ANNUAL REPORT 2017

[IN]spiring PROGRESS

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[1/18]
GROWING SUCCESSFULLY
How the future will change the INDUS Group portfolio.
NETWORKED FOR NEW MOBILITY
A group of companies are developing systems for the e-Bus of the future.
"...MAYBE UNIQUE IN THIS FORM."
Four perspectives from the Board of Management
THERE IS NO BLUEPRINT FOR PROGRESS
Today, progress is placing corporate concepts under particular scrutiny.
[INDUS]

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[IN]spiring PROGRESS
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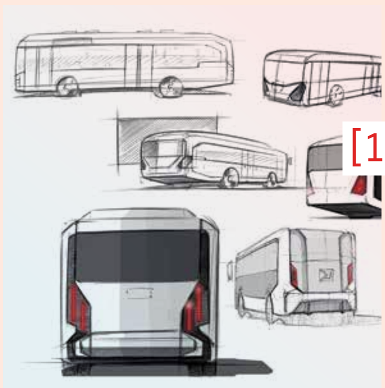
How the future will change the INDUS Group portfolio.

INDUS and its portfolio companies use megatrends and the new digital possibilities to continue their sucessful development. An important factor in this are acquisitions in the "right" industries and investments in products and technologies.



A group of companies are developing systems for the eBus of the future.

With the emissions scandal and the discussions about driving bans in metropolitan areas, the topic of e-mobility has currently become the focus of attention once again. For the cooperation project of four of INDUS' portfolio companies, this can only be of advantage.

Four perspectives from the Board of Management

The experience of the holding company is just as important to the portfolio companies as the funds they potentially have access to. The four members of the Board of Management complement each other perfectly and positively put their know-how at the portfolio companies' disposal.

Today, progress is placing corporate concepts under particular scrutiny.

To Stephan Gemkow, Chairman of the Haniel Board of Management, the key term to securing entrepreneurial sustainability is „agility". Developing this trait is an important task – especially for companies rooted in tradition.

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JÜRGEN ABROMEIT

Chairman of the
INDUS Holding AG
Board of Management

EDITORIAL

Dear Readers,

“2030 is still a long way off, but by then we’ll have everything under control.” Wrong! The times when a company could be successful by taking this attitude are definitely over. Tomorrow, somebody somewhere might have what seems like an insignificant idea which, in the blink of an eye, turns an entire business sector upside down.

In the insurance and banking sector we can see this playing out in live before our eyes: overnight the media was full of reports about fintechs and crypto currencies. The questions we ask ourselves are: how will the major players set about integrating these ideas from the bright new upstarts in their business models?

But let’s instead take a moment to consider our own field, the [INDUS]trial sector. Machine components built by 3D printers, moving around in driverless, environmentally friendly vehicles; operating remotely on patients on operating tables 20,000 kilometers away – these are just three doors into a world which is currently opening up for our SME portfolio companies. This is not a threatening world but an exciting world full of opportunity. And if we take time to look at it realistically, the decision to exploit these opportunities is not a courageous decision but it is a smart one. This is because the future will not wait its turn. And at this point, my promise to our portfolio companies is that we will continue to assist you in exploiting this future. We provide support in the form of ideas, knowledge and financial power – all fully in accordance with your own requirements. And my message to employees is that we will take you with us as we make our way into the unknown.

I hope you enjoy reading this magazine. Jürgen Abromeit

2030

NEW SECTORS ARE SHAPING THE ECONOMY

Industrial companies – whether in the automotive or engineering sectors – are software-driven to a high degree. The future is being created virtually and production is even able to deliver very small, customized batch sizes in automated manner. Population growth, urbanization and the high-level of mobility are driving growth, in particular in infrastructure-related markets. These include roads, airports, telecommunication, sewage systems, energy supply – and those, who have positioned themselves correctly in these areas, will be among the winners.

2030

ENERGY AND RESOURCE EFFICIENCY IS STANDARD

Current resource issues and the direction of policy-making with its focus on sustainability in the second decade have led to a boom time today for the environmental markets. German environmental technology is in demand and, in the area of energy technology, German companies are making an impact globally with their innovative solutions. The sector covering the GreenTech area employs 2.7 million people – an increase of more than one million compared two decades ago.

2030

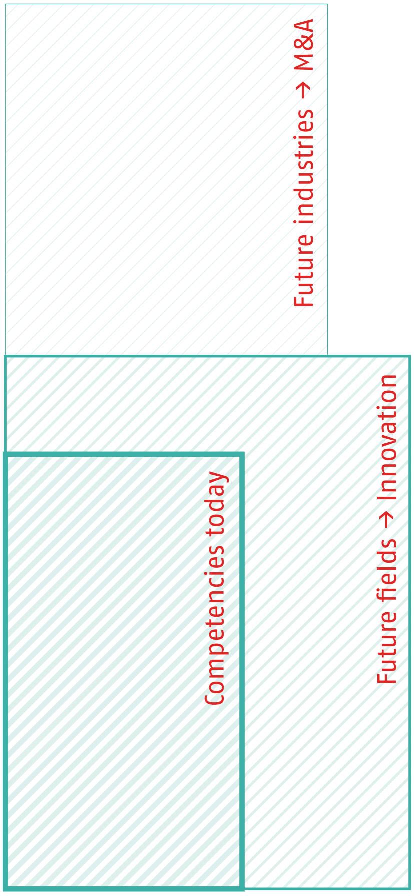
HUGE DEMAND FOR PEOPLE WITH IDEAS

Despite the high level of technology in processes, the ideas behind this continue to come from people. Many of them are IT specialists, others develop security solutions, and others produce using what are now established procedures such as additive manufacturing. In the two million new jobs in the health sector, many are doing their bit to ensure that society can cope with the demands of the demographic change.

HOW THE FUTURE WILL CHANGE THE INDUS GROUP PORTFOLIO. One strength of INDUS Group is its cross-sectional nature. Overall, the portfolio companies span broadly across the key industries. This broad span is shifting. Digitalization means that the "tech" factor is becoming a must. And the megatrends mean that the Group is beginning to focus on new service areas.

GROWING SUCCESSFULLY

DEVELOPING FUTURE FIELDS

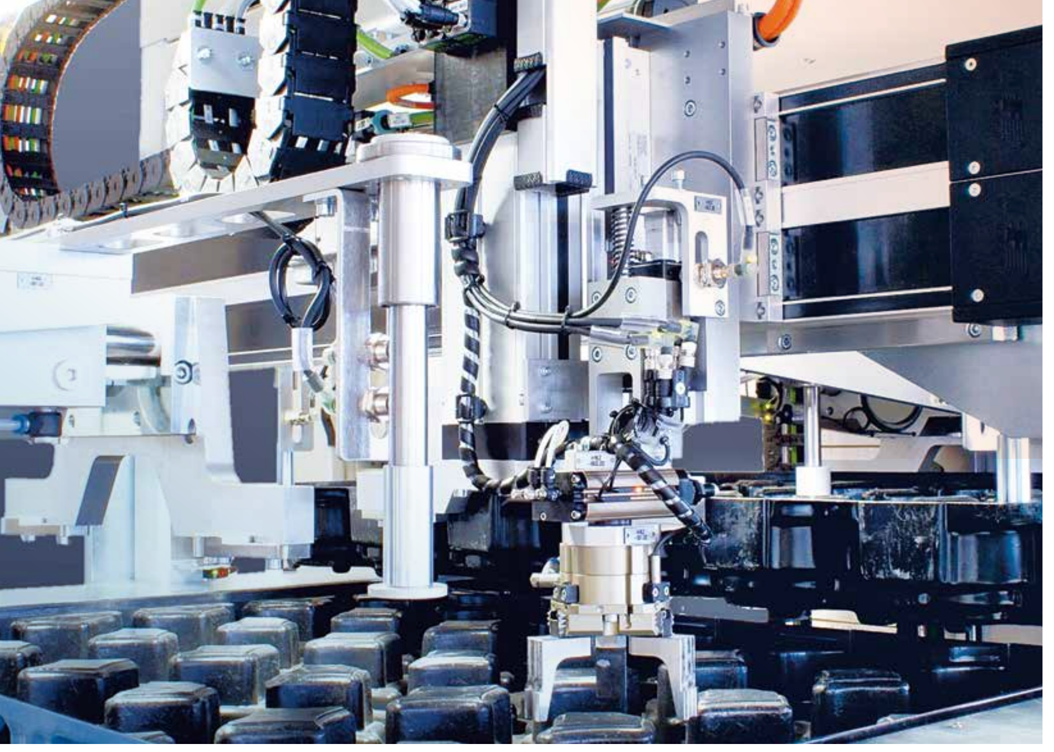


The world of tomorrow is more innovative, more international and more sustainable

The secret is out, and has been for a long time: The economy is currently at the start of an upheaval process, which will unsettle even the established sectors. We are not saying that (technological) change in industry is anything new. What is new, however, is that the current digital revolution extends across all areas of life with no exceptions; and in doing so is taking hold more profoundly and more comprehensively than all which went before. And above all else, it is happening extremely quickly!

