6/6	100	Pia Fischinger	1/1	100
Personnel and Nomination Committee (until 11/29/2018)			Gerold Klausmann	1/1	100
Helmut Späth	4/4	100	Isabella Pfaller	1/1	100
Dr. Jürgen Allerkamp	4/4	100	Sergej Schönhals	1/1	100
Dr. Dorothee Becker	4/4	100	Helmut Späth	1/1	100
Audit Committee (until 11/29/2018)			Uwe Trinogga	1/1	100
Dr. Jürgen Allerkamp	2/2	100	Carl Martin Welcker	1/1	100
Dr. Ralf Bartsch	2/2	100			
Prof. Dr. Nadine Kammerlander	2/2	100			

Please note: no committee meetings were held between 11/29/2018 and 12/31/2018.

Between board meetings, the chairman of the Supervisory Board and the chairman of the Audit Committee 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.

MAIN TOPICS OF THE MEETINGS

Main topics of the **first meeting, on March 22, 2018**, were the submission and clarification of the annual financial statements for 2017 of the AG and the Group as well as the resolutions taken. The Supervisory Board discussed the Audit Committee's submissions regarding the development of the financial position, the financial statement accounting for Swiss pension plans according to IFRS, the development of the currency result and the appropriate consideration of the focal points specified by the German Financial Reporting Enforcement Panel. 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 for the fiscal year 2017.

The Board of Management informed the Supervisory Board of the main investment targets in the past year, provided information on the annual risk management and compliance reports, and the economic position of the INDUS Group as of February 2018. The Board of Management also reported on the progression of the ongoing status proceedings at the Higher Regional Court of Düsseldorf. The Supervisory Board approved the dividend proposed by the Board of Management and the agenda suggested by the Board of Management for the Annual Shareholders' Meeting on May 24, 2018.

Regarding complementary additions, the Board of Management reported on the successful acquisition of ELECTRONIC EQUIPMENT B.V. by AURORA Konrad G. Schulz GmbH & Co. KG on January 25, 2018, and OFA Bamberg GmbH's planned takeover of activities at a retail company for medical aids in Southern Germany.

The Supervisory Board held a **second ordinary meeting on May 23, 2018**, the day before the Annual Shareholders' Meeting. The Supervisory Board dealt in depth with the report concerning business developments in the months from January to April 2018 at this meeting. The Board of Management reported on developments regarding the two repositioning projects in the Metals and Automotive Technology segments and clarified the Forecast I for portfolio companies, which was based on the results in March 2018. The Board of Management also reported on the progression of the ongoing status proceedings at the Higher Regional Court of Düsseldorf.

The Supervisory Board had already approved the acquisition of a renowned supplier of high-quality air conditioners before the meeting via a circulatory written ballot. The Board of Management informed the Supervisory Board in the meeting of the successful signing on the day of the meeting.

As the Chairman of the Board of Management Jürgen Abromeit gave notification of his intention to leave the Board of Management on June 30, 2018, the Supervisory Board resolved to appoint Dr. Johannes Schmidt as Chairman of the Board of Management from July 1, 2018, in line with the recommendation of the Personnel and Nomination Committee.

The **third ordinary meeting** took place on **June 17, 2018**. The decision of the Higher Regional Court of Düsseldorf dated June 4, 2018, in the pending status proceeding, was one of the main topics. The Court dismissed the company's appeal against the decision of the Regional Court of Cologne dated April 28, 2018, deciding that the INDUS Holding AG Supervisory Board had to include equal representation. The Board of Management informed the Supervisory Board of both the court ruling and the necessary steps to be implemented. To prepare for the election of the Supervisory Board, the Supervisory Board members made the decision to reject full fulfillment of the gender ratio within the meaning of Section 96 (2) (1) of the Stock Corporation Act (AktG). This means that the gender ratio of the equally represented Supervisory Board must be fulfilled separately by the shareholder representatives and the employee representatives to the Supervisory Board.

The Supervisory Board also dealt with the current status of the search for a fourth Board of Management member, launched in May 2018, to fill the vacant position for a Board member responsible for technology and innovation as swiftly as possible.

In the **fourth ordinary meeting**, on **September 13, 2018**, the Board of Management reported to the Supervisory Board on the financial performance of the INDUS Group in the first seven months of fiscal year 2018, the current status of both repositioning projects and the development of the Automotive Technology segment as a whole. Taking into consideration the current Forecast II for the portfolio companies, the Board of Management confirmed the annual outlook for the whole of 2018.

Following personal interviews with the candidates and discussions among the full Board, the Supervisory Board resolved to appoint Dr. Jörn Großmann as the fourth member of the Board of Management, effective January 1, 2019, in line with the recommendation of the Personnel and Nomination Committee, and completed the employment contract.

The Supervisory Board also prepared for the extraordinary Annual Shareholders' Meeting on November 29, 2018. The legal firm Kanzlei Luther Rechtsanwaltsgesellschaft mbH, Köln, invited to attend the meeting, outlined the changes that would need to be made to the Articles of Incorporation, particularly in light of the equal representation on the Supervisory Board in future. Following an in-depth discussion, the Supervisory Board resolved to present the new version of the company's Articles of Incorporation at the Annual Shareholders' Meeting. The Supervisory Board also reported on the nomination of the candidates for shareholder representatives on the Supervisory Board that would be suggested for election at the extraordinary Annual Shareholders' Meeting. In light of the fact that the election process for employee representatives to the Supervisory Board would only be complete on January 30, 2019, with the planned meeting of delegates, the Board of Management informed the Supervisory Board of the option of court-appointed employee representatives to the Supervisory Board.

The main topic of the **fifth ordinary meeting, on October 5, 2018**, and the three **telephone conferences on October 10 and 26, 2018, and November 1, 2018**, was the nomination of candidates to be presented for election to the extraordinary Annual Shareholders' Meeting as shareholder representatives to the Supervisory Board. The Board of Management were not involved with the meeting or the telephone conferences.

The **last ordinary meeting of the year on November 29, 2018**, directly before the extraordinary Annual Shareholders' Meeting, focused on the updated outlook for the 2018 fiscal year and planning for 2019. In this meeting, too, the Board of Management reported to the Supervisory Board on the ongoing repositioning projects in the Automotive Technology and Metals Technology segments, and the reasons for below-expectation development in other portfolio companies in the Automotive Technology segment. The Board of Management explained the details behind the recognition of non-cash impairments mainly on goodwill in the amount of approx. EUR 16 million in the fourth quarter of 2018, as communicated in the ad-hoc release dated November 20, 2018, and presented the end-of-year forecast for the 2018 fiscal year, including impairment, which was based on the actual figures from September 30, 2018. 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.

Another topic at the meeting was the preparations for the extraordinary Annual Shareholders' Meeting that was taking place the same day. 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.

The constituent meeting of the newly appointed, equally represented Supervisory Board with its twelve members, was held directly following the extraordinary Annual Shareholders' Meeting on **November 29, 2018**. At this meeting Jürgen Abromeit was elected as Chairman of the Supervisory Board and Wolfgang Lemb as Deputy Chairman.

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. In the past year, two committees met in the constellation that applied until November 29, 2018. The new committees composed in the constituent meeting of the Supervisory Board on November 29, 2018, only began their committee work in 2019. The personnel makeup of the committees is presented in the Annual Report under the heading "Management Bodies".

The **Audit Committee** met twice in the 2018 fiscal year: on **March 22, 2018, and May 23, 2018**. 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 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 his part. The Audit Committee obtained the external auditor's Statement of Independence as required, verified his qualifications, entered into the remuneration agreement and established the focus of the audit. The main topics of the consultation were the 2017 annual financial statements, review of the 2017 risk management and compliance report, development and adoption of an external auditor guideline for the individual and consolidated financial statements and the issue of IT security.

In the 2018 fiscal year, the **Personnel and Nomination Committee** prepared personnel decisions for the Supervisory Board in **three meetings on March 20, 2018, May 23, 2018, and August 22, 2018**, and in **two additional telephone conferences on August 29 and 31, 2018**. Where necessary, decisions were made or resolutions to be taken were recommended to the Supervisory Board. The focal points of the meetings were in particular – in connection with Jürgen Abromeit's decision to leave the Board of Management – the preparation of a suggestion for the appointment of a successor for the position of Chairman of the Board of Management effective July 1, 2018, and the search for another suitable candidate as fourth member of the Board of Management. Another important topic was the nomination of candidates to represent shareholders on the new Supervisory Board from November 29, 2018. In addition to other contractual business, the committee dealt with Supervisory Board compensation and the compensation system concept, particularly as it regards setting compensation and bonuses. Details regarding compensation for the Supervisory Board members can be found in the remuneration report.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

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 24, 2018, 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 22, 2019, for adoption of the financial statements. This meeting was attended also by the external auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, which reported on the main results of the audit and remained available to answer additional 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 2018 annual financial statements and the 2018 consolidated financial statements. The annual financial statements for 2018 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 group management report. 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 group management report.

The Supervisory Board members Dr. Ralf Bartsch and Prof. Dr. Nadine Kammerlander absolved of her duties from the Supervisory Board with the end of the extraordinary Annual Shareholders' Meeting. The Supervisory Board would like to thank them for their committed cooperation.

The Supervisory Board would also like to thank the managing directors and all employees of the portfolio companies as well as the Board of Management and all employees of INDUS Holding AG for the extraordinary dedication they have displayed in the past fiscal year.

Bergisch Gladbach, March 22, 2019

On behalf of the Supervisory Board,
Jürgen Abromeit
Chairman

THE INDUS SHARE

SHARE PRICE: DIFFICULT CONDITIONS HAVE SIGNIFICANT IMPACT ON SHARE PRICE PERFORMANCE

As early as the fourth quarter of 2017, the INDUS share performance was subject to more pronounced fluctuations, to which the SDAX and DAX reference indexes were also exposed. Despite the abundance of global factors already impacting performance at the time, the INDUS share listing was able to hold its own to the end of the year at almost EUR 60 and with noticeable growth over the year of approximately 15%. The high price level therefore achieved at the end of 2017 provided a solid basis from which to start the fiscal year 2018. The INDUS share approached an all-time high in January (EUR 66.00 on January 23, 2018). Over the course of the reporting year, however, the share faced many uncertainties on the capital market, and, like many other second-line stocks, was generally more affected than the benchmark indices, and was therefore unable to hold on to its high price until the end of the year.

The first two months of the fiscal year were positive for the INDUS share. The share price remained stable between 60 and EUR 65 until the end of February. However, the share's performance was partially boosted by the publication of the preliminary figures for 2017. In addition to other global uncertainties, the decline in early indicators in the euro area along with the American Federal Reserve Bank's raising of the base rate meant that the INDUS share faced considerable pressure from March, resulting in the share falling below the 60-euro mark. By the end of March 2018, the share had recorded a decline of 4.4% (SDAX +0.3%, DAX -6.4%).

In the second quarter of 2018, the publication of the solid figures for 2017 and the confirmation of the forecast for the fiscal year 2018 in the Interim Report for the first quarter of 2018 produced increased demand among investors and boosted the share price, pushing the share back up over the 60-euro mark at the beginning of May. In light of the complicated macroeconomic situation (escalation of the trade war, ongoing weakness in the euro area, disappointing economic data from Germany, etc.), however, the share price swiftly began declining again at the end of May. The Federal Reserve's second base rate hike exacerbated the negative effects so that the share price fell under the 60-euro mark once more, and it did not exceed the 60-euro mark again over the rest of the fiscal year. The share closed the end of June with a minus of 10.3% (SDAX +0.5%, DAX -4.7%).

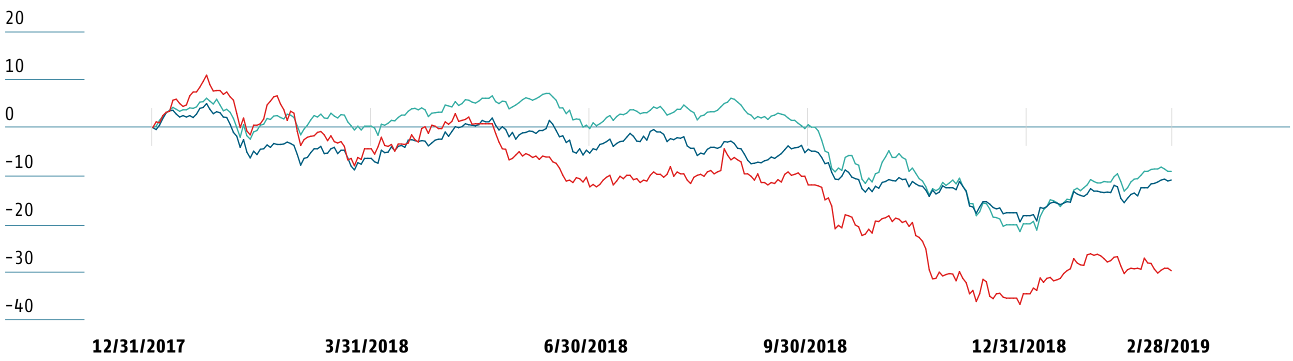
The third and fourth quarters of 2018 were characterized by increasing economic and political uncertainties, both domestic and abroad. The declining economic data in Germany, rising inflation around the globe, the further escalation of the trade conflict between the United States and China, the concerns about Brexit, the Italian government's unexpected high deficit target and the two base rate hikes called by the Federal Reserve in November and December, to name just a few factors, had a considerable impact on sentiment on the capital market that the INDUS share, despite its solid and reliable nature, could not pull away from. In addition, there were internal issues, such as another problematic case in the INDUS Group Automotive Technology segment's series supplier field and the ad-hoc notice published in November regarding the recognition of non-cash impairments on goodwill and property, plant and equipment. The forecast published with the reporting for the third quarter of 2018 for operating activities remained unchanged at the lower end of the EUR 154 million to EUR 160 million range, but, due to the impairments on goodwill and property, plant and equipment, expectations for EBIT declined to between EUR 138 million and EUR 144 million.

KEY SHARE DATA (in EUR)

	2018	2017	2016
Earnings per share Group	2.90	3.37	3.27
Cash flow per share Group	3.05	5.04	4.69
Dividend per share[1]	1.50	1.50	1.35
Dividend yield in %[1]	3.8	2.5	2.6
Sum disbursed in EUR million[1]	36.7	36.7	33.0
Year-high[2] (01/23/2018)	66.00	65.10	54.15
Year-low[2] (12/27/2018)	37.65	50.48	36.75
Price at year-end[2]	39.00	59.50	51.64
Market capitalization[3] in EUR million	953.57	1,454.81	1,262.6
Average daily turnover in number of shares	24,711	31,116	35,578

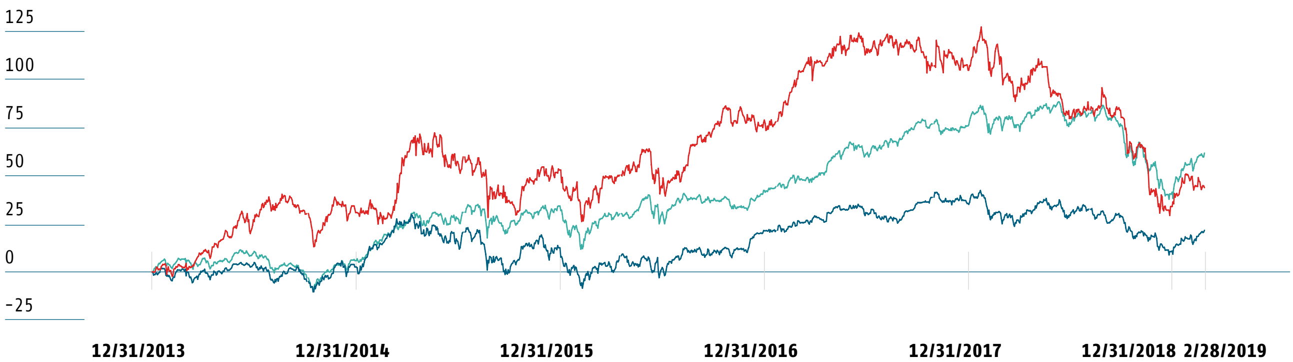
1) Subject to approval at Annual Shareholders' Meeting on May 29, 2019.
2) Closing price XETRA.
3) As of reporting date, based on complete capital stock of 24,450,509 shares.

SHARE PRICE PERFORMANCE OF THE INDUS SHARE IN 2018 INCL. DIVIDEND (in %)



Source: Bloomberg

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



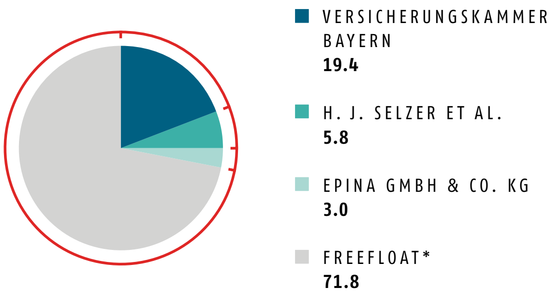
Source: Bloomberg

The complex interaction between primarily disturbing external factors, the increasing number of profit warnings in the second half of the year and additional internal issues at the end of the year all led to a disappointing year for the INDUS share in 2018. Although the price of the INDUS share stabilized between EUR 50 and EUR 55 in the third quarter of 2018, the INDUS share listing closed the year, following a difficult December on the exchange, at EUR 39.00, down 34.5% (SDAX -20.0%, DAX -18.3%). Fortunately, this low point was overcome as early as January 2019, bringing with it a more positive outlook for the INDUS Group for the fiscal year 2019.

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, 24,711 shares were traded per day on XETRA and the German regional exchanges during the fiscal year; in total, the figure amounted to more than 6 million shares in 2018. In addition, larger trades were made outside of the exchanges: according to Bloomberg, another 5.2 million shares were transferred directly between buyers and sellers and over alternative trading platforms. Roughly 55% of trading volume was on XETRA and regional German stock markets, according to Bloomberg, and was traded at the level of the previous year. The renewed decline in average daily trading volume in fiscal year 2018 is a reflection of investor preference for investing in robust securities, and holding on to them, in uncertain times.

SHAREHOLDER STRUCTURE OF INDUS HOLDING AG AS OF DEC. 31, 2018 (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 this 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.

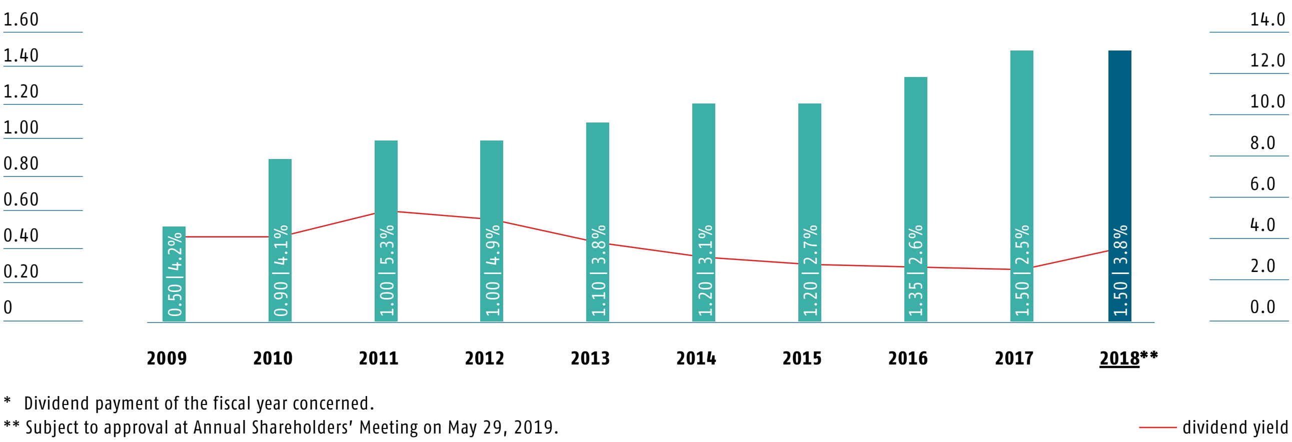
DISTRIBUTION: PROPOSED DIVIDEND OF EUR 1.50 PER SHARE

INDUS practices a stable dividend policy. Shareholders participate in company profits through regular dividend distributions. The amount of dividends is generally based on net profit for the year, but a dividend should be paid even in weaker years insofar as financially feasible. The dividend policy provides that a good 50% of profits are to be reinvested in the company and at least 50% distributed. As of December 31, 2018, the holding company had EUR 76.3 million in balance sheet profit. The Board of Management and the Supervisory Board will therefore propose a dividend payment of EUR 1.50 per share (previous year: EUR 1.50) at the Annual Shareholders' Meeting. This brings the total sum disbursed to EUR 36.7 million with a dividend payout ratio of 48.0%.

SHARE ANALYSIS FOR INDUS HOLDING AG

Bankhaus Lampe	— March 2019
	— Buy, target price EUR 60.00
Commerzbank	— November 2018
	— Buy, target price EUR 66.00

DIVIDEND PER SHARE* WITH DIVIDEND YIELD 2009 TO 2018 (in EUR/in %)



* Dividend payment of the fiscal year concerned.
** Subject to approval at Annual Shareholders' Meeting on May 29, 2019.

INDUS SHARE DATA

SIN / ISIN	620010 / DE0006200108
Stock exchange code	INH.DE
Share class	No-par-value bearer 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	Commerzbank, Bankhaus Lampe, HSBC Trinkaus & Burkhardt
Subscribed capital	EUR 63,571,323.62
Authorized capital 2014	EUR 31,785,660.51
Number of shares	24,450,509

HSBC	— November 2018 — Buy, target price EUR 66.00
Independent Research	— February 2019 — Buy, target price EUR 57.00
LBBW	— February 2019 — Hold, target price EUR 45.00
M.M. Warburg	— February 2019 — Buy, target price EUR 60.00
Pareto Securities (Formerly Equinet Bank)	— February 2019 — Buy, target price EUR 51.50

TARGETED AND TRANSPARENT INVESTOR RELATIONS WORK

A central topic in the dialogue with the capital market in 2018 was providing information on current business performance, implementing and developing the COMPASS 2020 strategy by 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 in the reporting period, both in Germany and abroad. For this purpose it used finance events along with conferences and roadshows in and outside Germany.

FINANCE EVENTS 2018

January	— German Corporate Conference, Frankfurt am Main
April	— German Conference, Baden-Baden
May	— Roadshow Hannover
July	— Roadshow Rhineland, Cologne and Düsseldorf
August	— Roadshow Frankfurt am Main — Commerzbank Sector Conference, Frankfurt am Main
September	— Roadshow Zurich — Zurich Capital Market Conference
October	— Family Office Day, Vienna
November	— German Equity Forum, Frankfurt am Main
December	— Prior Capital Market Conference, Dreieich-Götzenhain — DSW Investor Forum, Düsseldorf

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 fiscal year. The financial calendar is regularly updated and is available also on the company's website.

CONTACTING INVESTOR RELATIONS

Julia Pschribülla
Manager Investor Relations
Phone: +49 (0)2204/40 00-66
Email: investor.relations@indus.de

Scheduled dates for 2019 and other Investor Relations information can be found at:
www.indus.de/investor-relations

PARKOUR – LAUNCH 2019

With its new strategy program PARKOUR, the INDUS Board of Management remains committed to the three targets of growth, increasing value and a balanced portfolio structure. On the way to achieving these targets, the Board is also setting a new focus on **increasing company fitness:** the portfolio companies and the Group as a whole should aim to develop faster and improve themselves even more in terms of operations. PARKOUR has three focal points: the targeted strengthening of the portfolio structure, driving innovations and improving performance through operational excellence at the portfolio companies.

FIRST FOCAL POINT:

Strengthening the portfolio structure by pushing ahead with acquisitions in growth industries (average of two to three first-level acquisitions per year) and company disposals (in the Automotive Technology segment's series supplier field) on a case-by-case basis.

excellence (particularly in the areas of strategic marketing, sales and production).

SECOND FOCAL POINT:

Driving innovation, particularly through the "Boosting Innovation Ability" initiative. INDUS is expanding its understanding of innovation to include services, business processes and business models in addition to products. Successful support measures such as the innovation toolbox and the training program "Leadership and Innovation" will be continued. The holding company also supports the development of individual innovation road maps and is doubling INDUS development banks' development funds for specific innovation projects to an average of 3% of consolidated EBIT per year. INDUS will also be providing portfolio companies with more support in acquiring innovative companies with interesting intersections with the respective portfolio companies' business.

HOLDING COMPANY ACQUISITIONS IN 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

SUPPORTING THE ACQUISITION OF INNOVATIVE COMPANIES IN SIX FUTURE FIELDS

1 INDUSTRY 4.0/ DIGITALIZATION

2 INNOVATIVE STRUCTURAL ENGINEERING

3 PUBLIC AND PRIVATE SAFETY

4 MEDICAL TECHNOLOGY FOR AN AGING SOCIETY

5 INTELLIGENT LOGISTICS INFRASTRUCTURE

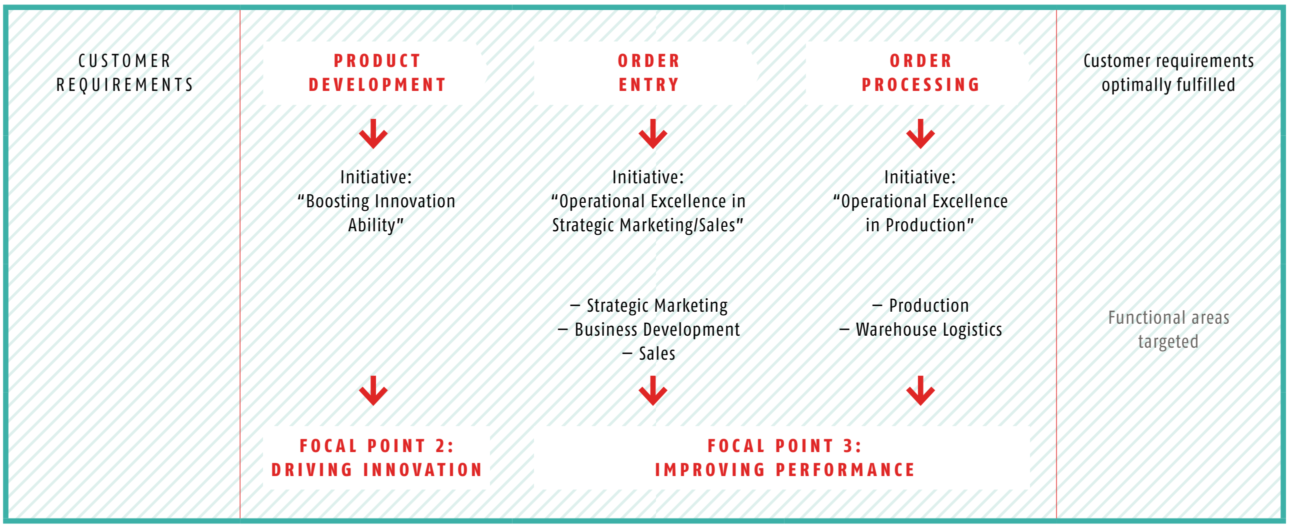
6 GREEN TECH

For focal points two and three, the focus is on **improving value-adding core processes** at the INDUS portfolio companies by driving innovations (more know-how support, financial support for innovation projects and acquiring new, innovative companies) and actively supporting operational

THIRD FOCAL POINT:

Improving performance with two initiatives to improve operational excellence: **the "Operational Excellence in Strategic Marketing/Sales" initiative:** In this area, INDUS primarily provides portfolio companies with support with market/potential and competitor analysis, the

SECOND AND THIRD FOCAL POINTS: ORIENTING CORE PROCESSES TOWARD CUSTOMERS (AND THEIR NEEDS)



expansion of international/export business, the optimization of sales organizations and channels, pricing products and services, and customer relations and value management. This is done through the dissemination of methodological skills and best-practice knowledge, setting up network partnerships and providing assistance in the design, planning and implementation of corresponding optimization projects.

The "Operational Excellence in Production" initiative: As part of this initiative, INDUS provides its portfolio companies with support in designing, planning and implementing optimization projects related to production and warehousing logistics. This includes the redesign of product layouts, the optimization of production planning and management, the automation of production processes or the introduction of lean principles in the production environment. Support takes the form of methodological skill dissemination on the one hand and the depoyment of internal and external experts on the other. INDUS also offers the portfolio companies a three-stage training and certification program in lean management. In addition, portfolio companies can cooperate with external partners through INDUS that allow the company to build up new skills rapidly, for example in the field of additive manufacturing. "Best Practice Days" are also held to encourage exchanges within the Group on best practices for specific topics.

SEVEN-POINT TARGET FOR 2025

1. **55 to 60 portfolio companies** with **sales > EUR 2.5 billion**.
2. Reliable achievement of **10% EBIT** target margin once more.
3. **Growth industries** clearly represented in the portfolio.
4. **Innovation** established as growth driver in the portfolio companies.
5. **Digitalization:** Our companies have mastered the shift to the "Tech Generation".
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.

02

SUSTAINABILITY AT INDUS

FUNDAMENTAL PRINCIPLES

Sustainable operations create competitive advantages, increase enterprise value and make for a stronger corporate culture. Based on these convictions, the INDUS Group continually works to optimize its commitment to sustainability.

SUSTAINABILITY: FOR INDUS, NOTHING NEW

For us, the pursuit of sustainability is a matter of treating economic, social and ecological goals as equal in importance. We seek to create lasting value while facilitating good work and treating the environment with care. It is our conviction that our development is sustainable only if we are satisfying the needs of the present while at the same time ensuring that we are not doing so at the expense of the future.

The portfolio companies of the INDUS Holding AG have independently assumed responsibility for pursuing a sustainability-oriented business development policy. They set independent goals, develop action plans and evaluate their own achievements. The holding company performs comprehensive information work by collecting sustainability-related data and forwarding it to Group companies to enable feedback on target attainment. INDUS Holding AG also provides advice to the portfolio companies as required, helping them effectively improve their "sustainability balance".

INDUS Holding AG's tasks also include providing constant assistance for the portfolio companies and acquiring new portfolio companies. Thus the holding company acts as an internal service provider for the portfolio companies. This means the holding company's resource consumption along the value chain is restricted to acquisition, use and disposal of energy, office materials and equipment, and any other business equipment required.

Reviewing relevant sustainability criteria in the value chain falls under the operational responsibility of the portfolio companies, however, each portfolio company joined the INDUS Group (hereafter also INDUS) following a due diligence process. The real net output ratio and the associated sustainability risks are checked during this process. Innovation results in new products, services and even approaches for new business models, which in turn create competitive advantages for our portfolio companies against their competitors. The constant technological developments in manufacturing processes at our portfolio companies and the technological advances made by manufacturers in the manufacture of machinery and plants increase the quality of products and lead to a reduction in the energy consumed, thereby lowering both emissions and costs.

Ongoing and new measures to support the holding company's sustainability strategy will be detailed in the following chapters. Our work in the field of sustainability has met with a positive response both in the business world and in the capital market environment. This is also reflected in the corresponding sustainability ratings: INDUS was again awarded a top "A" grade in the CDP Climate Scoring in January 2019. And it retained its "Prime" status in the sustainability ratings of ISS-oekom/oekom research AG.

STAKEHOLDERS: RECOGNIZING INTERESTS, MAINTAINING A DIALOGUE

The basis for successful work on sustainability issues, and ultimately for long-term entrepreneurial success, is knowledge of our stakeholders and their interests. Only with such knowledge can we be assured of making the right decisions and aligning our actions accordingly. A structured process was applied to identify the main stakeholders. Potentially relevant stakeholders were identified, for instance by looking at the value chain, and prioritized based on their influence on the INDUS Group and the influence of the INDUS Group on them. A structured examination of our stakeholders' needs brought five relevant groups into focus.

RELEVANT STAKEHOLDER GROUP		EXPLANATION
Investors	external	They provide us with equity and borrowed capital and expect from us a clear strategic direction, realization of our earnings outlooks, a stable balance sheet and transparent reporting.
Interested owners of family-run businesses	external	They are interested in having a financially strong partner that understands the SME sector, enjoys a good reputation, and can provide a solid foundation for the perpetuation of their own life's work.
Portfolio companies	internal	They seek to have, and expand as needed, the leeway to develop their businesses. They therefore look for support in the form of capital, market access and know-how.
Customers of the portfolio companies	external	They seek the security of having the right partner at their side who can be depended upon to assist them on a lasting basis with innovations and highly valuable services.
Employees	internal	They seek an attractive and secure position in which they can apply their abilities meaningfully and an employer who both challenges and supports them.

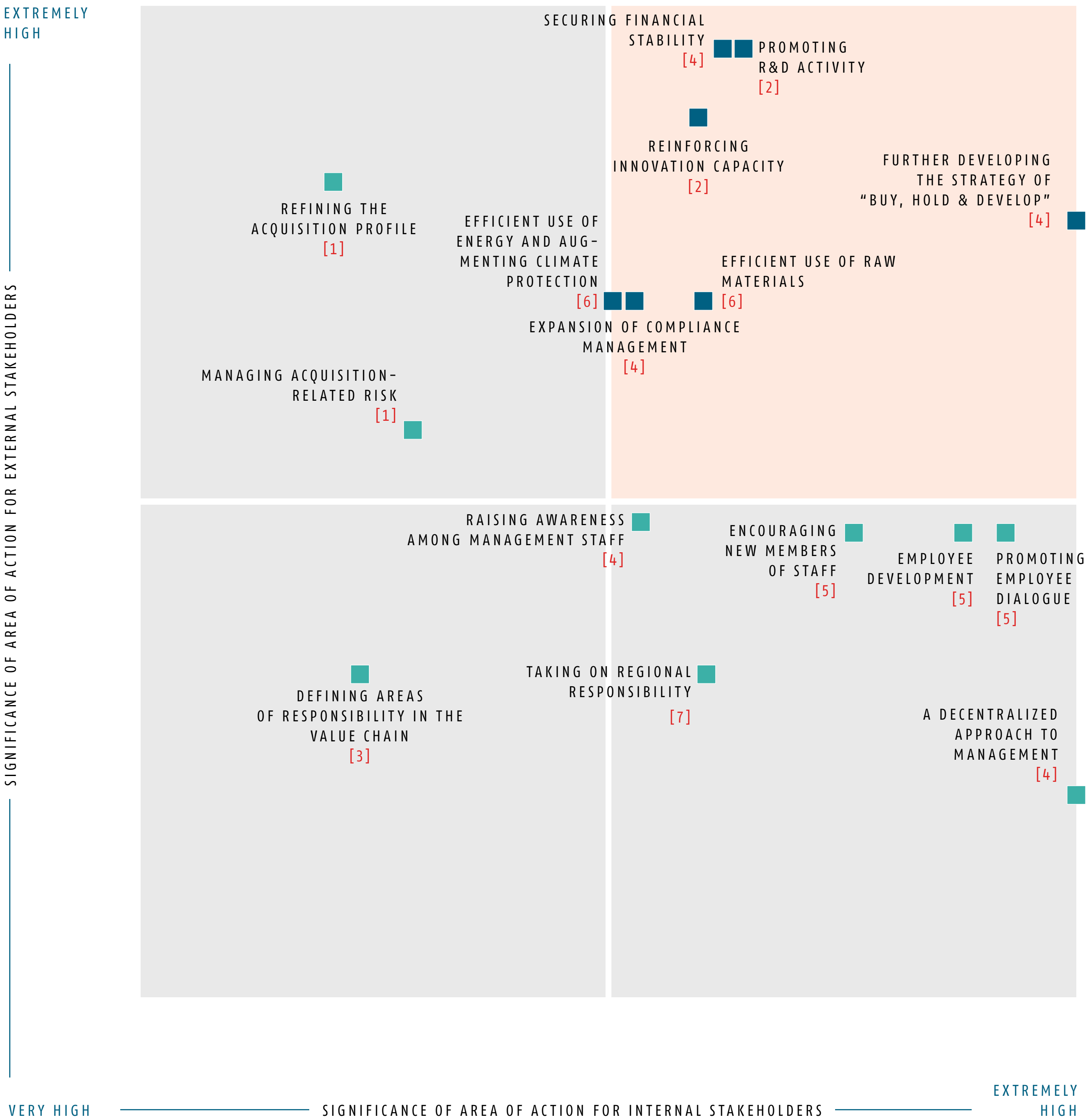
The holding company and the portfolio companies, where appropriate, maintain regular contact with all five stakeholder groups. Various forms and channels of communication are used. In the 2016 fiscal year, the fields of action and key topics identified internally were compared with the opinion of select portfolio companies in an informative discussion. In fiscal year 2017, the stakeholder dialogue with institutional investors and interested owners of family-run businesses was ramped up. Both stakeholder groups were questioned on their views and perceptions of the INDUS sustainability strategy and sustainability reporting. One of the aims was to verify the sustainability aspects identified as material during prior analyses and observations. In the 2018 fiscal year, the dialogue focused on the views of the internal stakeholder group "portfolio companies". Managing directors of the portfolio companies were surveyed to verify the completeness of the fields of action currently being addressed, and to assess the materiality of these fields. The materiality matrix was revised as a result of this survey (see page 26).