What does this mean for INDUS and its companies? 10% +X EBIT ratio, that's the margin benchmark. And the portfolio companies are also looking to grow. This will only work with companies whose products are still in demand in the future and with processes which lose neither time nor money. This is because competition has become tougher as a result of sector boundaries blurring due to the change and new competitors are lining up next to the old.

The advantage for INDUS holding is that it can observe the developments from outside as the portfolio companies within the group operate independently. At the same time, INDUS Hold-



The automation specialist IEF-Werner has been an addition to the Automation, Measuring Technology and Control Engineering segment of the portfolio since 2015.

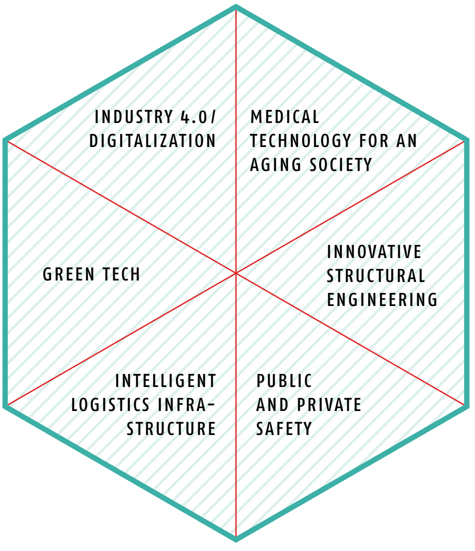
ing remains well-informed regarding the day-to-day experience of their subsidiaries, of which there are currently 45. And if you also include their subsidiary companies within the list, the range of information available to the Board of Management within the group encompasses 187 companies worldwide. This means that management gains a broad overview of issues affecting the economy now and in the future.

And the Board of Management has its eyes wide open and is asking questions. What is currently happening at a global level, in politics, and in the markets? And where will this take the economy? COMPASS 2020 enabled INDUS to respond to the anticipated developments as early as six years ago. An example of this was the aim of Group companies to adopt a more international structure. Today, the 100 largest German companies already achieve around 60% of their sales abroad; for engineering companies the proportion is even higher at 80%. The INDUS portfolio companies have understood this and today are even more consistent in following their customers into the markets.

The same applies to the theme of technology. In discussions with the Board of Management, directors described quite openly the challenges and tasks arising from digitalization which their business models now face. For example, in the automotive technology segment, these discussions are currently very extensive as manufacturers have here been operating in a new phase for a long time – and not solely related to drive systems. Successful companies need to be one thing in particular in this challenging market: innovative.

And then there are also the megatrends. An aging society, increasing mobility, urbanization, growing resource awareness – the perspectives we use to define mega trends differ, but the consequences for the economy are the

FUTURE FIELDS: DEVELOPMENT THROUGH INNOVATION



same. There will be a significant shift in a profile of industry in the coming years. For example due to the environmental sector: The German Federal Ministry for the Environment is assuming that the number of employees in the sector will rise to 2.7 million by 2030. That is 900,000 more than in 2006. By 2020, one million people more will be working in the renewable energies sector alone.

Growth stimulus, part 1: Investing in future fields

To keep pace with the changing times in terms of the portfolio spectrum and to leverage growth potential from the megatrends, INDUS has recently fine-tuned its support criteria once again and developed two "market templates" which it is using for its future-oriented portfolio monitoring. The first relates to the future path of the existing companies and is managed under the "Future Fields" slogan. This focuses on supporting portfolio companies in incorporating and integrating the trends in their business models. The tools are familiar: targeted acquisitions by subsidiaries, the offer of innovation support (via the development bank) and, where required, the transfer of innovation know-how (via the tool box and cooperations).

The six key future fields for INDUS are linked to the existing segments and indicate the direction in which there is particular development potential for the companies of the Group: industry 4.0/digitalization, medical engineering for an aging society, innovative construction techniques, green tech, public and private security, and intelligent logistics infrastructure. Each of these fields offers excellent points of reference for the portfolio companies. In order to exploit these, you need to have the courage to enter completely new territory – for example by acquiring young companies with entirely new core competencies.

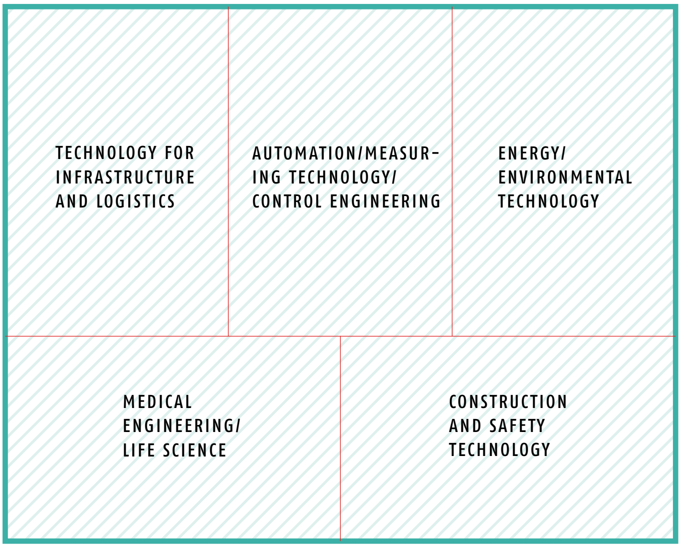
HAUFF-TECHNIK for example already took this step in 2016, when the company strengthened its competence in the area of digital infrastructure by investing in ZweiCom. In order to enhance its competitiveness, M.BRAUN acquired CreaPhys in 2016, a young company operating in the area of organic electronics. And with regard to the issue of GreenTech, for example, the portfolio companies of REMKO with their heat pump, and ELTHERM with their highly efficient EL-Point point heating system, have led the way in demonstrating how a future field can be exploited successfully using new and advanced products.

CreaPhys GmbH, a spin-off of TU Dresden has been reinforcing M. BRAUN's competitiveness in the field of organic electronics since 2016.

Growth stimulus, part 2: Making acquisitions in growth sectors

The second market template is referred to as "Growth Industries". It is derived from the future fields and the Board of Management use it to help identify and select companies, which INDUS has specifically cast an eye on for strengthening the portfolio. In this case the clusters are: technology for infrastructure/logistics; automation, measuring technology and control engineering; energy and environmental technology; medical engineering/life science and construction and safety technology. The Board of Management is using this to target established companies which have already proven successful in their markets and who are therefore able to demonstrate a high-level dynamic response in exploiting potential in their areas of business. However, support for growth acquisitions at the second level is also possible if a portfolio company approaches the holding company accordingly.