KEY TOPICS: THREE PLUS FOUR

To identify those aspects of sustainability that are relevant to INDUS, we performed a materiality analysis in 2016 with the Board of Management's participation. Topics deemed material are those that are very significant in terms of operating activities, business performance and income for INDUS and its internal and external stakeholders as far as sustainability is concerned (outside-in view) or topics likely to impact sustainability aspects through INDUS's operating activities (inside-out view). The results of this analysis were verified during the course of the previously mentioned stakeholder dialogue both from an external point of view (2017) as well as an internal point of view (2018). We were also able to confirm the seven key topics previously identified:

1. Investments: the use of economic resources to successfully develop the portfolio companies or the Group.
2. Innovation: the further development of the products and services offered by the portfolio companies along with the development of new, or even disruptive, solutions.
3. Internationalization: expansion of the portfolio companies (products, selling markets) into the relevant international regions so that they can provide customer support locally on a long-term basis.
4. INDUS Holding AG's role as shareholder: financial and advisory assistance from the holding company for the portfolio companies in their efforts to develop their businesses within the existing range of possibilities.
5. Personnel: employees as a key driver of corporate development at INDUS Holding AG and the individual portfolio companies.
6. Resource efficiency: taking ecological consequences into account in business decisions and minimizing the ecological effects of the portfolio companies' operating activities.
7. Social commitment: assuming the portfolio companies' and INDUS Holding AG's responsibility for social tasks.

MATERIALITY MATRIX



[1] INVESTMENTS
[2] INNOVATION
[3] INTERNATIONALIZATION
[4] THE ROLE OF SHAREHOLDERS
[5] HUMAN RESOURCES
[6] RESOURCE EFFICIENCY
[7] SOCIAL COMMITMENT

The three key topics of investments, innovation and internationalization are points of strategic focus by the holding company and may exert a major leveraging effect on the success of the individual company and of the Group as a whole. The four other topics relate to equally important policy areas that are directly associated with the tasks and values that a healthy SME-oriented or -managed company identifies with. Progress in the key topics is continually driven forward through the implementation of measures and concepts. Individual key topics are highlighted in the reporting on an annually rotating basis. The reporting for the 2018 fiscal year features project examples from the key topic of resource efficiency.

MATERIALITY MATRIX WITH CONCRETE FIELDS OF ACTION

Underlying the key topics identified above are fields of action from which concrete measures can be derived. The fields of action were entered into a conventional materiality matrix. This matrix reflects the significance that the various fields of action, considered on a consolidated basis, have for the internal and external stakeholders in INDUS Holding AG and the portfolio companies. The fields of action were initially classified within the matrix through assessments by the sustainability team and the Board of Management and were then compared with the assessments of the internal and external stakeholders. In 2018 a survey was conducted within the portfolio companies (represented by the managing directors). The survey showed that the action fields refining the acquisition profile, managing risks during acquisitions, boosting innovation ability, defining responsibilities in the value chain, securing financial stability, encouraging new members of staff, the efficient use of raw materials and energy should have higher priority than previously determined. The materiality matrix was revised to reflect this and approved by the Board of Management.

THE INDUS GROUP'S NON-FINANCIAL REPORT

According to the CSR Directive Implementation Act (CSR-RUG), INDUS Holding AG has been obliged to report on sustainability issues since the fiscal year 2017. Of relevance in this context, aside from general data concerning the company's business model (cf. the section "Introduction to the Group" in the management report), is data on legally required aspects, which were identified and verified during the stakeholder dialogue. The key topics are as follows:

Environmental protection is an aspect of the resource efficiency key topic, and social concerns are covered in the social commitment key topic. Employee concerns and respect for human rights are covered in the key topic personnel. Combating corruption and bribery are aspects of the key topic shareholder's role.

At INDUS Holding AG, sustainability occupies the highest level of priority. This means that the Board of Management directs the development of the holding company's sustainability strategy. The Chairman of the Board of Management is responsible for sustainability management. The topics of discussion between the Board of Management and the managing directors of the portfolio companies include relevant sustainability aspects, perception of the company internally and externally, non-financial performance indicators and the portfolio companies' achievement of goals. In addition, CSR topics are highlighted and discussed regularly at the annual entrepreneurs' conference (Unternehmertagung). In 2016, INDUS Holding AG integrated an incentive for progress in sustainability issues into the Board of Management compensation system.

As a part of the annual corporate planning process, risks and opportunities are assessed according to the probability of their occurrence and possible amount of ensuing damage, and documented for plant or site level by the managements of the portfolio companies with the aid of a risk management reporting tool. Measures to counter the risks are then derived. Sustainability risks are documented as a separate risk category, but they are fully integrated in the existing risk management system. Countermeasures are introduced where necessary for the holding company, or independently of the holding company at portfolio company level for the portfolio companies. Material risks resulting from business relationships, products or services, or own operating activities in accordance with Section 289c (3) no. 3 and 4 of the German Commercial Code (HGB) and how these risks are dealt with are – where reportable – documented in the opportunities and risk report (cf. management report, "Opportunities and Risk Report" chapter). In the reporting year there were no individual risks related to sustainability issues that exceed the materiality limits to report.

Our sustainability report was drafted in accordance with the criteria listed in the German Sustainability Code (DNK). Our report uses the EFFAS (European Federation of Financial Analyst Societies) performance indicators pursuant to DNK recommendations. Out of 16 key figures, four are not reported on due to the fact that they are not material, significant or do not apply to INDUS. More information is available at the end of the key figure overview. The key figures reported in accordance with EFFAS are also applied during our new-acquisition due diligence process.

The key figures that have been gathered pertain to fiscal year 2018 and are compared to those for the previous year. To collect the data for the non-financial performance indicators, the existing internal financial data reporting system in use at INDUS Holding AG was used and supplemented with the appropriate surveys.

As compared to the previous year, the following material changes were made to system limits and content definitions in the key figures:

- Expansion of the scope of consolidation to include two more direct portfolio companies
- Number of trainees reported per head (rather than full-time equivalents)

Wirtschaftsprüfungsgesellschaft Ebner Stolz audited the INDUS Group non-financial report and the EFFAS key figures, reported in accordance with DNK (marked in the key figure overview).

ENVIRONMENTAL PROTECTION

CLASSIFICATION

The portfolio companies' direct impact on the environment in terms of resource consumption, emissions, waste, transport and energy consumption, and the associated direct and indirect greenhouse gas emissions can all be classified as comparatively low compared with industrial sectors that have high levels of raw material and energy consumption. Sectors that have high levels of raw material and energy consumption in INDUS's opinion include those legally obliged to participate in the European Union's emissions trading program. This includes the chemical industry, the paper industry and the cement industry, for instance. None of the INDUS portfolio companies are classified as operating in an industrial sector with high raw material or energy consumption. The portfolio companies operate for the most part in the manufacturing sector using mechanical work processes. Our portfolio companies' production locations are primarily situated in the EU and Switzerland. They are therefore subject to high standards and legal requirements as far as plant safety and environmental protection are concerned. Those portfolio companies whose production processes may have a relevant environmental impact, such as those with galvanization and painting processes, are subject to corresponding statutory regulations and monitoring processes. Direct effects on the environment emanating from INDUS Holding AG as an organizational unit are negligible.

GOALS/ACTION

Responsible use of natural resources ranks high in importance within the INDUS Group. The portfolio companies' managing directors develop rules and measures to conserve resources independently – taking into account the company's individual corporate philosophy. This does not just apply to production processes, but also product development. Examples include the optimization measures in the field of compressed air supply at OFA and BILSTEIN & SIEKERMANN, which have led to energy savings.

As part of the standardized due diligence process, INDUS Holding AG ensures that at least the statutory requirements are observed during the acquisition process, and that appropriate management system precautions are in place to avoid events that would impact the environment. The Board of Management's direct and close involvement in the due diligence process means strategic sustainability issues are actively introduced to the process.

INDUS Holding AG's acquisition profile was revised and refined in the 2017 fiscal year – and includes sustainability aspects. INDUS does not invest in companies with high energy consumption or high emissions (defined by their obligation to participate in the European Union's emissions trading program), or companies whose focus lies in the weapons industry.

GOAL	EFFAS KPI	MEASURES	TIME FRAME
Reduction of energy consumption and waste produced	Total energy consumption (EFFAS E01-01), waste produced (EFFAS E04-01), share of waste recycled (EFFAS E05-01)	Portfolio companies pursue measures to achieve targets independently; raising awareness and increasing transparency through Group-wide recording and communication of energy consumed and waste produced	ongoing
Taking environmental protection aspects into account during new acquisitions	–	Excluding energy-intensive companies from acquisition; reviewing environmental protection aspects during the due diligence process for all new acquisitions	ongoing
Reducing Scope 1 & 2 emissions by 12% (2020) and 42.5% (2040) against the base year 2014	Scope 1 & 2 greenhouse gas emissions (EFFAS E02-01)	Purchasing electricity generated emission-free (green electricity); reduction measures in the areas of building infrastructure and vehicle fleet	2020/2040

The holding company insures all portfolio companies against risks relating to natural disasters, business interruptions, liability, product liability and transport damages with the appropriate cover.

The portfolio companies work with approval management systems as well as defined and documented operational processes with rules and regulations, which take the individual needs and underlying conditions into consideration. In addition, some of the portfolio companies have implemented certified management systems. The companies therefore meet regulatory requirements and actively contribute to ensuring the health and safety of their own workforce, suppliers, service providers on site and the immediate neighborhood.

The topics of energy efficiency and emissions reductions span a cross-section of all areas. The necessity of countering climate change is something that INDUS has clearly recognized. INDUS Holding AG has therefore set itself the goal of reducing its direct and indirect emissions (Scope 1 & 2) in absolute terms by 12% by 2020 and by 42.5% by 2040 (as compared in each case to the base year 2014, where Scope 1 & 2 emissions in the amount of 184 tons of CO_2e were calculated).

RESULT

Indicators to be reported in accordance with DNK are total energy consumption (EFFAS E01-01), greenhouse gas emissions (Scope 1 and 2, EFFAS E02-01), total waste produced (EFFAS E04-01) and the percentage of waste that is recycled (EFFAS E05-01). We report greenhouse gas emissions in accordance with the guidelines of the Greenhouse Gas Protocol (GHG Protocol). In line with the GHG Protocol, we report Scope 2 greenhouse gas emissions using both the location and the market-based method. If no specific method is mentioned in the following passages, then the method used will be the market-based method. In the reporting year, Scope 1 and 2 emissions (EFFAS E02-01, according to the operational control approach, pursuant to the GHG Protocol, only the holding company's emissions are covered) rose slightly in comparison with the previous year, due to the further expansion of resources in the holding company. However, the holding company is still on track to meet its reduction target set for the year 2020. In 2018 the holding company again fully compensated for its remaining emissions with investments in projects to lower emissions. The Group's total energy consumption (EFFAS E01-01) on the other hand has increased due to growth, despite numerous energy-saving measures. In comparison with the previous year, however, the total amount of waste produced by the Group declined (EFFAS E04-01), and the Group also recorded a higher recycling ratio (EFFAS E05-01).

In future, the Group will continue to work on increasing resource efficiency in order to reduce not only our environmental impact at our locations and with our products, but also in upstream and downstream processes.

SOCIAL CONCERNS

CLASSIFICATION

The portfolio companies keep airborne and noise emissions that may impact the local environment within tight limits so that the subsequent risk of potential complaints is low. The portfolio companies take their product responsibilities seriously and minimize health, safety and environmental risks according to the influence they have along the product's entire lifecycle – from product development, production and customer processing right through to use by the end consumer and disposal.

GOALS/ACTION

The companies of the INDUS Group independently act in accordance with their responsibilities as members of society and as befits the regional contexts in which they operate. Through various commitments, they support local cultural, scientific and social projects. For example, many portfolio companies work with workshops for disabled people. Inspired by its successful cooperation, ASS developed a module system under the brand name Auxilio Systems that makes assembly work in workshops for the disabled more efficient and ensures compliance with processes.

Other portfolio companies grant student scholarships, or make donations to schools and daycare centers (see "Social Engagement" chapter). No payments are made to political parties, however.

In line with the applicable legal framework conditions, the portfolio companies have complaint management systems in place with an appropriate escalation process. This allows relevant complaints to be recorded and evaluated so that appropriate measures can be taken for the continuous improvement of processes and products. Legitimate complaints from the local area are reviewed during annual reporting sessions. The same applies for any provisions that may be necessary to cover warranties.

RESULT

The portfolio companies maintain regular dialogue with communal and regional stakeholders through initiatives such as open days, work experience placements and plant tours. Various activities took place in the year under review. No legitimate complaints were received from the local vicinity in the reporting year. INDUS Holding AG will promote discourse around this topic within the Group in future by making it a topic at the annual entrepreneurs' conference (Unternehmertagung) and through internal non-financial reporting. The volume of donations rose slightly in 2018 against the previous year.

GOAL	EFFAS KPI	MEASURES	TIME FRAME
Retaining the portfolio companies' independent 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

EMPLOYEE CONCERNS AND RESPECT FOR HUMAN RIGHTS

CLASSIFICATION

INDUS Holding AG's portfolio companies respect the human rights of their employees, suppliers, business partners and other stakeholders in their everyday business activities. They work for the most part with qualified professionals in the German-speaking market and in other countries in Europe and beyond. The risks of sub-market pay rates, unreasonable work hours, and limitations on freedom of association or equality of rights are countered within the INDUS Group with appropriate regulations in the company-specific codes of conduct. Nor do any such risks exist on the part of INDUS Holding AG's direct suppliers.

Qualified and committed employees are an important prerequisite for the portfolio companies' and the holding company's long-term success. Gaining, keeping and training staff is therefore an important task for both the portfolio companies and INDUS Holding AG.

GOALS/ACTION

The portfolio companies set themselves individual goals to fulfill this task. These include, for example:
- Maintaining or increasing their attractiveness as employers in their regions.
- (Skilled worker) training beyond what is required to satisfy their own needs, ensuring employee satisfaction and boosting employee motivation.
- Increasing employees' sense of identification with the company.
- Orientation to high employment standards (especially as regards occupational safety, employee health).

The portfolio companies offer their employees a needs-oriented range of further training opportunities, and in some cases the option of completing a dual (academic and practical) study program or dispatch to company locations abroad. At the same time, the portfolio companies maintain a general exchange with schools (e.g., girls' days), universities and universities of applied sciences (e.g., through internships and theses). Within the companies, employees are involved in the improvement of operating processes through continuous improvement processes or employee suggestion systems. In 2018, MBN was named an exemplary company for trainees by IHK (German Chamber of Commerce and Industry) Dresden, for example.

As part of the due diligence process carried out for new acquisitions, the holding company confirms that the company to be acquired observes fundamental social and ethical principles and in particular appropriate working conditions. The holding company's and the portfolio companies' requirements, including those relating to employee concerns, are documented in the company-specific codes of conduct. These contain the fundamental commitment to employee rights and ensuring the rights to dignified work both internally and externally, i.e., also at suppliers. Each member of the INDUS Holding AG Board of Management is also directly responsible for specific direct portfolio companies. In addition to close involvement in the economic and strate-

GOAL	EFFAS KPI	MEASURES	TIME FRAME
Increasing employer attractiveness	Development expenditure per employees (EFFAS S02-02) Age structure (EFFAS S03-01) Share of female employees (EFFAS S10-01) Share of female executives (EFFAS S10-02)	Portfolio companies set their own targets and pursue measures to fulfill them independently; 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

gic development of the company, this also includes regular on-site visits (including at sub-subsidiaries). This gives the Board of Management a direct insight into the working conditions on site that goes beyond the formal reports.

RESULT

Indicators relating to employee concerns and respect for human rights to be reported 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), and the number of female employees (EFFAS S10-01) and female staff in management positions (EFFAS S10-02). The age structure in the portfolio companies (EFFAS S03-01) has only changed slightly in comparison with the previous year. The average development expenditures per employee (EFFAS S02-02), on the other hand, declined slightly. The number of female employees in the total workforce (EFFAS S10-01) has remained constant in comparison with the previous year, as has the share of female executives (EFFAS S10-02). Some portfolio companies are OHSAS 18001 (an international standard for occupational health and safety management systems) certified or are about to receive their first certification, but no portfolio company is as yet SA 8000 certified (EFFAS S07-02 II). SA 8000 is an international standard for working conditions, but it is somewhat uncommon in the sectors in which the INDUS portfolio companies are active. INDUS Holding AG intends to expand the information base for personnel activities within the companies in 2018 and deliver the results to the Group. INDUS Holding AG will continue to support exchanges among the portfolio companies regarding best-practice solutions relating to personnel activities in 2019.

COMBATING CORRUPTION AND BRIBERY

CLASSIFICATION

The share of sales generated by the INDUS Group outside of Europe is growing. This means that the ratio of business dealings in countries with a higher corruption risk is also increasing. The increase in the share of sales in countries with a higher corruption risk is primarily from sales made in China, Mexico, Russia, South Africa, and Turkey.

GOALS/ACTION

We at INDUS Holding AG and the managements of our portfolio companies regard proper conduct in business transactions as a basic corporate duty. The management of portfolio companies is responsible for ensuring conduct is in compliance with laws and guidelines as well as for the consistent introduction and pursuit of any countermeasures that may be required in case of misconduct. Conduct that does not comply with laws or guidelines is recorded as part of INDUS Holding AG's compliance reporting. Countermeasures introduced by portfolio companies are monitored by the holding company. The fundamental principles underlying such conduct are described for INDUS Holding AG in its Code of Conduct and for the portfolio companies in their individual codes, and they apply both to action within the organization concerned and to dealings with external stakeholders. They provide also that monetary gifts from third parties can be neither accepted nor given. Companies do not make political donations or gifts to governments. This goal is the result of a commitment made by the holding company and the portfolio companies. Adherence to this goal is monitored via a corresponding data request.

In 2018 INDUS Holding AG concluded a membership for itself and some of the portfolio companies in the trade association Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA). Apart from this, INDUS Holding AG is not a member in any industry associations or other relevant organizations, and has no direct or indirect influence on any legislative procedures.

The holding company also offers regular compliance training and information for executives of the portfolio companies (cf. the section "Shareholder's Role"). In 2018 the main topics were data protection, cybercrime and foreign trade law. The holding company also offers regular training on the topics competition law and antitrust law. Annual and event-related compliance reporting documents the correctness of business activities.

In its acquisition processes for the acquisition of portfolio companies, the holding company makes certain through its due diligence processes that the compliance requirements codified in its Code of Conduct are complied with. The Board of Management's direct and close involvement in the due diligence process means strategic sustainability issues are actively introduced to the process.

RESULT

Compliance indicators to be reported pursuant to DNK include payments to political parties (EFFAS G01-01). No such payments were made in the year under review. Indicators to be reported relating to combating corruption and bribery pursuant to DNK also include expenses and fines following claims and processes due to anti-competitive conduct, anti-trust and monopoly violations (EFFAS V01-01), and sales by country with a higher corruption risk (EFFAS V02-01). For the year under review no relevant expenses, payments of fines and no non-monetary penalties for non-compliance with laws or regulations have been observed, nor were there any instances of corruption. Expenses and/or fines following claims or processes due to anti-competitive conduct amounted to approximately EUR 1.4 thousand, and were thus not relevant (EFFAS V01-01). This expenditure consists of expenses for legal advice that were incurred by a portfolio company during a legal dispute with a competitor. Sales in countries with high corruption risk (Transparency International Corruption Index greater than 60) increased slightly against the previous year (EFFAS V02-01).

For 2018 INDUS has planned a continuation of its training program for the companies in governance, risk and compliance matters.

GOAL	EFFAS KPI	MEASURES	TIME FRAME
No payments to political parties	Payments to political parties (EFFAS G01-01)	Portfolio companies' individual commitments (documented in CoC)	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 2018
SOCIAL COMMITMENT

PROVIDING A REASONABLE SOCIAL BENEFIT

The individual companies within the Group take on social tasks in addition to their business tasks. INDUS Holding AG supports and values voluntary commitments. This is in keeping with INDUS Group's conception of itself, and it enhances the reputation of the Group.

STATUS QUO AND GOALS

The INDUS Group portfolio companies are firmly rooted in their regional contexts. The people working in these companies come from the region. They create the value generated by the companies using the regional infrastructure. It is only natural, therefore, that the INDUS portfolio companies would then do their part for an intact community. Important goals of the portfolio companies include:

— Promotion and maintenance of local commitment: The portfolio companies prefer to become engaged where they are at home.
— Identification of existing and potential employees with the company: Employees are to be proud to be working for their company.
— Increase in the level of recognition: The portfolio companies want to be recognized as an integral part of the region and be supported by the stakeholders.

DONATIONS AND SPONSORING (in EUR '000)

The portfolio companies regularly become involved in their regional environments and outside of their regions through donations and sponsoring. In the 2018 fiscal year, a total of EUR 280.9 thousand (previous year: EUR 243.4 thousand) was donated to regional causes and EUR 201.1 thousand (previous year: EUR 190.1 thousand) was donated to causes outside of the region. The range of institutes and projects supported spans from sport and education to art and culture.

OUTLOOK

In the future, responsibility for social commitment will continue to be decentralized and rest with the portfolio companies. We expressly do not seek a Group-wide framework for the direction and scale of social commitment. The holding company would like, rather, to promote the exchange of effective approaches within the Group.

SHAREHOLDER'S ROLE

ACTIVELY REPRESENTING THE INTERESTS OF THE OWNERS

In its capacity as a financial holding company, INDUS Holding AG takes care of financial consolidation and supports the portfolio companies with capital and advice. The holding company regularly documents the portfolio companies' successes.

AVERAGE LENGTH OF TIME PORTFOLIO COMPANIES HAVE BEEN AFFILIATED WITH THE INDUS GROUP

14.6 YEARS 2017

15.5 YEARS 2018

STATUS QUO AND GOALS

As a proponent of SME-sector principles, the holding company values its reputation very highly. A good reputation makes INDUS more attractive to sellers of companies and lowers financing costs. And conversely, compliance breaches, fines, unrealistic goals and unfair market practices result in a loss of trust among investors, employees and business partners. The holding company makes strenuous efforts to protect the reputation of INDUS with special measures to monitor governance, risk and compliance matters (GRC). Apart from that, INDUS Holding AG has formulated the following goals in its role as a shareholder:

— INDUS offers its portfolio companies prospects for long-term development and invests without the intention to sell ("buy, hold & develop").
— The portfolio companies control their business operations independently. They are also mindful of sustainability aspects in their self-management.
— The shareholders receive up to 50% of the balance sheet profit through dividends.

To make funds available to the portfolio companies on attractive terms, the holding company maintains broad access to financing sources, for which it cooperates with a selection of solid commercial banks. It also obtains long-term repayment schedules with the aid of, among other things, capital market-based financing instruments. The Board of Management fosters an awareness of sustainability issues through regular dialogue with the managements.

OUTLOOK

INDUS Holding AG adheres to its decentralized management structure and its fundamental "buy, hold & develop" strategy.

RESOURCE EFFICIENCY

USING RESOURCES SPARINGLY AND WITH AWARENESS

INDUS Holding AG strives to make its portfolio companies sensitive to the ecological consequences of their operational decisions. It makes funds available for investment in efficiency measures and is ready to assist the portfolio companies in an advisory capacity on the cross-sectional topic of energy efficiency.

STATUS QUO AND GOALS

For the INDUS portfolio companies, the use of resources is a factor with an appreciable effect on their economic success: This is true first and foremost of the use of raw and other materials and, in a different form, of the use of energy and disposal services. The portfolio companies' interest in the sparing use of natural resources is accordingly great.

The companies are at the same time subject to the ever more stringent requirements of the environments in which they operate; legislators are making the regulatory framework ever tighter. Customers also wish for production methods that conserve resources and products produced by them. This partially results in some significant changes in the framework conditions for the INDUS Holding AG portfolio companies. To determine and evaluate the resulting financial risks, INDUS Holding AG performed its first climate-related scenario analysis in 2018, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The aim of the climate-related scenario analysis was to examine the qualitative consequences of various scenarios on INDUS. Portfolio companies in the Automotive Technology segment were given particular consideration in the scenario analysis as this is where the greatest impacts from legislation, technological developments (e.g. e-mobility) and changing user behavior (e.g. car sharing) were expected. The analysis made use of established scenarios from various organizations. The International Energy Agency's (IEA) 2DS scenario formed the foundation for the analysis. It shows a path for achieving the Paris Agreement's 2-degree Celsius target using industry sector decarbonization methods. With the help of additional information from BDI (association of the German industry), Greenpeace and BP scenario studies, two consistent scenarios were developed with the observation points 2030 and 2050. An ambitious scenario in terms of infrastructure expansion, technological development and spread, and regulation, and a conservative scenario that assumes virtually constant structures.

For the relevant investment portfolio, opportunities primarily arise from the ambitious scenario, for example from e-mobility. Great potential arises particularly in cases where portfolio companies offer energy-efficient technologies (e.g. heat pumps from AURORA for electric buses). For some portfolio companies that are heavily involved in the value chain for conventional power trains, the developments and spread of CO_2-neutral fuels (synthetic, organic-based or H_2) are also decisive. Because the observation points of several product life cycles lie in the future, the analysis of corresponding developments in the automotive and transport sector and improving INDUS companies' ability to adapt to these developments is crucial. INDUS Holding AG will continue to support the portfolio companies in these tasks in future.

Decentralized responsibility for implementing the various energy efficiency measures lies with the portfolio companies. Where necessary, INDUS Holding AG provides support, for instance with a free energy consultation for new constructions and expansions.

In addition, the individual portfolio companies are working in various ways to increase their use of secondary (recycled) raw materials. The portfolio companies also use environmentally friendly substitution raw materials when possible and avoid the use of toxic materials.

Based on the previous year, the Group's emissions remained largely constant (Scope 1 & 2 of the portfolio companies in relation to gross added value).

OUTLOOK

The Group will continue to work intensively in 2018 on increasing its efficiency in the use of resources. The holding company has been offering assistance for portfolio companies to compensate for their CO_2 emissions since 2016. In the coming years, the Group will also deal with the requirements arising from national and international climate protection plans.

On the go – with the environment in mind: REMKO has committed itself to e-mobility with free charging stations.

PROJECT HIGHLIGHT

SUSTAINABLE MOBILITY AT INDUS

Sustainable mobility is an important topic for INDUS. INDUS therefore considers electric cars to be an important lever in reducing greenhouse gas emissions. As part of the energy audits that will be performed in the Group in 2019, the use of e-vehicles and hybrid vehicles to reduce direct emissions will be considered a separate measure and suggested wherever it makes sense. INDUS Holding AG in Bergisch Gladbach will also expand infrastructure to accommodate e-mobility. As one employee has been using a fully electric vehicle for some time, INDUS decided to install a charging station on the premises in 2018 to enable charging on site.

The INDUS portfolio companies are also making good progress in terms of e-mobility. As a climate technology company, REMKO has a particular interest in this topic. In 2018 four company vehicles with electric drives were procured so employees could have an emission-free commute to work. REMKO rewarded its employees' openness to this change by fitting charging stations where the vehicles could be charged for free.

But e-mobility isn't making just a grand entrance; there have also been small changes at INDUS. The SIMON GROUP and REMKO have made e-bike leases available to their employees via a leasing partner as a subsidized company vehicle since 2018. The idea was immediately popular and now employees are also making longer commutes to work with e-bikes than in the past.

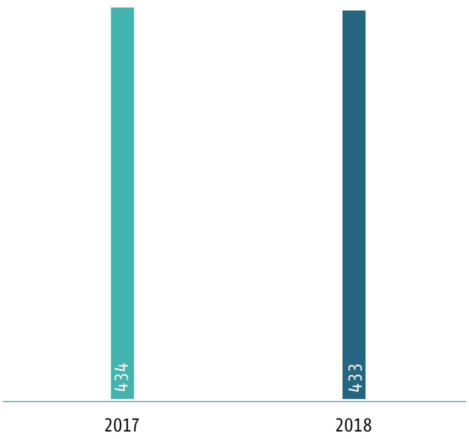
Sarah Ostmann, design engineer at SIMON in the toolmaking division, tests bicycles and e-bikes from regional providers.

PERSONNEL

SECURING A CENTRALLY IMPORTANT BUSINESS RESOURCE

In accordance with INDUS Holding AG's business model, responsibility for the portfolio companies' personnel matters is decentralized and rests exclusively with the portfolio companies.

TRAINEES (Number)



STATUS QUO AND GOALS

INDUS Holding AG employs a team of specialized employees to whom specific tasks are allocated and who perform only the central functions within the holding company. The two fundamental tasks of the team are to look after the interests of the holding company as shareholder and to provide the companies within the Group with the best possible advice, and to support them as needed.

Short decision paths, a strong team orientation and flat hierarchies are important characteristics of the decentralized corporate culture that is typical of the SME sector. The Board of Management maintains regular contact with all holding company employees. Great value is placed on a respectful atmosphere – both internally and externally. In their day-to-day activities, all team members are mindful of the importance of maintaining a high level of professionalism and stable processes. INDUS Holding AG has drafted a Code of Conduct for its employees that codifies responsible SME-sector principles that are binding upon all employees of the holding company.

The managements of the portfolio companies manage those employed by their companies in accordance with responsible SME-appropriate principles. Each portfolio company has drafted its own company-specific code of conduct to underscore these principles. With competition for managers and skilled workers becoming ever more intense, the topic of employer attractiveness is gaining greatly in importance even in SMEs. Good employees bring ideas, motivation, and entrepreneurial thinking to the company and are elemental to its business success. Careful cultivation of this resource and securing it for the long term are among the most important tasks of a company.

The portfolio companies pursue a large number of different measures aligned with their individual priorities. They train according to their own needs and, if possible, beyond them. Over a number of years, HAUFF has established a structured training program that covers all educational paths, from commercial apprenticeships to dual study programs. The portfolio companies are also very committed to employee training and development. AURORA, for instance, has designed its own operational training program.

OUTLOOK

The INDUS Group also takes application-oriented research developments into consideration when researching new concepts to increase employer attractiveness. Through the holding company's cooperation with the Excellence Center for Industry 4.0 at the Technical University of Munich, the Group's portfolio companies have access to a current research project that is investigating employer branding in the digital world. INDUS Holding AG has set itself the goal of advancing this type of information exchange in the future, too.

INTERNATIONALIZATION

PAVING THE WAY TO FURTHER GROWTH

INDUS Holding AG provides its portfolio companies with the funds to expand their international market presence so that they can successfully accompany their existing customers into the global markets and tap into new growth markets.

STATUS QUO AND GOALS

The increasing saturation of domestic markets is putting limits on the potential of numerous portfolio companies to achieve further growth in those markets. Moreover, larger customers expect their suppliers to be within close reach in their foreign markets as well. This makes tapping into international markets an all the more attractive option for the companies in the Group.

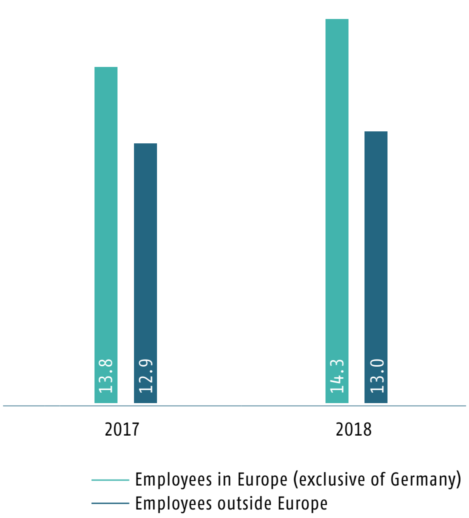
In 2018, the share of sales generated outside Germany and Europe amounted to 26.2%, a slight decrease from the previous year (previous year: 27.3%). The share of sales generated in other European countries remained virtually constant (22.4% in 2018 as compared with 22.9% in 2017). The portfolio companies were able to stabilize long-term customer relationships, develop new customer relationships, and realize additional potential for added value by means of a strong international presence (local for local). Outside Europe, the portfolio companies are specifically interested in developing distribution capabilities in the BRIC countries Brazil, Russia, India and China, at the same time creating added value in Germany and Europe. Examples of internationalization activities in fiscal year 2018 include the establishment of production locations in China and Romania by SELZER and SMA.

Upon request from the management, INDUS Holding AG can provide the portfolio companies with advice regarding expansion activities abroad to reduce the risk of bad investments – for example, due to incorrect market assessment. When the situation warrants, the holding company will also put them in touch with local lawyers, insurers and banks or refer them to contacts within the Group.

OUTLOOK

As a part of what the holding company offers its portfolio companies, it is further developing its advisory and support services for company acquisitions at the sub-subsidiary level. In support of this process, networks are being formed between the portfolio companies and external networks are being made available.

SHARE OF EMPLOYEES IN EUROPE (EXCLUSIVE OF GERMANY) AND OUTSIDE EUROPE (in %)



INNOVATION

ENHANCING THE PORTFOLIO COMPANIES' ABILITY TO INNOVATE

INDUS Holding AG assists its portfolio companies in their innovation management, so that they may successfully take advantage of the opportunities presented by industrial change. To that end, it makes additional capital available to these companies and advises them in regard to the direction and operationalization of their innovation strategies.

STATUS QUO AND GOALS

A key condition for the portfolio companies' organic growth is their ability to innovate. This enables the portfolio companies to continually develop and improve their products and services. The holding company also provides advice for developing new technologies beyond these incremental innovation activities, and for breaking into new markets and application fields. The holding company also supports R&D projects of portfolio companies that demonstrate a greater degree of innovation and higher investment risk with additional financial resources, assuming the function of a development bank. Up to 1.5% of the annual consolidated EBIT is available to the portfolio companies, in addition to the existing R&D budget, for such projects. The holding company's Board of Management approved EUR 3.0 million in internal development funds for innovation projects in 2018. At the end of the 2018 fiscal year, the holding company was providing support to a total of 18 innovation projects. Two projects that had been receiving support were also completed in 2018. The results of the projects are new products and solutions that are currently still being validated but that will be brought onto the market in 2019. Some projects, partially even before completion, generated contributions to sales of EUR 5.3 million in 2018.