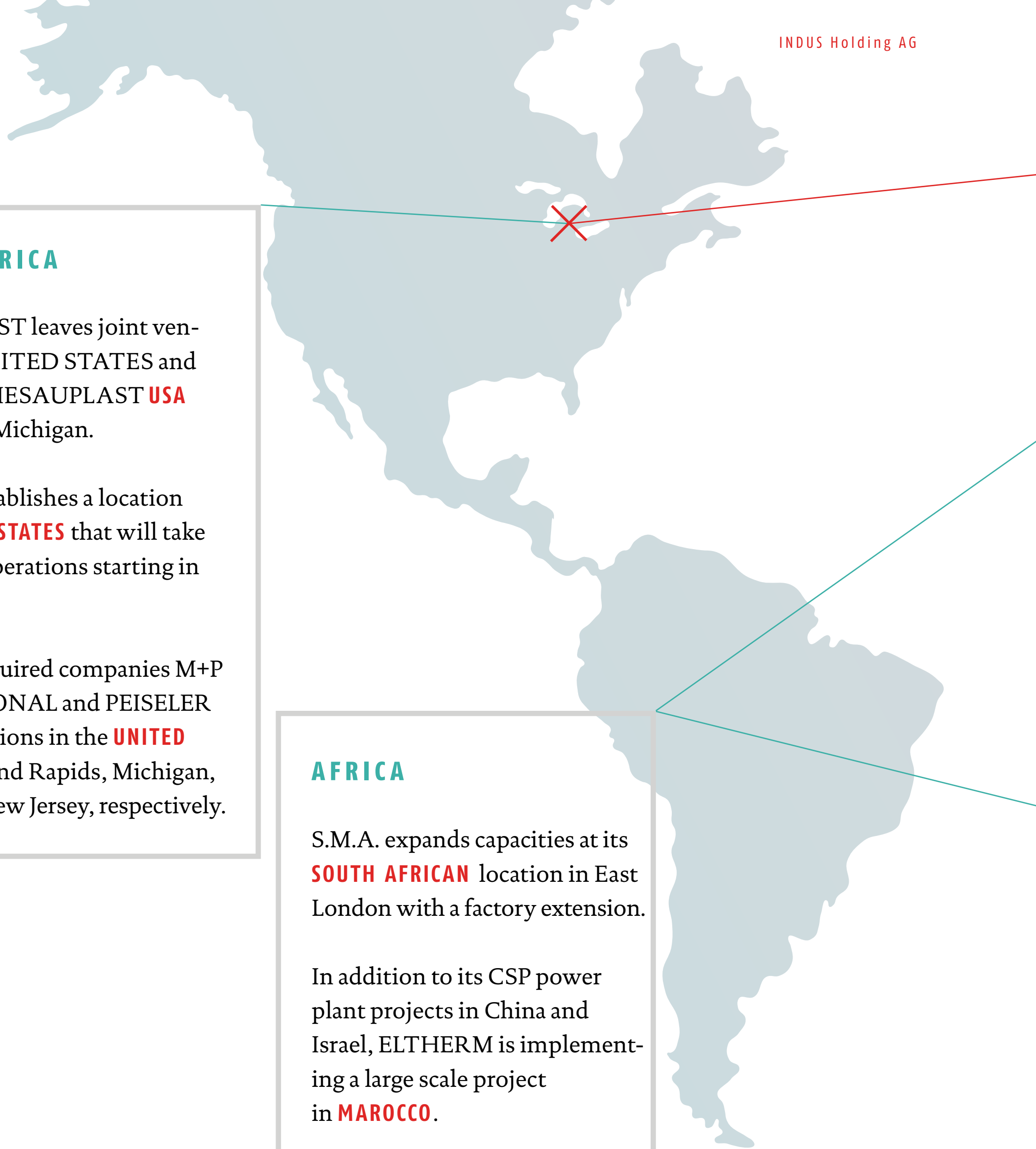
GROWTH INDUSTRIES: EXTERNAL GROWTH THROUGH M&A



In terms of growth sectors, INDUS has most recently been involved very successfully in the area of automation, measuring technology and control engineering. In the summer of 2015, the holding company acquired IEF Werner, an automation specialist with a high level of development intensity in the areas of high-precision servo presses and micro assembly technology. M+P INTERNATIONAL, the supplier of measurement and test systems for vibration testing, followed in January 2017. Just a few months later the group was joined by the PEISELER Group, an engineering specialist in the manufacturing of high-precision indexing devices and rotary tilt tables for machine tools.

Consequence for the portfolio structure: Segment reorganization going forward

It is clear that the overall character of the portfolio will soon change with the development of the existing portfolio companies and targeted growth acquisitions. The consequence of this will be that sooner rather than later the segmentation of the group will change. This is a good sign as it shows that INDUS is also moving in the right direction with their two templates.



NORTHAMERICA

WIESAUPLAST leaves joint venture in the UNITED STATES and establishes WIESAUPLAST **USA** LLC. in Novi, Michigan.

SCHÄFER establishes a location in the **UNITED STATES** that will take up business operations starting in January 2018.

The newly acquired companies M+P INTERNATIONAL and PEISELER also have locations in the **UNITED STATES**, in Grand Rapids, Michigan, and Verona, New Jersey, respectively.

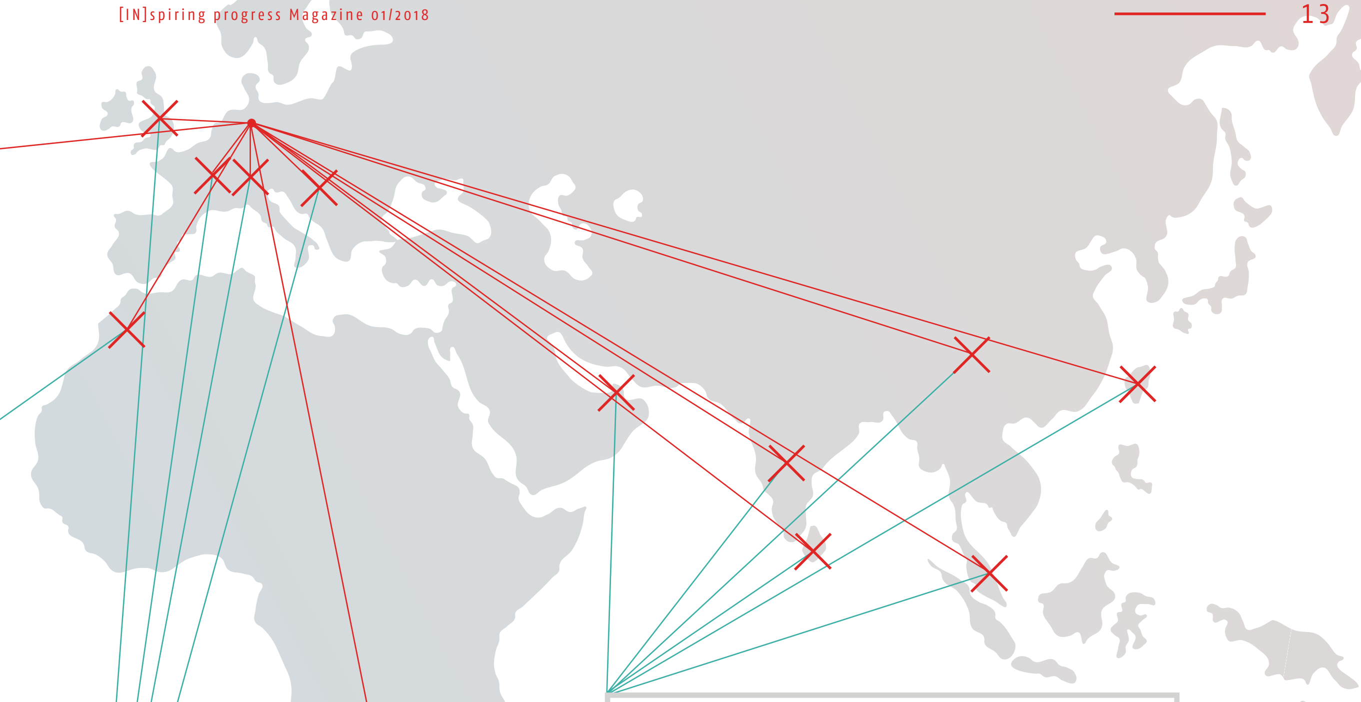
AFRICA

S.M.A. expands capacities at its **SOUTH AFRICAN** location in East London with a factory extension.

In addition to its CSP power plant projects in China and Israel, ELTHERM is implementing a large scale project in **MAROCCO**.

THE FUTURE IS NOW

INDUS PORTFOLIO COMPANIES AROUND THE WORLD – HIGHLIGHTS 2017.
Domestic markets are tightening for the SME industry. That is why the majority of INDUS portfolio companies have been successively expanding their business abroad for a number of years now. Last year again brought many changes for the Group. These changes in turn increased growth potential.



EUROPE

MIKROP increases its competitiveness by opening a new plant in **SERBIA** in 2017.

HAUFF-TECHNIK establishes a national subsidiary in **SWITZERLAND** at the beginning of 2018.

New portfolio company M+P INTERNATIONAL covers European market with locations in **GREAT BRITAIN** and **FRANCE**.