ANNUAL COMPARISON OF INTERNAL FUNDS GRANTED FOR INNOVATION PROJECTS

2.2 EUR MILLION 2017

3.0 EUR MILLION 2018

The intention is to enable the portfolio companies to develop their innovation capabilities in a structured and effective manner. The holding company provides methodological support such as exchanging information and setting up a network. In 2018 the holding company provided such methodological support once more by working in an advisory capacity with several portfolio companies. In addition to methodological support in determining a direction for the innovation strategy, we also focused on innovation operationalization, using appropriate processes and structures. The results of these activities culminate in innovation projects for the portfolio companies that are financially supported by INDUS Holding AG.

Activities designed to build or strengthen networks, especially at the R&D level, also were continued and escalated. Working group meetings, for instance, were held regularly, covering the main topics "Additive manufacturing processes" (3D printing), current trends in the automotive sector, and IoT (Internet of Things) business models.

The cooperation with the Competence Center for Digitalization/Industry 4.0 with the Technical University of Munich and the cooperation with the EBS University for Economics and Laws were both amplified. Another cooperation was initiated in 2017 with the Institute of Dynamics and Vibration Research at Leibniz Universität Hannover. The results of this cooperation include studies and project work as accompanying measures for innovation projects as well as the inclusion of INDUS in the university's teachings, during seminars for instance.

OUTLOOK

In 2019, the focus will be on expanding the methodological support program to other portfolio companies. INDUS Holding AG also intends to increase the network and cooperation activities in certain areas in 2019. The PARKOUR strategy also includes plans to considerably increase the funds for supporting innovation projects (development bank).

INVESTMENTS

STRENGTHENING THE GROUP AND PORTFOLIO COMPANIES THROUGH ACQUISITIONS

To further expand the Group, INDUS Holding AG and the portfolio companies are constantly looking for financially healthy SMEs that have the ability to successfully develop in their markets on a long-term basis. At the holding company level, the Board of Management and the acquisition team follow a structured acquisition process.

STATUS QUO AND GOALS

Our portfolio is meant to represent a cross-section of successful production industries in the SME sector. For this reason, we look in particular for companies in economic fields that we have identified as the sectors of the future, such as, for example, Medical Engineering/Life Science. Within the target sectors, we watch market developments closely and continually refine our concrete acquisition profile, basing it in part on sustainability considerations. Pursuant to the PARKOUR strategy currently under development, for example, the Board of Management is focusing more intensely on the field of energy and environmental technology as an additional growth industry. We engage in an active risk management process before we acquire a company, studying not only the usual economic, technological and market-related risks but also the risk situation in such fundamental areas as the environment, employee concerns and compliance issues.

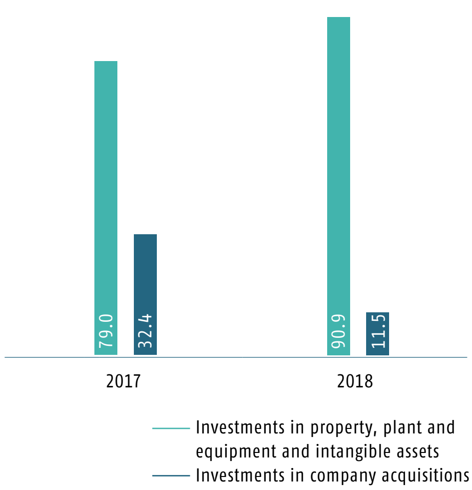
Another important factor we consider for an acquisition is reputation. The new company's image, core business and culture should add lasting value to the INDUS Group and have a positive effect on the attractiveness of INDUS for investors and potential sellers of companies.

In 2018, the portfolio company AURORA acquired ELECTRONIC EQUIPMENT, a strategic second-level addition. Other strategic additions were the acquisition of a retail company for medical aids by OFA and a manufacturer of air-conditioning devices by one of our other portfolio companies. We invested in total EUR 11.5 million in company acquisitions. Another EUR 90.9 million was invested in property, plant and equipment, and intangible assets. The acquisitions contributed 1.13% to our growth in sales.

OUTLOOK

In the 2019 fiscal year, we wish to successfully continue the holding company's acquisition strategy of the last several years. That means the direct acquisition of two to three growth companies by the holding company and up to four companies at sub-subsidiary level. We have allocated an investment budget of not less than EUR 50 million for this. As in the past, the new Group companies are expected to be viably positioned for the long term in terms also of sustainability considerations.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS, AND IN COMPANY ACQUISITIONS (in EUR million)



CONTACT FOR ISSUES RELATING TO CONTENT

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03 COMBINED MANAGEMENT REPORT

KEY FIGURES

KEY TOPICS	KEY FIGURES	UNIT	2018	2017	AUDITED
Investments	Direct acquisitions	number	0	2	
	Add-on acquisitions (on sub-subsidiary level)	number	3	0	
	Investments in company acquisitions	in EUR million	11.5	32.4	
	Investments in property, plant and equipment and intangible assets	in EUR million	90.9	79.0	
	Inorganic growth in sales	in %	1.1	3.1	
Innovation	Expenses for research and development	in EUR million	17.3	16.4	
	Approved internal subsidies for innovation projects	in EUR million	3.0	2.2	
	Current cooperative relationships with universities and research institutions	number	49	29	
	Received public subsidies for research projects	in EUR '000	624.8	283.4	
	Industrial property rights applied for in the year under review	number	233	241	
Internationalization	External sales in Europe (exclusive of Germany)	in %	22.4	22.9	
	External sales outside Europe	in %	26.2	27.3	
	Employees in Europe (exclusive of Germany)	in %	14.3	13.8	
	Employees outside Europe	in %	13.0	12.9	
Shareholder's role	Equity ratio	in %	41.3	40.8	
	EBIT margin	in %	7.9	9.3	
	Organic growth in sales	in %	3.2	10.5	
	Direct portfolio companies	number	45	45	
	Average length of time portfolio companies have been affiliated with the INDUS Group	in years	15.5	14.6	
	Total monetary value of significant fines (> EUR 10,000)	in EUR '000	0	86.5	
	Expenses for legal suits/action due to anti-competitive behavior, violations of anti-trust laws and monopoly legislation	in EUR '000	1.4	0	✓
	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)	in %	18.9	19.9	✓
	Number of all portfolio companies with SA 8000 certification (EFFAS S07-02 II)[1]	in %	0	0	✓
Personnel	Female executives (first and second management levels) (EFFAS S10-02)[2, 3]	in % of FTE	15.4	15.6	✓
	Female employees as a share of the total workforce (EFFAS S10-01)[2, 3]	in % of own FTE	31.4	31.3	✓
	Temporary workers as a share of the total workforce[2, 3]	in % of FTE	2.7	3.9	
	Trainees[3]	number	433	434	
	Participants in dual study programs[3]	number	82	65	
	Reportable accidents at work (exclusive of commuting accidents)	number	339	329	
	Fatal accidents at work (exclusive of commuting accidents)	number	0	0	
	Percentage of employees of INDUS Holding AG who have received its Code of Conduct	in %	100	100	
	Age structure and distribution (number of FTE by age group) (EFFAS S03-01)[3]	number in 10-year intervals	232/1722/2292* 2348/2524/722**	253/1629/2136* 2309/2356/664**	✓
	Average expenditure for training per FTE per year (EFFAS S02-02)[3]	in EUR	271.9	305.9	✓

KEY TOPICS	KEY FIGURES	UNIT	2018	2017	AUDITED
Social engagement	Legitimate complaints from the local area	number	0	1	
	Percentage of companies that cooperate with social institutions (workshops for disabled persons, etc.)	in %	30.6	42.0	
	Local donations and sponsoring (culture, education, sports, social affairs)	in EUR '000	280.9	243.4	
	Non-local donations and sponsoring (culture, education, sports, social affairs)	in EUR '000	201.1	190.1	
	Payments to political parties as percentage of total sales (EFFAS G01-01)	in %	0	0	✓
Resource efficiency	Holding company's Scope 1 emissions (EFFAS E02-01)[4]	in t CO_2e	162.8	154.2	✓
	Holding company's Scope 2 emissions (market-based, GHG Protocol Scope 2) (EFFAS E02-01)[4]	in t CO_2e	0	0	✓
	Holding company's Scope 2 emissions (location-based, GHG Protocol Scope 2) (EFFAS E02-01)[4]	in t CO_2e	51.2	56.1	✓
	Holding company's Scope 3 emissions[4]	in t CO_2e	127.0	437.0	
	Portfolio companies' Scope 1-3 emissions[4]	in Tt CO_2e	3,283.2	2,892.1	
	Portfolio companies' emissions intensity (Scope 1 & 2)[4, 5]	in t of CO_2e/EUR million value added	122.8	122.4	
	Waste intensity[5]	in t of CO_2e/EUR million value added	24.8	27.3	
	Total weight of waste (EFFAS E04-01)	in t	16,050.7	17,470.7	✓
	Share of total waste that is recycled (EFFAS E05-01)	in %	58.9	50.9	✓
	Total water withdrawal intensity[5,6]	in m^3/EUR million value added	1,023.6	708.2	
	Total energy consumption (EFFAS E01-01)	in MWh	225,657	218,904	✓

The scope of consolidation for sustainability reporting was expanded in 2018 to the IFRS scope of consolidation. Where this resulted in material changes to individual key figures, the prior-year figures were adjusted.
1) SA 8000 is an international standard designed to improve the working conditions of workers and defines minimum requirements on social and labor standards. | 2) The number of employees is expressed in full-time equivalents; part-time employees are accounted for proportionately according to the contractual work hours. | 3) Personnel numbers are reporting date figures on 12/31/2018 or 12/31/2017. | 4) Included in the calculation besides CO_2 were nitrous oxide (N_2O), methane (CH_4) and partly fluorinated hydrocarbons (F gases) | 5) Added value corresponds to unconsolidated gross added value (business performance minus material expenditure and other operating expenses) | 6) The water withdrawals also include withdrawals for ground water heat pump systems. These withdrawals are fed back into the supply locally.
* Aged under 20/between 20 and 29/between 30 and 39.
** Aged between 40 and 49/between 50 and 59/over 60.

EFFAS INDICATORS, LISTED IN THE GERMAN SUSTAINABILITY CODE, NOT REPORTED ON BY INDUS

KEY FIGURES	DECLARATION
EFFAS V04-12 Total investments in research on ESG-relevant aspects of business	Due to the portfolio companies' business models, R&D activities (usually development rather than research activities) are primarily reflected in the corresponding expenditure. Investments (in terms of expenses recorded as fixed assets) are generally very limited for R&D and only necessary once the developed products and solutions are industrially manufactured. This key figure is therefore of little importance at INDUS.
EFFAS E13-01 Improvement rate of product energy efficiency compared to previous year	This key figure can only be determined for some of the portfolio companies. The portfolio companies partially produce goods that either consume no energy during the use phase or will be processed further. The aggregated key figure is not meaningful for the INDUS Group and collecting this information would require considerable effort.
EFFAS S06-01 Percentage of total suppliers and supply chain partners screened for compliance in accordance with ESG criteria	There is currently no sufficient database available. The definition of ESG criteria for the supply chain is the responsibility of the portfolio companies. There are currently no Group-wide ESG criteria for the evaluation of partners and suppliers within the supply chain. It is thus currently not possible to determine a relevant key figure and, taking the findings of the materiality analysis into account, there are currently no efforts to obtain this figure.
EFFAS S06-02 Percentage of suppliers and supply chain partners audited for ESG compliance	There is currently no sufficient database available. The definition of ESG criteria for the supply chain is the responsibility of the portfolio companies. There are currently no Group-wide ESG criteria for auditing suppliers and partners within the supply chain. It is thus currently not possible to determine a relevant key figure and, taking the findings of the materiality analysis into account, there are currently no efforts to obtain this figure.

03

COMBINED MANAGEMENT REPORT

INTRODUCTION TO THE GROUP

INDUS is a financial holding company with a portfolio of 45 SMEs based in German-speaking Europe. 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 investments has gradually increased since its founding in 1989. As of the reporting date, its portfolio comprised 45 companies (previous year: 45). In total, 189 fully consolidated enterprises (previous year: 187) belong to the INDUS Group.

All direct INDUS investments have their registered seats in Germany (41) or Switzerland (4). The INDUS Group has a global presence through sub-subsidiaries, branches, portfolio companies and representative offices in 30 countries on five continents. All foreign companies are managed directly by the portfolio company they belong to. The direct portfolio companies in Switzerland are also responsible for their own companies abroad. Detailed information on the portfolio companies may be found in the list of shareholdings.

INDUS has been a listed company since 1995. Its 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 turn-around investors in particular, who as a rule limit their financial involvement to brief periods. Among both listed and unlisted German holding companies, INDUS sees itself as one of the leading companies.

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. On July 1, 2018, the long-serving Chairman of the Board of Management Jürgen Abromeit resigned from the Board of Management, handing over the reins to his colleague on the Board of Management, Dr. Johannes Schmidt. Dr. Jörn Großmann joined the Board of Management on January 1, 2019. His areas of expertise are technology and innovation. The Board of Management now consists of Dr. Johannes Schmidt (Chairman), Dr. Jörn Großmann, Axel Meyer and Rudolf Weichert. As of the reporting date, the holding company had 31 employees, not including the Board of Management (previous year: 30). These employees report directly to the Board of Management. They are all employed by INDUS Holding AG and work at the company's headquarters.

BUSINESS MODEL: "BUY, HOLD & DEVELOP"

INDUS acquires only majority interests in other 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. The Group primarily acquires owner-managed companies. Continuity and the company's identity as an SME are secured with the transfer of ownership. In the best case scenario, the company's former owners remain as managing directors 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 fields. This results in a high level of diversification in the Group's portfolio. With their respective core capabilities the companies as a rule occupy market niches of great interest for their sector, in which they assume a leading position. Ideally, an INDUS portfolio company fulfills 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 investment particularly in innovation, internationalization and company acquisitions at sub-subsidiary level. Another area where INDUS provides specific support are projects that focus on expanding 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's business model can be summarized as "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 a financially strong partner at their side. With their equity investments in a managed investment portfolio in the otherwise little-accessible SME business segment, 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 as compared to 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 facing 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 may mean adapting business models and a corresponding 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.

Also important for the corporate success of INDUS are the developments in the capital markets: The situation in the stock exchanges and general interest rate trends determine the terms on which INDUS is able to secure equity and outside 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 (including potential escalation of the trade war sparked by the USA, Brexit, the known Middle East crises, Italy's economic position as an important EU member) leads to a fragile situation overall, with additional risks for the macroeconomic environment. Group companies are attempting to mitigate these risks by considering affected markets during their entrepreneurial decisions.

PORTFOLIO

45 COMPANIES IN FIVE SEGMENTS

The portfolio consisted of 45 portfolio companies on the reporting date. These companies are allocated to five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science and Metals Technology. In fiscal year 2018, 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	358.7	391.0	387.0	154.3	420.0
Operating result (EBIT)	49.8	-4.3	52.2	17.3	28.3
Companies	11	9	11	5	9
Employees	1,839	3,524	2,027	1,687	1,602

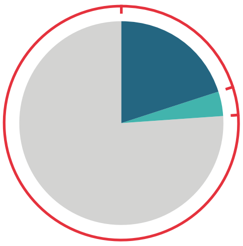
PORTFOLIO STRUCTURE BY NUMBER OF YEARS WITH THE GROUP

Three quarters of the portfolio companies have belonged to the INDUS Group for more than ten years. Three portfolio companies have been in the INDUS portfolio for between five and ten years and seven of the 45 portfolio companies have been acquired in the past five years.

PORTFOLIO STRUCTURE BY SALES

The portfolio companies' annual sales figures range from just under EUR 10 million to more than EUR 100 million. Roughly 60% of the portfolio companies generate annual sales figures of at least EUR 25 million. Just one-fifth generate annual sales figures below EUR 15 million.

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

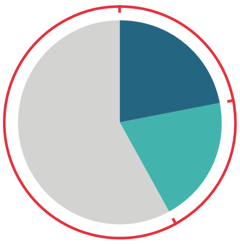


1 TO 5 YEARS
15 / 7

5 TO 10 YEARS
7 / 3

MORE THAN 10 YEARS
78 / 35

PORTFOLIO STRUCTURE BY SALES (in %)



UP TO EUR 15 MILLION
20

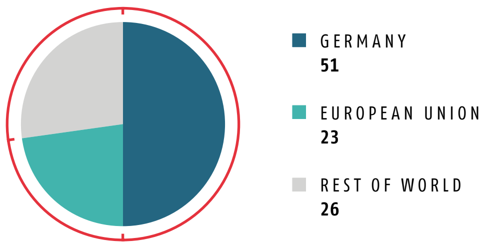
EUR 15 MILLION TO EUR 25 MILLION
20

OVER EUR 25 MILLION
60

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 23% of their revenue in the EU exclusive of Germany and 26% elsewhere abroad. 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 2018

In the last fiscal year, three INDUS portfolio companies announced acquisitions:

- AURORA acquired electronics specialist ELECTRONIC EQUIPMENT B. V., with registered office in Weert, Netherlands, in January. The company produces custom electronic control components for applications in the automotive, lighting and packaging industries.
- Effective August 1, 2018, OFA Bamberg acquired the activities of a retail company for medical aids in Southern Germany.
- Another INDUS portfolio company acquired a renowned supplier of high-quality air conditioners in July. With this acquisition, the portfolio company, which is allocated to the Construction/Infrastructure segment, has secured a strategic sales expansion in the high-margin refrigeration/air conditioning field.
- In line with its tiered transaction model, INDUS acquired the remaining shares of ROLKO Kohlgrüber GmbH (25%), IEF-Werner (25%) and RAGUSE (20%) as planned in fiscal year 2018.
- In addition, the INDUS portfolio company BUDDE Fördertechnik acquired the remaining shares of PROVIS Steuerungstechnik GmbH (25%).

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

TARGETS AND STRATEGY

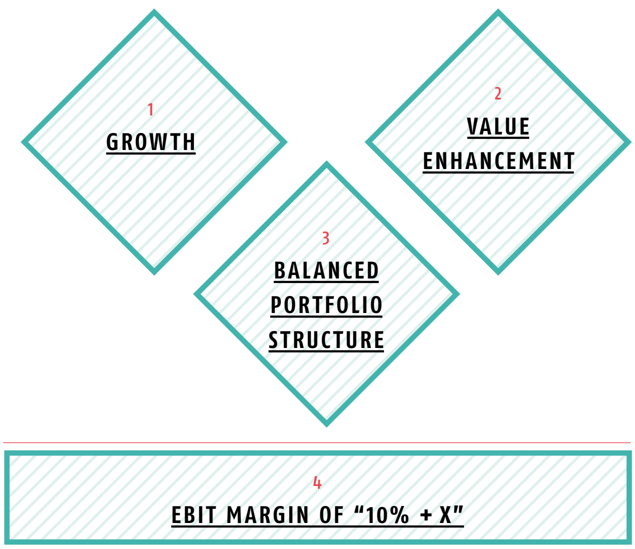
GOALS

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. On average, the Group has consistently increased income over the past years. The target 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.

INDUS GOALS



BALANCED PORTFOLIO STRUCTURE

Inorganically, the INDUS Group will grow particularly through direct acquisitions in defined growth industries: INDUS is constantly assessing buying options for other profitable industrial companies 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.

INDUS applies definite investment criteria when acquiring companies for the portfolio: It continues to focus on successful manufacturing companies in the German-speaking SME sector 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 in their acquisition. INDUS considers it important that the senior management and executives are retained at the portfolio companies beyond the purchase date. Purchase contracts are drafted in such a way that INDUS has access to the remaining shares left by the former company owner when he leaves the company's management at conditions clearly defined in advance.

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-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 at the time of INDUS's 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.

A PREDICTABLE DIVIDEND

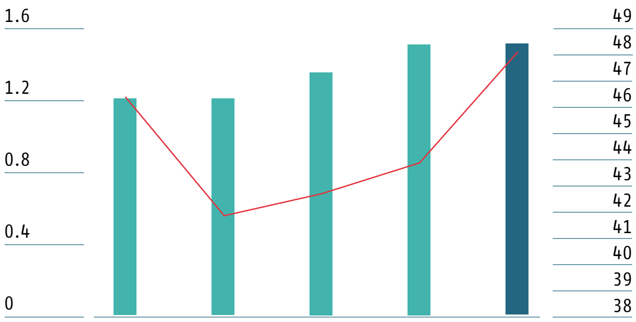
As owners, the shareholders are entitled to share in the success of their company through calculable profit distributions. To that end INDUS provides for regular payment of a dividend. The average target value of the dividend proposed by the Board of Management and Supervisory Board amounts to between 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.

STRATEGY

PARKOUR: TACKLING GLOBAL OBSTACLES SUCCESSFULLY

The INDUS Group developed very well under the COMPASS 2020 strategy program adopted by the Board of Management in 2012. All decisive targets were achieved or exceeded. The new strategy program PARKOUR builds on the successful elements of COMPASS 2020, acknowledges changes in framework conditions and focuses on the further development of the INDUS Group until 2025.

DIVIDENDS PER SHARE* WITH PAYOUT RATIO FROM 2014 TO 2018 (in EUR/in %)



	2014	2015	2016	2017	2018**
	1.20	1.20	1.35	1.50	1.50
	46.5	41.9	42.7	43.9	48.0

—— Payout Ratio
* Dividend payment of the fiscal year concerned.
** Subject to approval at Annual Shareholders' Meeting on May 29, 2019.

INDUS's core task as portfolio manager in future 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.

The strategy comprises in essence three levers:

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

1. STRENGTHENING PORTFOLIO STRUCTURE

The Board of Management is aiming to modernize the portfolio structure so INDUS can continue to reach its profitability targets in future. The aim is to have the INDUS portfolio represent a cross-section of the growth industries that are relevant for the Group. To this end, the Board of Management has defined six growth industries that will be prioritized during acquisitions:

THE PREFERRED SIX INDUSTRIES OF THE FUTURE 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.

PARKOUR also 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.

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's margin targets for the foreseeable future. In addition to asking ourselves whether a company can deliver an EBIT contribution that is satisfactory for INDUS, another question we ask is whether another owner could offer the company and its employees better development opportunities in the long term. That is why INDUS is examining whether an exit might be the best solution in individual cases for companies in this segment.

In line with INDUS's strategy, however, disposing of companies will remain an exception and is not part of the business model.

The portfolio companies' investment strategies as they apply to the acquisition of strategic additions at sub-subsidiary level vary by company and are linked to the individual portfolio company. PARKOUR includes plans for three to four strategic additions at portfolio 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 some successful 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 will therefore double the annual budget of up to 3% of the consolidated EBIT for this purpose. In addition to product innovations, INDUS is also increasingly looking into service and business process innovations.

Innovation tool box: 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 for the portfolio companies connections to other companies within the Group and 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 focus on added value in all tasks.

Order entry: INDUS provides advice and support for gaining customer orders through strategic marketing and in sales. The support offer includes market and competition analyses, advice concerning the structure of the sales organization, optimizing product and service pricing, and organizing 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 aimed at tapping into new markets worldwide.
— Providing funds for the construction and expansion of international production and distribution facilities.
— Assistance with internationalization from INDUS through the clarification and handling of legal issues, the expansion of networks and the establishment of local organizational structures.

MANAGEMENT CONTROL

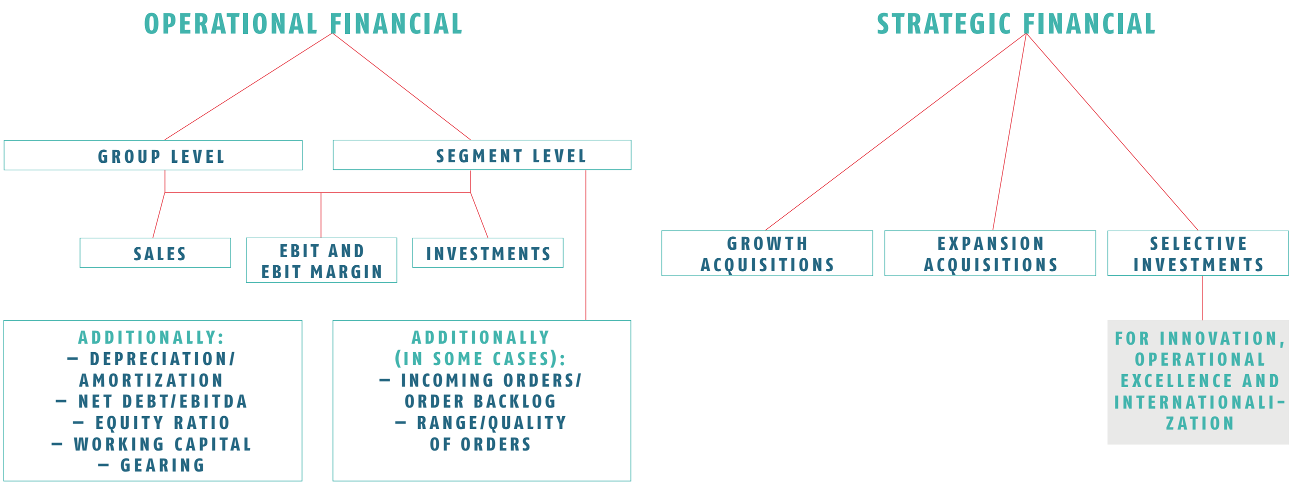
TARGETED ADVICE AND ACTIVE REPRESENTATION OF THE OWNER'S INTERESTS

As a financial holding company, INDUS actively represents its interests as owner by providing advice and assisting the companies in their development. The primary aims are to take advantage of existing opportunities, generate new opportunities, prevent damage to the Group, and protect the development of assets over the long term.

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.

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.

INFORMATION AND CONTROL BASIS



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.

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

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. Once a year a formal discussion is held between the entire Board of Management and individual managing directors. INDUS's role here is specifically that of a strategic discussion partner.

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 liabilities and then communicates the consolidated planning and expectations to INDUS's shareholders and creditors. The business objectives of INDUS Holding AG are thus based primarily on annual targets set by the portfolio companies.

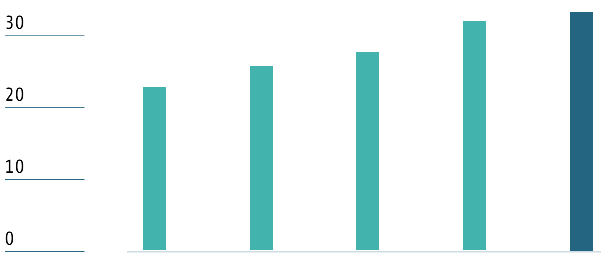
NON-FINANCIAL PERFORMANCE INDICATORS

EMPLOYEES

IN THE FINANCIAL HOLDING COMPANY: A TEAM OF SPECIALISTS FOR EFFICIENT SUPERVISION OF THE PORTFOLIO COMPANIES

At the end of fiscal year 2018, the holding company had 31 employees (previous year: 30), not counting the members of the Board of Management. It is in INDUS's interest 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)

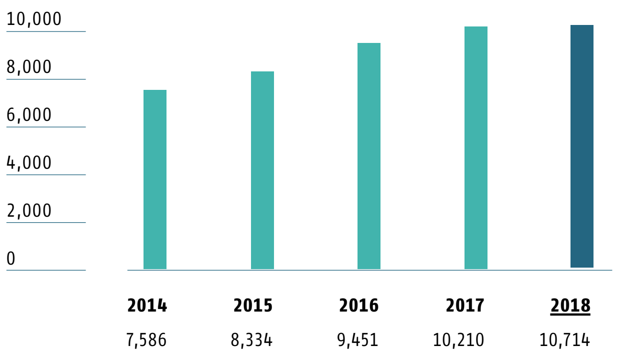


2014	2015	2016	2017	2018
21	24	26	30	31

WITHIN THE GROUP: CULTIVATION OF AN SME-APPROPRIATE CULTURE

The INDUS Group had an annual average of 10,714 employees (previous year: 10,210). 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 433 trainees were employed throughout the Group in 2018 (previous year: 434); this equates to a trainee ratio of 4.0% (previous year: 4.3%).

EMPLOYEES IN THE 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 embody and are strategically well positioned in their markets, lies 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 digital transformation: INDUS keeps extensive funds in reserve for its portfolio companies that the latter can use to advance new ideas. It seeks to promote in particular innovation activities that may be described as "disruptive". These aim to develop fundamentally new technologies that are not yet in use in an industry or market environment. Disruptive innovations tend to promise above-average earnings opportunities.

Knowledge platform & methodological support: Many of the INDUS portfolio companies are focusing their development resources on continuous (incremental) development of existing product programs. To support this important element in their development work, too, INDUS maintains a knowledge platform for innovation and technology management. The portfolio companies can make use of this platform to satisfy their own individual requirements. For example, INDUS has offered its portfolio companies what it refers to as a "tool box". The underlying concept for it signifies methodical assistance in detecting opportunities for innovation.

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 and mutual inspiration. INDUS also helps set up helpful 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 AT THE PORTFOLIO COMPANIES UP AGAIN

The INDUS Group's research and development activities are reflected in the following figures: Expenses for R&D activities recognized in the INDUS Group's consolidated financial statements for 2018 amounted to EUR 17.3 million (previous year: EUR 16.4 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 of their own.

The portfolio companies are currently well positioned with their own potential. Successful development partnerships are in place with both customers and suppliers.

Cooperation with research institutes and universities is also being expanded in the companies' development activities. Some Group companies are already collaborating closely with prominent organizations. 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

SUSTAINABILITY IS AN INTEGRAL COMPONENT OF THE INDUS BUSINESS MODEL

When it comes to sustainability, the holding company and the portfolio companies share a canon of values. It is our shared conviction that sustainable conduct is directly and indirectly conducive to entrepreneurial success. These are the key points of INDUS's point of view:

— Economically reasonable conduct creates long-term stability.
— Social fairness fosters cooperation.
— Heeding environmental factors avoids secondary costs.
— Compliance with agreements and rules strengthens trust.

Economically, INDUS uses traditional economic key figures, thus consciously aligning itself with conservative/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. 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 expressed in corresponding commitments pursuant to company-specific codes of conduct and in concrete measures for cultivating and improving various social aspects. Ecologically, INDUS has been improving transparency step by step over the last years, and is supporting portfolio companies in their efforts to conserve resources, for example by making funds available for efficiency measures. 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.

INDUS will again publish a non-financial report for the INDUS Group for the period to December 31, 2018. 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 two management and supervisory bodies 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 Responsibility/Corporate Governance. The information provided corresponds to the requirements in clause 3.10 of the German Corporate Governance Code and Sections 289f (1) and 315d of the German Commercial Code (HGB).

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 November 29, 2018. 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 "Responsibility/Corporate Governance".

REPORT ON THE ECONOMIC SITUATION

INDUS recorded a solid business performance in 2018, albeit with occasional downturns. Sales increased by 4.3% to EUR 1.71 billion. Operating income was negatively impacted by goodwill impairment of EUR 16.1 million and a known downturn in the Automotive Technology segment. Overall therefore operating income including impairment amounted to EUR 134.7 million. Before impairment, operating income totaled EUR 150.8 million, slightly down from the prior-year figure of EUR 152.9 million. The Group attained an operating EBIT margin of 7.9% and excluding impairments 8.8%. The ongoing excellent performance of the Construction/Infrastructure and Engineering segments deserves a special mention. In the Automotive Technology segment, companies continued to struggle against the increasing pressure on margins in the automotive sector and a severe downturn in income at one series supplier in the second half of 2018.

CHANGES IN THE ECONOMIC ENVIRONMENT

MACROECONOMIC TRENDS

GLOBAL ECONOMIC EXPANSION SLOWS OVER THE YEAR

Global economic growth slowed down in 2018. With total growth of 3.7%, the growth rate was on a par with the previous year (2017: 3.7%), but the global economy lost momentum in the second half of the year. Two material causes were the increasing trade conflicts and the tightening of monetary policy in the United States. The latter caused a reversal in international capital flows, which put the brakes specifically on expansion in emerging economies. Following a moderate start in the first quarter, global production experienced a strong upswing in the summer months, but from the third quarter it subsided once more. The bleaker economic outlook in China also contributed to the decline.

While the previous year was marked by economic synchronicity across all countries, the situation in 2018 was more variable: while the growth rate in the United States picked up once more as a result of fiscal policy, the economies in the euro area and Japan lost momentum. The same was observed in the emerging economies: while production expansion in a number of Asian countries, Russia and parts of Latin America only declined slightly, Argentina and Turkey slipped into recession.

The pace of growth in the advanced economies declined over the course of 2018. This was particularly due to the slowdown in the second half of the year. The U.S. economy, on the other hand, proved comparatively stable with demand growing continually. In Japan, both domestic and external demand weakened unexpectedly. One thing that affected the economy in the euro area was the decline in automotive production, resulting from the introduction of new standards for measuring exhaust fumes. Production declined in the UK once more against the already low level recorded in the previous year.

Despite the fact that emerging countries' economies faced pressure in 2018, they proved relatively stable. Production only declined slightly, with the exception of Argentina and Turkey. In the Asian countries, growth rates remained high overall despite slight declines. In India the rate even climbed. Production in Russia continued to show clear increases. Production in Brazil began to climb again, albeit from a low level.

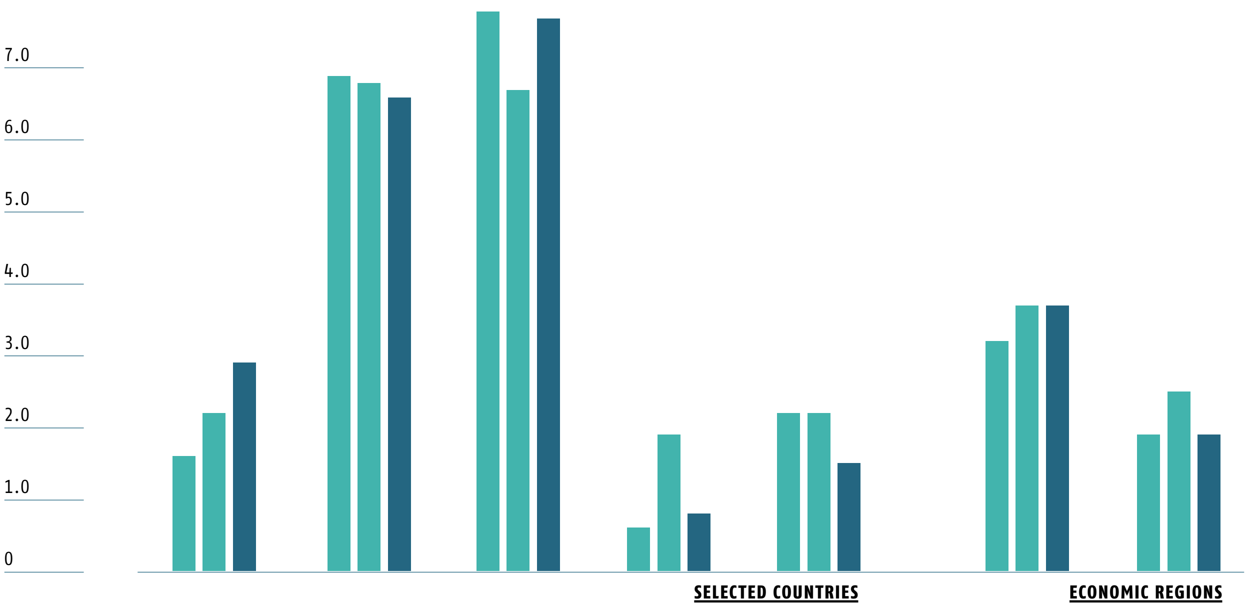
GROWTH IN GERMAN ECONOMY SLOWS

In 2018, the German economy continued the upward trend observed in the past years, but growth is increasingly starting to falter. The economic performance declined for the first time in three years in the third quarter. The reasons were temporary in nature – production disruptions in automotive construction, of particular importance to Germany, and transport difficulties on internal waterways – but amid high capacity utilization, companies are increasingly struggling to continue expanding production at the same fast pace. This is particularly obvious in the construction industry. Over the full year, calendar-adjusted gross domestic product increased 1.5%, 0.7 percentage points below the previous year's figure.

The drop in automotive manufacturing didn't just affect up and downstream industries, but also the domestic and external user components of consumption, capital expenditure and exports. Private household spending was restrained, despite rising incomes. Expenditure increased by 1.1% (previous year: 1.8%). Companies, too, increased capital expenditure by 2.3% but acted slightly slower than in the previous year (2017: 2.9%). Exports rose 2.0% in 2018 (previous year: 4.6%). Exports to the UK and Russia, however, declined markedly, while goods shipped to the United States and China increased significantly. Imports also increased more slowly than in the previous year at 3.3% (previous year: 4.8%).

The unemployment figure declined once more in 2018, falling to 5.2% (previous year: 5.7%) and the trend continues towards further decline. This occurred alongside an increase of 565,000 in the domestic labor force. Consumer prices rose by an average of 1.9% over the year (previous year: 1.8%).

ECONOMIC TENDENCIES: CHANGE IN GROSS DOMESTIC PRODUCT (GPD), ANNUAL GROWTH (2016–2018) (in %)



	USA	China	India	Japan	Germany	Global economy	Euro area
2018 (preliminary)	2.9	6.6	7.7	0.8	1.5	3.7	1.9

Source: Kiel Institute for the world economy; values for Germany adjusted for calendar and seasonal effects

FINANCIAL MARKETS STABLE, STOCK MARKETS INCREASINGLY VOLATILE

The slight decline in economic momentum was reflected in the developments on the financial markets from the middle of the year. Political factors also began to weigh heavier on the financial markets again recently: in Europe this included Italy's government disregarding fiscal rules, and the difficult situation in Turkey and the growing tensions regarding trade with the United States. The global financial system proved robust once more, however, in 2018. The American Federal Reserve Bank continued with its interest policy from the end of 2015 and increased its base rate further in four steps in the past year, with the last base rate ranging between 2.25% and 2.50%. The European Central Bank ECB stuck to its low interest rate phase. The deposit facility rate remained at -0.4% throughout the year.

Economic uncertainties were reflected on the international capital markets, particularly the stock markets, through high levels of volatility. The main indexes partially showed strong declines viewed over the full year. Over the course of the year, the Dow Jones lost 6.2% and the DAX tumbled 18.3%. The MSCI World Index, which includes the most important exchanges, declined 11.4% over the year.

The euro depreciated from USD 1.20 to USD 1.14 over the year. The base rate rise in the United States, the economic slowdown in the euro area and Italian fiscal policy all had an impact on the currency. The yield on 10-year German federal bonds fluctuated sharply in 2018 between 0.76% in February and 0.15% at the end of the year.

CHANGES IN THE INDUSTRIAL ENVIRONMENT

GERMAN INDUSTRIAL PRODUCTION: TRENDING UPWARD, BUT MOOD BECOMING GLOOMIER

The German industry continued to grow in 2018, but development was hampered by the difficult external environment and the temporary one-off effects in the automotive industry. Incoming orders, for instance, climbed, but not at the same rate as in 2017. Internal and euro-area demand was weaker than demand from third countries. Adjusted for calendar and seasonal effects, incoming orders even declined 1% against the previous quarter in the third quarter. At -1.6%, the result came in negatively for the first time in two years in a year-on-year comparison. In the individual main industrial goods groups, the manufacturers of intermediate goods received 1.6% fewer orders in the third quarter of 2018 than in the same quarter of the previous year. Despite this slowdown, the Federation of German Industries (BDI) anticipates a 2.5% increase in production in the German manufacturing sector in 2018.

CONSTRUCTION AND INFRASTRUCTURE: SECTOR CONTINUES TO GROW

The construction boom continued unabated in 2018. According to estimates from the Hauptverband der Deutschen Bauindustrie (HDI), sales in the main construction sector climbed a solid 2% (6.5–7% nominally) in 2018. The sector recorded no breaks in any quarter: between January and August, price-adjusted incoming orders grew 3%, the total volume of building permits (construction cost quotes) rose 10.6% nominally in the same period against the previous year. Simultaneously, the highest order backlog ever recorded occurred mid-year at EUR 48 billion. This development continued without interruption into the fall. Following many years of reluctance to invest, the federal government, states and municipalities all recorded marked growth in building activity. The federal government was the first to act, increasing investments and investment subsidies in federal highways, railways, waterways and combined traffic from EUR 10.3 billion to EUR 13.3 billion between 2014 and 2017. The average number of employees for the year was approx. 832,000. That represents a 20,000 or 2.5% increase against the previous year. And the situation on the labor market for construction is becoming more tense. In the first three quarters of 2018, there were just 1.3 unemployed skilled construction workers per vacancy, and for construction engineers there were even two vacancies for each unemployed worker. Companies in the main construction sector have been turning to the European construction labor market for some time.

VEHICLE MARKET: STABLE SALES DEVELOPMENT FOR GERMAN MANUFACTURERS

German manufacturers increased international production by 1% to 12.4 million cars in the first nine months of the year. This is despite the changes to test procedures for exhaust emissions (WLTP) for all new cars registered in the EU from August 1, 2018, and the resulting delivery problems. This growth is thanks primarily to a 6% increase in manufacturing abroad. Domestic production on the other hand declined by 8% between January and September. The German automotive sector recorded a 9% decrease in domestic car manufacturing for the whole of 2018. German car exports tumbled 20% to 4.0 million cars. The effects of the diesel scandal on the German car market, on the other hand, remained limited: as in the previous year, car sales came to 3.4 million vehicles. Every third new car registered was a modern Euro 6 diesel vehicle. Performance varied on the global automotive markets in 2018: The European car market (EU28+EFTA) maintained the high level of the previous year (+/-0%), while the United States even recorded a slight increase (+0.5%). The Brazilian and Russian markets achieved solid growth (+13.8% and +12.8%). India also recorded an increase (+5.1%). China, with its high market volume, recorded a decrease for the first time (-3.8%).

ENGINEERING: SECTOR CONTINUES TO GROW

In line with expectations at the beginning of the year, the German engineering sector continued to grow in 2018. According to information from the trade association Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA), sales in this sector increased by 5% to EUR 228 billion over the course of the year, making 2018 the second consecutive year of growth. After the first ten months, mechanical engineering registered a 3.7% increase in production. Incoming orders in the mechanical engineering sector achieved a 7% increase by October in comparison with the previous year. Mechanical engineering exports in Germany increased 5.2% nominally to EUR 131.9 billion in the first nine months of the year in comparison with the previous year. East German mechanical engineering companies in particular laid down a solid sprint to the end of the year. China and the United States remain the most important export markets. The number of employees in this sector increased further to more than 1.3 million people in 2018, whereby the engineering sector remains Germany's largest industrial employer. Bottlenecks in the supply chain and on the labor market continued to cause difficulties for companies in this sector.

MEDICAL ENGINEERING/LIFE SCIENCE: ONGOING GROWTH, FURTHER INCREASES IN GERMANY

According to the trade association Bundesverband Medizintechnologie (BVMed), international sales increased once more by almost 6% in the medical engineering sector in 2018. The domestic market recorded a 4.2% increase (previous year: +2.8%). This marks a return to the better performance seen in the years 2015 and 2016. The profit situation in the companies remained strained due to falling prices (low reimbursement levels) and rising costs (stricter regulatory requirements). With its higher requirements, the EU medical device regulation (MDR) in particular has made many companies consider removing numerous products from the market for economic reasons, or to cancel market launches of new products. Despite the ongoing pressure on prices, companies continued to increase investment in their German production locations. More funds also flowed into research again, with the aim of increasing companies' competitiveness. Companies in Germany again benefited from highly qualified staff and the high level of benefits in their locations. This was offset somewhat by the low level of reimbursement and low research subsidies.

METALS TECHNOLOGY: SECTOR CONTINUES TO GROW AT SLOWER PACE

The metals and electronics industry continued to grow in 2018. According to preliminary sector statistics, production grew by between 2.0% and 2.5% in real terms. This, however, puts the increase at least one percentage point below the previous year's figure. The reason for the faltering increase was slow periods in the third quarter. Incoming orders and production picked up again in October and showed signs of stabilizing in the fourth quarter. As far as individual sectors are concerned, however, recovery was heterogeneous: while incoming orders in the Automotive Technology segment picked up considerably in October, orders in metal processing and mechanical engineering continued to decline. Employment rates remained intact. Unit labor costs increased 3.6% between January and September against the previous year. Labor costs also continued to climb. On the sales side, prices rose more slowly, resulting in the companies' earning power declining slightly.

PERFORMANCE OF THE INDUS GROUP

THE BOARD OF MANAGEMENT'S OVERALL ASSESSMENT

SOLID BUSINESS PERFORMANCE WITH OCCASIONAL DOWNTURNS

The INDUS Group clearly achieved its sales targets in the 2018 fiscal year. Sales climbed a good 4.3% to EUR 1.71 billion, putting it above the forecast range of EUR 1.65–1.70 billion. Organic growth in sales was 3.2%.

Operating income (EBIT) before goodwill impairment remained below expectations. At EUR 150.8 million it was slightly under the previous year's figure of EUR 152.9 million. The main reason for the slight discrepancy from the EBIT forecast (before impairment) was the downturn in the Automotive Technology segment, which was unexpectedly considerable in the second half of 2018 due to contracts ending and decreasing call-off figures. Taking the EUR 16.1 million impairment loss on goodwill in the Automotive Technology and Metals Technology segments into consideration, operating income (EBIT) amounted to EUR 134.7 million. The non-cash impairment losses occurred over the course of the annual planning process and reflected the declining future expectations for three INDUS portfolio companies. The INDUS Group's EBIT margin was 8.8% and 7.9% after

TARGET – ACTUAL COMPARISON

	ACTUAL 2017	2018 PLAN	ACTUAL 2018	ATTAINMENT LEVEL
GROUP				
Acquisitions	2 growth acquisitions	2 growth acquisitions	2 complementary additions at sub-subsidiary level	not achieved
Sales	EUR 1,640.6 million (+13.6%, of which 10.5% organic)	EUR 1.65–1.70 billion	EUR 1.71 billion (+4.3%, of which 3.2% organic)	achieved in full
EBIT	EUR 152.9 million	EUR 154–160 million	EUR 134.7 million (before impairment EUR 150.8 million)	not achieved
Investments in property, plant and equipment and intangible assets	EUR 79.0 million	EUR 88 million	EUR 90.9 million	achieved in full
Equity ratio (in %)	40.8%	>40%	41.3%	achieved in full
Net debt/EBITDA	1.9 years	between 2.0 and 2.5	2.2 years	achieved in full
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 330.4 million	slight increase in sales	EUR 358.7 million	better than expected
EBIT	EUR 49.4 million	proportional increase in earnings	EUR 49.8 million	not achieved
EBIT margin (in %)	15.0%	13-15%	13.9%	achieved in full
Automotive Technology				
Sales	EUR 394.1 million	no change	EUR 391.0 million	almost achieved
EBIT	EUR 14.7 million	perceptible increase in earnings	EUR -4.3 million (before impairment EUR 5.2 million)	not achieved
EBIT margin (in %)	3.7%	5-7%	-1.1% (before impairment +1.3%)	not achieved
Engineering				
Sales	EUR 375.1 million	slight increase in sales	EUR 387.0 million	achieved in full
EBIT	EUR 53.5 million	proportional increase in earnings	EUR 52.2 million	not achieved
EBIT margin (in %)	14.3%	12-14%	13.5%	achieved in full
Medical Engineering/Life Science				
Sales	EUR 155.2 million	slight increase in sales	EUR 154.3 million	not achieved
EBIT	EUR 20.8 million	no change	EUR 17.3 million	not achieved
EBIT margin (in %)	13.4%	13-15%	11.2%	not achieved
Metals Technology				
Sales	EUR 385.6 million	slight increase in sales	EUR 420.0 million	better than expected
EBIT	EUR 24.2 million	perceptible increase in earnings	EUR 28.3 million (before impairment EUR 34.9 million)	achieved in full
EBIT margin (in %)	6.3%	8-10%	6.7% (before impairment 8.3%)	achieved (without impairment)

impairment. This is a noticeable decrease in comparison with the previous year (9.3%) and an unsatisfactory result in light of our target margin of "10% + X".

Looking at the individual segments, the Construction/Infrastructure and Metals Technology segments have recorded an increase in income. Both were able to achieve their target margins with 13.9% and 8.3% respectively (before impairment). The Engineering segment was also within the target range with a margin of 13.5% for the past fiscal year. The segment was not quite able to match the outstanding income generated in 2017, however. Despite a solid margin level (11.2%), income in the Medical Engineering/Life Science segment was again negatively affected by increasing competition and the EU Medical Devices Directive regulations. The Automotive Technology segment did not attain the target figures for 2018. The pressure on margins in the automotive sector and a severe downturn in income at one series supplier in the second half of the year squeezed the operating margin to 1.3% before impairment. In addition, the ongoing repositioning process at one portfolio company is still impacting figures in this segment. The simultaneous operational correction process is on schedule as is the repositioning project in the Metals Technology segment.

INDUS was able to complete two strategically sound complementary additions in 2018: AURORA acquired electronics specialist ELECTRONIC EQUIPMENT B.V., based in Weert (Netherlands) in January, and another INDUS portfolio company was able to acquire a renowned air-conditioning supplier in July. Effective August 1, 2018, OFA Bamberg was also able to acquire the operations of a retail company for medical aids in Southern Germany.

Investments in property, plant and equipment, and intangible assets were increased once more in 2018. At EUR 90.9 million INDUS portfolio companies invested more in the last year than ever before.

The Group's financial position remained very stable in 2018. At 41.3% the Group's equity ratio significantly exceeds the lower target ratio of 40% and is slightly higher than the previous year's figure of 40.8%. 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 2.2 years (previous year: 1.9 years) and was within the stipulated target range of 2 to 2.5 years.

Despite the fact that the INDUS Group's total comprehensive income was noticeably influenced by negative developments in the Automotive Technology segment, the large majority of INDUS portfolio companies are doing well to very well. These companies are perfectly positioned for further success in 2019. Parallel to the search for new portfolio companies, the INDUS Board of Management will concentrate on increasing operational excellence in the portfolio companies and supporting the development of innovations in 2019. The new strategy program PARKOUR was developed for this purpose and will be implemented in the coming years.

Non-financial performance indicators are not used as management variables by the Group.

GROUP'S EARNINGS PERFORMANCE

4.3% INCREASE IN SALES

INDUS Group sales rose 4.3% to EUR 1,710.8 million in the fiscal year. Organic growth amounted to 3.2% while inorganic growth amounted to 1.1%. The growth in sales is attributable to approximately 75% of the INDUS portfolio companies. Some companies in the Automotive Technology segment (series suppliers) and two large-scale plant manufacturers were not able to achieve the high level of sales achieved in the prior year. The inorganic part consisted of sales from two new acquisitions at sub-subsidiary level and the inorganic partial sales contributions of two new acquisitions in 2017 (M+P INTERNATIONAL and PEISELER).

The cost of materials developed at a disproportionately higher rate and increased by 8.8% to EUR 811.9 million, as compared to the previous year (previous year: EUR 745.9 million). This is due to the increased expenditure on raw materials, consumables, and supplies, specifically the materially

CONSOLIDATED STATEMENT OF INCOME (in EUR million)

				DIFFERENCE 2018 TO 2017	
	2018	**2017**	**2016**	**ABSOLUTE**	**IN %**
Sales	**1,710.8**	**1,640.6**	**1,444.3**	**70.2**	**4.3**
Other operating income	20.6	16.5	20.2	4.1	24.8
Own work capitalized	7.8	5.1	6.2	2.7	52.9
Changes in inventory	35.1	5.2	11.1	29.9	>100
Overall performance	**1,774.3**	**1,667.4**	**1,481.8**	**106.9**	**6.4**
Cost of materials	-811.9	-745.9	-648.7	-66.0	-8.8
Personnel expenses	-506.6	-479.6	-430.2	-27.0	-5.6
Other operating expenses	-237.7	-228.0	-203.5	-9.7	-4.3
Income from shares accounted for using the equity method	0.1	1.1	1.0	-1.0	-90.9
Other financial income	0.2	0.3	0.5	-0.1	-33.3
EBITDA	**218.4**	**215.3**	**200.9**	**3.1**	**1.4**
Depreciation/amortization	-83.7	-62.4	-56.0	-21.3	-34.1
Operating income (EBIT)	**134.7**	**152.9**	**144.9**	**-18.2**	**-11.9**
Net interest	-20.0	-23.7	-21.5	3.7	15.6
Earnings before taxes (EBT)	**114.7**	**129.2**	**123.4**	**-14.5**	**-11.2**
Taxes	-43.5	-46.1	-43.0	2.6	5.6
Earnings after taxes	**71.2**	**83.1**	**80.4**	**-11.9**	**-14.3**
of which attributable to non-controlling shareholders	0.3	0.7	0.4	-0.4	-57.1
of which attributable to INDUS shareholders	70.9	82.4	80.0	-11.5	-14.0

higher raw material prices and in particular for metals. The cost-of-materials ratio increased 2.0 percentage points to 47.5% (previous year: 45.5%).

Developments in personnel expenses increased slightly disproportionately to sales and climbed 5.6% to EUR 506.6 million. One reason for this was increases resulting from collective wage agreements completed in the previous year. In relation to sales, the personnel expense ratio climbed just 0.4 percentage points to 29.6% (previous year: 29.2%).

In connection with the increase in business volume, other operating expenses also rose by 4.3% to EUR 237.7 million. Freight charges and maintenance expenses for machines increased in particular.

Deducting expense items resulted in operating income before depreciation/amortization (EBITDA) of EUR 218.4 million. As compared to the previous year, EBITDA increased by EUR 3.1 million (1.4%). At EUR 83.7 million, depreciation/amortization was EUR 21.3 million (34.1%) higher than in the previous year. This included scheduled depreciation/amortization of EUR 67.6 million (previous year: EUR 62.4 million). The higher need for depreciation/amortization is a result of the ongoing higher level of investments in fixed assets in past years. In addition to scheduled depreciation/amortization, goodwill impairment, and, to a lesser extent, fixed asset impairment losses totaling EUR 16.1 million were recognized. EUR 9.5 million was recognized in the Automotive Technology segment and EUR 6.6 million in the Metals Technology segment. These were discovered during the annual planning process and the subsequent annual impairment test.

SLIGHT DECLINE IN EBIT BEFORE IMPAIRMENT; ADDITIONAL NEGATIVE EFFECTS FROM IMPAIRMENT

This results in operating income or EBIT of EUR 134.7 million for 2018. This puts EBIT 11.9% or EUR 18.2 million below the previous year's level (EUR 152.9 million). This equates to an EBIT margin of 7.9% against 9.3% in the previous year. Without taking impairment into account, the INDUS Group achieved EUR 150.8 million in income, just EUR 2.1 million down against income in 2017. The EBIT margin before impairment is 8.8%.

Net interest improved by EUR 3.7 million, from EUR -23.7 million to EUR -20.0 million. This is due to lower negative interest effects in the operating area (EUR -2.1 million) as well as lower interest expenses in the area "other interest" (EUR -1.6 million). The EUR 2.1 million decline in operating interest is a result of the markedly lower interest rates on current debt levels. This figure should be viewed with the overall higher volume of debt in mind. The reason for the EUR 1.6 million decline in expense include the scheduled acquisition of minority interests.

Earnings before taxes (EBT) decreased to EUR 114.7 million (previous year: EUR 129.2 million). Tax expenses decreased by EUR 2.6 million to EUR 43.5 million and the tax ratio increased from 35.7% to 37.9% – primarily due to 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.

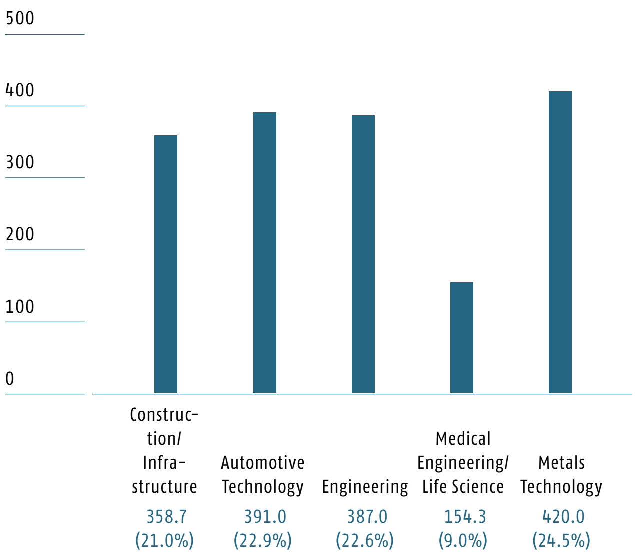
Earnings after taxes reached EUR 71.2 million (previous year: EUR 83.1 million). This equates to a decline of -14.3% as compared to the previous year. Interests held by non-controlling shareholders amounted to EUR 0.3 million (previous year: EUR 0.7 million). Earnings after taxes of the INDUS shareholders amounted to EUR 70.9 million. This equates to earnings per share of EUR 2.90 as compared to EUR 3.37 in the previous year.

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

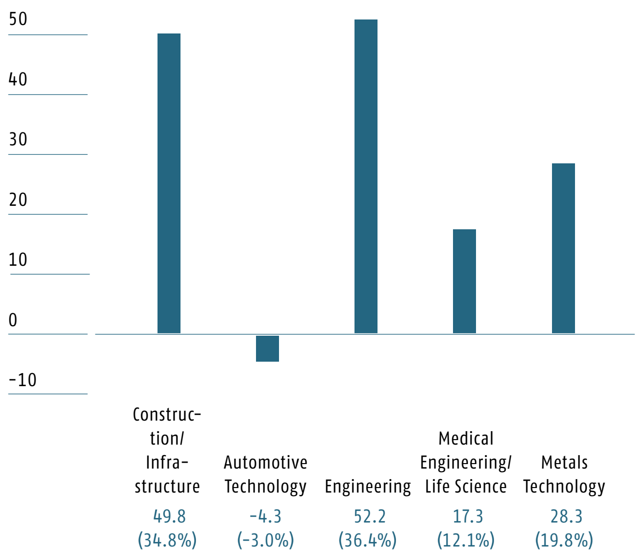
The individual segments' shares of sales and earnings have changed further in their ratios to one another. Contribution to sales grew 21% in the Construction/Infrastructure segment (previous year: 20.1%) and 24.5% in the Metals Technology segment (previous year: 23.5%). This makes the Metals Technology segment the strongest sales segment, overtaking the Automotive Technology segment, which generated 22.9% in the reporting year (previous year: 24.0%). The Engineering segment was able to generate a contribution to sales of 22.6% (previous year: 22.9%). With contributions between 21.0% and 24.5%, the four segments are almost equal. The Medical Engineering/Life Science segment's contribution to sales declined somewhat at 9.0% (previous year: 9.5%).

As in the previous year, the Engineering and Construction/Infrastructure segments generated outstanding levels of income. The Engineering segment increased the contribution it made to the operating result (EBIT) last year (32.9%) by 3.5 percentage points to 36.4% of the INDUS result. The Construction/Infrastructure segment took advantage of the solid sector economy and increased its share to 34.7% (previous year: 30.4%). The Metals Technology segment was able to increase its contribution to income from 14.9% in 2017 to 19.8%. This is particularly noteworthy in light of the goodwill impairment recognized in the reporting year. For the Medical Engineering/Life Science segment the earnings contribution ratio was, at 12.1% (previous year: 12.8%), slightly lower than for the previous year. In the Automotive Technology segment the share of sales amounted to -3.0% (previous year: 9.1%).

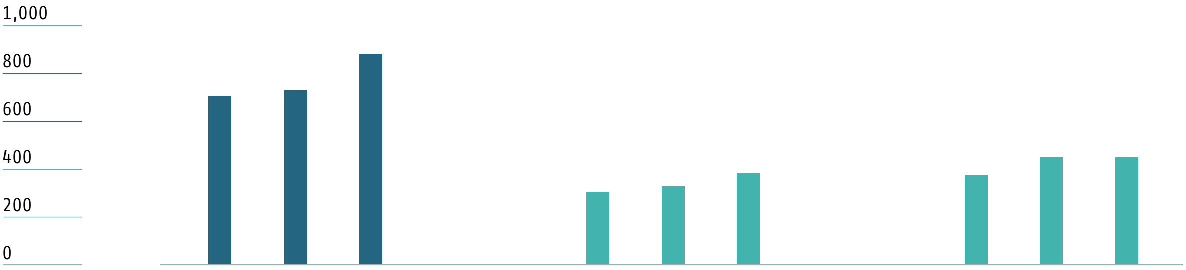
SALES BREAKDOWN BY SEGMENT (in EUR million)



EBIT BREAKDOWN BY SEGMENT (in EUR million)



SALES TRENDS BY REGION 2016–2018 (in EUR million)



GERMANY			EU			THIRD COUNTRIES		
2016	2017	2018	2016	2017	2018	2016	2017	2018
735	815	879	332	377	384	377	449	448

CONTRIBUTION TO SALES FROM 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 increased slightly, by 1.7 percentage points, to 51.4% (previous year: 49.7%).

Domestic sales increased by 7.8%, to EUR 878.9 million, as compared to the previous year. International sales increased just 0.8% to EUR 831.9 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: INDUS portfolio companies, too, experience economic boom

INDUS portfolio companies in the Construction/Infrastructure segment were also able to achieve higher sales and income in the 2018 fiscal year amid the ongoing boom in the construction sector. Sales in this segment climbed by 8.6% year-on-year to EUR 358.7 million (previous year: EUR 330.4 million). This includes the addition of an air-conditioning supplier. Adjusted for this addition, (organic) growth in sales stood at 6.9%. Happily, virtually all companies in the segment were able to increase their sales against the previous year once more. All in all, companies in the segment have been working at full capacity for more than a year now due to the boom in this sector. One particularly noticeable restrictive factor on growth has been the shortage of skilled workers. In addition, some portfolio companies are struggling with marked raw materials scarcities and the associated price increases for raw materials. Nevertheless, companies in the segment were able to increase operating income (EBIT) to EUR 49.8 million. This corresponds to a slight increase in income of EUR 0.4 million, or 0.8%. At 13.9% the EBIT margin did not quite match the prior-year figure of 15.0%, but remains at a high level.

Investments in the reporting year were up EUR 12.1 million against the prior-year figure at EUR 25.5 million. Funds particularly flowed into the acquisition of an air-conditioning supplier as well as investments in fixed assets. Investments in fixed assets were slightly higher in the reporting year than in the previous year.

AUTOMOTIVE TECHNOLOGY

Segment description

The Automotive Technology segment consists of nine units (previous year: nine). With their solutions, the companies represent the full 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.

CONSTRUCTION/INFRASTRUCTURE KEY FIGURES (in EUR million)

				DIFFERENCE 2018 TO 2017	
	2018	2017	2016	ABSOLUTE	IN %
Revenue with external third parties	358.7	330.4	274.5	28.3	8.6
EBITDA	59.9	58.2	46.7	1.7	2.9
Depreciation/amortization	-10.1	-8.8	-7.5	-1.3	-14.8
EBIT	49.8	49.4	39.2	0.4	0.8
EBIT margin in %	13.9	15.0	14.3	-1.1 pp	–
Investments	25.5	13.4	35.4	12.1	90.3
Employees	1,839	1,714	1,466	125	7.3

Segment performance: Series supplier business faces considerable pressure on margins

In the Automotive Technology segment, the 2018 fiscal year was strongly characterized by difficult external conditions. The technological shift to e-mobility along with the emissions scandal further exacerbated the already high pressure on margins. The new test procedure for exhaust emissions (WLTP) and the associated changes meant that series suppliers faced additional challenges.

Sales in the Automotive Technology segment decreased by EUR 3.1 million, or 0.8%, to EUR 391.0 million during the reporting period. The reason: the series suppliers recorded declining sales as a result of contracts ending and decreasing call-off figures. Even the initial consolidation of the portfolio company ELECTRONIC EQUIPMENT acquired in January and the solid business performance of an engineering company were not able to offset the series suppliers' decline in sales.

Companies in the segment generated operating income (EBIT) of EUR 5.2 million before impairment. This represents a severe downturn of EUR 9.5 million in comparison with the previous year. This resulted in an EBIT margin before impairment of 1.3% (previous year: 3.7%). Segment earnings (EBIT) reflected the full range of the difficulties described above, particularly those faced by series suppliers. An unexpectedly high downturn in income at one series supplier in the second half of the reporting period due to a marked decline in call-off figures represented an additional strain on income. The repositioning project that is underway at one portfolio company is on schedule, however, due to the long-term nature of orders placed in this sector, the impact on income was still noticeable in the past fiscal year.

Due to lower expectations for the future, which manifested during the course of the annual planning process, impairment of EUR 9.5 million was recognized in the fourth quarter. Operating income after impairment amounted to EUR -4.3 million. This corresponds to an EBIT margin of -1.1%.

Investments amounted to EUR 29.5 million (previous year: EUR 30.3 million). In addition to investments in fixed assets, this figure includes the acquisition of ELECTRONIC EQUIPMENT by the INDUS subsidiary AURORA.

AUTOMOTIVE TECHNOLOGY KEY FIGURES (in EUR million)

				Difference 2018 to 2017	
	2018	2017	2016	Absolute	In %
Revenue with external third parties	391.0	394.1	372.2	-3.1	-0.8
EBITDA	28.6	36.5	39.9	-7.9	-21.6
Depreciation/amortization	-23.4	-21.8	-19.6	-1.6	-7.3
EBIT before impairment	5.2	14.7	20.3	-9.5	-64.6
EBIT margin before impairment in %	1.3	3.7	5.4	-2.4 pp	–
Goodwill impairment	-9.5	0.0	0.0	-9.5	–
EBIT after impairment	-4.3	14.7	20.3	-19.0	< -100
EBIT margin after impairment in %	-1.1	3.7	5.4	-4.8 pp	–
Investments	29.5	30.3	36.9	-0.8	-2.6
Employees	3,524	3,557	3,454	-33	-0.9

ENGINEERING

Segment description

The Engineering segment remains unchanged and consists of eleven units. 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.

In INDUS's view, 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 small and medium-scale industry and has good prospects.

Segment performance: sales climbing, income virtually constant

Segment sales in Engineering increased by EUR 11.9 million, or 3.2%, to EUR 387.0 million. This increase is the result of organic growth in the areas of logistics and trace heating systems as well as new acquisitions in the previous year. M+P INTERNATIONAL and PEISELER were consolidated with their complete annual sales figures for the first time in 2018. Some companies in the segment were working at full capacity due to the robust organic growth.

At EUR 52.2 million, operating income (EBIT) achieved a solid and high level, despite the fact that it was EUR 1.3 million under the previous year's figure. At 13.5% the EBIT margin remained high (previous year: 14.3%). Two portfolio companies in the large-scale plant engineering sector were not able to achieve the extraordinary growth seen over the last years. This was due to the order situation normalizing, partially as a result of a reluctance to invest in the automotive industry, and the associated lower sales and earnings figures. A major contract in the field of inert gas systems also led to a one-off effect that negatively impacted the segment result.

Fortunately, portfolio companies operating in the logistics fields were able to increase sales and income once more. M+P INTERNATIONAL and PEISELER, both acquired in the previous year, were able to make positive contributions to segment income.

Segment investments were significantly lower than in the previous year at EUR 12.0 million; that is because the funds for the acquisition of M+P INTERNATIONAL and PEISELER were included in 2017. Investments in fixed assets rose slightly in comparison with the previous year.

ENGINEERING KEY FIGURES (in EUR million)

	2018	2017	2016	DIFFERENCE 2018 TO 2017 ABSOLUTE	DIFFERENCE 2018 TO 2017 IN %
Revenue with external third parties	387.0	375.1	305.9	11.9	3.2
EBITDA	64.4	64.2	49.7	0.2	0.3
Depreciation/amortization	-12.2	-10.7	-8.3	-1.5	-14.0
EBIT	52.2	53.5	41.4	-1.3	-2.4
EBIT margin in %	13.5	14.3	13.5	-0.8 pp	–
Investments	12.0	43.4	9.7	-31.4	-72.4
Employees	2,027	1,830	1,585	197	10.8

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, the Medical Engineering/Life Science sector continues to offer a promising outlook and high margins.

Segment performance: sharp rise in salaries at international production sites

Margins in the Medical Engineering/Life Science segment clearly exceed the target of "10% + X". However, due to the increased regulatory requirements (Medical Devices Directive) and higher salary expenses, INDUS portfolio companies in this segment are faced with increasing cost pressures. Sales in the Medical Engineering/Life Science segment declined slightly against the previous year by 0.6% to EUR 154.3 million (previous year: EUR 155.2 million). At EUR 17.3 million, operating income (EBIT) was below the previous year's level (EUR 20.8 million). Following a slow start, the segment's EBIT margin improved constantly over the course of the 2018 fiscal year, but, at 11.2%, still did not achieve the previous year's figure (13.4%).

The declines in sales and EBIT were primarily due to the product areas non-wovens and surgical kits. Competition is intense in both product areas and they were also impacted by unexpected customer losses in the first half of the year. Compensation is only expected in these areas in the next fiscal year. The segment is also struggling amid sharply rising wage costs in overseas production sites and increasing regulatory requirements arising from the EU Medical Devices Directive (MDD).

Investments were made exclusively in fixed assets in 2018 and, at EUR 8.4 million, were just higher than the previous year's figure.

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

				DIFFERENCE 2018 TO 2017	
	2018	2017	2016	ABSOLUTE	IN %
Revenue with external third parties	154.3	155.2	147.0	-0.9	-0.6
EBITDA	24.7	27.6	26.8	-2.9	-10.5
Depreciation/amortization	-7.4	-6.8	-6.6	-0.6	-8.8
EBIT	17.3	20.8	20.2	-3.5	-16.8
EBIT margin in %	11.2	13.4	13.7	-2.2 pp	–
Investments	8.4	7.4	6.2	1.0	13.5
Employees	1,687	1,540	1.480	147	9.5

METALS TECHNOLOGY

Segment description

As in the previous year, this segment comprises nine units and particularly serves specialized customers. The range of solutions is large and includes supplying for railroad engineering, producing carbide tools for road construction and mining, and manufacturing housings for laboratory diagnostics, blasting agents for the steel industry, and bolt welding technology, for example for structural connecting elements used in bridge construction.

The segment as a whole covers a very broad spectrum. Following a phase of strong growth, INDUS will be focusing on optimization shortly.

Segment performance: previous year's income exceeded despite impairment losses

The Metals Technology segment has recorded yet another increase in sales against the previous year. Sales rose from EUR 385.6 million in 2017 to EUR 420.0 million in the reporting year. This equates to an increase of 8.9% and is primarily attributable to growth in the field of carbide tools.

At EUR 34.9 million, operating income (EBIT) before impairment was notably higher than the previous year's figure EUR 24.2 million, which equates to an EBIT margin before impairment of 8.3%. The EBIT margin experienced a considerable downturn in the second half of the fiscal year. The reason for this was a noticeable increase in materials prices (particularly metals) in the field of carbide tools. The cost increase has not yet been compensated by passing on the costs through an increase in purchase prices. The repositioning process at one Swiss portfolio company again impacted income, but also contributed to the increase in income as a result of the implemented measures paying off.

Impairment of EUR 6.6 million was recognized due to partially lower expectations for the Swiss portfolio company undergoing the repositioning process and another portfolio company. Operating income after impairment amounted to EUR 28.3 million, putting it EUR 4.1 million higher than EBIT in the previous year. The EBIT margin after impairment is 6.7%.

Investments in the reporting year and in the previous year solely related to investments in fixed assets. Investment was up 81.4% against the previous year. This was primarily due to a capacity expansion undertaken at one of the larger portfolio companies.