ASIA

PEISELER increases activities in Asia and establishes a national subsidiary in Taipeh, **TAIWAN**.

Together with SVT Brandschutz, HAUFF-TECHNIK opens an office for the Asian market in **SINGAPORE**.

SELZER transfers production for **CHINA** to a newly constructed plant in the Shanghai metropolitan region.

AURORA and KIEBACK each establish a sales office for the Asian market in Shanghai, **CHINA**.

With M+P INTERNATIONAL, another INDUS portfolio company is now directly represented on the **CHINESE** market.

ROLKO founds a joint venture for the manufacture and processing of aluminum components to strengthen its **CHINESE** location.

MIGUA collaborates on international large scale projects via UAE locations such as Indira Gandhi Hospital in **INDIA**, the Waterfront shopping mall in **SRI LANKA** and the **DUBAI** mall.

NETWORKED FOR NEW MOBILITY

A GROUP OF COMPANIES ARE DEVELOPING SYSTEMS FOR THE e-BUS OF THE FUTURE. Today, the vehicle industry is not only addressing the question of which technologies will shape the drive system of the future. Just as important is the question of how the different technologies can work together optimally in increasingly complex vehicles. In the e-Bus cluster project, a group of companies are solving this question together. This includes four portfolio companies of the INDUS Group.

BETTER TOGETHER

A manufacturer does not automatically end up with the best system by simply assembling the best parts. What is equally important is that the individual components work together correctly as a system. When developing new solutions it is therefore an advantage if you already keep this in mind right from the development phase.

This is exactly what is happening in the e-Bus cluster project. Currently, around a dozen companies – led by a project management team and with academic and technical support from experts at the Fraunhofer Institute – are working on a system solution for the electrically-powered omnibus. To this end, they are pooling their specialist knowledge from the areas of information communication technology, automotive technology and energy management. The aim is to develop systems for the optimization of e-busses for local public transport. The intention is that these busses should be environmentally friendly and energy efficient, offer passengers a special level of comfort and operate particularly safely in traffic.

As early as this year, the synchronized industrialized solutions – which at the same time are independent from one another – are expected to be ready for application. Preparations for approaching customers are already in progress. Starting from this autumn, four roadshows are planned in Germany and one in the Netherlands. Further information about the project is also available on the website www.ebus-cluster.de.

THE RIGHT STIMULUS

The networking of suppliers of different types with a focus on innovation is unusual. So how have the companies come together? The reason was the Genius Cab Cluster, a multi-award-winning, preceding project, in which the INDUS subsidiary AURORA developed an innovative operator's cab for agricultural machinery in collaboration with other partners. This success did not go unnoticed in the Group. Some lively discussion took place – with the result that AURORA and KIEBACK-SCHÄFER made the decision to combine their core competencies and launch a similar project together. Fellow subsidiaries SMA and M+P INTERNATIONAL were also attracted by the project. The common area for all was exploiting the megatrends of digitalization, urbanization and mobility. The focus was on efficiency and Green Tech.

These are precisely the fields in which INDUS supports its subsidiaries with its development bank model. Thus, the directors approached the Board of Management with their plan. Soon after they were able to launch the project, with additional funding on board, new network contacts and the commitment from holding company to support the project in an advisory capacity.

Partners were quickly found for the project – scheduled to run for three years – which meant that rapid implementation was possible. Over the course of this the two initiators were able to contribute significantly to the project. For example, together with the subsidiary HEAVAC, AURORA had recently developed a highly-efficient and environmentally-friendly heat pump, which significantly increases the range of the e-busses due to reduced energy consumption, for a bus manufacturer. Heat pumps regulate the air

CURRENT CLUSTER PARTNERS

conditioning, which is important in the vehicles. The AURORA subsidiary AFK is able to supply the necessary control modules and convectors, the latter of which are responsible for warming the air within the bus.

KIEBACK-SCHÄFER takes care of the interior and exterior design of the busses and of the well-being of the passengers. For example, attractive and well thought out lighting contributes to passenger well-being. This adjusts the temperature of the relevant bus zone and in so doing controls the passenger flow. However in the driver's area also, light is used to ensure safe operation of the instruments. The KIEBACK-SCHÄFER subsidiary DMS, which creates the components virtually using 3D models, is helping in the development of the ideas. 3D technology not only saves on the production of hardware components but also enables customers to realistically experience the subsequent design of the busses as early as the planning phase.

Two other key players from the INDUS Group SMA and M+P INTERNATIONAL. SMA's contribution are the environmentally-friendly and weight-optimized air conditioning lines. M&P adds its competencies for determining valid measurements, for example relating to the strength of the component structures.

The complexity of the overall e-Bus solution and the fact that the themes are intertwined is demonstrated by the range of contributions from the other partners. Cellofoam is helping with heat distribution, heat storage and fire protection; FarHym is contributing in the fields of lightweight construction, ceiling systems and interiors; Hymer is helping in many areas including ceiling systems; Kiel is working on the seats; Bitzer is helping with air conditioning technologies and Schunk with setting-up an efficient charging system including the infrastructure.

ON THE HOME STRAIGHT

Close collaboration, also directly related to each company's core business in each case, has so far enabled project partners to achieve very good results. The next step is the construction of a test vehicle, which can be driven and tested by companies. However, even now, feedback from customers is very positive. They are impressed by the focused pioneer project from the suppliers and are eagerly awaiting the result. In the meantime, the portfolio companies are continuing to work intensively on their project with the confidence that their e-Bus will be transporting people on public transport to their destination in comfort, safety and with minimum impact on the environment by the end of this decade.

AURORA's highly-efficient and environmentally-friendly heat pump significantly increases range of e-busses with its low energy consumption.

INDUS PORTFOLIO COMPANIES ARE INCREASING THEIR FOCUS ON DEVELOPMENT

[QUESTION] Why is INDUS placing so much emphasis on paving the way to innovation for portfolio companies?

JOHANNES SCHMIDT In view of the high rate of change, it is also becoming increasingly important that our portfolio companies are ready to tackle even disruptive innovation – i.e. to enter into development with a higher level of risk. The subsidy offer, which is part of our development bank model, has made it easier for them to exploit existing new technologies and new markets. There is now a very strong take-up of the program among portfolio companies. I am delighted by this because it not only advances individual companies, but it also helps the INDUS Group as a whole to move forward.

[QUESTION] What is the budget you have available for this?

JOHANNES SCHMIDT In addition to the normal R&D budget, which all of our portfolio companies have factored in, we have additionally budgeted a maximum of 1.5% of our EBIT for supporting companies with eligible projects.

[QUESTION] How are portfolio companies using the money specifically?

JOHANNES SCHMIDT One current example involves BETEK, a company from our SIMON group. BETEK has just launched a project for improving carbide tools, which are used for example for tunneling in stone mines. For this, the tools are coated with the help of a thermal process so that they are harder than steel in the end, but are more cost effective than tools manufactured entirely from special carbides. The company also wants to use the know-how it acquires for further innovations.

[QUESTION] How can you be certain that you are supporting the right projects?

JOHANNES SCHMIDT You can never be certain when you are entering new territory. However, we do a lot to ensure that our decision-making is right. Before approving support, we have a project explained to us in detail. If projects are complex, we also call on independent experts. At the same time, we check the market opportunities of an innovation idea in great detail. If these hurdles are overcome, the probability of success is very high. So far, we have not made any major mistakes using this method.

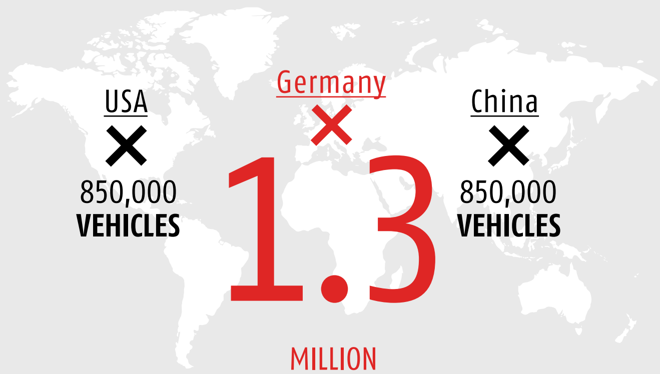
DR. JOHANNES SCHMIDT

Mobility

Future mobility requirements are currently undergoing significant change. As part of this, existing forms of mobility need to be made more efficient and new technologies must be developed and established in the market.

Investment in alternative drives in the German automotive industry by 2020:

MORE THAN **40** EUR BILLION

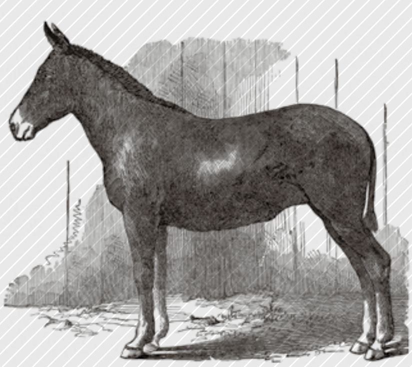


Expected production volumes of electric cars 2022

FUTURE OUTLOOK

Infrastructure

All German political decision-makers agree: To ensure the country's future sustainability, the infrastructure needs to be profoundly invested in. Transportation ways and roads must be expanded and more construction work is needed to ensure a safe and operational course of life in the private and public sectors.



Growth in transport capacities

1960 – now: approx. +300%

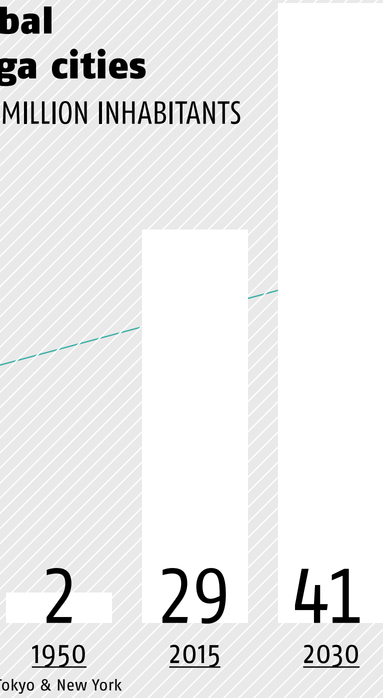
now – 2050: approx. +100%

Urbanization

The concentration of population in conurbations demands innovative sustainable technologies, a different ecological understanding, political measures to support social integration, and new mobility concepts.

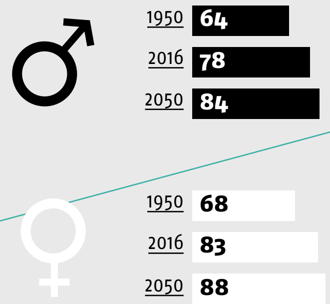
Global mega cities

> 10 MILLION INHABITANTS



Health

Life expectancy in years in Germany



Medical findings and the use of digital technology for recording and processing health-related data is facilitating "personalized" treatments and preventive care tailored precisely to patient requirements.

Use of health apps

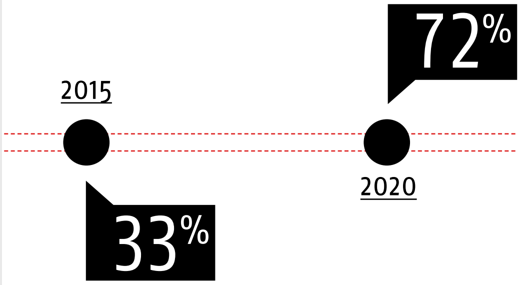
Approx. 45% of German smartphone users currently use health apps

and another 45% can imagine using them in the future. Apps are most frequently used (27% of respondents) for recording physical and fitness data such as blood pressure, steps taken or heart rate. A further 26% can imagine using such apps in the future.

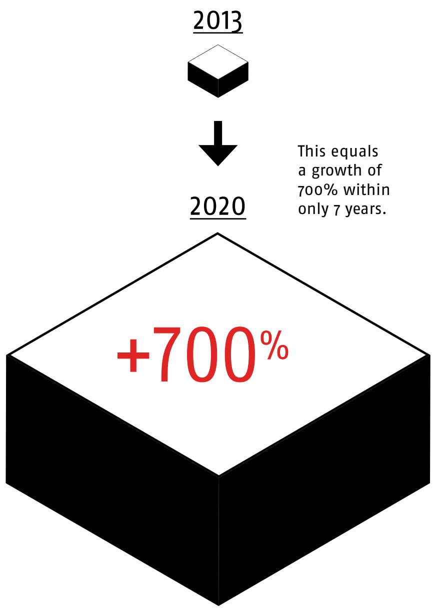
Digitalization and Networking

The increasing data volumes and exchange of data in industry bring enormous challenges. At the same time, it opens up the opportunity to be among the leaders in the digital age.

Average degree of digitalization of companies



Use of 3D printing



This equals a growth of 700% within only 7 years.

"...MAYBE IN THIS

FOUR PERSPECTIVES

JÜRGEN ABROMEIT

"We already have the template for our investment targets firmly pinned down. The sectors and fields which we are looking at will be good for our portfolio structure in the future. In view of an overheated market and low levels of interest rates, it may well prove a challenge to get the companies at the right price. This is where our long-term performance promise "buy, hold & develop" helps us. We are looking at the long-term prospects of portfolio companies and also that they are able to maintain their identity. This is a particularly good argument for sellers, who are looking to place their life's work in safe hands."

RUDOLF WEICHERT

"The steadily increasing complexity and scope of regulatory standards poses a particular challenge for our SME portfolio holdings, which operate internationally. We can help them in identifying and avoiding risks at an early stage – for example with a training program covering all aspects of customs and foreign trade, antitrust and competition law, and combating corruption. In the same way, however, we can also advise them on accounting and financing issues or on hedging against increasing foreign currency and raw material risks, and create network connections from which they can benefit when setting up an international location."

UNIQUE FORM."

FROM THE BOARD OF MANAGEMENT

DR. JOHANNES SCHMIDT

"Our understanding of the role we have as a companion to our SME portfolio companies is probably unique in this form. It gives us the opportunity to be close to our companies without assuming operational responsibility and specifying corporate targets. At the same time, we are in a position to highlight opportunities and possible directions to our companies, which in some circumstances they may not be able to recognize from their perspective. And in terms of project implementation, companies can call on our support at any time – whether it is commercial, method-based or any other form of support. We are seeking to provide the best possible support to entrepreneurs in the management of their enterprises. And we are breaking new ground to do this!"

AXEL MEYER

"Our companies also need to be watchful, even if things are currently going really well for them. It is particularly at times when order books are full that the work needed to ensure that remains the case is overlooked. From a macroeconomic perspective, the potential for setbacks is increasing. For this reason it is becoming increasingly important not just to focus on growth but also on efficiency. Skilled workers are also an important factor in terms of success and need to be looked after in all respects. The reason being, that the individuals needed by the company for the future are increasingly sought after."

THERE IS NO BLUEPRINT FOR PROGRESS

TODAY, PROGRESS IS PLACING CORPORATE CONCEPTS UNDER PARTICULAR SCRUTINY. How are companies dealing with this? And how are other holding companies pursuing a long-term business approach? An interview with Stephan Gemkow, Chairman of the Haniel Board of Management.

[QUESTION] Digitalization and technical progress are currently changing the economy fundamentally. What are your thoughts regarding this situation?

STEPHAN GEMKOW The current changes are more dramatic and faster than all previous periods of change. I therefore have mixed feelings regarding the current situation. On the one hand, it presents the chance to implement business models for which no technical opportunities previously existed. On the other, it is difficult for industry and domestic policy makers to realize these opportunities, as both remain far too entrenched in their learned patterns of behavior.

[QUESTION] What do you mean by learned patterns of behavior?

GEMKOW Our companies are used to a more structured and analytical approach. Suddenly, they are required to develop a high level of agility without knowing exactly how to do that. We have a similar issue in politics. Their task is to create the right overall conditions. We were once export world champions in machinery construction and engineering. If the focus now shifts on to new technologies, the role of policy making is to address these things with the same level of rigor. Artificial intelligence, blockchain, virtual reality – it is these and similar themes which will determine the future.

[QUESTION] In your view, how much pressure is there for Haniel to innovate and act?