04 CONSOLIDATED FINANCIAL STATEMENTS

METALS TECHNOLOGY KEY FIGURES (in EUR million)

				DIFFERENCE 2018 TO 2017	
	2018	**2017**	**2016**	**ABSOLUTE**	**IN %**
Revenue with external third parties	420.0	385.6	344.4	34.4	8.9
EBITDA	48.5	37.7	43.1	10.8	28.6
Depreciation/amortization	-13.6	-13.5	-13.2	-0.1	-0.7
EBIT before impairment	34.9	24.2	29.9	10.7	44.2
EBIT margin before impairment in %	8.3	6.3	8.7	2.0 pp	–
Impairments of goodwill and property, plant and equipment	-6.6	0.0	0.0	-6.6	–
EBIT after impairment	28.3	24.2	29.9	4.1	16.9
EBIT margin after impairment in %	6.7	6.3	2.5	0.4 pp	–
Investments	26.3	14.5	14.5	11.8	81.4
Employees	1,602	1,538	1,439	64	4.2

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 across many institutes, 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 purposes.

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 (eg., equity ratio) and return on capital. INDUS supports companies in the management of working capital. However, managing their working capital remains the sole responsibility of the companies.

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's principal banks are "investment grade".

Financing analysis for 2018

INDUS continued in 2018 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, off-balance sheet financing instruments such as operating leases. These instruments are reasonably scaled to INDUS's business volume.

There was on the whole little change in the off-balance sheet financing instruments and obligations in 2018. INDUS uses primarily rent and leasehold agreements as off-balance sheet forms of financing, especially for EDP accessories and company cars. Future operating lease commitments amounted to EUR 84.0 million as of December 31, 2018 (previous year: EUR 72.0 million).

Liabilities to banks amounted to EUR 358.8 million as of the reporting date (previous year: EUR 346.9 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 0.6 million (previous year: EUR 0.7 million) and South African rand at EUR 0.8 million (previous year: EUR 0.7 million). Financial liabilities include liabilities amounting to EUR 5.3 million (previous year: EUR 6.7 million) from finance leases for real estate and machinery. These were incurred mainly for the acquisition of HAKAMA in 2010, which was transacted as an asset deal. There are promissory note loans totaling EUR 228.3 million (previous year: EUR 181.2 million). INDUS also has unused credit lines totaling EUR 29.8million (previous year: EUR 34.0 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 fiscal 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.

FINANCIAL POSITION

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

	2018	2017	2016
Operating cash flow	96.0	145.0	137.9
Interest	-21.3	-21.0	-23.4
Cash flow from operating activities	**74.7**	**124.0**	**114.5**
Cash outflow for investments and acquisitions	-103.8	-113.9	-108.1
Cash inflow from the disposal of assets	5.5	3.9	3.7
Cash flow from investing activities	**-98.3**	**-110.0**	**-104.4**
Dividends paid to shareholders	-36.7	-33.0	-29.3
Dividends paid to minority shareholders	-0.5	-0.7	-0.4
Cash outflow from the repayment of contingent purchase price commitments	-23.0	-0.8	0.0
Cash inflow from raising of loans	155.8	151.0	132.3
Cash outflow from the repayment of loans	-98.4	-120.4	-117.5
Cash flow from financing activities	**-2.8**	**-3.9**	**-14.9**
Net changes in cash and cash equivalents	-26.4	10.1	-4.8
Changes in cash and cash equivalents caused by currency exchange rates	0.1	-1.4	-0.2
Cash and cash equivalents at the beginning of the period	135.9	127.2	132.2
Cash and cash equivalents at the end of the period	**109.6**	**135.9**	**127.2**

DECLINE IN OPERATING CASH FLOW

Earnings after taxes declined by EUR -11.9 million in 2018 to EUR 71.2 million (previous year: EUR 83.1 million). Depreciation/amortization rose by EUR 21.3 million to EUR 83.7 million due to the impairments recognized (EUR 16.1 million) (previous year: EUR 62.4 million).

Significant cash outflow was recognized in the current committed assets due to the increase in inventories (EUR +69.5 million). This could not be offset through the increase in liabilities. Anticipating higher materials prices, several INDUS portfolio companies have increased their inventory assets, primarily their raw materials inventory. A planned decision to increase unfinished goods and a higher inventory of finished goods and receivables have also led to higher working capital. At EUR 96.0 million operating cash flow therefore declined in comparison with the previous year by EUR -49.0 million (previous year: EUR 145.0 million).

Interest paid (including variable interest on purchase price commitment to minority shareholders) was slightly down on the previous year at EUR -19.3 million against EUR -21.0 million. This reflects, more than anything, the continuing drop in interest expense resulting from the rolling repayment of non-current financial liabilities that have higher interest rates and new borrowing on better terms.

Cash flow from operating activities came to EUR 74.7 million. It declined by EUR 47.3 million due to the increase in working capital (EUR 69.5 million increase in inventories).

Cash flow from investing activities came to EUR -98.3 million as of the end of the year (previous year: EUR -110.0 million); this item includes the acquisitions of an air-conditioning supplier and of ELECTRONIC EQUIPMENT. If we eliminate the acquisitions in the amount of EUR -11.5 million (previous year: EUR -32.4 million) and the payment for disposal of miscellaneous equipment in the amount of EUR 5.5 million (previous year: EUR 3.9 million), cash outflow for investment remains at a high level of EUR -92.3 million, representing an increase of EUR 10.8 million in 2018 against the previous year (previous year: EUR -81.5 million).

Cash flow from financing activities increased from EUR -3,9 million to EUR -4,8 million. Within the cash flow from financing activity, cash outflow from the repayment of debt declined by EUR 22.1 million and cash outflow from the repayment of contingent purchase price commitments increased by EUR 24.2 million.

Amidst all of its financing activity, as of the end of 2018 INDUS possessed a suitably high degree of liquidity. As of the reporting date, cash and cash equivalents amounted to EUR 109.6 million (previous year: EUR 135.9 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)

	DEC. 31, 2018	DEC. 31, 2017	DIFFERENCE ABSOLUTE	DIFFERENCE IN %
ASSETS				
Non-current assets	**968.5**	**953.6**	**14.9**	**1.6**
Fixed assets	955.2	942.2	13.0	1.4
Receivables and other assets	13.3	11.4	1.9	16.7
Current assets	**751.5**	**699.6**	**51.9**	**7.4**
Inventories	408.7	339.2	69.5	20.5
Receivables and other assets	233.2	224.5	8.7	3.9
Cash and cash equivalents	109.6	135.9	-26.3	-19.4
Total assets	**1,720.0**	**1,653.2**	**66.8**	**4.0**
EQUITY AND LIABILITIES				
Non-current financial instruments	**1,290.0**	**1,234.8**	**55.2**	**4.5**
Equity	709.8	673.8	36.0	5.3
Borrowings	580.2	561.0	19.2	3.4
of which provisions	45.4	46.3	-0.9	-1.9
of which current liabilities and deferred taxes	534.8	514.7	20.1	3.9
Current financial instruments	**430.0**	**418.4**	**11.6**	**2.8**
of which provisions	73.6	72.4	1.2	1.7
of which liabilities	356.4	346.0	10.4	3.0
Total assets	**1,720.0**	**1,653.2**	**66.8**	**4.0**

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,720.0 million, a 4.0% increase from the previous year's reporting date. This increase is primarily due to the increase in working capital. On the equity and liabilities side, equity in particular increased with this year's annual result.

ASSETS UP DUE TO INVENTORY ASSETS

As compared to the previous reporting date, non-current assets increased just slightly by EUR 14.9 million, or 1.6%, to EUR 968.5 million. Tangible fixed assets increased by EUR 19.0 million due to investments, particularly in the expansion of existing production sites. In contrast, goodwill declined by EUR 10 million due to impairment losses.

As compared to the previous reporting date, current assets increased by EUR 51.9 million, or 7.4%, to EUR 751.5 million. Inventories in particular rose by 20.5%, or EUR 69.5 million due to the ongoing build up of inventories of particular portfolio companies. Receivables on the other hand only increased slightly by EUR 8.7 million (+3.9%). This increase corresponds to the increase in sales. Cash and cash equivalents fell by EUR 26.3 million in connection with the build up of inventories to EUR 109.6 million.

EQUITY AND LIABILITIES: EQUITY INCREASED BY EUR 36 MILLION

Equity increased by 5.3%, partially due to the annual result, to EUR 709.8 million. The outflow of dividends was therefore overcompensated by current earnings. The equity ratio rose year-on-year from 40.8% to 41.3% as of the reporting date. The equity ratio thus remains above the lower limit of 40%, which was defined as the target.

At EUR 580.2 million, non-current liabilities are slightly higher than in the previous year by about EUR 19.2 million, or 3.4%. This increase is due to the EUR 26.4 million increase in non-current financial liabilities, associated with an expansion of operating activities and the corresponding increase in working capital.

Current liabilities increased by EUR 11.6 million from EUR 418.4 million to EUR 430.0 million. Current financial liabilities increased by EUR 31.2 million to EUR 126.5 million. Other current liabilities saw the opposite effect; they declined due to the repayment of contingent purchase price commitments and the reduction of contract liabilities (previous year: construction contracts with a negative balance) by a total of EUR 23.3 million.

WORKING CAPITAL (in EUR million)

			DIFFERENCE	
	DEC. 31, 2018	DEC. 31, 2017	ABSOLUTE	IN %
Inventories	408.7	339.2	69.5	20.5
Trade receivables	202.5	197.5	5.0	2.5
Trade payables	-65.7	-66.2	0.5	0.8
Advance payments received	-37.3	-18.6	-18.7	< -100
Contract liabilities*	-36.1	-49.0	12.9	26.3
Working capital	**472.1**	**402.9**	**69.2**	**17.2**

* Previous year: construction contracts with a negative balance.

INDUS calculates working capital by adding trade receivables to inventories and deducting trade payables along with received prepayments and contract liabilities (previous year: construction contracts with a negative balance). As of December 31, 2018, working capital stood at EUR 472.1 million. This represents an increase against the previous year's reporting date of 17.2%.

NET FINANCIAL LIABILITIES (in EUR million)

	DEC. 31, 2018	DEC. 31, 2017	DIFFERENCE ABSOLUTE	DIFFERENCE IN %
Non-current financial liabilities	465.9	439.5	26.4	6.0
Current financial liabilities	126.5	95.3	31.2	32.7
Cash and cash equivalents	-109.6	-135.9	26.3	19.4
Net financial liabilities	**482.8**	**398.9**	**83.9**	**21.0**

INDUS calculates net financial liabilities as the difference between cash and cash equivalents and current and non-current financial liabilities. As of December 31, 2018, it amounted to EUR 482.8 million, which equates to an increase of 21.0% as compared to the previous year's reporting date. This increase is the result of the increase in working capital and the repayment of contingent purchase price commitments. The ratio of net debt to equity (gearing) is 68% (previous year: 59%). The net debt/EBITDA ratio is 2.2 (previous year: 1.9). The repayment term is therefore within the target range of 2 to 2.5 years.

INVESTMENTS AND DEPRECIATION/AMORTIZATION (in EUR million)

	2018	2017	2016	DIFFERENCE 2018 TO 2017 ABSOLUTE	DIFFERENCE 2018 TO 2017 IN %
Investments	**102.4**	**111.4**	**103.9**	**-9.0**	**-8.1**
of which in:					
Company acquisitions	**11.5**	**32.4**	**29.9**	**-20.9**	**-64.5**
Investments according to the equity method	**0.0**	**0.0**	**4.0**	**0.0**	**–**
Intangible assets	**12.0**	**7.7**	**10.3**	**4.3**	**55.8**
Property, plant and equipment	**78.9**	**71.3**	**59.7**	**7.6**	**10.7**
of which in:					
Land and buildings	4.3	7.2	3.3	-2.9	-40.3
Technical equipment and machinery	26.6	20.5	24.5	6.1	29.8
Other equipment, factory and office equipment	19.9	18.7	17.3	1.2	6.4
Advance payments and facilities under construction	28.1	24.9	14.6	3.2	12.9
Depreciation/amortization	**-83.7**	**-62.4**	**-56.0**	**-21.3**	**-34.1**

Investments in the year under review were -8.1% lower than in the previous year and reached EUR 102.4 million. Of this amount, EUR 11.5 million was attributable to company acquisitions (-64.5%), EUR 78.9 million to investments in property, plant and equipment (+10.70%), and EUR 12.0 million to investments in intangible assets (+55.8%). Investments in company acquisitions declined by EUR 20.9 million against the previous year as INDUS did not acquire any direct portfolio companies. Two complentary companies were acquired for the portfolio in the current year.

Investments in intangible assets registered an increase of EUR 4.3 million to EUR 12.0 million. This mainly relates to the introduction of ERP systems.

Investments in property, plant and equipment continued to be the focal point of investments. 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.

Investments in land and buildings include in particular a new production location for H. HEITZ in Hungary (EUR 1.4 million) and the construction of a warehouse for WEINISCH (EUR 1.1 million).

Larger individual investments in technical equipment in 2018 included the expansion of a small parts warehouse at OFA (EUR 1.9 million) and a fine blanking press at SELZER (EUR 1.1 million).

Advance payments significantly increased by EUR 3.2 million, to EUR 28.1 million. These primarily related to a production facility with technical equipment at the SIMON Group (EUR 10.4 million).

Depreciation/amortization rose in particular as a result of the impairment of goodwill and, to a lesser extent, impairment of property, plant and equipment (altogether EUR 16.1 million) by a total of EUR -21.3 million to EUR -83.7 million (previous year: EUR -62.4 million).

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 2018 TO 2017	
	2018	2017	2016	ABSOLUTE	IN %
Sales	**5.8**	**5.6**	**5.3**	**0.2**	**3.6**
Other operating income	4.8	2.2	4.5	2.6	> 100
Personnel expenses	-6.7	-6.0	-5.7	-0.7	-11.7
Other operating expenses	-9.1	-12.7	-7.3	3.6	28.3
Income from investments	77.5	74.5	67.7	3.0	4.0
Income from long-term loans classified as financial assets	51.5	49.8	46.5	1.7	3.4
Other interest and similar income	8.5	6.6	7.4	1.9	28.8
Depreciation and amortization of intangible assets, fixed assets, and property, plant and equipment	-0.6	-0.5	-0.5	-0.1	-20.0
Impairment of financial assets	-27.7	-12.7	-12.5	-15.0	<-100
Expenses from loss absorption	-6.7	-5.8	-9.5	-0.9	-15.5
Interest and similar expenses	-10.7	-11.9	-12.5	1.2	10.1
Earnings from operating activities	**86.6**	**89.1**	**83.4**	**-2.5**	**-2.8**
Taxes	-12.1	-7.3	-8.4	-4.8	-65.8
Net income	**74.5**	**81.8**	**75.0**	**-7.3**	**-8.9**
Profit carried forward	1.8	1.7	2.2	0.1	5.9
Balance sheet profit	**76.3**	**83.5**	**77.2**	**-7.2**	**-8.6**

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 5.8 million, they were EUR 0.2 million higher than the previous year's figure.

Other operating income increased from EUR 2.2 million to EUR 4.8 million owing to higher income from currency translation (EUR +2.2 million). Personnel expenses rose from EUR 6.0 million in 2017 to EUR 6.7 million in the reporting year. Other operating expenses decreased by EUR 3.6 million to EUR 9.1 million. There was a clear drop in exchange rate losses in the reporting year (EUR -3.1 million).

Income from portfolio companies increased once more. In the previous year this income amounted to EUR 74.5 million. In the reporting year, we were able to appropriate income from the portfolio companies in the amount of EUR 77.5 million. Income from loans of financial assets rose by EUR 1.7 million, reaching EUR 51.5 million. At EUR 8.5 million, interest income was EUR 1.9 million higher than in the previous year.

Depreciation/amortization on property, plant and equipment, and intangible assets are on a par with the previous year at EUR 0.6 million (previous year: EUR 0.5 million). Impairments of financial investments relate to a debt waiver toward a subsidiary amounting to EUR 13.3 million and write-offs on loans to affiliated companies amounting to EUR 14.4 million resulted from impairment testing. The depreciation was mainly in the Automotive Technology and Metals Technology segments. Expenses from loss absorption came to EUR 6.7 million and primarily related to losses in the Metals Technology segment. Interest expense in the amount of EUR 10.7 million was EUR 1.2 million less than the previous year's figure.

Thus on the whole, earnings from ordinary operating activities amounted to EUR 86.6 million. Taxes for the financial year amounted to EUR 12.1 million, EUR 4.8 million higher than in the previous year. Net income amounted to EUR 74.5 million, EUR 7.3 million lower than in the previous year.

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

	DEC. 31, 2018	DEC. 31, 017
ASSETS		
Intangible assets	0.1	0.1
Property, plant and equipment	6.0	6.0
Financial investments	1,138.4	1,125.4
Fixed assets	**1,144.5**	**1,131.5**
Receivables and other assets	394.0	313.0
Cash on hand and bank balances	12.4	6.0
Current assets	**406.4**	**319.0**
Prepaid expenses	0.4	0.3
Total assets	**1,551.3**	**1,450.8**
EQUITY AND LIABILITIES		
Equity	893.5	855.6
Provisions	3.1	5.3
Liabilities	609.0	546.3
Deferred tax liabilities	45.7	43.6
Total assets	**1,551.3**	**1,450.8**

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. INDUS Holding AG's total assets increased 6.9% during the fiscal year and amounted to EUR 1,551.3 million as of December 31, 2018. The increase was due to additional financing from increased business volumes at the subsidiaries, which came to EUR 100.5 million. As a result, current assets increased by EUR 87.4 million to EUR 406.4 million. This is due to higher receivables and other assets (EUR +81.0 million). Cash and cash equivalents increased by EUR 6.4 million to EUR 12.4 million.

The equity of INDUS Holding AG increased in the reporting period by EUR 37.9 million to EUR 893.5 million. The equity ratio as of December 31, 2018, amounted to 57.6% and is just below the equity ratio as of December 31, 2017 (59.0%). Liabilities are, at EUR 609.0 million as of December 31, 2018, EUR 62.7 million higher than as of December 31, 2017. This relates to liabilities to banks and liabilities to affiliated companies.

INDUS employed a total of 31 employees, not including the Board of Management, as of December 31, 2018 (previous year: 30 employees).

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).

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. Variable components 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 fiscal year.

The short-term incentive is based on earnings before taxes and interest (consolidated EBIT before impairment for 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 OF MANAGEMENT (2012 UNTIL 06/30/2018; 2008–06/30/2018 BOARD MEMBER)				DR. JOHANNES SCHMIDT CHAIRMAN OF THE BOARD OF MANAGEMENT (SINCE 07/01/2018, BOARD MEMBER SINCE 2006)			
	2017	2018	2018 (MIN.)	2018 (MAX.)	2017	2018	2018 (MIN.)	2018 (MAX.)
Basic salary	625	700	700	700	387	490	490	490
Ancillary benefits	17	20	20	20	17	19	19	19
Total	**642**	**720**	**720**	**720**	**404**	**509**	**509**	**509**
One-year variable component of the compensation	270	350	0	372	170	200	0	300
Multi-year variable component of the compensation								
2017 tranche*	140	0	0	0	70	0	0	0
2018 tranche**	0	140	0	280	0	105	0	210
Total	**410**	**490**	**0**	**652**	**240**	**305**	**0**	**510**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**1,052**	**1,210**	**720**	**1,372**	**644**	**814**	**509**	**1,019**

* Tranche 2017: Stock appreciation rights (Jan. 1, 2017–Dec. 31, 2022).
** Tranche 2018: Stock appreciation rights (Jan. 1, 2018–Dec. 31, 2023).

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 fiscal year 2018, 61,286 SARs were granted (previous year: 42,887). On the date on which they were granted, the total fair value of the SARs was EUR 385 thousand (previous year: EUR 298 thousand). The fair value of previously granted SARs was calculated at a total of EUR 471 thousand on the reporting date (previous year: EUR 1,978 thousand). A provision in this amount was formed in the annual financial statements. The change in fair value before discounting interest is EUR 1,026 thousand in other operating income and EUR 72 thousand in personnel expenses (previous year: EUR 564 thousand in personnel expenses). The time 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

AXEL MEYER BOARD MEMBER (SINCE 2017)				RUDOLF WEICHERT BOARD MEMBER (SINCE 2012)			
2017	2018	2018 (MIN.)	2018 (MAX.)	2017	2018	2018 (MIN.)	2018 (MAX.)
85	340	340	340	340	365	365	365
7	16	16	16	31	30	30	30
92	**356**	**356**	**356**	**371**	**395**	**395**	**395**
43	170	0	255	170	170	0	255
18	0	0	0	70	0	0	0
0	70	0	140	0	70	0	140
61	**240**	**0**	**395**	**240**	**240**	**0**	**395**
0	0	0	0	0	0	0	0
153	**596**	**356**	**751**	**611**	**635**	**395**	**790**

payment claims into account. For the 2017 and 2018 fiscal years, Board of Management compensation was reported in individualized form on the basis of the standard tables recommended by the German Corporate Governance Code.

Ancillary benefits include taxable non-cash benefits, primarily the provision of a company car. Pension rights were acquired from 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, 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 OF MANAGEMENT (2012 UNTIL 06/30/2018; 2008–06/30/2018 BOARD MEMBER)		DR. JOHANNES SCHMIDT CHAIRMAN OF THE BOARD OF MANAGEMENT (SINCE 07/01/2018, BOARD MEMBER SINCE 2006)		AXEL MEYER BOARD MEMBER (SINCE 2017)		RUDOLF WEICHERT BOARD MEMBER (SINCE 2012)	
	2017	2018	2017	2018	2017	2018	2017	2018
Basic salary	625	700	387	490	85	340	340	365
Ancillary benefits	17	20	14	19	7	16	31	30
Total	**642**	**720**	**401**	**509**	**92**	**356**	**371**	**395**
One-year variable remuneration	398	512	251	282	38	179	251	255
Multi-year variable remuneration								
2013 tranche *	280	0	140	0	0	0	140	0
2014 tranche**	0	280	0	140	0	0	0	140
Total	**678**	**792**	**391**	**422**	**38**	**179**	**391**	**395**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**1,320**	**1,512**	**792**	**931**	**130**	**535**	**762**	**790**

* Tranche 2013: Stock appreciation rights (Jan. 1, 2013–Dec. 31, 2018).
** Tranche 2014: Stock appreciation rights (Jan. 1, 2014–Dec. 31, 2019).

SUPERVISORY BOARD COMPENSATION

Supervisory Board compensation is governed by Section 16 (1) and (2) of the Articles of Incorporation. At the company's extraordinary Annual Shareholders' Meeting on November 29, 2018, the Articles of Incorporation were revised; this included, for the first time, the introduction of a fixed compensation for membership in Supervisory Board committees (excluding Mediation Committee). In addition to reimbursement of out-of-pocket expenses incurred in performing their duties in the fiscal year ended, all Supervisory Board members receive basic compensation of EUR 30,000 along with an attendance fee of EUR 3,000 per meeting. The same applies for telephone and video conferences. The Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts.

In addition to the reimbursement of out-of-pocket expenses, every member of a Supervisory Board committee receives compensation of EUR 5 thousand for work in the past fiscal year. Committee chairmen receive double the aforementioned sum. Supervisory Board members who do not serve for the entire fiscal year receive pro rata compensation. This also applies to pro rata membership in committees. Before November 29, 2018, there was no additional compensation for committee membership. 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 2018 fiscal year was EUR 454 thousand (previous year: EUR 338 thousand). No Supervisory Board member received 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 can be found in the chapter of the same name under "Further Information". 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)

	Basic compensation		Attendance fee		Total	
	2017	2018	2017	2018	2017	2018
Jürgen Abromeit	0	7	0	6	0	13
Dr. Jürgen Allerkamp	45	44	23	41	68	85
Dr. Ralf Bartsch	30	27	15	21	45	48
Dr. Dorothee Becker	30	30	15	27	45	57
Dorothee Diehm	0	3	0	3	0	6
Pia Fischinger	0	3	0	3	0	6
Prof. Dr. Kammerlander	15	27	9	21	24	48
Gerold Klausmann	0	3	0	3	0	6
Wolfgang Lemb	0	4	0	0	0	4
Isabella Pfaller	0	4	0	3	0	7
Sergej Schönhals	0	3	0	3	0	6
Hans Joachim Selzer	15	0	6	0	21	0
Helmut Späth	60	57	30	54	90	111
Uwe Trinogga	0	3	0	3	0	6
Carl Martin Welcker	30	30	15	21	45	51
Total	**225**	**245**	**113**	**209**	**338**	**454**

ACQUISITION-RELATED DISCLOSURES

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

As of December 31, 2018, 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 bearer shares. Each individual 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 the INDUS Holding AG Board of Management have a special right to terminate their employment contracts within one year. In the event of a dismissal for cause, or 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. The severance payment will be paid until the end of the contract or in the case of termination, for a maximum of two years, and in case of dismissal, at least 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 share capital 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 share capital 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 bearer shares (Contingent Capital 2018).

The implementation of the capital increase is conditional upon

— the holders or creditors of convertible bonds or warrants from optional 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, exercising their conversion or option right;
— the obligors of convertible bonds or warrants from optional bonds issued by INDUS Holding AG by May 23, 2023, pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on May 24, 2018, fulfilling their conversion or option obligations;
— and contingent capital being required in accordance with the terms of the convertible bonds or option bonds.

AUTHORIZED CAPITAL

In accordance with Section 6 (1) of the Articles of Incorporation, the Board of Management is authorized, subject to the Supervisory Board's approval, to increase the Company's capital stock until June 10, 2019, through the issuance of up to 12,225,254 new no-par-value bearer shares in exchange for contributions in cash and/or contributions in kind on one or more occasions up to a total of EUR 31,785,660.51 (Authorized Capital 2014). The shareholders are to be given subscription rights during the capital increase. 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). The Board of Management is authorized, however, to exclude the shareholders' subscription rights in the following cases with the Supervisory Board's approval: to avoid fractional amounts; in a capital increase through cash contributions if the issue amount of the new shares issued with exclusion of subscriptions rights pursuant to Section 186 (3) Sentence 4 AktG is not significantly less than the exchange price and the new shares issued with exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 AktG do not exceed in total 10% of the capital stock, and do so neither at the time at which this authorization takes effect nor at the time at which this authorization is exercised. This limitation applies to shares that have been, or are to be, disposed of or issued, subject to exclusion of subscription rights, during the term of this authorization pursuant to other authorizations in direct application, or in application mutatis mutandis, of Section 186 (3) Sentence 4 AktG; in the case of a capital increase through non-cash contributions for the purpose in particular of acquiring a company, business divisions, an interest in a company, or other operating materials; or to grant to the holders of conversion or option rights to shares in the company, or of corresponding conversion or option duties to offset dilutions, a subscription right to the extent that they would be entitled to it after they have exercised these rights or fulfilled these duties as a shareholder.

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 offer may be limited. Should the total subscription for the offer exceed this volume, the offer must be accepted in relation to the offered shares. The preferential acceptance of lower volumes of up to 50 company shares offered for sale per shareholder as well as rounding according to commercial principles is acceptable to avoid remainder amounts. Any further right of the shareholders to tender is excluded.

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

— to dispose of acquired shares otherwise than over the stock exchange or by public offer addressed to all shareholders, if it is done in exchange for payment in kind and serves the purpose of acquiring companies, parts of companies 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 share capital 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 obligations from security loans taken for the purpose of issuing shares to employees and members of the company's Board of Management or to employees and members of the management of companies affiliated with the company in accordance with the 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 company's treasury shares, with the Supervisory Board's approval, without requiring a resolution from the Annual Shareholders' Meeting for the redemption or the performance of such. The redemption authorization can be used several times. Treasury shares can be recalled also in a simplified process without a capital reduction by adjusting the proportionate share of capital stock attributable to each share in accordance with Section 237 (3) No. 3 of the AktG. In this case, the Board of Management is authorized to adjust the number of registered 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.

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. This gives rise also to short-term measures that the companies can take in the case at hand to exploit the opportunities that arise.

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.

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's 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's 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 segment markets, those for infrastructure and logistics technology, 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. 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. Vital stimuli for growth are likely to come in future mainly from China, the United States, and the emerging nations despite political uncertainties and current weaknesses in parts of Asia and some emerging countries. The global presence and strengthening of INDUS's portfolio companies make a contribution towards exploiting these opportunities in the relevant markets. The companies sometimes act in coordination when entering new regional markets.

INDUS's "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.

The Construction/Infrastructure segment will benefit in both the short and medium terms from strong domestic demand for construction stimulated by inflation worries, a growing inclination towards 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.

Owing to geopolitical developments along with the consequences of increasing mobility and the global exchange of goods and information, there is a growing need for solutions in the field of safety technology.

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 separate financial statements are prepared in accordance with 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 guidelines in effect and the 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. 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 (ESTIMATION OF GROSS RISKS)	RISK SITUATION IN 2019 COMPARED WITH PREVIOUS YEAR
Business environment and sector risks	significant	slightly increased
Corporate strategy risks	significant	unchanged
Performance risks	significant	slightly increased
Personnel risks	low	unchanged
EDP risks	low	slightly decreased
Financial risks	low	unchanged
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).

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. Fundamental risks arising from economic and sector-specific factors cannot be avoided.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. Currently 51.4% of total sales are generated domestically (previous year: 50%). 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 depends largely on its employees' expertise and commitment. Potential risks arise primarily in connection with recruitment and development of staff and employee turnover in key positions. INDUS 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 personnel work independently. They are located in many different industries and regions, so that the risks of personnel recruitment and personnel development are highly diverse. In their reports to INDUS, they record on a monthly basis their personnel capacity and plan reserves so that they may take advantage of flexibility in production and personnel costs. Qualified personnel are a vital factor in the success of every portfolio company. In light of demographic developments and the currently very beneficial employment situation, the risk presented by a shortage of skilled personnel has increased. The portfolio companies are attempting to mitigate this risk by focusing their efforts on personnel 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 antivirus 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: nine) 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 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. For financing INDUS employs a mix of fixed-rate and variable financing, the latter being hedged via interest rate swaps. Due to the interest rate hedges, a change in interest rates would not impact financial position during the term. The nominal volume of interest rate hedges totaled EUR 270.1 million as of December 31, 2018 (previous year: EUR 290.5 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 12.4 million as of December 31, 2018 (previous year: EUR 13.4 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".

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' operations, 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. To ensure adequate risk provisioning, provisions in the amount of EUR 75.3 million were carried on the balance sheet in 2018 (previous year: EUR 74.8 million). The provisions included warranties due to obligations from selling or procurement, obligations for customer bonuses and rebates, estimated values for anticipated invoices, provisions for personnel costs, and other provisions.

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.

SUSTAINABILITY RISKS AND OTHER RISKS

In INDUS's 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). In the year under review, no reportable individual risks were identified in connection with sustainability aspects.

Based on its corporate strategy of pressing ahead with diversification by continuously enlarging its investment portfolio, the Group recognized EUR 418.6 million in goodwill (previous year: EUR 428.6 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 16.1 million (previous year: EUR 0 million).

THE BOARD OF MANAGEMENT'S OVERALL ASSESSMENT

NO GOING CONCERN RISKS DISCERNIBLE, OPPORTUNITY FOR ORGANIC GROWTH AND GROWTH THROUGH ACQUISITIONS IN 2019

In fiscal 2018, INDUS reported the acquisition of two strategic additions at sub-subsidiary level and the takeover of activities of a retail company, thereby pursuing one significant focal point of its long-term corporate strategy, namely growing through acquisitions. For 2019, INDUS aims to grow further through acquisitions; emphasis will be on measurement technology and control engineering and the fields of automation, energy and the environment, and health and safety. The Board of Management sees great growth opportunities for 2019 in possible acquisitions at both the portfolio level and the level of the portfolio companies (sub-subsidiaries).

Approximately EUR 140 million are earmarked for planned investments (in property, plant and equipment, and company acquisitions) to exploit the opportunities in the portfolio. 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 2019 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 2018 for INDUS have not changed substantially as compared to the previous year.

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 fiscal 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 this time, these appear unlikely in the foreseeable future.

FORECAST REPORT

Despite modest hopes for growth, the economic outlook remains positive. The market environments in which the INDUS portfolio companies are active offer opportunities to expand market share through more innovation and technological strength. However, the macro and geopolitical situations continue to harbor risks. The following expectations regarding the Group's performance therefore assume that the underlying general political conditions and the underlying economic conditions will not materially change. But generally speaking, the INDUS Group will continue to grow successfully, as it has in past years.

DEVELOPMENT OF THE ECONOMIC OUTLOOK

GLOBAL ECONOMY: PACE OF EXPANSION SLOWS

In 2019, the economy will expand at a slower pace. According to its forecast published at the end of 2018, the Kiel Institute for the World Economy (IfW) expects growth to decline by 0.3 percentage points to 3.4% in 2019. One of the reasons for this is that capacity utilization in advanced economies will barely increase. In addition, production in emerging economies will only expand at a moderate pace in light of the increasingly unfavorable economic conditions and difficult financial environment. The deterioration in the trade environment will likely also have a detrimental effect on the economy.

The upturn in the advanced economies is also likely to slow down due to the steady tightening of expansionary monetary policies, declining stimulation from fiscal policies and only moderate increase in demand from developing and emerging countries. Following 2.4% last year, growth of 2.1% is forecast for this year.

China's high growth rate will decrease once more. In the other emerging countries, too, expansion will decline due to the deterioration in economic conditions, although it will fundamentally remain strong. India will continue to grow at a slower pace. Following election years characterized by uncertainty in Brazil and Mexico, growth will pick up again in the two large Latin American countries in the coming year. The situation in Venezuela remains tense in light of the current political circumstances there. The Turkish economy is declining markedly due to the currency crisis, likely resulting in growth of just 0.4%. Russia should be able to increase its low growth rate slightly.

Risks may particularly arise from trade conflicts heating up further: the spiral of reciprocal market access and ownership tariff disputes between the United States and China seems to have come to an end for now, but considerable uncertainties remain about the trading conditions. There is further potential for conflict between the United States and the European Union, which, through the field of Automotive Technology, is resulting in indirect trade balance questions. In Europe, Italy's debt sustainability, France's reform delay and the possibility of a chaotic Brexit may all lead to the economy performing worse than expected.

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

	2018 (PRELIMINARY)	2019 (FORECAST)	2020 (FORECAST)
Economic regions			
Global economy	3.7	3.4	3.4
Euro area	1.9	1.7	1.5
Selected countries			
USA	2.9	2.5	1.9
China	6.6	6.1	5.8
India	7.7	7.5	7.0
Japan	0.8	1.0	0.8
Germany	1.5	1.8	1.8

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

GERMANY: EXPANSION CONTINUES

IfW economists anticipate GDP growth of 1.8% for Germany in 2019. Amid the general cooling down of the global economy, the German government is more cautious in its expectations: it expects growth of 1.0% in its annual economic report. This shows that the level of economic and political uncertainty remains very high.

The end of temporary negative impacts on production in Germany, particularly in the field of automotive manufacturing, will generally benefit growth. In addition, a reduction in contributions and the extension of benefits will increase incomes in households and boost private consumer spending further. In the construction sector, bottlenecks in capacity utilization will block stronger expansion and push up construction prices further. Corporate investment will be on a par with the previous year due to the uncertainties constantly cropping up on international markets.

Following a dip in 2018, exports are expected to recover in the current year and climb to 3.6% (2018: 2.0%). The lively domestic economy will boost imports, with imports expected to climb by 5.2% (2018: 3.3%). Due to the most recent drop in oil prices, import prices are likely to face more pressure than export prices, resulting in terms of trade improving slightly in 2019.