GEMKOW A great deal. In particular in light of the fact that our company is built on very traditional values. In our everyday work, we pay a great deal of attention to error prevention and precision. This is comfortable

At Haniel, the answers to the questions about the future originate from the dialog between top management and the managers of the respective group companies.

because it is numbers-based and there is little room for discussion. However, being firmly embedded in such principles often conflicts with the attributes we need to deal with change: speed, agility and courage to break new ground. The progress will force us to do this. Essentially, my view is that progress – and in this case in particular digital change – will open up the strategic gap in every company – and this must be filled. For me, therefore, it is important that all the companies in our group are fully focused on dealing with change.

[QUESTION] How are you addressing the transformation process in the group?

GEMKOW There is no blueprint for the management of change. Therefore, we very quickly agreed within the group that a one-size-fits-all approach in the digital field would not work. We have therefore had digital agendas with relevant sub-strategies developed by our companies. We also founded our Schacht One unit. It supports our divisions as an internal stimulus in the development and implementation of digital ideas and business models. A third approach is to specifically enter into venture capital investments, which we use as learning and development opportunities. Of course, in this case we also expect a certain return on capital. However, what is more important to us is being able to enter into new business models at an early stage and being able to assess the risks and opportunities which these present us with.

[QUESTION] On Schacht One: How are companies responding to what is offered?

GEMKOW So well, that, in fact, the unit has been able to shift work priorities. Today our portfolio companies have digital, methodological knowledge available in-house and are in most cases are also developing things, such as applications, themselves. In the future, the unit will therefore be focusing on the much more complex fields of blockchain, big data and digital manufacturing and will be available to the divisions as a resource. This is because they also have to keep on developing their digital agendas independently.

[QUESTION] Independent development sounds simple in theory …

GEMKOW That's right. In practice it is quite a task. We are therefore starting this at all levels and keep discussing this topic. One example of this is at our annual management conference: In terms of content, this is a well-prepared, intensive work meeting these days. At management level, we are undertaking digital journeys – these are trips made together as a conference to visit companies we can learn from. And the individual companies are also doing their part. TAKKT has recently appointed dozens of digital workers, is conducting training programs and is sending employees away to our progress units. ELG has established its own innovation company. And in our Haniel Academy, we are running comprehensive education and further training programs. Overall, I can say that I am seeing approval rather than resistance. People understand how important the topic of change is.

[QUESTION] To what extent will the new world of work also change corporate cultures?

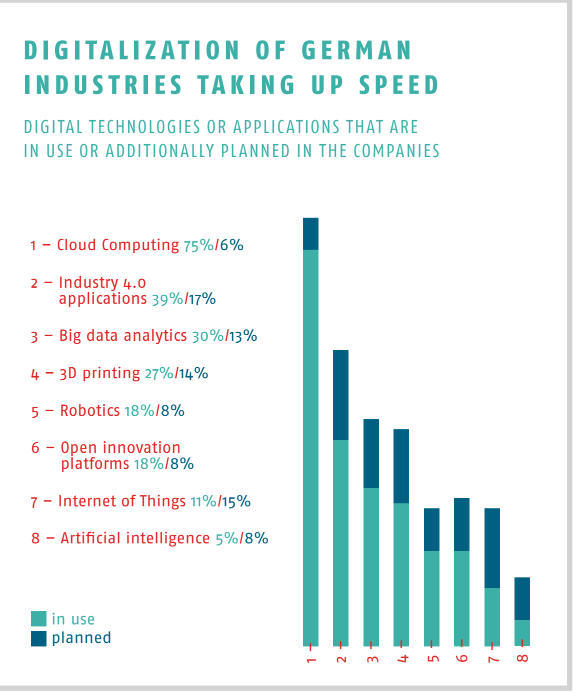
GEMKOW Cultures will have to change because the conditions are changing massively. However, in many areas this process will need

With digitalization, the way we work changes, too. The traditional office hours nine to five rarely are convenient working hours for a technical specialist. Companies will have to get used to this.

more time than we realize at the moment. Let's take the topic of autonomous driving for example. If we take time to think about it realistically, given the good condition of most of even the older cars today, it will still take some years before new forms of mobility can be seen in transportation. This means we do have the time to change, but we must address it. I view our greatest challenge as the intelligent management of both the digital and analog worlds as they exist in parallel together. Both are real and important. However, we are currently living through a period of transition. As part of this we have to weigh up the risks and opportunities well. It is still the case that only very few digital companies are earning real money. For example, Amazon has been on the market for 15 years without being really profitable in terms of trading. And, in contrast to many other companies – in particular in the digital sector – we are operating with genuine group equity, which means that we have to keep a particularly close eye on the issue of risk.

[QUESTION] More machines, fewer people. Is that the future?

GEMKOW The increase in machines will not be stopped. This provides highly industrialized countries with a unique opportunity to move away from the problem of poor competitiveness due to costs. For us in particular, technology makes sense because labor is expensive. And if it does not happen in Germany it will happen abroad, albeit with German companies. It is all the more important, therefore, that we are set up correctly for the future. Otherwise, traditional activities will disappear as a result of rationalization and the new ones will emerge elsewhere.

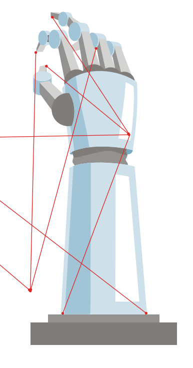


[QUESTION] In which direction should Haniel employees move? Where will Haniel be in ten years time?

GEMKOW We will be more agile. This is particularly important to me because it represents the greatest challenge for us as a family holding company. Our Schacht One project and also the capital venture activities show me that agility is good for us and increases the attractiveness of our group. Today, we are also actively approached as a contact partner for future issues. We shall continue along this path and in ten years will therefore be more varied, more diversified, more digital, more global and more networked.

[QUESTION]

WHY IS ADVANCING TECHNOLOGY GOOD AND WHAT DOES IT MEAN FOR THE DEMANDS ON PEOPLE IN COMPANIES?



Simple jobs are more and more taken over by automated processes. For us humans, this means we will have to be more flexible. And this makes us more important.

[QUESTION] Three questions to finish with: Haniel's company magazine "Enkelfähig" focuses on the needs of future generations, how do you maintain this focus in a company?

GEMKOW By maintaining a long-term perspective, by being aware of your strengths and weaknesses, and by working on your weaknesses. The latter refers to using competencies which you need for the future to close the strategy gap.

[QUESTION] Why is advancing technology good and what does it mean for the demands on people in companies?

GEMKOW Advancing technology is neither good nor bad; it is quite simply a fact we have to deal with as companies. Otherwise, there will be no alternatives later on. It determines the direction of travel for us and opens up options for new business models. In terms of people in companies there will be less room for mediocrity. Education, training and lifelong learning will therefore become even more important.

[QUESTION] Why will companies with a strong set of values also be among the most successful in the future?

GEMKOW I firmly believe that a strong set of values will become more important than ever before because this period of radical change is able create a great deal of uncertainty. A stable focus and a reliable basis help to deal with such changes. In this respect, especially value-led companies will have an advantage in the future. To some extent values are a bit like a brand. And brands develop a particular significance in an increasingly comparable world. And assuming we live by them, a set of values creates a strong trust profile, both internally and externally. And collaboration is based on trust, and in turn, success is based on collaboration.

STEPHAN GEMKOW

has been the Chairman of the Haniel Board of Management since August 1, 2012. After spending his initial years working as a corporate consultant, the MBA (Diplom-Kaufmann) held various positions at Lufthansa, six of which as Chief Financial Officer, since 1990. Gemkow is Supervisory Board Chairman of TAKKT AG, Member of the Administrative Board of Flughafen Zürich AG and Member of the Board of Directors of JetBlue Airways Corporation, New York.

INDUS TICKER 2017

Innovations

In 2017, INDUS Group portfolio companies have been working on twelve development bank projects across all segments, including

the seeing robot: a smart handling system for mixed components (ASS)

HEATforming: an innovative forming process for high-strength steels (BILSTEIN & SIEKERMANN)

Digitalization of products and services: portfolio companies are working on projects ranging from IoT in the e-Bus, measurement data optimization using BigData, to the smart disinfection cloth and modular cloud solutions services (AURORA, IPETRONIK, IMECO, HORN)

Acquisitions

INDUS is consolidating in the strategic growth field of Automation, Measuring Technology and Control Engineering with acquisitions:

- M+P INTERNATIONAL Mess- und Rechnertechnik (1/2017)
- PEISELER Group (4/2017)

International growth

The international presence of portfolio companies will continue to be driven by the consolidation of international activities; these include Europe, Asia, North America and Africa. In 2017 alone, 13 new international locations were added to the portfolio.