On the labor market, the increase in employment continues and the scarcity of labor supply will lead to higher wages. The unemployment rate will drop from an annual average of 5.2% in the previous year to presumably 4.8% this year.

The price rises seen in the previous year will continue: The Deutsche Bundesbank believes the inflation rate (core) minus the volatile energy and food components of 1.2% last year will rise to 1.8% by 2020. In 2019 it expects a severely stalled price increase of 1.4% for overall inflation (2018: 1.9%), before hitting 1.8% again in 2020. The reason for the brief lower rate of inflation is the expected sharp brake in energy price increases.

FINANCING SITUATION REMAINS BENEFICIAL TO THE ECONOMY

Although the ECB Council terminated the asset purchase program toward the end of the year, it reserves the right to reinvest income from mature bonds following completion of the net purchases at maturity for a longer time if necessary – and in any case for as long as necessary. The aim remains to maintain favorable liquidity conditions and the option to enact comprehensive fiscal policy adjustments. As far as the base rate is concerned, the ECB Governing Council plans to keep it at its currently very low rate at least until the end of summer 2019.

The financing situation will thus remain beneficial in the coming year, too, which will stimulate both exports and investment activity. Both private and public consumption will grow faster. The good labor market situation remains the driving force for positive consumer sentiment in the private sector.

GERMAN INDUSTRY: GROWTH EXPECTED TO CONTINUE

German industrial production will continue to grow in 2019, albeit with less momentum. Incoming orders did not climb as markedly in 2018 as in the previous year. The companies' order books seem to be well filled, however, because according to information from the Federal Statistical Office of Germany, the mathematical range of order backlogs remained virtually unchanged between January and September 2018. Production should therefore be secure until well into 2019 according to estimates from BDI Research. Nevertheless, the mood at the end of the year shows that the industry as a whole is becoming more cautious about the future: The ifo business climate index fell for the fourth consecutive time in December. The last month even saw a clear decline in the manufacturing sector due to the first negative expectation since May 2016, but remained on a high level.

Companies in the German construction sector have high hopes for the current year. Hauptverband der Deutschen Bauindustrie (HDI) and Zentralverband der Deutschen Bauindustrie (ZDB) anticipate 6% nominal growth in sales to EUR 128 billion in the main construction sector for 2019. The ongoing upturn is being carried relatively equally by the three segments residential construction, commercial construction and public construction: Sales of EUR 47.0 billion (+5.5%) are expected in residential construction. This means a 20,000 unit increase in newly built residential units against the previous year, taking the figure to 320,000; this is still below the demand figure of 350,000. Sales of EUR 45.6 billion (+6%) are expected in commercial construction. And public spending on construction is expected to amount to EUR 35.3 billion (+6%). In connection with this growth, the employment figure is expected to increase by almost 2%, whereby the supply of skilled construction workers is becoming increasingly scarce. The Federal Council's act to speed up traffic planning and approval processes, expected to come into force in 2019, will accelerate growth. Planning and implementing traffic projects will in future involve less red tape with this act.

The international vehicle market is facing a period of transformation, and is increasingly focusing on e-mobility and digitalization. German automotive manufacturers' intention to be a part of this development can be seen in their current development activities. They will invest EUR 18 billion in networked and autonomous driving over the next three years. German manufacturers and suppliers have taken the top international spot in registering patents. In addition to the technological changes, the global car market is facing headwinds caused by the trade conflict between the United States and China. In light of these developments, the German trade association Verband der Automobilindustrie (VDA) anticipates only slight growth of 1% to 85.9 million new cars for the global market in 2019. Figures for Europe and the United States will be on a par with the previous year, while China will achieve slight growth following the modest decline in 2018. Germany is expected to just hold the high sales level of 3.4 million new cars registered. German manufacturers' international automotive production will hit the 17 million mark in 2019 (+0.5 million cars). Following the decline in 2018, cars produced for the domestic market will grow 2% and exceed 5.1 million units. The number of cars produced for export is expected to climb 5% to 11.7 million units.

Despite the fact that the general conditions for the German Medical Engineering/Life Science market should be more open to innovation and more market-oriented due to the ever shorter development cycles according to companies in this field, the outlook remains positive: The trade association Spectaris expects 4% plus in sales for German companies in 2019. This means around 1,300 companies with more than 20 employees each will generate annual sales figures of approx. EUR 32 billion. Around two thirds are for export. The emerging countries remain the main selling markets, next to Europe and the United States. The number of people employed in this sector is expected to rise by 4%. The growth factors are the digitalization issues of networking and big data, telemedicine and 3D printing, computer-assisted intervention and robotics. One main threat to growth is the trend toward protectionism coming from the United States ("America first"). The market research institute Evaluate Med-Tech expects marked growth on the global market in the coming years, too: from USD 405 billion in 2017, market volume is forecast to grow to approx. USD 595 billion in 2024. We can assume that highly innovative, well positioned and internationally competitive German medical engineering will profit at least proportionately from this development.

All signs point to the German engineering sector performing well again in 2019, although the pace of growth is expected to drop off somewhat. The trade association Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA) predicts that German mechanical engineering companies will achieve production growth of 2% against the previous year. With the high export rate of almost 80%, the sector will feel the slight slowdown in the global economy. Simultaneously, the trade association expects the effects from ongoing trade disputes, the threat of a hard Brexit, the sanctions against Russia and the other obvious obstacles to growth in the mechanical engineering sector to become more noticeable. The sector is also observing the important export market of China carefully. The country is currently dealing with a slowdown in its domestic market, rising labor and production costs and punitive tariffs imposed by the American government. On the plus side, on average the order books cover a period of 8.6 months.

The outlook for the metals and electronics industry remains positive. The sector is therefore looking forward to further production growth in 2019 – albeit at a slower pace. For the current full year companies expect a slight drop in growth of 1.5% by a year-on-year comparison. According to representatives from this sector the basic economic data is still positive; however, there are also considerable risks resulting from Brexit, the trade conflict between the United States and China, and uncertainties regarding the stability of the EU. The current structural change in the automotive industry, too, poses short- to medium-term uncertainties for the metals and electronics industry. For example, e-mobility is forecast to wipe out 200,000 workplaces in the suppliers market. This will be offset by 30,000 to 40,000 workplaces for the supply of new components – if they are manufactured in Germany. This is of little consequence for the current labor market, however, as the lack of skilled workers will continue to restrict growth in 2019. At the moment, there are almost three vacancies for each qualified metal craftsman.

EXPECTED GROUP PERFORMANCE

INDUS 2025: THE PARKOUR STRATEGY PROGRAM

In light of the constant increase in economic challenges, the INDUS Board of Management formulated the new strategy program PARKOUR in the past fiscal year. The strategy program continues to focus on the basic INDUS objectives – growth, appreciation in value and a balanced portfolio structure – and on the tried-and-tested measures such as making capital for forward-looking company projects available, supporting the portfolio companies through networks and knowledge, and pushing ahead with the acquisition of suitable companies at Group level.

A new focal point in PARKOUR is on increasing entrepreneurial fitness: the individual portfolio companies and the Group as a whole should aim to develop faster and improve themselves in terms of operations. PARKOUR has three specific aspects: the targeted strengthening of the portfolio structure, driving innovations 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 the five technology-heavy growth industries: to ensure the right mix in the future, the Group intends to focus acquisition activities on 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.

At the same time, INDUS intends to investigate on a case-by-case basis whether another owner may be able to offer certain companies and their employees better development opportunities in the long term. However, the fundamental corporate strategy “buy, hold & develop” remains unchanged.

To improve innovation ability within the existing portfolio, INDUS also supports the acquisition of new companies at 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 in future provide portfolio companies with support for new services, business processes and business models. The financial funds made available through the development bank model will be doubled. In the coming years an average of 3% of consolidated EBIT will be earmarked for funding innovation.

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. The holding company will assist the portfolio companies in improving their value-adding core processes from product development to order processing. Specifically this means strategic marketing, sales and production initiatives will be added to existing innovation support in the field of development/construction. 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.

EXPECTATIONS FOR THE FISCAL YEAR 2019

Based on the solid performance in 2018, the INDUS Board of Management continues to expect a generally positive performance. Low expectations of the economy also signal weaker growth for the portfolio companies, however. With growth in sales to EUR 1.72 billion–EUR 1.77 billion, EBIT should increase to EUR 156 million–EUR 162 million. These target figures do not take into account the new acquisitions that are sought at the first and second levels.

An EBIT margin of between 9% and 10% is anticipated for the coming year, again under the target margin. One particular reason for this will be the repositioning projects still being resolved in the Automotive Technology segment. But in terms of profitability it should be pointed out that achieving an EBIT margin of over 10% for the full portfolio remains the objective for the medium term.

This year the focus on adding another portfolio company at INDUS level will be stepped up. In a macroeconomic environment that is becoming calmer, the Board of Management expects sellers to be more grounded when it comes to prices, making two first-level acquisitions and two to four second-level acquisitions a realistic prospect.

Rising raw material and energy prices along with higher wages will inhibit the existing portfolio's ability to continue along its growth trend. The increasing shortage of skilled workers represents another bottleneck: finding qualified personnel will remain a risk factor in the foreseeable future. For the other items on the consolidated statement of income, the Board of Management expects only changes on the usual scale.

The company's ongoing positive liquidity situation provides a good foundation for pushing forward with the growth strategy. The investment budget for the coming year is a record amount of EUR 89 million (excluding acquisitions). A total of EUR 50 million has been budgeted for acquisitions, which may however be increased if necessary. Since the launch of the "Innovation" initiative this area will now receive continuous funding of up to 3% of consolidated EBIT each year.

Despite its growth targets, INDUS always takes care to maintain its economic stability and the security of its liquidity in the long term. Investments in fixed assets and dividend payments will continue to be financed from the current cash flow or available liquidity. The INDUS Holding AG result, which is relevant for the payment of dividends, is primarily generated through income from the portfolio companies, which is largely dependent on the forecast economic development of the Group companies. The INDUS Group's equity ratio is not to fall below 40%. As part of the planned revolving financing, INDUS will take up debt in 2019. Our banking partners are on stand-by for this. The debt repayment term based on EBITDA is expected to remain in the 2.0 to 2.5 year range.

FINANCIAL POSITION: FURTHER GROWTH

TARGET – ACTUAL COMPARISON

	ACTUAL 2018	2019 PLAN
GROUP		
Acquisitions	2 complementary additions at sub-subsidiary level	2 growth acquisitions
Sales	EUR 1.71 billion	EUR 1.72–1.77 billion
EBIT	EUR 134.7 million	EUR 156-162 million
Investments in property, plant and equipment and intangible assets	EUR 90.9 million	EUR 89 million
Equity ratio in %	41.3%	>40%
Net debt/EBITDA	2.2 years	Between 2.0 and 2.5 years
SEGMENTS		
Construction/Infrastructure		
Sales	EUR 358.7 million	slight increase
EBIT	EUR 49.8 million	proportional increase
EBIT margin (in %)	13.9%	13-15%
Automotive Technology		
Sales	EUR 391.0 million	slight increase
EBIT	EUR -4.3 million (before impairment EUR 5.2 million)	perceptible increase
EBIT margin (in %)	-1.1% (before impairment +1.3%)	3-5%
Engineering		
Sales	EUR 387.0 million	no change
EBIT	EUR 52.2 million	no change
EBIT margin (in %)	13.5%	12-14%
Medical Engineering/Life Science		
Sales	EUR 154.3 million	slight increase
EBIT	EUR 17.3 million	proportional increase
EBIT margin (in %)	11.2%	11-13%
Metals Technology		
Sales	EUR 420.0 million	slight increase
EBIT	EUR 28.3 million (before impairment EUR 34.9 million)	proportional increase
EBIT margin (in %)	6.7% (before impairment 8.3%)	8-10%

The overall economic conditions for the Construction/Infrastructure segment remain very good. Companies are working at full capacity across the board. However, this does restrict their opportunities for further growth, and the lack of skilled workers continues to be felt in the segment. The step-up in effectiveness of the public investment program in fiber glass and conventional infrastructure, street and residential construction is having a positive impact on business performance. Overall, the Construction/Infrastructure segment will be a reliable pillar of the INDUS portfolio once more in 2019. A slight increase in sales and income is anticipated, with the EBIT margin remaining between 13% and 15%.

Once more, the environment will remain a challenging one for the Automotive Technology segment in 2019. While the companies in the field of development and commercial vehicles can continue to look forward to profitable growth, series supplier repositioning will continue to be a demanding task. The Board of Management expects that repositioning targets will only be reached from 2020. In addition, the automotive industry is in upheaval. However, this also creates additional growth potential – particularly in e-mobility. Altogether, the Board of Management anticipates a slight increase in sales and a perceptible increase in EBIT with an adjusted EBIT margin of 3% to 5% for this segment.

The outlook for 2019 for the Engineering segment remains extremely positive. The companies in this segment started the year with well-filled order books – demand from parcel distribution centers remains high and one portfolio company's business was able to recover rapidly following a short downturn. A lack of skilled workers is also becoming more noticeable in this segment, too. Sales and income for this segment are expected to remain on the same high level. The target remains an EBIT margin between 12% and 14%.

The sector environment remains a positive one for the Medical Engineering/Life Science segment, albeit with slight signs of downturns. Medical technology for an aging society remains a future field for INDUS with room for boosting acquisitions. However, the segment is also struggling under regulations and rising competitive pressure. This is reflected in the slightly lower expectation for margins, even though they start at a high level. INDUS has set proportional earnings increase as a target with a slight increase in sales in this segment. The range for the EBIT margin is now between 11% and 13%.

The outlook also remains cautiously optimistic for companies in the Metals Technology segment. In an environment of general growth in the market, the price of raw materials and salary expenses will remain a limiting factor. The rising costs cannot be passed on to customers to the extent necessary. To achieve the income targets anyway, the portfolio companies are concentrating on implementing measures to increase productivity. Overall, based on a slight increase in sales, an EBIT margin of between 8% and 10% is still forecast for this segment.

04

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

in EUR '000	NOTES	2018	2017
SALES	[6]	**1,710,788**	**1,640,640**
Other operating income	[7]	20,566	16,536
Own work capitalized	[8]	7,856	5,131
Changes in inventories	[9]	35,116	5,204
Cost of materials	[10]	-811,929	-745,894
Personnel expenses	[11]	-506,637	-479,679
Depreciation/amortization	[12]	-83,657	-62,438
Other operating expenses	[13]	-237,677	-228,019
Income from shares accounted for using the equity method		67	1,081
Financial income	[14]	192	303
OPERATING INCOME (EBIT)		**134,685**	**152,865**
Interest income		285	231
Interest expense		-20,264	-23,905
INTEREST INCOME	[15]	**-19,979**	**-23,674**
EARNINGS BEFORE TAXES		**114,706**	**129,191**
Taxes	[16]	-43,521	-46,117
EARNINGS AFTER TAXES		**71,185**	**83,074**
of which allocable to non-controlling shareholders		331	737
of which allocable to INDUS shareholders		70,854	82,337
Earnings per share, basic, in EUR	[17]	2.90	3.37
Earnings per share, diluted, in EUR		2.90	3.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	2018	2017
EARNINGS AFTER TAXES	**71,185**	**83,074**
Actuarial gains/losses	481	-13,258
Deferred taxes	-69	2,839
Items not reclassified to profit or loss	**412**	**-10,419**
Currency translation adjustment	2,584	-9,233
Change in the market values of derivative financial instruments (cash flow hedge)	-728	-943
Deferred taxes	47	241
Items to be reclassified to profit or loss	**1,903**	**-9,935**
OTHER COMPREHENSIVE INCOME	**2,315**	**-20,354**
TOTAL COMPREHENSIVE INCOME	**73,500**	**62,720**
of which allocable to non-controlling shareholders	331	737
of which allocable to INDUS shareholders	73,169	61,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR '000	NOTES	DEC. 31, 2018	DEC. 31, 2017
ASSETS			
Goodwill	[18]	418,590	428,590
Other intangible assets	[19]	90,830	86,454
Property, plant and equipment	[19]	418,227	397,008
Investment property	[19]	2,953	5,220
Financial assets	[20]	13,684	13,995
Shares accounted for using the equity method	[21]	10,970	10,903
Other non-current assets	[22]	3,126	2,594
Deferred taxes	[23]	10,127	8,862
Non-current assets		**968,507**	**953,626**
Inventories	[24]	408,693	339,154
Receivables	[25]	202,523	197,528
Other current assets	[22]	22,993	18,247
Current income taxes	[23]	7,655	8,750
Cash and cash equivalents		109,647	135,881
Current assets		**751,511**	**699,560**
TOTAL ASSETS		**1,720,018**	**1,653,186**
EQUITY AND LIABILITIES			
Subscribed capital		63,571	63,571
Capital reserves		239,833	239,833
Other reserves		403,719	367,509
Equity held by INDUS shareholders		**707,123**	**670,913**
Non-controlling interests in the equity		2,702	2,900
Equity	**[26]**	**709,825**	**673,813**
Pension provisions	[27]	43,702	43,969
Other non-current provisions	[28]	1,688	2,377
Non-current financial liabilities	[29]	465,886	439,545
Other non-current liabilities	[30]	27,731	29,174
Deferred taxes	[23]	41,172	45,956
Non-current liabilities		**580,179**	**561,021**
Other current provisions	[28]	73,576	72,384
Current financial liabilities	[29]	126,520	95,301
Trade payables		65,659	66,162
Other current liabilities	[30]	150,825	174,081
Current income taxes	[23]	13,434	10,424
Current liabilities		**430,014**	**418,352**
TOTAL ASSETS		**1,720,018**	**1,653,186**

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
BALANCE DEC. 31, 2016	**63,571**	**239,833**	**341,561**	**-3,027**	**641,938**	**2,630**	**644,568**
Earnings after taxes			82,337		82,337	737	83,074
Other comprehensive income				-20,354	-20,354		-20,354
Total comprehensive income			**82,337**	**-20,354**	**61,983**	**737**	**62,720**
Dividend payment			-33,008		-33,008	-664	-33,672
Change in scope of consolidation						197	197
BALANCE DEC. 31, 2017	**63,571**	**239,833**	**390,890**	**-23,381**	**670,913**	**2,900**	**673,813**
BALANCE DEC. 31, 2017	**63,571**	**239,833**	**390,890**	**-23,381**	**670,913**	**2,900**	**673,813**
IFRS 15 adjustments			-283		-283		-283
BALANCE 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
BALANCE DEC. 31, 2018	**63,571**	**239,833**	**424,785**	**-21,066**	**707,123**	**2,702**	**709,825**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	2018	2017
Earnings after taxes	71,185	83,074
Depreciation/appreciation of non-current assets (excluding deferred taxes)	83,657	62,438
Gains (+)/losses (-) from the disposal of assets	10	-762
Taxes	43,521	46,117
Net interest	19,979	23,674
Income from companies accounted for using the equity method	-67	-1,081
Other non-cash transactions	-597	197
Changes in provisions	-892	3,566
Increase (+)/decrease (-) in inventories, receivables and other assets	-74,552	-41,185
Increase (+)/decrease (-) in trade payables and other equity and liabilities	970	18,081
Income taxes received/paid	-47,396	-49,907
Dividends received	192	730
Operating cash flow	**96,010**	**144,942**
Interest paid	-21,642	-21,211
Interest received	286	231
Cash flow from operating activities	**74,654**	**123,962**
Cash outflow from investments in		
intangible assets	-11,993	-7,721
property, plant and equipment	-78,892	-71,290
financial investments	-1,367	-2,451
shares in fully consolidated companies	-11,516	-32,414
Cash inflow from the disposal of other assets	5,451	3,920
Cash flow from investing activities	**-98,317**	**-109,956**
Dividends paid to shareholders	-36,676	-33,008
Cash outflows from non-controlling shareholders	-529	-664
Cash outflow from the repayment of contingent purchase price commitments	-23,014	-820
Cash inflow from raising of loans	155,824	151,006
Cash outflow from the repayment of loans	-98,311	-120,412
Cash flow from financing activities	**-2,706**	**-3,898**
Net changes in cash and cash equivalents	-26,369	10,108
Changes in cash and cash equivalents caused by currency exchange rates	135	-1,407
Cash and cash equivalents at the beginning of the period	135,881	127,180
Cash and cash equivalents at the end of the period	**109,647**	**135,881**

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 organized into 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 fiscal year from January 1, 2018, to December 31, 2018, 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 21, 2019. The Supervisory Board approved the consolidated financial statements at its meeting on March 22, 2019.

[2] APPLICATION AND IMPACT OF NEW AND REVISED STANDARDS

All standards whose application was mandatory as of December 31, 2018, 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 2018 FISCAL YEAR

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

- IFRS 15 "Revenue from Contracts with Customers" has been applied since January 1, 2018. The new standard for recognizing revenue contains new regulations, particularly affecting the following areas:
  - Sales recognition as control is transferred: The time point or period of the transfer of control is now decisive for sales recognition, and no longer the transfer of opportunities and risks, as it previously was.
  - Provisions concerning multi-component transactions.
  - New provisions concerning sales recognition over a time frame.

The cumulative method was chosen for the transfer period. IAS 18 and IAS 11 requirements were applied for the prior-year comparison period. Sales recognition based on time frame will have a particular impact on INDUS. INDUS realizes sales both at certain points in time and over a period of time. A few contracts that were accounted for in 2017 as contract manufacturing in accordance with IAS 11 did not fulfill the criteria of time-frame sales recognition in accordance with IFRS 15. This resulted in an equity adjustment of EUR -283 thousand. As of January 31, 2018, inventories increased by EUR 3,904 thousand and prepayments received by EUR 3,561 thousand. Contract receivables decreased by EUR 948 and contract liabilities by EUR 204 thousand.

- IFRS 9 "Financial Instruments" was applied for the first time at INDUS from January 1, 2018. IFRS 9 is the successor to IAS 39 and is intended to simplify the existing provisions:
  - Uniform approach to classifying and measuring financial assets.
  - New impairment model that will be based on expected credit losses.
  - Simplified regulations on hedge accounting and expansion of the application area for basic hedging transactions.

The reclassifications and measurement adjustments have resulted in changes to the information disclosed in the Notes. As of January 1, 2018, no other changes occurred at INDUS as a result of further application requirements.

STANDARDS PUBLISHED BY DECEMBER 31, 2018, WHICH WERE NOT APPLIED EARLY IN THESE 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 will apply the standard from January 1, 2019. The modified retrospective method will be applied for adjustments. The new standard will have a material effect on the financial position of INDUS. Total assets will rise in line with intangible assets and financial liabilities. The leasing expenses formerly reported in other operating expense will be reported in the future under depreciation or interest expense. As of December 31, 2018, operating lease commitments amounting to EUR 84.3 million are reported in the Notes. Use rights in the amount of EUR 81.5 million and financial liabilities in the amount of EUR 81.5 million were newly recognized as of January 1, 2019. This has no material effect on operating income (EBIT). Due to new leasing regulations, income before tax will be burdened by approximately EUR 1.8 million. In the statement of cash flows, cash flow from financing activities will deteriorate by approximately EUR 18.4 million, while cash flow from operating activities will improve by EUR 18.4 million.

Application facilitation for IFRS 16 has been used.

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

[3] ACCOUNTING PRINCIPLES

CONSOLIDATION PRINCIPLES

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

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

If minority shareholders have a right to tender as of the time of the initial consolidation and INDUS is unable to revoke this right, the purchase price commitment for interests attributable to 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 and carried at fair value 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 REPORTING DATE		AVERAGE EXCHANGE RATE	
	1 EUR =	DEC. 31, 2018	DEC. 31, 2017	2018	2017
United Arab Emirates	AED	4.217	4.408	4.325	4.137
Brazil	BRL	4.444	3.976	4.309	3.605
Canada	CAD	1.561	1.511	1.530	1.464
Switzerland	CHF	1.127	1.169	1.155	1.111
China	CNY	7.875	7.805	7.807	7.626
Czech Republic	CZK	25.724	25.540	25.643	26.327
Denmark	DKK	7.467	7.447	7.453	7.439
UK	GBP	0.895	0.886	0.885	0.876
Hungary	HUF	320.980	310.760	318.824	309.268
South Korea	KRW	1,277.930	1,280.860	1,298.252	1,273.211
Morocco	MAD	10.971	11.224	11.050	10.921
Mexico	MXN	22.492	23.604	22.716	21.335
Poland	PLN	4.301	4.176	4.260	4.256
Romania	RON	4.664	4.666	4.654	4.569
Serbia	RSD	118.455	118.300	117.880	120.965
Singapore	SGD	1.559	1.606	1.593	1.558
Turkey	TRY	6.059	4.555	5.700	4.121
Taiwan	TWD	35.109	35.608	35.567	34.359
USA	USD	1.145	1.200	1.181	1.130
South Africa	ZAR	16.460	14.848	15.613	15.035

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 42 (previous year: 42) cash generating units. No individual goodwill amount is significant within the meaning of IAS 36.134.

Intangible assets purchased for a fee are measured at acquisition 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.

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
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.

Depending on the distribution of material opportunities and risks, lease contracts are classified as operating leases or finance leases, resulting in finance leases being accounted as assets.

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 two categories “trading and derivatives” or “at-cost financial liabilities”.

The market values of financial liabilities are determined on the basis of market information available on the reporting date or by using accepted valuation methods, such as the discounted cash flow method, and through confirmations from the banks carrying out the transactions. The interest rates employed are adjusted to the term and risk of the underlying financial instrument.

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

Receivables and other assets are recognized at amortized costs; for current receivables this is generally the nominal value. Individual risks are taken into account with appropriate valuation allowances. General credit risks are recognized by means of portfolio-based valuation allowances for receivables which are based on past experience or more up-to-date knowledge. Generally, valuation allowances for receivables are recognized in separate accounts.

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

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

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

Derivatives employed as hedging instruments are primarily interest-rate swaps or currency forward contracts. The prerequisite for hedge accounting is that the hedge between the underlying transaction and the hedging instrument is effective, documented and continuously monitored. The existence of an economic relationship between hedge and hedged item is based on reference interest rates, terms, interest adjustment and due dates, and nominal and actual amounts. In assessing effectiveness, the critical terms match method is used. Hedging relationships are usually 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 fiscal years. These correspond to the level 2 techniques. The market interest rate on the reporting date is used as the input force 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 rate as of the reporting date, contractually agreed EBIT multiples, and individual plans of the acquired companies are used as the input force for measuring the fair value of contingent purchase price commitment. 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 possible that sufficient taxable income will be available over a planning horizon of five years or when nettable deferred tax liabilities of a corresponding amount can be offset against a sufficiently 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 39%).

As regards income realization from customer contracts, revenue is recognized in accordance with the 5-stage 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/Infrastructure 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, 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 for laboratory technology, 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 liablities.

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 agreed for order production contracts. 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 12,039 thousand (previous year: EUR 12,191 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 recognition 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 fiscal 2019 INDUS does not on the whole anticipate events requiring material adjustment to balance sheet items in these financial statements. The assumptions made regarding conditions in the general economy and relevant markets in particular have been discussed in detail in the forecast report in the combined management report.

[4] SCOPE OF CONSOLIDATION

In the consolidated financial statements, all subsidiary companies are fully consolidated if INDUS Holding AG has the direct or indirect possibility of controlling the companies' financial and business policy for the benefit of the INDUS Group. Control is in evidence if a company can exercise power of disposition on its subsidiaries and is subject to variable return flows and has the possibility of using its power of disposition to influence the amount of return flows. Associated companies whose financial and business policies can be significantly influenced are consolidated using the equity method. Companies purchased during the course of the fiscal 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 INVESTMENTS OF LESS THAN 100%
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**
Dec. 31, 2017				
Construction/ Infrastructure	25	9	34	2
Automotive Technology	34	17	51	10
Engineering	28	23	51	24
Medical Engineering/ Life Science	7	10	17	9
Metals Technology	16	9	25	3
Other	9	0	9	1
Total	**119**	**68**	**187**	**49**

Significant operating subsidiaries are provided in the Notes under [43]. The complete listing of investments of the 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 2,702 thousand (previous year: EUR 2,900 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 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 41,789 thousand (previous year: EUR 64,275 thousand) are 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, 2018, the scope of consolidation includes 35 limited liability companies (GmbH) as general partners that form a single company with the corresponding LLCs (December 31, 2017: 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.

[5] BUSINESS COMBINATIONS

DISCLOSURES ON INITIAL CONSOLIDATION FOR THE CURRENT FISCAL YEAR

Combined acquisitions in the fiscal year
At the beginning of 2018, the INDUS portfolio company AURORA acquired ELECTRONIC EQUIPMENT B.V., in Weert, Netherlands. ELECTRONIC EQUIPMENT will be allocated to the Automotive Technology segment.

Effective July 1, 2018, one INDUS portfolio company acquired a renowned supplier of high-quality air conditioning units. The company will be allocated to the Construction/ Infrastructure segment.

The fair value of the total consideration given for other acquisitions amounted to EUR 12,211 thousand on the acquisition date. The purchase prices were settled in cash.

Goodwill of EUR 4,155 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 ACQUISITIONS (in EUR '000)

	CARRYING AMOUNT AT TIME OF ACQUISITION	ASSETS ADDED DUE TO INITIAL CONSOLIDATION	ADDITIONS TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	4,155	4,155
Other intangible assets	0	6,425	6,425
Property, plant and equipment	238	0	238
Inventories	3,049	963	4,012
Receivables	1,860	0	1,860
Other assets*	578	0	578
Cash and cash equivalents	695	0	695
Total assets	**6,420**	**11,543**	**17,963**
Other provisions	374	0	374
Trade payables	2,157	0	2,157
Other equity and liabilities**	1,086	2,135	3,221
Total liabilities	**3,617**	**2,135**	**5,752**

* 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 the other acquisitions took place between January and July 2018. The other acquisitions contributed sales amounting to EUR 8,199 thousand to the INDUS result for the period from January 1, 2018, to December 31, 2018, and operating income (EBIT) of EUR 382 thousand. If other new acquisitions had been consolidated from January 1, 2018, revenue would have amounted to EUR 13,074 thousand and operating income (EBIT) to EUR 481 thousand.

Expenses affecting net income from the initial consolidation of other acquisitions reduced operating income by EUR 1,494 thousand. The incidental acquisition costs were recorded in the statement of income.

NOTES TO THE STATEMENT OF INCOME

[6] REVENUE

Sales include EUR 204,392 thousand in sales using the period-based method (previous year: sales from production orders: EUR 227,660 thousand). Also included is EUR 12,535 thousand in revenue from services (previous year: EUR 14,407 thousand). A breakdown of revenue by reportable segments can be found under segment reporting [32].

[7] OTHER OPERATING INCOME

in EUR '000	2018	2017
Income from the release of provisions	7,537	4,170
Release of valuation allowances	2,868	2,662
Transfer to earnings/release of deferrals carried as liabilities	1,376	875
Insurance compensation	714	1,627
Income from rental and lease agreements	352	632
Income from currency translation	1,872	259
Income from asset disposals	828	1,630
Other operating income	5,019	4,681
Total	**20,566**	**16,536**

Income from currency translation of EUR 1,872 thousand (previous year: EUR 259 thousand) is offset by expenses amounting to EUR -1,590 thousand (previous year: EUR -5,486 thousand). The figure from exchange rate differences recognized in income therefore amounts to EUR 281 thousand (previous year: EUR -5,227 thousand).

[8] OWN WORK CAPITALIZED

in EUR '000	2018	2017
Other own work capitalized	5,051	1,920
Own work capitalized in accordance with IAS 38	2,805	3,211
Total	**7,856**	**5,131**

Research and development expenses of EUR 17,328 thousand were recognized for the period (previous year: EUR 16,397 thousand).

[9] CHANGES IN INVENTORY

in EUR '000	2018	2017
Work in process	44,580	-3,256
Finished goods	-9,464	8,460
Total	**35,116**	**5,204**

[10] COST OF MATERIALS

in EUR '000	2018	2017
Raw materials, consumables and supplies, and purchased merchandise	-673,193	-606,215
Purchased services	-138,736	-139,679
Total	**-811,929**	**-745,894**

[11] PERSONNEL EXPENSES

in EUR '000	2018	2017
Wages and salaries	-427,450	-404,501
Social security	-74,834	-70,643
Pensions	-4,353	-4,535
Total	**-506,637**	**-479,679**

Personnel expenses do not include the interest component from the transfer to pension provisions. This is recognized in net interest at EUR 974 thousand (previous year: EUR -643 thousand).

[12] DEPRECIATION/AMORTIZATION

in EUR '000	2018	2017
Depreciation/amortization	-67,541	-62,438
Impairment	-16,116	0
Total	**-83,657**	**-62,438**

Impairments were necessary in the Automotive Technology and Metals Technology segments due to their lower earnings power. This consisted of goodwill impairments amounting to EUR 15,715 thousand (previous year: EUR 0 thousand). The impairment values were determined from the value in use of cash generating units.

Impairment of property, plant and equipment amounting to EUR 401 thousand was also recognized (previous year: EUR 0 thousand).

[13] OTHER OPERATING EXPENSES

in EUR '000	2018	2017
Selling expenses	-93,321	-90,454
Operating expenses	-81,068	-76,109
Administrative expenses	-53,520	-50,970
Other expenses	-9,768	-10,486
Total	**-237,677**	**-228,019**

SELLING EXPENSES

in EUR '000	2018	2017
Shipping, packaging and provisions	-46,065	-45,255
Vehicle, travel and entertainment expenses	-23,822	-21,933
Marketing and trade fairs	-13,186	-12,747
Receivables and guarantees	-7,352	-8,000
Other selling expenses	-2,896	-2,519
Total	**-93,321**	**-90,454**

OPERATING EXPENSES

in EUR '000	2018	2017
Machinery and plant: Rent and maintenance	-28,569	-27,400
Land and buildings: Leases and occupancy costs	-24,200	-23,336
Energy, supplies, tools	-16,216	-15,796
Other operating expenses	-12,083	-9,577
Total	**-81,068**	**-76,109**

ADMINISTRATIVE EXPENSES

in EUR '000	2018	2017
IT, office, and communication services	-16,288	-15,789
Consulting and fees	-19,674	-18,935
Insurance	-4,812	-4,662
Human resources administration and continuing education	-6,855	-6,888
Other administrative costs	-5,891	-4,696
Total	**-53,520**	**-50,970**

OTHER EXPENSES

in EUR '000	2018	2017
Cost of currency translation	-1,590	-5,486
Disposal of fixed assets	-837	-868
Transfer to provisions	0	-503
Other	-7,341	-3,629
Total	**-9,768**	**-10,486**

[14] FINANCIAL INCOME

in EUR '000	2018	2017
Income from financial assets	476	317
Impairment of financial assets	-284	-14
Total	**192**	**303**

[15] NET INTEREST

in EUR '000	2018	2017
Interest and similar income	285	231
Interest and similar expenses	-13,850	-15,902
Interest from operating activities	**-13,565**	**-15,671**
Other: Market value of interest rate swaps	11	9
Other: Minority interests	-6,425	-8,012
Other interest	**-6,414**	**-8,003**
Total	**-19,979**	**-23,674**

The item "Other: Minority interests" includes effects on income from the subsequent valuation of the contingent purchase price commitments (call/put options) of EUR 530 thousand (previous year: EUR 151 thousand) and earnings after taxes that external entities are entitled to from shares in limited partnerships and stock corporations with call/put options. For reasons of consistency, these are shown under net interest.

[16] TAXES

in EUR '000	2018	2017
Non-recurring taxes	707	194
Current taxes	-52,207	-48,985
Deferred taxes	7,979	2,674
Total	**-43,521**	**-46,117**

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. There are no longer any positive effects on earnings resulting from the recognition of deferred taxes in accordance with the temporary concept as per IFRS.

Deferred tax assets on tax loss carryforwards are only capitalized by the Group if sufficient taxable income can be generated in the five-year planning period.

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)

	2018	2017
Earnings before income taxes	114,706	129,191
Expected tax expenses 29.6% (previous year: 29.6%)	33,953	38,241
RECONCILIATION		
Non-recurring taxes	-707	-194
Measurement of associated companies according to the equity method	-20	-320
Amortization of goodwill – corporations	1,307	0
Structural effects of		
divergent local tax rates	554	180
divergent national tax rates	-637	-1,073
Corporate acquisition transaction costs	170	155
Capitalization or valuation allowance of deferred tax loss carryforwards	906	1,395
Actual use of tax loss carryforward	-985	-743
No offsetting of income for autonomous subsidiaries	4,609	3,454
Income attributable to other shareholders	1,902	2,372
Effects of the interest barrier on INDUS Holding AG	285	542
Other non-deductible expenses or tax-free income	2,184	2,108
Actual tax expenses	**43,521**	**46,117**
as a percentage of earnings	37,9	35,7

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 2.90 per share (previous year: EUR 3.37 per share). The weighted average number of shares in circulation remained unchanged in the current year at 24,450,509. See item [26] for further details.

in EUR '000	2018	2017
Income attributable to INDUS shareholders	**70,854**	**82,337**
Weighted average shares outstanding (in thousands)	24,451	24,451
Earnings per share (in EUR)	2.90	3.37

Underlying income is determined using the income attributable to INDUS shareholders. Shares may be diluted in future if contingent or subscribed capital is used.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[18] GOODWILL

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

FIXED ASSET SCHEDULE – GOODWILL

	CARRYING AMOUNT JAN. 1, 2018	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	IMPAIRMENT	CURRENCY DIFFERENCE	CARRYING AMOUNT 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**

	CARRYING AMOUNT JAN. 1, 2017	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	IMPAIRMENT	CURRENCY DIFFERENCE	CARRYING AMOUNT DEC. 31, 2017
Construction/Infrastructure	112,295	0	0	0	0	-635	111,660
Automotive Technology	75,420	0	0	0	0	-98	75,322
Engineering	121,902	20,836	0	0	0	-215	142,523
Medical Engineering/Life Science	69,639	0	0	0	0	0	69,639
Metals Technology	29,446	0	0	0	0	0	29,446
Total goodwill	**408,702**	**20,836**	**0**	**0**	**0**	**-948**	**428,590**

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 1.00% (previous year: 1.25%), a market risk premium of 7.00% (previous year: 6.75%) 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 6.8% (previous year: 5.8%) Automotive Technology 9.3% (previous year: 9.3%) Engineering 7.9% (previous year: 7.3%) Medical Engineering/Life Science 6.9% (previous year: 6.8%) and Metals Technology 8.5% (previous year: 7.8%).

In the 2018 fiscal year, goodwill impairments were recognized in the amount of EUR 15,715 thousand. The impairment losses relate to the Automotive Technology segment, EUR 9,500 thousand and the Metals Technology segment, EUR 6,215 thousand. There were no impairment losses on goodwill in the previous year.

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 10,730 (previous year: EUR 2,360) and in the amount of EUR 736 thousand (previous year: EUR 0 thousand) for property, plant and equipment.

[19] DEVELOPMENT OF INTANGIBLE ASSETS, TANGIBLE FIXED ASSETS, AND INVESTMENT PROPERTY

PURCHASE/MANUFACTURING COSTS IN 2018 (in EUR '000)

	OPENING BALANCE JAN. 1, 2018	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2018
Goodwill	**468,622**	**4,155**	**0**	**-36**	**0**	**209**	**472,950**
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 CONSOLIDATION	ADDITIONS	DISPOSALS AND TRANSFERS	IMPAIRMENT LOSS REVERSAL	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2018
Goodwill	**40,032**	**0**	**15,715**	**0**	**0**	**-1,387**	**54,360**
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	419	0	26	128,373
Total other intangible assets	**138,943**	**0**	**14,590**	**366**	**0**	**73**	**153,972**
Land and buildings	92,811	0	9,328	288	0	356	102,783
Technical equipment and machinery	316,664	0	27,007	-6,360	0	-162	337,149
Other equipment, factory and office equipment	111,464	0	16,831	-3,368	0	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**	**-9,440**	**0**	**359**	**565,031**
Investment property	**1,753**	**0**	**186**	**-1,219**	**0**	**0**	**720**

PURCHASE/MANUFACTURING COSTS IN 2017 (in EUR '000)

	OPENING BALANCE JAN. 1, 2017	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2018
Goodwill	**448,747**	**20,836**	**0**	**0**	**0**	**-961**	**468,622**
Capitalized development costs	31,274	0	3,786	-20	0	-192	34,848
Property rights, concessions and other intangible assets	169,642	18,445	3,920	-1,133	46	-371	190,549
Total other intangible assets	**200,916**	**18,445**	**7,706**	**-1,153**	**46**	**-563**	**225,397**
Land and buildings	280,981	7,033	7,212	-1,064	10,157	-4,190	300,129
Technical equipment and machinery	412,036	675	23,064	-11,873	7,525	-4,080	427,347
Other equipment, factory and office equipment	160,670	1,853	18,758	-9,598	1,577	-1,481	171,779
Advance payments and facilities under construction	13,596	0	24,898	-510	-19,305	20	18,699
Total property, plant and equipment	**867,283**	**9,561**	**73,932**	**-23,045**	**-46**	**-9,731**	**917,954**
Investment property	**6,973**	**0**	**0**	**0**	**0**	**0**	**6,973**

DEPRECIATION/AMORTIZATION IN 2017 (in EUR '000)

	OPENING BALANCE JAN. 1, 2017	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS AND TRANSFERS	IMPAIRMENT LOSS REVERSAL	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2017
Goodwill	**40,045**	**0**	**0**	**0**	**0**	**-13**	**40,032**
Capitalized development costs	18,668	0	3,632	-6	0	-70	22,224
Property rights, concessions and other intangible assets	107,942	0	10,118	-1,112	0	-229	116,719
Total other intangible assets	**126,610**	**0**	**13,750**	**-1,118**	**0**	**-299**	**138,943**
Land and buildings	85,688	0	8,493	-359	0	-1,011	92,811
Technical equipment and machinery	304,673	0	25,047	-10,232	0	-2,824	316,664
Other equipment, factory and office equipment	107,591	0	14,949	-9,493	0	-1,583	111,464
Advance payments and facilities under construction	0	0	7	0	0	0	7
Total property, plant and equipment	**497,952**	**0**	**48,496**	**-20,084**	**0**	**-5,418**	**520,946**
Investment property	**1,561**	**0**	**192**	**0**	**0**	**0**	**1,753**

Intangible assets have definable useful lives. Change in scope of consolidation impacts additions in accordance with IFRS 3. The residual carrying amount of capitalized finance leases amounts to EUR 11,660 thousand on land and buildings (previous year: EUR 11,508 thousand) and EUR 2,061 thousand (previous year: EUR 2,100 thousand) on technical equipment and machinery.

As of the reporting date, the residual carrying amounts of intangible assets, property, plant and equipment, and investment properties are:

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

	DEC. 31, 2018	DEC. 31, 2017
Goodwill	**418,590**	**428,590**
Capitalized development costs	13,948	12,624
Property rights, concessions and other intangible assets	76,882	73,830
Total other intangible assets	**90,830**	**86,454**
Land and buildings	209,628	207,318
Technical equipment and machinery	111,745	110,683
Other equipment, factory and office equipment	65,588	60,315
Advance payments and facilities under construction	31,266	18,692
Property, plant and equipment	**418,227**	**397,008**
Investment property	**2,953**	**5,220**

[20] FINANCIAL INVESTMENT

in EUR '000	DEC. 31, 2018	DEC. 31, 2017
Other investments	2,612	2,592
Other loans	11,072	11,403
Total	**13,684**	**13,995**

The loans relate to loans originated by the company at amortized costs. The 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 fiscal year.

[21] SHARES ACCOUNTED FOR USING THE EQUITY METHOD

As of December 31, 2018, the carrying amounts of shares accounted for using the equity method totaled EUR 10,970 thousand (previous year: EUR 10,903 thousand).

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

in EUR '000	2018	2017
Purchase price of associated companies	8,408	8,408
Appropriated income in the period	24	1,038
Key figures of the associated companies:		
Assets	45,329	45,091
Liabilities	27,728	27,734
Capital	17,601	17,357
Revenue	32,598	30,498
Earnings	204	2,141

[22] OTHER ASSETS

in EUR '000	DEC. 31, 2018	DEC. 31, 2017
Accrual of payments not relating to the period under review	9,265	6,048
Other tax refund claims	5,116	4,199
Long-term receivables	0	107
Reinsurance premiums	716	1,233
Loans and other receivables	873	596
Positive swap market value	404	99
Other assets	9,745	8,559
Total	**26,119**	**20,841**
of which current	22,993	18,247
of which non-current	3,126	2,594

[23] 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:

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
Current liabilities	3,160	-374	2,786
Capitalization of loss carryforwards	5,267	0	5,267
Netting-out of accounts	-15,300	15,300	0
Deferred taxes	**10,127**	**-41,172**	**-31,045**

2017 (in EUR '000)	ASSETS	LIABILITIES	BALANCE
Goodwill of limited partnerships	3,166	-28,041	-24,875
Intangible assets	0	-21,463	-21,463
Property, plant and equipment	2,277	-6,631	-4,354
Receivables and inventories	536	-4,014	-3,478
Other current assets	369	-29	340
Long-term provisions	8,778	-23	8,755
Current liabilities	2,286	-42	2,244
Capitalization of loss carryforwards	5,737	0	5,737
Netting-out of accounts	-14,287	14,287	0
Deferred taxes	**8,862**	**-45,956**	**-37,094**

Netting-out 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, 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**

	JAN. 1, 2017	STATEMENT OF INCOME	OTHER	DEC. 31, 2017
Trade tax	3,141	714	0	3,855
Corporate income tax	564	89	0	653
Foreign tax	0	1,229	0	1,229
Capitalization of loss carryforwards	**3,705**	**2,032**	**0**	**5,737**
Other deferred taxes	-39,042	642	-4,431	-42,831
Deferred taxes	**-35,337**	**2,674**	**-4,431**	**-37,094**

The other changes in deferred taxes are composed as follows:

in EUR '000	2018	2017
Provisions for mark-to-market evaluation of cash flow hedges	47	241
Currency translation reserve	108	275
Pension provisions (actuarial gains/losses)	-69	2,839
Change in scope of consolidation	-2,135	-7,786
IFRS 15 adjustments	119	0
Total	**-1,930**	**-4,431**

Recognized deferred taxes are based on tax loss carryforwards of EUR 34,340 thousand (previous year: EUR 35,417 thousand).

Other tax loss carryforwards amounting to a total of EUR 205,175 thousand (previous year: EUR 179,192 thousand), where the probability of realization in the next five 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 0 thousand were not recognized (previous year: EUR 24 thousand). Deferred tax assets of EUR 2,137 thousand (previous year: EUR 840 thousand) were offset against the corresponding deferred tax liabilities at companies with current tax losses.

[24] INVENTORIES

in EUR '000	DEC. 31, 2018	DEC. 31, 2017
Raw materials, consumables and supplies	149,227	125,146
Unfinished goods	113,263	88,205
Finished goods and goods for resale	127,785	109,340
Advance payments	18,418	16,463
Total	**408,693**	**339,154**

The carrying amounts for inventories include depreciation of EUR 18,779 thousand (previous year: EUR 17,606 thousand).

[25] RECEIVABLES

in EUR '000	DEC. 31, 2018	DEC. 31, 2017
Receivables from customers	189,909	180,138
Contract receivables*	9,956	15,693
Receivables from associated companies	2,658	1,697
Total	**202,523**	**197,528**

* Previous year: Receivables from construction contracts.

In the current reporting year, EUR 0 thousand of receivables from customers with a payment target over one year have been recognized (previous year: EUR 108 thousand).

Receivables include contract receivables with revenue recognized according to the over time method. The previous year's figures relate to receivables from construction contracts. The following table contains further information about contract receivables:

in EUR '000	2018	2017
Costs incurred including prorated income	95,934	107,971
Advance payments received	122,059	141,279
Contract receivables*	9,956	15,693
Contract liabilities**	36,081	49,001

* Previous year: Construction contracts with a positive balance.
** Previous year: Construction contracts with a negative balance.

Contract liabilities relate to contracts with revenue recognition over time exhibiting an offset surplus of received prepayments. These are shown under other liabilities in the statement of financial position. Of the contract liabilities recognized in the amount of EUR 49,001 thousand in the previous year, EUR 40,330 thousand were recognized as revenue in the reporting year.

As of December 31, 2018, there are contract liabilities with allocated transaction prices of EUR 180,794 thousand (previous year: EUR 192,033 thousand). The are scheduled to be realized as revenue within the next 1 to 34 months.

The receivables include impairment losses of EUR 6,483 thousand (previous year: EUR 5,999 thousand). The development is depicted below:

in EUR '000	2018	2017
Valuation allowances as of January 1	**5,999**	**7,011**
Currency translation	25	-52
Change in scope of consolidation	4	53
Additions	3,150	2,431
Utilization	-680	-597
Reversals	-2,015	-2,847
Valuation allowances as of December 31	**6,483**	**5,999**

Receivables in the amount of EUR 473 thousand (previous year: EUR 1,046 thousand) were derecognized through profit and loss in the fiscal year.

[26] 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 registered for regulated trading on the Düsseldorf and Frankfurt Stock Exchanges and for over-the-counter trading in Berlin, Hamburg, Hanover, Munich and Stuttgart.

In accordance with Section 6 (1) of the Articles of Incorporation, the Board of Management is authorized, subject to Supervisory Board approval, to increase the Company's capital stock until June 10, 2019, through the issuance of up to 12,225,254 new no-par-value bearer shares in exchange for contributions in cash and/or contributions in kind on one or more occasions up to a total of EUR 31,785,660.51 (Authorized Capital 2014). The shareholders are to be given subscription rights during the capital increase. 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). The Board of Management is authorized, however, to exclude the shareholders' subscription rights in the following cases with the Supervisory Board's approval: to avoid fractional amounts; in a capital increase through cash contributions if the issue amount of the new shares issued with exclusion of subscriptions rights pursuant to Section 186 (3) Sentence 4 AktG is not significantly less than the exchange price and the new shares issued with exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 AktG do not exceed in total 10% of the share capital, and do so neither at the time at which this authorization takes effect nor at the time at which this authorization is exercised. This limitation applies to shares that have been, or are to be, disposed of or issued, subject to exclusion of subscription rights, during the term of this authorization pursuant to other authorizations in direct application, or in application mutatis mutandis, of Section 186 (3) Sentence 4 AktG; in the case of a capital increase through non-cash contributions for the purpose in particular of acquiring a company, business divisions, an interest in a company, or other operating materials; or to grant to the holders of conversion or option rights to shares in the company, or of corresponding conversion or option duties to offset dilutions, a subscription right to the extent that they would be entitled to it after they have exercised these rights or fulfilled these duties as a shareholder.

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.

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 bearer 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 fiscal 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 41.3% (previous year: 40.8%).

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 [30].

APPROPRIATION OF DISTRIBUTABLE PROFIT

The Board of Management will propose to the Annual Shareholders' Meeting that the following dividend payments be made from INDUS Holding AG's balance sheet profit:

Payment of a dividend of EUR 1.50 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 36,675,763.50 (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, 2017	OTHER INCOME 2017	DEC. 31, 2017	OTHER INCOME 2017	DEC. 31, 2018
Currency translation reserve	7,917	-9,233	-1,316	2,584	1,268
Pension provisions (actuarial gains/losses)	-11,494	-13,258	-24,752	481	-24,271
Deferred taxes for pensions	3,403	2,839	6,242	-69	6,173
Reserve for cash flow hedges	-3,385	-943	-4,328	-728	-5,056
Deferred taxes for cash flow hedges	532	241	773	47	820
Total other reserves	**-3,027**	**-20,354**	**-23,381**	**2,315**	**-21,066**

Reserves for currency translation and for cash flow hedges include unrealized gains and losses. The change in reserves for cash flow hedges instruments is based exclusively on ongoing changes in mark-to-market valuation. There were no effects resulting from reclassification.

CAPITAL MANAGEMENT

INDUS Holding AG manages capital so as to increase 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 526,461 thousand (previous year: EUR 442,934 thousand). Taking equity in the statement of financial position into account, total capital comes to EUR 1,236,286 thousand (previous year: EUR 1,116,747 thousand). Relative to total interest-bearing capital employed, the equity ratio is 57.4% (previous year: 60.3%).

The EUR 119,539 thousand increase in total capital (previous year: EUR 66,608 thousand) was due to a EUR 36,012 thousand increase in equity (previous year: EUR 29,245 thousand) and a EUR 83,527 thousand increase in interest-bearing debt capital (previous year: EUR 37,363 thousand increase). The reinvested capital enhances INDUS's 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. The required minimum equity ratio was exceeded in the past fiscal year. The lenders have extraordinary termination rights in case of a change of control. Certain key figures have been defined for promissory note loans.

[27] PENSIONS

STATEMENT OF INCOME (in EUR '000)

	2018	2017	CHANGE
Current service cost	2,535	418	2,117
Interest cost	974	643	331
Income from plan assets	-325	-56	-269
Past service costs	-556	0	-556
Administrative expenses – foundation	139	0	139
Cost of defined benefit obligation	**2,767**	**1,005**	**1,762**
+ Defined contribution plan cost	3,595	3,771	-176
= Cost of pension commitments for the period	**6,362**	**4,776**	**1,586**

BALANCE SHEET VALUES (in EUR '000)

	2018	2017	CHANGE
Present value of benefit obligations financed by provisions	43,702	43,969	-267
Present value of funded benefit obligations	41,185	38,221	2,964
Defined benefit obligation: Accumulated benefit obligations	**84,887**	**82,190**	**2,697**
Market value of plan assets	-41,185	-38,221	-2,964
Net obligation = provisions	**43,702**	**43,969**	**-267**
Actuarial gains/losses	-24,271	-24,752	481
Opening balance: Balance sheet value as of January 1	**43,969**	**29,020**	**14,949**
Pension obligation expenses	2,767	1,005	1,762
Pension payments	-2,949	-1,189	-1,760
Actuarial gains/losses realized in equity	-481	13,258	-13,739
Exchange rate change	396	0	396
Change of scope in consolidation/netting-out	0	1,875	-1,875
Closing balance: Balance sheet value as of December 31	**43,702**	**43,969**	**-267**
Underlying assumptions in percent:			
Discount factor			
Germany	1.80	1.80	
Switzerland	0.90	0.75	
Salary trend			
Germany	2.50	2.50	
Switzerland	0.90	0.75	
Pension trend			
Germany	1.75	1.75	
Switzerland	0.00	0.00	
Expected income from plan assets			
Germany	1.80	1.80	
Switzerland	0.90	0.75	

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 2,936 thousand (previous year: EUR 4,703 thousand) or increase net obligation by EUR 3,319 thousand (previous year: EUR 5,325 thousand).

In connection with retirement benefits, payments amounting to EUR 3,340 thousand are expected in 2019 (in 2017 for 2018: EUR 3,078 thousand).

Plan assets primarily consist of reinsurance policies. Changes in plan assets are as follows:

in EUR '000	2018	2017
Assets as of January 1	**38,221**	**2,864**
Expected return on plan assets	325	56
Ongoing contributions by the companies	2,994	101
Pensions paid	-2,080	-148
Change of scope in consolidation	0	0
Netting-out/other	377	35,348
Exchange rate change	1,348	0
Assets as of December 31	**41,185**	**38,221**

The statement of financial position also contains reimbursement claims of EUR 716 thousand (previous year: EUR 1,233 thousand).

[28] OTHER PROVISIONS

Other provisions include interest in the amount of EUR 67 thousand (previous year: EUR 84 thousand).

PROVISIONS 2018 (in EUR '000)

	OPENING BALANCE JAN. 1, 2018	CHANGE IN SCOPE OF CONSOLIDATION	UTILIZED	RELEASED	ADDITIONS/ NEWLY CREATED	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2018
Sales and purchasing obligations	33,622	195	27,756	3,150	33,182	53	36,146
Personnel expenses	26,543	0	22,651	2,893	24,391	72	25,462
Other provisions	14,596	179	9,387	1,526	9,776	18	13,656
Total	**74,761**	**374**	**59,794**	**7,569**	**67,349**	**143**	**75,264**

Liabilities from sales activities include provisions for warranties based on legal or de facto obligations, obligations 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.

[29] FINANCIAL LIABILITIES

FINANCIAL LIABILITIES/DEVELOPMENT (in EUR '000)

	JAN. 1, 2018 CARRYING AMOUNT FOR REPORTING PERIOD	CASH-EFFECTIVE	NON-CASH			DEC. 31, 2018 CARRYING AMOUNT FOR REPORTING PERIOD
			CHANGE IN SCOPE OF CONSOLIDATION	EXCHANGE RATE CHANGE	CHANGE IN FAIR VALUE	
Liabilities to banks	346,989	11,901	0	-61	0	358,829
Finance leases	6,664	-1,482	0	141	0	5,323
Promissory note loans	181,193	47,061	0	0	0	228,254
Total financial liabilities	**534,846**	**57,480**	**0**	**80**	**0**	**592,406**

	JAN. 1, 2017 CARRYING AMOUNT FOR REPORTING PERIOD	CASH-EFFECTIVE	NON-CASH			DEC. 31, 2017 CARRYING AMOUNT FOR REPORTING PERIOD
			CHANGE IN SCOPE OF CONSOLIDATION	EXCHANGE RATE CHANGE	CHANGE IN FAIR VALUE	
Liabilities to banks	386,602	-40,737	1,077	47	0	346,989
Finance leases	8,140	-873	0	-603	0	6,664
Promissory note loans	108,989	72,204	0	0	0	181,193
Total financial liabilities	**503,731**	**30,594**	**1,077**	**-556**	**0**	**534,846**

FINANCIAL LIABILITIES/DERIVATIVES (in EUR '000)

	DEC. 31, 2018 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		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
Finance leases	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/interest-rate swaps – nominal values	270,071	35,504	162,619	71,948

	DEC. 31, 2017 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks				
in the Group's currency EUR	345,221	85,205	233,159	26,857
in Swiss francs	748	319	429	0
in other currencies	1,020	0	1,020	0
Finance leases	6,664	1,981	4,683	0
Promissory note loans	181,193	7,796	106,186	67,211
Total financial liabilities	**534,846**	**95,301**	**345,477**	**94,068**
Derivatives/interest-rate swaps – nominal values	290,544	30,015	152,801	107,728

[30] OTHER LIABILITIES

in EUR '000	DEC. 31, 2018	CURRENT	NON-CURRENT	DEC. 31, 2017	CURRENT	NON-CURRENT
Accounts payable to outside shareholders	59,552	35,066	24,486	85,843	60,746	25,097
Accounts payable for personnel	19,383	19,383	0	19,062	19,062	0
Derivative financial instruments	5,065	5,065	0	4,346	4,346	0
Advance payments received	37,297	36,701	596	18,568	17,658	910
Contract liabilities*	36,081	36,081	0	49,001	49,001	0
Accrual of non-recurrent payments	10,881	10,881	0	11,829	11,771	58
Accrual of payments not relating to the period under review	1,804	1,615	189	1,167	814	353
Investment subsidies	1,978	0	1,978	2,261	0	2,261
Customer credit notes	3,584	3,584	0	6,331	6,331	0
Sundry other liabilities	2,931	2,449	482	4,847	4,352	495
Total	**178,556**	**150,825**	**27,731**	**203,255**	**174,081**	**29,174**

* Previous year: Construction contracts with a negative balance.

At EUR 41,789 thousand (previous year: EUR 64,275 thousand), liabilities to outside shareholders include 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 fiscal year, there were no new purchase price commitments, EUR 530 thousand were recognized in expenses and EUR 23,014 thousand was deducted mainly due to payouts to minority 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

[31] INFORMATION ON THE STATEMENT OF CASH FLOWS

The purchase prices paid for the new acquisition of investments were as follows:

in EUR '000	2018	2017
Cash-effective attributable to the acquisition of portfolio companies:	-12,211	-38,697
subject to assumed financial liabilities	695	6,283
Net purchase price	**-11,516**	**-32,414**

Cash and cash equivalents include limited-authorization accounts amounting to EUR 655 thousand (previous year: EUR 155 thousand). Investing and financing transactions of EUR 1,821 thousand (previous year: EUR 5,650 thousand) that did not lead to changes in cash and cash equivalents are not included in the statement of cash flows.

[32] SEGMENT REPORTING

SEGMENT INFORMATION BY DIVISION

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

	CONSTRUCTION/ INFRASTRUC-TURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECON-CILIATION	CONSOLI-DATED 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 the 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
Sales	**391,941**	**471,672**	**457,151**	**173,518**	**475,561**	**1,969,843**	**-259,055**	**1,710,788**
Segment earnings (EBIT)	**49,851**	**-4,290**	**52,214**	**17,345**	**28,329**	**143,449**	**-8,764**	**134,685**
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	**59,931**	**28,632**	**64,439**	**24,762**	**48,537**	**226,301**	**-7,959**	**218,342**
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

SEGMENT REPORTING 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
2017								
Revenue with external third parties	330,368	394,106	375,117	155,179	385,617	1,640,387	253	1,640,640
Revenue with Group companies	33,238	75,669	62,117	16,693	53,055	240,772	-240,772	0
Sales	**363,606**	**469,775**	**437,234**	**171,872**	**438,672**	**1,881,159**	**-240,519**	**1,640,640**
Segment earnings (EBIT)	**49,393**	**14,720**	**53,545**	**20,800**	**24,162**	**162,620**	**-9,755**	**152,865**
Income from measurement according to the equity method	556	305	220	0	0	1,081	0	1,081
Depreciation/amortization	**-8,850**	**-21,782**	**-10,730**	**-6,775**	**-13,556**	**-61,693**	**-745**	**-62,438**
of which amortization	-8,850	-21,782	-10,730	-6,775	-13,556	-61,693	-745	-62,438
of which impairment	0	0	0	0	0	0	0	0
Segment EBITDA	**58,243**	**36,502**	**64,275**	**27,575**	**37,718**	**224,313**	**-9,010**	**215,303**
Investments	**13,398**	**30,274**	**43,416**	**7,381**	**14,509**	**108,978**	**2,447**	**111,425**
of which company acquisitions	0	0	32,414	0	0	32,414	0	32,414
of which acc. to the equity method	0	0	0	0	0	0	0	0
Dec. 31, 2017								
Shares accounted for using the equity method	4,084	4,676	2,143	0	0	10,903	0	10,903
Goodwill	111,660	75,322	142,523	69,639	29,446	428,590	0	428,590

RECONCILIATION (in EUR '000)

	2018	2017
Segment earnings (EBIT)	**143,449**	**162,620**
Areas not allocated inc. holding company	-7,976	-9,913
Consolidations	-788	158
Net interest	-19,979	-23,674
Earnings before taxes	**114,706**	**129,191**

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.

Due 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
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
2017				
Revenue with external third parties	1,640,640	815,497	376,496	448,647
Dec. 31, 2017				
Non-current assets, less deferred taxes and financial instruments	928,174	790,057	46,342	91,775

[33] 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, 2018					
Financial investment	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**

	BALANCE SHEET VALUE	NOT WITHIN THE SCOPE OF IAS 39	IAS 39 FINANCIAL INSTRUMENTS	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
DEC. 31, 2017					
Financial investment	13,995	0	13,995	0	13,995
Cash and cash equivalents	135,881	0	135,881	0	135,881
Receivables	197,528	15,693	181,835	0	181,835
Other assets	20,841	10,246	10,595	99	10,496
Financial Instruments: Assets	**368,245**	**25,939**	**342,306**	**99**	**342,207**
Financial liabilities	534,846	0	534,846	0	534,846
Trade payables	66,162	0	66,162	0	66,162
Other liabilities	203,255	85,623	117,632	68,622	49,010
Financial Instruments: Equity and Liabilities	**804,263**	**85,623**	**718,640**	**68,622**	**650,018**

The fair value of financial liabilities is EUR 596,963 thousand (previous year: 533,319 thousand). The fair value of all other financial instruments measured at amortized costs corresponds to the amortized costs, or deviates immaterially.

FINANCIAL INSTRUMENTS BY BUSINESS MODEL IN ACC. WITH IFRS 9 (in EUR '000)

		CARRYING AMOUNT		NET GAINS/LOSSES	
BUSINESS MODEL IN ACC. WITH IFRS 9	**IAS 39 CATEGORY**	**DEC. 31, 2018**	**DEC. 31, 2017**	**2018**	**2017**
Financial assets measured at fair value through profit and loss	Measured at fair value through profit and loss	404	99	305	-761
Financial assets measured at cost	Loans and receivables	324,621	339,616	-323	-3,930
Financial assets recognized at fair value directly in equity	Financial instruments available for sale	2,612	2,591	211	75
Financial Instruments: Assets		**327,637**	**342,306**	**193**	**-4,616**
Financial liabilities measured at fair value through profit and loss	Measured at fair value through profit and loss	46,854	68,622	-2	-13
Financial liabilities measured at cost	Financial liabilities measured at residual carrying amount	699,318	650,018	71	-1,394
Financial Instruments: Equity and Liabilities		**746,172**	**718,640**	**69**	**-1,407**

Total interest income and expenses for financial instruments not measured at fair value through profit and loss amount to EUR -12,957 thousand (previous year: EUR -14,963 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 discussion provided in the management report.

Liquidity Risk

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 (2018: EUR 109,647 thousand, previous year: EUR 135,881 thousand). It also has unused credit lines totaling EUR 29,782 thousand (previous year: EUR 34,028 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, 2018			DEC. 31, 2017		
	1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Interest rate derivatives	1,551	6,027	1,176	1,468	6,462	2,159
Total derivative financial instruments	**1,551**	**6,027**	**1,176**	**1,468**	**6,462**	**2,159**
Financial liabilities	136,620	403,528	87,121	104,424	368,484	98,252
Trade payables	65,659	0	0	66,162	0	0
Other liabilities	150,825	25,753	1,978	174,081	26,913	2,261
Total financial instruments	**353,104**	**429,281**	**89,099**	**344,667**	**395,397**	**100,513**

Cash flows consist of principal payments and their respective interest. In the previous year they also included interest payments on derivatives with a positive market value which act as commercial hedges for the financial liabilities. The accumulated payment flows from financial liabilities and interest rate derivatives result in the payment flow from corresponding fixed-term loans.

Default Risk

In the financing area, 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 seven customers (previous year: 8) with a share of more than 1% each. This equates to a share of about 24% of open items as recognized in the consolidated financial statements (previous year: 25%). The ten largest customers accounted for approximately 26% of Group sales (previous year: approximately 28%).

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.

RECEIVABLES FROM CUSTOMERS AND ASSOCIATED COMPANIES (in EUR '000)

	2018	2017
Amount carried in the statement of financial position*	192,567	181,834
+ valuation allowances contained therein	6,483	5,999
= gross value of receivables before valuation allowances	199,050	187,833
of which as per reporting date		
neither impaired nor overdue	149,315	141,154
not impaired and overdue by the following periods		
less than 3 months	37,062	36,221
3 to 6 months	3,391	2,909
6 to 9 months	1,803	843
9 to 12 months	894	1,356
over 12 months	2,495	1,132

* without contract receivables (sales recognition in accordance with the over time method).

The following table contains information on the estimated default risk and expected credit losses on trade receivables:

DEFAULT RISK ON RECEIVABLES

	LOSS RATE (WEIGHTED AVERAGE)	GROSS CARRYING AMOUNT	IMPAIRMENT	IMPAIRED CREDIT RATING
Not overdue	0.25%	149,538	378	No
Between 1 and <3 months overdue	1.05%	37,813	397	No
Between 3 and <6 months overdue	4.76%	3,491	166	No
Between 6 and <9 months overdue	9.04%	1,814	164	No
Between 9 and <12 months overdue	15.20%	1,237	188	No
>12 months overdue	50.10%	2,517	1,261	Yes

The anticipated default risk is determined on the basis of historical data, particularly historical default rates.

Interest Rate Risk

INDUS Holding AG ensures and coordinates the financing and liquidity of the Group. The main focus is on financing the long-term development of its investment portfolio. This means employing fixed-rate and variable-rate financing instruments, which are converted to fixed rate instruments by way of interest-rate swaps.

Changes in interest rates might affect the market value of financial instruments and their cash flows. These effects are calculated by performing a sensitivity analysis, which involves shifting each of the relevant interest-rate structure curves by 100 basis points in parallel. The effects are calculated for the fixed conditions of the financial instruments in the portfolio as of the reporting date.

Changes in market value can impact the depiction of the financial position and financial performance, depending on the valuation category of the underlying financial instruments. The following table shows interest rate sensitivity with a parallel shift in the yield curve of 100 base points (BP):

MARKET PRICE RISK SENSITIVITY ANALYSIS (in EUR '000)

	DEC. 31, 2018		DEC. 31, 2017	
	+100 BP	-100 BP	+100 BP	-100 BP
Market value of derivatives	2,606	-2,744	850	-883
of which equity/hedges	2,605	-2,743	847	-880
of which interest expense per statement of income	1	-1	3	-3
Market value of loans	13,907	-14,593	15,379	-16,221
Total market value	**16,513**	**-17,337**	**16,229**	**-17,104**

Because 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 translation 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 conversation would not materially change.

HEDGE ACCOUNTING

Hedging Measures

As of the reporting date, currency hedging accounted for a nominal volume of EUR 12,351 thousand (previous year: EUR 13,448 thousand). 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 235 thousand (previous year: EUR -1,150 thousand).

Interest rate hedging accounts for a nominal volume of EUR 270,071 thousand (previous year: EUR 290,544 thousand). The market values amounted to EUR -4,904 thousand (previous year: EUR 3,682 thousand). Interest rate hedges relate to loan transactions already recognized of EUR 120,071 thousand (previous year: EUR 65,544 thousand) and future highly probable loan transactions subject to interest rate risks of EUR 150,000 thousand (previous year: EUR 225,000 thousand). Further details on terms and maturities are included in the report on financial liabilities.

The following hedging instruments are part of hedge accounting:

HEDGE ACCOUNTING IN ACC. WITH IFRS 9 (in EUR '000)

	NOMINAL AMOUNTS	CARRYING AMOUNT OF HEDGING INSTRUMENTS	BALANCE SHEET ITEM	CHANGES IN HEDGING INSTRUMENT VALUES RECOGNIZED IN OTHER INCOME
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**

RECONCILIATION OF PROVISIONS FOR CASH FLOW HEDGES (in EUR '000)

	PROVISION FOR CASH FLOW HEDGES	DEFERRED TAXES FOR CASH FLOW HEDGES
Balance Jan. 1, 2018	-4,328	773
Change in fair value		
Interest rate hedges	-1,231	196
Exchange rate hedges	503	-149
Balance Dec. 31, 2018	**-5,056**	**820**

The average interest rate for interest rate hedges is 1.00% (previous year: 1.78%). The exchange rate hedges are exclusively in USD. The average exchange rate for the exchange rate hedges is EUR 1 = USD 1.1915 USD (previous year: EUR 1 = USD 1.1044).

[34] COLLATERAL FURNISHED

Collateral furnished for financial liabilities is presented in the following table:

PLEDGED ASSETS (in EUR '000)

	2018	2017
Land charges	14,599	18,965
Securities collateral	1,158	1,444
Other collateral	76	76
Total collateral	**15,833**	**20,485**

[35] CONTINGENT LIABILITIES

Obligations from guarantees exist in the amount of EUR 5,886 thousand (previous year: EUR 6,859 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.