Shareholders' Meeting

The Shareholders' Meeting of INDUS on May 24, 2017 in the Congress Center North of the Koelnmesse was attended by around 600 participants. An accompanying exhibition provided guests with information regarding current projects in the area of automation. The 2018 Shareholders' Meeting will also take place in the Congress Center North of the Koelnmesse on May 24.

Industrialists' conference and summer celebration

The fifth INDUS industrialists' conference will be on June 30. In relaxed surroundings, managers of the INDUS portfolio companies will take the opportunity to conduct face-to-face discussions among themselves. Following this, the INDUS holding company will host the annual summer celebration, which is taking us to Cologne this year.

New building

As part of the summer celebration, INDUS will be celebrating the extension to the main building following a construction period lasting 17months. The new building will provide work places, which have been developed to the very latest standards, for 18 employees as well as three conference and meeting rooms.

Additions to the Board of Management

Axel Meyer joined the INDUS Board of Management as a new member on October 1. In light of the Group's growth and innovation strategy, he will support the technology department, in particular in the area of production and investment.

Awards

INDUS and INDUS portfolio companies also received numerous awards in 2017, including

- AURORA, BETEK and BILSTEIN & SIEKERMANN were each awarded the title of "TOP-Innovator" (TOP 100),
- HAUFF-TECHNIK was awarded the title of "TOP JOB Employer",
- BILSTEIN & SIEKERMANN received the "German Brand Award",
- MIGUA received the "red dot award", and
- INDUS again made the CDP A List.

IMPRINT

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You may incur costs from your mobile phone service provider if you are not connected to a wireless network.

Please scan QR code for a direct link to the INDUS app:

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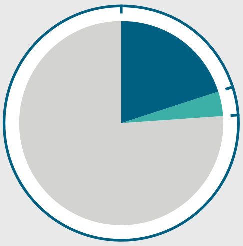
KEY FIGURES 2017

in EUR million	2017	2016	2015
Sales	1,640.6	1,444.3	1,388.9
EBITDA	215.3	200.9	186.4
EBIT	152.9	144.9	136.3
EBIT margin (in %)	9.3	10.0	9.8
EBIT adjusted	163.7	155.4	145.8
EBIT margin adjustet (in %)	10.0	10.8	10.5
Group net income for the year (earnings after tax)	83.1	80.4	68.3
Operating cash flow	145.0	137.9	157.3
Cash flow from operating activities	124.0	114.5	130.9
Cash flow from investing activities	-110.0	-104.4	-112.8
Cash flow from financing activities	-3.9	-14.9	-3.1
Earnings per share (in EUR)	3.37	3.27	2.78
Cash flow per share (in EUR)	5.07	4.69	5.36
Dividend per share (in EUR)	1.50*	1.35	1.20
Dividendenrendite (in %)	2.5*	2.6	2.7
Ausschüttungsquote (in %)	43.9*	42.7	41.9

	DEC. 31, 2017	DEC. 31, 2016	DEC. 31, 2015
Total assets	1,653.2	1,521.6	1,419.8
Group equity	673.8	644.6	595.4
Equity ratio in %	40.8	42.4	41.9
Net debt	399.0	376.6	356.3
Cash and cash equivalents	135.9	127.2	132.2
Total assets of INDUS Holding AG	1,450.8	1,360.2	1,274.2
Equity of INDUS Holding AG	855.6	806.9	761.2
Equity ratio INDUS Holding AG (in %)	59.0	59.3	59.7
Portfolio companies (number as per Dec. 31)	45	44	44
Employees within the Group (number as of Dec. 31)	10,210	9,451	8,334

* Subject to approval at ASM on May 24, 2018

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

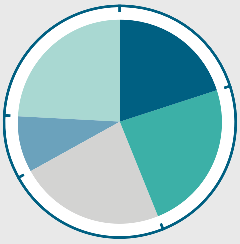


UP TO 5 YEARS
20 / 9

5 TO 10 YEARS
4 / 2

MORE THAN 10 YEARS
76 / 34

2017 SALES BY SEGMENT (in % / EUR million)



CONSTRUCTION/INFRASTRUCTURE
20 / 330.4

AUTOMOTIVE TECHNOLOGY
24 / 394.1

ENGINEERING
23 / 375.1

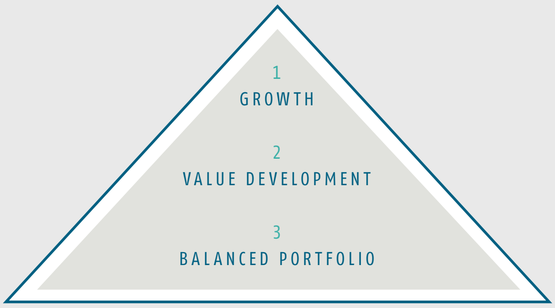
MEDICAL ENGINEERING/LIFE SCIENCE
9 / 155.2

METALS TECHNOLOGY
24 / 385.6

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

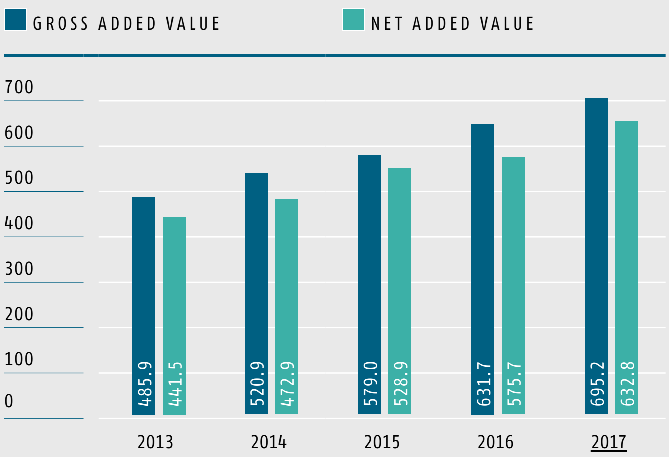


VALUE CREATION

CORPORATE PERFORMANCE (in EUR million)

	2017	2016
Revenue	1,640.6	1,444.3
Other operating income	16.5	20.2
Own work capitalized	5.1	6.2
Changes in inventory	5.2	11.1
Results based on shares valued at equity	1.1	1.0
Financial income	0.3	0.5
Interest income	0.2	0.5
Business performance	**1,669.1**	**1,483.8**

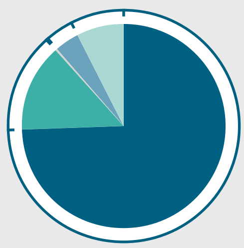
DEVELOPMENT VALUE CREATION (in EUR million)



ADDED VALUE (in EUR million)

	2017	2016
Business performance	1,669.1	1,483.8
Material expenditure	-745.9	-648.7
Other operating expenditure	-228.0	-203.5
Gross added value	**695.2**	**631.7**
Depreciation	-62.4	-56.0
Net added value	**632.8**	**575.7**

UTILIZATION OF NET ADDED VALUE IN 2017 (in % / EUR million)



EMPLOYEES
75.8 / 479.7

SHAREHOLDERS*
13.0 / 82.3

OTHER SHAREHOLDERS
0.1 / 0.7

LENDERS
3.8 / 23.9

THE STATE
7.3 / 46.1

* Distribution of profits and retained earnings

COMPANY AND SHAREHOLDERS

The INDUS Group has developed successfully over the last five years with COMPASS 2020. The portfolio has grown through attractive acquisitions, and the portfolio companies are focusing on becoming more international and innovative. This has been acknowledged by the shareholders and investors with a significant increase in the share price.

Over the last year, INDUS has refined the direction of COMPASS once more, increasing the focus on technology. The portfolio companies are turning their attention to growth areas, with the support of the holding company where necessary.

Rudolf Weichert — Axel Meyer — Jürgen Abromeit — Dr. Johannes Schmidt

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

INDUS has once again enjoyed a successful year in 2017. We are very satisfied that our Group has been able to report record results for the fifth year in a row. However, this was certainly in line with our projections and consequently also with your expectations. What is of greater importance to us is that our portfolio companies are doing the right things. They are using the current economic situation to do good business and in doing so are not neglecting to prepare for the serious challenges which lie ahead.