[36] OTHER FINANCIAL OBLIGATIONS

Other financial obligations from rental, tenancy, and operating lease agreements are reported as the sum totals of the amounts which fall due by the earliest cancellation date:

	2018	2017
Up to 1 year	18,387	15,532
Between 1 and 5 years	48,531	35,191
More than 5 years	17,057	21,256
Total	**83,975**	**71,979**

Operating lease payments in the current year amounted to EUR 17,562 thousand (previous year: EUR 16,113 thousand).

Obligations arising from purchase commitments for fixed assets came to EUR 19,871 thousand (previous year: EUR 12,714 thousand), of which EUR 18,149 thousand (previous year: EUR 12,700 thousand) was for property, plant and equipment, and EUR 1,722 thousand (previous year: EUR 14 thousand) was for intangible assets.

Real estate lease agreements are completed with rent adjustment clauses that are based on the development of the price index. The agreements generally contain an option to purchase.

The following overview contains payments due in future from finance leases:

in EUR '000	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
2018				
Lease installments	4,397	1,216	0	5,613
Interest component	181	108	0	289
Carrying amount/ present value	4,216	1,108	0	5,324
2017				
Lease installments	2,192	4,948	0	7,140
Interest component	211	265	0	476
Carrying amount/ present value	1,981	4,683	0	6,664

There are generally advantageous purchase options in place for the assets, which are partially exercised according to our current understanding. The purchase prices are fixed; there are no price adjustment clauses. The interest rates underlying the agreements remain between 2.6% and 6.9%. There are neither contingent lease payments nor lease payments from sub-lease relationships.

[37] 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 (6 members between January 1 and November 29, 2018; 12 members between November 29 and December 31, 2018; previous year: 6 members), the INDUS Holding AG Board of Management (2018: January 1–June 30, 2018: 4 members; from July 1, 2018, 3 members; previous year: January 1–September 30, 2017: 3 members; from October 1, 2017: 4 members) and the managing directors of the operating units (2018: 124 people; previous year: 125 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 WAGES AND SALARIES	OF WHICH SAR*	OF WHICH SEVERANCE PAYMENTS	OF WHICH PENSIONS
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**
2017					
INDUS Holding AG					
Supervisory Board	338	338	0	0	0
Board of Management**	2,460	2,162	298	0	0
Subsidiaries					
Managing directors	20,293	19,347	0	622	324
Family members	103	103	0	0	0
Total	**23,194**	**21,950**	**298**	**622**	**324**

* SAR = stock appreciation rights = virtual share options.
** The received compensation is 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 fiscal 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. In addition to reimbursement of out-of-pocket expenses incurred in performing their duties in the fiscal year ended, all members who sat on a Supervisory Board committee received compensation of EUR 5,000. The Chairmen of the committees received double the above compensation. There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. The Supervisory Board met six times in 2018 and also held three telephone conferences (previous year: five meetings).

COMPENSATION OF THE BOARD OF MANAGEMENT

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 2018, 61,286 SARs were granted (previous year: 42,887). On the date on which they were granted, the total fair value of the SARs was EUR 385 thousand (previous year: EUR 298 thousand). The amount of SARs granted up to December 31, 2018, amounted to 221,614 (previous year: 225,964). The fair value of previously granted, not yet exercised SARs totaled EUR 471 thousand as of the reporting date (previous year: EUR 1,978 thousand). A provision in this amount was formed in the annual financial statements. The change in fair value before discounting amounts to EUR 1,026 thousand included in other operating and EUR 72 thousand includedi n personnel expenses (previous year: EUR 564 thousand in personnel expenses). The time 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 the INDUS Holding AG Board of Management have a special right to terminate their employment contracts within one year. In the event of a dismissal for cause, or 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 fiscal years if the regular end of the contract differs from this period.

For the 2018 and the 2017 fiscal 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 3,582 thousand (previous year: EUR 2,750 thousand). For financial year 2018, this amounts to a total of EUR 3,255 (previous year: EUR 2.460). EUR 1,980 thousand of this was fixed compensation (previous year: EUR 1,506 thousand) and EUR 890 thousand was short-term variable compensation (previous year: EUR 653 thousand) and EUR 385 thousand was for SARs (previous year: EUR 298 thousand). The previous year amounts to EUR 327 thousand (previous year: EUR 290 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
2018					
Related companies	2,541	13	100	1,361	7,384
Family members of BoM members 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**
2017					
Related companies	2,674	4	622	1,692	7,840
Family members of BoM members and shareholders	0	0	101	0	0
Non-controlling shareholders	2,772	0	984	0	0
Managing directors of portfolio companies	3,391	0	1,037	123	0
Total related party transactions	**8,837**	**4**	**2,744**	**1,815**	**7,840**

[38] EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES IN THE FISCAL YEAR

	2018	2017
Employees per region		
Germany	7,789	7,487
Europe (EU & Switzerland)	1,499	1,411
Rest of world	1,426	1,312
Total	**10,714**	**10,210**
Employees per segment		
Construction/Infrastructure	1,839	1,714
Automotive Technology	3,524	3,557
Engineering	2,027	1,830
Medical Engineering/Life Science	1,687	1,540
Metals Technology	1,602	1,538
Other	35	31
Total	**10,714**	**10,210**

[39] COST OF THE ANNUAL FINANCIAL STATEMENTS AND AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

External auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft's fee for auditing the consolidated financial statements amounted to EUR 355 thousand (previous year: EUR 238 thousand), of which EUR 46 thousand (previous year: EUR 13 thousand) was for previous years, EUR 65 thousand (previous year: EUR 5 thousand) for other confirmation and valuation services, of which EUR 35 thousand for previous years (previous year: EUR 0 thousand), EUR 11 (previous year: EUR 0 thousand) for accountancy services and EUR 0 thousand (previous year: EUR 6 thousand) for other services. "Confirmation services" refer to auditing services for the non-financial statement of INDUS Group and a covernance confirmation. Accountancy services essentially refers to the tax appraisal of a question regarding stock corporation law.

[40] GERMAN CORPORATE GOVERNANCE CODE

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Board of Management and the Supervisory Board submitted a German Corporate Governance Code declaration in December 2018 and made it available to shareholders on the INDUS Holding Aktiengesellschaft website (www.indus.de).

[41] 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, 2018.

[42] EVENTS AFTER THE REPORTING DATE

No events of material significance occurred after the end of the 2018 fiscal year.

Bergisch Gladbach, Germany, March 21, 2019

INDUS Holding AG

The Board of Management

Dr. Johannes Schmidt   Dr. Jörn Großmann

Axel Meyer   Rudolf Weichert

05

01 COMPANY AND SHAREHOLDERS

02 SUSTAINABILITY AT INDUS

03 COMBINED MANAGEMENT REPORT

04 CONSOLIDATED FINANCIAL STATEMENTS

05

FURTHER INFOR-MATION

RESPONSIBILITY STATEMENT

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles as of December 31, 2018, the consolidated financial statements give a true and fair view of the assets, financial, and earnings position of the Group, and the combined management report for the 2018 fiscal 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.

Bergisch Gladbach, March 21, 2019

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 2018 fiscal year to the amount of EUR 76,345,600.07:

Payment of a dividend of EUR 1.50 per no-par-value share (24,450,509) on the capital stock of EUR 63,571,323.62	36,675,763.50
Transfer to other retained earnings	38,000,000.00
Profit carried forward	1,669,836.57
Balance sheet profit	76,345,600.07

Bergisch Gladbach, March 21, 2019

The Board of Management

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

REPORT OF THE INDEPENDENT GROUP AUDITORS

To INDUS Holding AG, 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 Aktiengesellschaft, Bergisch Gladbach, Germany, and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as of December 31, 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity and the consolidated statement of cash flows for the fiscal year from January 1, 2018, to December 31, 2018, along with the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined group management report (hereinafter referred to as combined management report) of INDUS Holding AG, Bergisch Gladbach, Germany, for the fiscal year from January 1, 2018, to December 31, 2018. In accordance with German legal requirements, we have not audited the content of the INDUS Group's 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 Key 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 [Handelsgesetzbuch: German Commercial Code] 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, 2018, and of its financial performance for the fiscal year from January 1, 2018, to December 31, 2018, 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 fiscal year January 1, 2018, to December 31, 2018. 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:

— Impairment testing of goodwill

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 418.6 million was recognized. This goodwill is allocable to 42 cash-generating units.

As a result of the annual impairment test, impairment losses of EUR 16.1 million were recorded in relation to three cash-generating units.

Company information relating to goodwill is contained in section 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 evaluation, this matter was in our view of particular importance in the context of the audit.

b) Audit approach and conclusions

As part of our audit 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 in-depth discussion with the client 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 focused in particular on that material goodwill for which there was an indication of impairment or for which the recoverable amounts of the cash-generating unit were close to or under their carrying amount.

We have also audited the correct application of the calculation method used, the derivation of segment-specific discounting interest rates and, on a sample basis, the accounting accuracy.

We have validated the calculation results of the client 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 evaluation parameters and assumptions used by the legal representatives are arrived at professionally, are within an acceptable range in our opinion and are in line with our expectations overall.

OTHER INFORMATION

The legal representatives are responsible for the 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 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, with the exception of the audited consolidated financial statements, the audited content of the combined management report and our external auditor's report.

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.

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 going concern. In addition, they are responsible for financial reporting on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative other than this.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and presents the risks and opportunities of future development appropriately. The legal representatives are also responsible for arrangements and measures (systems) they consider necessary to enable the preparation of a combined management report in compliance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

EXTERNAL AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements overall are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and presents the risks and opportunities of future development appropriately, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits of the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. 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 separate and consolidated financial statements at the Annual Shareholders' Meeting on May 24, 2018. We were engaged by the Supervisory Board on Monday, August 06, 2018. We have been the group auditor of INDUS Holding AG, Bergisch Gladbach, Germany, continually since the fiscal 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 Herr Marcus Lauten.

Cologne, March 22, 2019

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Nikolaus Krenzel	Marcus Lauten
Wirtschaftsprüfer	Wirtschaftsprüfer

FURTHER INFORMATION ON THE BOARD MEMBERS

THE SUPERVISORY BOARD OF INDUS HOLDING AG

JÜRGEN ABROMEIT
(SINCE NOVEMBER 29, 2018)
Businessman
CHAIRMAN (SINCE NOVEMBER 29, 2018)

WOLFGANG LEMB
(SINCE NOVEMBER 29, 2018)[1]
Managing Director IG Metall, Frankfurt am Main
DEPUTY CHAIRMAN (SINCE NOVEMBER 29, 2018)

DR. JÜRGEN ALLERKAMP
Fully qualified lawyer, CEO of Investitionsbank Berlin, Berlin
DEPUTY CHAIRMAN (UNTIL NOVEMBER 29, 2018)

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[2]

DR. RALF BARTSCH
(UNTIL NOVEMBER 29, 2018)
Fully qualified lawyer, Spokesman for the Management of the Brüder Schlau, Porta Westfalica group of companies

DR. DOROTHEE BECKER
Graduate economist, Spokesperson for the Management of the Gebrüder Becker, Wuppertal group of companies

DOROTHEE DIEHM
(SINCE NOVEMBER 29, 2018)[1]
First Authorized Representative of IG Metall – Freudenstadt office, Freudenstadt

PIA FISCHINGER
(SINCE NOVEMBER 29, 2018)[1]
Deputy Chairperson of the Karl Simon GmbH & Co. KG works council, Aichhalden

CORNELIA HOLZBERGER
(SINCE JANUARY 30, 2019)[1]
Lawyer (commercial law), M. Braun Inertgas-Systeme GmbH, Garching

PROF. DR. NADINE KAMMERLANDER
(UNTIL NOVEMBER 29, 2018)
Graduate physicist, professor for family enterprises at WHU – Otto Beisheim School of Management, Vallendar

GEROLD KLAUSMANN
(SINCE NOVEMBER 29, 2018)[1]
Head of Finance/Management Control department at Karl Simon GmbH & Co. KG, Aichhalden

ISABELLA PFALLER
(SINCE NOVEMBER 29, 2018)
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):
- Consal Beteiligungsgesellschaft AG, Munich[3]
- Union Krankenversicherung AG, Saarbrücken[3]
- SAARLAND Feuerversicherung AG, Saarbrücken[3]
- SAARLAND Lebensversicherung AG, Saarbrücken[3]

1) Employee representative to the Supervisory Board
2) This mandate is with a group company of Investitionsbank Berlin.
3) These mandates are with group companies of Versicherungskammer Bayern.

SERGEJ SCHÖNHALS

(NOVEMBER 29, 2018–JANUARY 30, 2019)[1]

Shift Manager at S.M.A Metalltechnik GmbH & Co. KG, Backnang

HELMUT SPÄTH

CHAIRMAN (UNTIL NOVEMBER 29, 2018)

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
— Bayerische Beamtenkasse AG, Munich[3]
Chairman of the Supervisory Board
(until April 16, 2018)
— SAARLAND Feuerversicherung AG, Saarbrücken[3]
(until April 23, 2018)
— SAARLAND Lebensversicherung AG, Saarbrücken[3]
(until April 23, 2018)

UWE TRINOGGA

(SINCE NOVEMBER 29, 2018)[1]

Head of Quality Planning 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 OF MANAGEMENT (SINCE JULY 1, 2018)

Further mandates in advisory bodies:

— Richard Bergner Holding GmbH & Co. KG (since 2018)

JÜRGEN ABROMEIT

(UNTIL JUNE 30, 2018)

CHAIRMAN OF THE BOARD OF MANAGEMENT (UNTIL JUNE 30, 2018)

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 Börse Düsseldorf (from January 1, 2017)

INVESTMENTS OF THE INDUS HOLDING AG

BY SEGMENTS	CAPITAL (IN EUR MILLION)	INDUS STAKE (IN %)
Construction/Infrastructure		
ANCOTECH AG, Dielsdorf/Switzerland*	4.10**	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*	5.35	100
BILSTEIN & SIEKERMANN GmbH + Co. KG, Hillesheim*	3.11	100
IPETRONIK GmbH & Co. KG, Baden-Baden*	2.64	100
KIEBACK GmbH & Co. KG, Osnabrück*	0.54	100
Konrad SCHÄFER GmbH, Osnabrück*	1.70	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*	2.60	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*	1.94	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*	8.27	100
IEF-Werner GmbH, Furtwangen im Schwarzwald	1.28	100
MBN – Maschinenbaubetriebe Neugersdorf GmbH, Ebersbach-Neugersdorf*	0.74	75
M+P International Mess-und Rechnertechnik GmbH, Hannover*	1.23	77
PEISELER GmbH & Co. KG, Remscheid*	1.04	80
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100

BY SEGMENTS	CAPITAL (IN EUR MILLION)	INDUS STAKE (IN %)
Medical Engineering/Life Science		
IMECO GmbH & Co. KG, Hösbach*	0.75	100
MIKROP AG, Wittenbach/Switzerland*	1.13**	100
OFA Bamberg GmbH, Bamberg*	1.55	100
RAGUSE Gesellschaft für medizinische Produkte mbH, Ascheberg*	0.91	100
ROLKO Kohlgrüber GmbH, Borgholzhausen*	0.65	100
Metals Technology		
BACHER AG, Reinach/Switzerland	3.20**	100
BETEK GmbH & Co. KG, Aichhalden*	6.08	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	90
Karl SIMON GmbH & Co. KG, Aichhalden*	5.08	100
VULKAN INOX GmbH, Hattingen*	1.07	100

* including subsidiaries.
** CHF in million.

KEY FIGURES

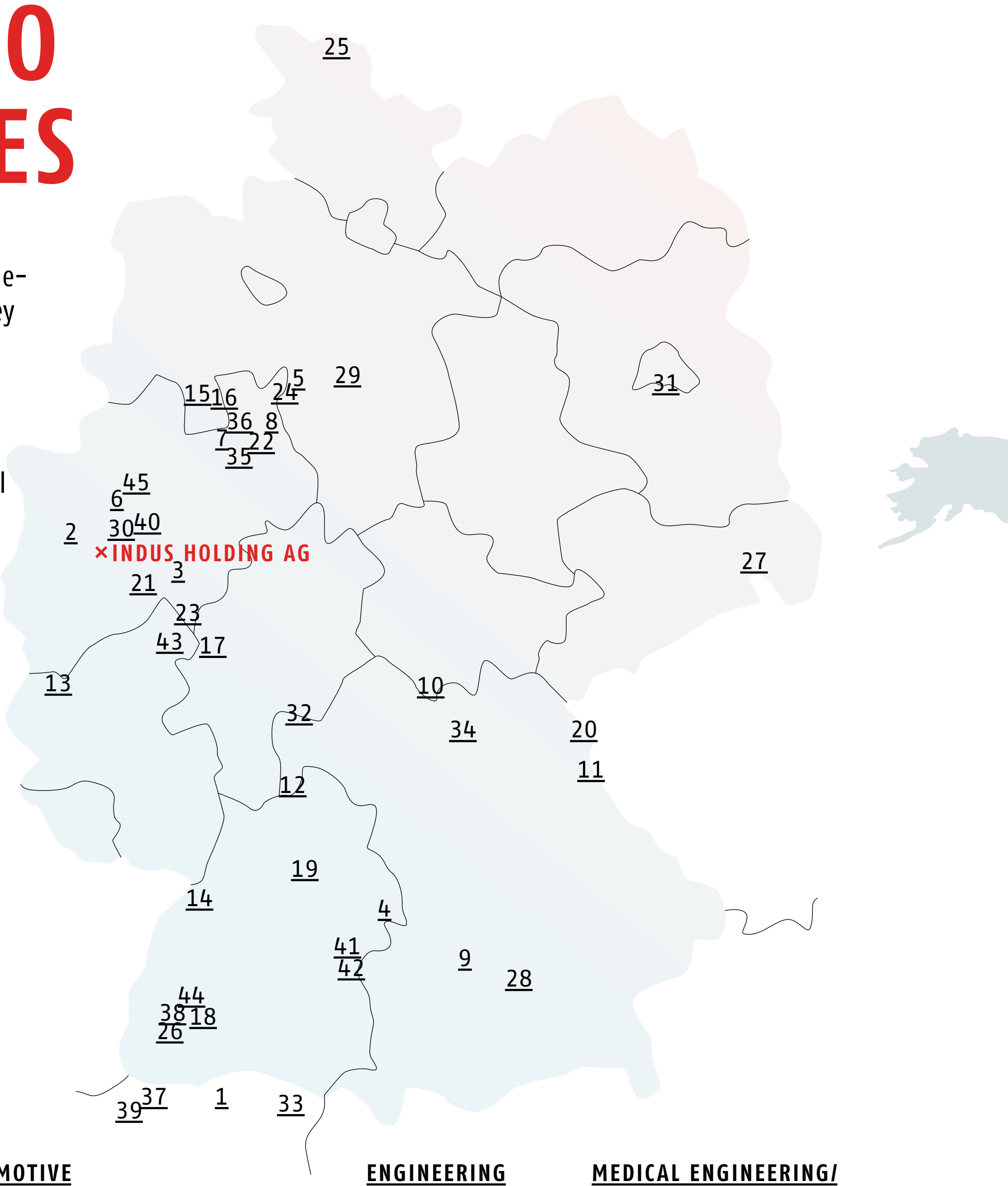
in EUR '000	2011	2012	2013	2014	2015	2016	2017	2018
Statement of Income								
Sales	1,097,125	1,105,271	1,186,785	1,255,723	1,388,857	1,444,270	1,640,640	1,710,788
of which domestic	592,907	569,488	611,191	655,198	708,993	735,486	815,497	878,860
of which abroad	504,218	535,783	55,594	600,525	679,864	708,784	825,143	831,928
Personnel expenses	292,129	306,240	322,628	349,010	392,012	430,230	479,679	506,637
Personnel expenses ratio (personnel expenses as % of sales)	26.6	27.7	27.2	27.8	28.2	29.8	29.2	29.6
Cost of materials	544,840	523,555	562,789	598,204	651,562	648,685	745,894	811,929
Cost of materials ratio (cost of materials as % of sales)	49.7	47.4	47.4	47.6	46.9	44.9	45.5	47.5
EBITDA	159,972	151,778	162,270	175,156	186,408	200,910	215,303	218,342
Depreciation/amortization	46,759	45,818	43,685	47,970	50,103	55,976	62,438	83,657
Operating income (EBIT)	113,213	105,960	118,585	127,186	136,305	144,934	152,865	134,685
EBIT margin (EBIT as % of sales)	10.3	9.6	10.0	10.1	9.8	10.0	9.3	7.9
Interest	22,961	21,093	19,889	26,481	27,010	21,556	23,674	19,979
EBT	90,253	84,867	98,696	100,705	109,295	123,378	129,191	114,706
Group net income for the year (earnings after taxes)	55,635	52,481	63,974	63,314	68,287	80,418	83,074	71,185
Earnings per share, basic as per IFRS (in EUR)	2.75	2.47	3.02	2.74	2.78	3.27	3.37	2.90
Statement of Financial Position								
Assets								
Intangible assets	313,877	310,706	360,493	412,268	453,630	483,008	515,044	509,420
Property, plant and equipment	245,453	253,917	271,833	306,818	334,846	369,331	397,008	418,227
Inventories	222,778	219,058	236,056	265,690	281,612	308,697	339,154	408,693
Receivables	108,422	137,054	156,218	162,091	160,744	177,626	197,528	202,523
Other assets	26,530	41,333	40,383	45,029	56,752	55,762	68,571	71,508
Cash and cash equivalents	123,107	98,710	115,921	116,491	132,195	127,180	135,881	109,647
Equity and liabilities								
Equity	382,095	414,138	515,330	549,872	595,430	644,568	673,813	709,825
Provisions	65,552	68,229	74,566	80,750	92,235	96,815	118,730	118,966
Financial liabilities	434,283	440,497	423,529	462,315	488,550	503,731	534,846	592,406
Other equity and liabilities	158,237	137,914	167,479	215,450	243,563	276,490	325,797	298,821
Total assets	**1,040,167**	**1,060,778**	**1,180,904**	**1,308,387**	**1,419,778**	**1,521,604**	**1,653,186**	**1,720,018**

in EUR '000	2011	2012	2013	2014	2015	2016	2017	2018
Group equity ratio (equity/total assets) as %	36.7	39.0	43.6	42.0	41.9	42.4	40.8	41.3
Non-current financial liabilities	322,604	331,146	304,769	367,935	367,935	389,757	439,545	465,886
Current financial liabilities	111,679	109,351	118,760	94,381	111,616	113,974	95,301	126,520
Net debt (non-current and current financial liabilities – cash and cash equivalents)	311,176	341,787	307,608	345,824	356,356	376,551	398,965	482,759
Net debt/EBITDA	1.9	2.3	1.9	2.0	1.9	1.9	1.9	2.2
Trade payables	46,056	37,313	45,543	47,942	46,749	55,409	66,162	65,659
Advance prepayments received and contract liabilities*	16,694	16,016	21,983	30,263	39,860	58,409	67,569	73,378
Working capital (inventories + trade receivables – trade payables – advance payments – contract liabilities*)	268,450	302,783	324,748	349,576	355,746	372,505	402,951	472,180
Gearing (net debt/equity)	0.8	0.8	0.6	0.6	0.6	0.6	0.6	0.7
Equity ratio (earnings after taxes/equity) in %	14.6	12.7	12.4	11.5	11.5	12.5	12.3	10.0
Investments	58,259	53,926	100,895	97,156	107,380	103,884	111,425	102,401
Statement of Cash Flows								
Operating cash flow	130,158	68,428	117,411	104,385	157,341	137,945	144,942	96,010
Cash flows from operating activities	106,238	45,919	97,522	86,961	130,942	114,564	123,962	74,654
Cash flow from investing activities	-56,929	-53,525	-99,625	-95,234	-112,768	-104,454	-109,956	98,317
Cash flow from financing activities	-23,349	-16,523	19,977	8,195	-3,149	-14,938	-3,898	-2,706
Cash flow per share (in EUR)	5.17	2.07	4.35	3.56	5.36	4.69	5.07	3.05
Other Performance Indicators								
XETRA year-end price (in EUR)	18.86	20.26	29.20	38.11	44.51	51.64	59.50	39.00
Average number of shares	20,543,819	22,227,737	22,410,431	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509
Number of shares at year end	22,227,737	22,227,737	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509
Market capitalization	419,215	450,334	713,955	931,809	1,088,292	1,262,624	1,454,805	953,570
Total dividend (in EUR million)**	22,228	22,228	26,896	29,341	29,341	33,008	36,676	36,676
Dividend per share (in EUR)**	1.00	1.00	1.10	1.20	1.20	1.35	1.50	1.50
Number of portfolio companies	39	38	40	42	44	44	45	45

* Previous year: construction contracts with a negative balance.
** Total dividend amount and dividend per share for the fiscal year; dividend proposal for the 2018 fiscal year – subject to approval at Annual Shareholders' Meeting on May 29, 2019.

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
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23 ELTHERM
24 GSR
25 HORN
26 IEF-WERNER
27 MBN
28 M.BRAUN
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30 PEISELER
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39 HAKAMA
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42 PLANETROLL
43 RÜBSAMEN
44 SIMON
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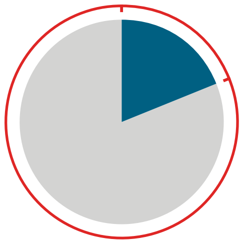
LOCATIONS OF THE INDUS GROUP WORLDWIDE

LOCATIONS WORLDWIDE

1 Canada
2 USA
3 Mexico
4 Brazil
5 Great Britain
6 Netherlands
7 Switzerland
8 Austria
9 Germany
10 Italy
11 Hungary
12 Denmark
13 Czech Republic
14 Poland
15 Slovakia
16 Serbia
17 Finland
18 Romania
19 Turkey
20 Spain
21 France
22 Russia
23 Morocco
24 South Africa
25 United Arab Emirates
26 India
27 Singapore
28 China
29 South Korea
30 Taiwan

CONSTRUCTION/INFRASTRUCTURE



21.0%

EUR 358.7 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 AG, DIELSDORF
Special reinforcements and tanker transport systems
Sales 2018: EUR 40.4 million
www.ancotech.com

BETOMAX SYSTEMS GMBH & CO. KG, NEUSS
Concrete construction solutions
Sales 2018: EUR 18.4 million
www.betomax.de

FS-BF GMBH & CO. KG, REICHSHOF/HAHN
Sealants made from silicone and acrylic
Sales 2018: EUR 40.4 million
www.fsbf.com

H. HEITZ FURNIERKANTENWERK GMBH & CO. KG, MELLE
Edge and wrapping veneer for the furniture and construction industries
Sales 2018: EUR 27.8 million
www.h-heitz.de

HAUFF-TECHNIK GMBH & CO. KG, HERMARINGEN
Innovative sealing systems for cables and pipes
Sales 2018: EUR 75.8 million
www.hauff-technik.de

MIGUA FUGENSYSTEME GMBH, WÜLFRATH
Section construction for expansion joints
Sales 2018: EUR 14.5 million
www.migua.de

OBUK HAUSTÜRFÜLLUNGEN GMBH & CO. KG, OELDE
Individual front door panels
Sales 2018: EUR 26.4 million
www.obuk.de

REMKO GMBH & CO. KG, LAGE
Efficient heating technology
Sales 2018: EUR 50.5 million
www.remko.de

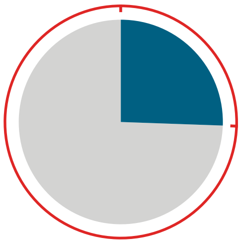
SCHUSTER KLIMA LÜFTUNG GMBH & CO. KG, FRIEDBERG
Energy-efficient ventilation and air-conditioning technology
Sales 2018: EUR 13.5 million
www.klima-schuster.de

WEIGAND BAU GMBH, BAD KÖNIGSHOFEN IM GRABFELD
Modern pipeline and cable duct construction
Sales 2018: EUR 45.3 million
www.weigandbau.de

WEINISCH GMBH & CO. KG, OBERVIECHTACH
High-quality powder coating of metals
Sales 2018: EUR 5.7 million
www.weinisch.de

Sales by portfolio companies with external third parties

AUTOMOTIVE TECHNOLOGY



22.9%

EUR 391.0 MILLION OF TOTAL SALES

Sales by portfolio companies with external third parties

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 2018: EUR 59.8 million
www.aurora-eos.com

BILSTEIN & SIEKERMANN GMBH & CO. KG, HILLESHEIM
Cold extrusion parts, turned parts and locking screws
Sales 2018: EUR 18.4 million
www.bsh-vs.com

IPETRONIK GMBH & CO. KG, BADEN-BADEN
Measurement systems and services for automotive development
Sales 2018: EUR 49.6 million
www.ipetronik.com

KIEBACK GMBH & CO. KG, OSNABRÜCK
Prototype parts and small series for the automotive industry
Sales 2018: EUR 10.6 million
www.k-s-group.eu/kieback

SCHÄFER GMBH & CO. KG, OSNABRÜCK
Model and mold construction for the automotive and aviation industries
Sales 2018: EUR 20.6 million
www.k-s-group.eu/schaefer

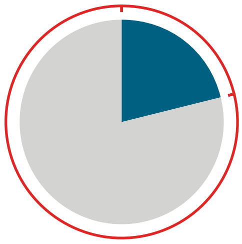
SELZER GRUPPPE, DRIEDORF
Precision metal technology for the series production of automobiles
Sales 2018: EUR 87.3 million
www.selzer-automotive.de

SITEK-SPIKES GMBH & CO. KG, AICHHALDEN
Tire studs and carbide tools
Sales 2018: EUR 23.2 million
www.sitek.de

S.M.A. METALLTECHNIK GMBH & CO. KG, BACKNANG
Products for automotive air-conditioning and servo technology
Sales 2018: EUR 66.0 million
www.sma-metalltechnik.de

WIESAUPLAST GMBH & CO. KG, WIESAU
Precision plastics
Sales 2018: EUR 55.5 million
www.wiesauplast.de

ENGINEERING



22.6%

EUR 387.0 MILLION OF TOTAL SALES

No other industry embodies the phrase "Made in Germany" as well as the engineering industry. Industrial production would be unimaginable without this segment. All over the world, German companies in this sector have a first-class reputation. With their expertise and quality, German SMEs have for many decades ensured that German products are in high demand internationally.

The INDUS companies in this segment develop complete conveying systems and robotic gripping systems, produce valve technology, automation components (including those used for vehicle assembly), and installations for clean room systems, and design electric heat tracing systems.

Sales by portfolio companies with external third parties

ASS MASCHINENBAU GMBH, OVERATH

Robotic hands and automation systems for manufacturers
Sales 2018: EUR 22.8 million
www.ass-automation.com

BUDDE FÖRDERTECHNIK GMBH, BIELEFELD

Specialist in logistics and materials flows
Sales 2018: EUR 71.0 million
www.budde-foerdertechnik.de

ELTHERM GMBH, BURBACH

Specialist in electrical heat tracing systems
Sales 2018: EUR 44.0 million
www.eltherm.com

GSR VENTILTECHNIK GMBH & CO. KG, VLOTHO

Innovative valve technology for demanding industrial applications
Sales 2018: EUR 23.7 million
www.ventiltechnik.de

HORNGROUP HOLDING GMBH & CO. KG, FLENSBURG

Refueling technology and workshop solutions worldwide
Sales 2018: EUR 31.9 million
www.tecalemit.de

IEF-WERNER GMBH, FURTWANGEN

Automation components and systems
Sales 2018: EUR 26.7 million
www.ief-werner.de

MBN MASCHINENBAUBETRIEBE NEUGERSDORF GMBH, EBERSBACH-NEUGERSDORF

Sophisticated solutions for special machinery and plant technology
Sales 2018: EUR 47.3 million
www.mbn-gmbh.de

M. BRAUN INERTGAS-SYSTEME GMBH & CO. KG, GARCHING

Inert gas glove box systems for industry and research
Sales 2018: EUR 66.7 million
www.mbraun.de

M+P INTERNATIONAL MESS- UND RECHNERTECHNIK GMBH, HANNOVER

Measurement and test systems for vibration control and analysis
Sales 2018: EUR 12.8 million
www.mpihome.com

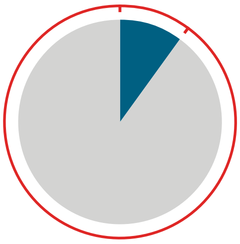
PEISELER GMBH & CO. KG, REMSCHEID

High-precision indexing devices and rotary tilt tables for machine tools
Sales 2018: EUR 28.2 million
www.peiseler.de

TSN TURMBAU STEFFENS & NÖLLE GMBH, BERLIN

International construction of towers
Sales 2018: EUR 11.9 million
www.turmbau.de

MEDICAL ENGINEERING/LIFE SCIENCE



9.0%

EUR 154.3 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 2018: EUR 26.1 million
www.imeco.de

MIKROP AG, WITTENBACH (CH)
Miniaturized precision optics
Sales 2018: EUR 15.0 million
www.mikrop.ch

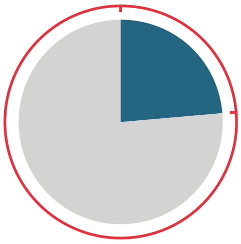
OFA BAMBERG GMBH, BAMBERG
Compression hosiery and bandages
Sales 2018: EUR 74.6 million
www.ofa.de

RAGUSE GESELLSCHAFT FÜR MEDIZINISCHE PRODUKTE MBH, ASCHEBERG-HERBERN
Indication-specific production of surgical drapes
Sales 2018: EUR 13.1 million
www.raguse.de

ROLKO KOHLGRÜBER GMBH, BORGHOLZHAUSEN
Rehabilitation equipment
Sales 2018: EUR 25.5 million
www.rolko.de

Sales by portfolio companies with external third parties

METALS TECHNOLOGY



24.5%

EUR 420.0 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 2018: EUR 20.8 million
www.bacherag.ch

BETEK GMBH & CO. KG, AICHHALDEN
Carbide-tipped wear parts
Sales 2018: EUR 222.0 million
www.betek.de

HAKAMA AG, BÄTTWIL (CH)
High-performance sheet metals
Sales 2018: EUR 21.4 million
wwwhakama.ch

KÖSTER & CO. GMBH, ENNEPETAL
Cold working parts and stud welding technology
Sales 2018: EUR 16.2 million
www.koeco.net

MEWESTA HYDRAULIK GMBH & CO. KG, MÜNSINGEN
Hydraulic control blocks and systems
Sales 2018: EUR 7.3 million
www.mewesta.de

PLANETROLL GMBH & CO. KG, MUNDERKINGEN
Stirring technology and power transmission technology
Sales 2018: EUR 5.8 million
www.planetroll.de

HELMUT RÜBSAMEN GMBH & CO. KG, BAD MARIENBERG
Metal processing and forming technology
Sales 2018: EUR 57.5 million
www.helmut-ruebsamen.de

KARL SIMON GMBH & CO. KG, AICHHALDEN
Components and assemblies made from metal and plastic
Sales 2018: EUR 41.7 million
www.simongruppe.de

VULKAN INOX GMBH, HATTINGEN
Granules for surface treatment
Sales 2018: EUR 27.3 million
www.vulkan-inox.de

Sales by portfolio companies with external third parties

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FINANCIAL CALENDAR

DATE	EVENT
March 27, 2019	Publication annual report and annual earnings 2018
March 28, 2019	Analysts' conference on financial year 2018, Frankfurt/Main
May 14, 2019	Interim report Q1 2019
May 29, 2019	Annual Shareholders' Meeting 2019, Cologne
August 13, 2019	Interim report Q2/H1 2019
November 14, 2019	Interim report Q3 2019

IMPRINT

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

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THE INDUS APP:
download free of charge in the App Store or directly with this QR code

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.

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A LIST 2018
CLIMATE CHANGE

Corporate Responsibility Prime
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