"In which areas can we adapt our business model in order to remain successful and become even more successful?" This is the question which all of our portfolio companies are addressing. Their readiness to change is the basis on which portfolio companies are making decisions from which you, the shareholders, stand to benefit in the years ahead. We, as the holding company, are supporting this in a variety of ways.

Let us stick with the present to begin with. When including acquisitions over the past year, sales rose by 13.6% to EUR 1.64 billion. Profitability was not able to entirely keep pace with this significant increase in sales but did also improve by 5.5% to EUR 152.9 million.

The two repositioning projects in the Automotive Technology and Metals Technology segments had a significant negative impact on earnings over the previous year. The price of adjustments required in these cases were more extensive than anticipated. However, we are now able to anticipate that, by the summer, we will have turned this around. For both segments this means overall that they were not able to achieve their earnings targets for 2017. In addition to the charges against earnings from the two repositioning projects, profits were also squeezed by currency fluctuations, in particular in South Africa, Brazil and Mexico.

However, companies in the other areas performed all more strongly. In particular the Construction/Infrastructure and Engineering segments came in with figures significantly above expectations. The Medical Engineering/Life Science segment delivered a high level of stable earnings contributions. The pleasing overall result illustrates how well INDUS is structured as a group. Partial, and temporary, charges against earnings are compensated for very well by good performance in the overall portfolio.

When adjusted for non-operational charges against earnings from the initial consolidations, the EBIT margin still achieves the target level of 10%. Taken as a whole, we can therefore continue to be very satisfied with the commercial development of the Group.

In order to also ensure this strong position is maintained in the future, our portfolio continues to move in the direction of growth markets. For example, over the past year we were again able to acquire two very good companies. The acquisitions of M+P INTERNATIONAL and PEISELER mean the Group has been enhanced by two very promising companies from the future field of Automation, Measuring Technology and Control Engineering, in which technology plays a major role.

"Our portfolio companies are competitive and will exploit the good economic situation for their continued growth in 2018."

JÜRGEN ABROMEIT

We shall continue to look out for appropriate acquisitions in future in this area and in the growth industries of Infrastructure and Logistics Technology, Energy and Environmental Technology, Medical Engineering/Life Science and in Construction and Safety Technology. In doing so, we shall not stray from our proven, long-term course. However, our current assessment of purchase prices in the M&A market is that they are significantly overheated with the result that, in cases of doubt, we also opt not to submit an offer. Although we are keen to grow, we are in no rush and are patient enough to be able to wait for the economically right time to purchase.

In parallel with our growth investments, we are supporting our portfolio companies to help them develop further using what are now proven methods. For example, as early as January of this year, we were able to provide our subsidiary AURORA with capital for the purchase of electronic specialists EE ELECTRONIC EQUIPMENT B. V.

Support for innovation activities in the future fields remains very important to us. We are currently supporting twelve portfolio company projects focused on exploiting new technologies or markets. One of the priorities in this case is the digitalization of products and services which to some extent also goes hand in hand with business model expansion. Our offer relating to the transfer of methodological knowledge is also being very well received by portfolio companies.

Following a good start to the year we are also looking ahead to 2018 in optimistic mood. Given similar conditions, our group companies will be able to expand their market position. In terms of sales we are expecting a value of between EUR 1.65 billion and EUR 1.70 billion and in terms of earnings we prefer to be slightly more conservative in our estimates with a value of between EUR 154 million to EUR 160 million. As always, contributions from potential acquisitions are not included in this. While the two repositioning projects referred to will be concluded towards the middle of 2018, we have however once again factored in a charge against earnings for the current year. The EBIT margin of 10% +X remains our target value even though in the growth phase the EBIT adjusted for accounting and initial consolidation effects assumes greater importance for the assessment of operational performance.

Recent weeks have shown how right we have been with our cautious assessment of the market development. The United States in particular remains a highly unpredictable factor under its current leadership. The national protectionist trade policy currently being pursued by the government has the potential to trigger a significant chain reaction at the end of which may lie a significantly changed pattern of global trade. Other geopolitical hot spots also entail relevant risks for business. This includes the Brexit situation, which continues to rumble on with its significant potential repercussions for our engineering segment. The outcome of the Italian election with its feared right wing populist movement and anti-European shift must be regarded as equally critical. It is therefore all the more important that our portfolio companies further increase their competitiveness by means of innovation internationalization as well as intelligent acquisitions.

"By exploiting new technologies and markets our portfolio companies will open up new scope for development."

DR. JOHANNES SCHMIDT

As the Board of Management, we would like to thank our shareholders for the trust they have shown in our company. Our share is an investment security for the long term. We are therefore delighted that you continue to support us with your capital as we develop. In appreciation of your contribution, we shall again be proposing an increased dividend of EUR 1.50 at this year's Annual Shareholders' Meeting.

Once again, we would like to thank our partners, the management boards of our portfolio companies and the portfolio company employees – which now number more than 10,000 – for the high level of commitment they have shown in keeping the INDUS Group on track for success. We look forward to continued success together once again in the current year.

Bergisch Gladbach, March 2018

Jürgen Abromeit | Axel Meyer | Dr. Johannes Schmidt | 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 internet page. For information concerning memberships on other Supervisory Boards, see page 169.

JÜRGEN ABROMEIT
CHAIRMAN

Jürgen Abromeit (born 1960) has been a member of the Board of Management of INDUS Holding AG since 2008. He assumed the position of Chairman of the Board of Management in July 2012. After completing his professional training, the bank manager held a number of positions at Dresdner Bank and Commerzbank in corporate and investment banking before moving over to steel manufacturer Georgsmarienhütte Holding (GMH) as chief financial officer in 1998. During his eleven years with GMH, he assisted in a large number of corporate acquisitions, assuming operational management at various companies in the mechanical engineering sector during the integration phase. In his last position he was responsible for the steel and engineering segments at GMH as divisional manager.

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.

DR.-ING. JOHANNES SCHMIDT
BOARD MEMBER

Dr. Johannes Schmidt (born 1961) has been a member of the Board of Management of INDUS Holding AG since 2006. 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.

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.

THE INDUS SUPERVISORY BOARD*

Members of the Supervisory Board are appointed for a period of five years; re-elections are permissible. Candidates must not be above the age of 70 at the time of their election or re-election. Mr. Joachim Selzer's mandate came to an end on May 24, 2017. He was not eligible for reelection due to age restrictions stipulated in the articles of association. Prof. Dr. Nadine Kammerlander was appointed to the INDUS Holding AG Supervisory Board for the first time on May 24, 2017. The terms of members Helmut Späth, Dr. Jürgen Allerkamp, Dr. Ralf Bartsch, and Prof. Dr. Nadine Kammerlander will come to an end at the end of the 2022 Annual Shareholders' Meeting; Dr. Dorothee Becker's term will end at the end of the 2019 Annual Shareholders' Meeting and Carl Martin Welcker's at the end of the 2020 Annual Shareholders' Meeting.

HELMUT SPÄTH
CHAIRMAN OF THE SUPERVISORY BOARD

Helmut Späth (born 1952) is a businessman (former auditor and tax advisor) and, as Chief Executive Officer at Versicherungskammer Bayern, was responsible for the finances and accounting departments until the end of 2017. He has been a member of the INDUS Holding AG Supervisory Board since July 2012.

DR. JÜRGEN ALLERKAMP
VICE CHAIRMAN OF THE SUPERVISORY BOARD

Dr. Jürgen Allerkamp (born 1956) is a fully qualified lawyer. In January 2015 he was appointed Chairman of the Management Board of the Investitionsbank Berlin. Previously he held the position of Chief Executive Officer at Deutsche Hypothekenbank (Actien-Gesellschaft) in Hanover and was a member of the Management Board of Nord/LB from 1997 through 2010. He was appointed to the INDUS Holding AG Supervisory Board for the first time in 2007.

PROF. DR. NADINE KAMMERLANDER
MEMBER OF THE SUPERVISORY BOARD (SINCE MAY 24, 2017)

Prof. Dr. Nadine Kammerlander (born 1983) has a degree in physics and a doctorate in business economics. She has worked as a consultant to McKinsey & Company and as an assistant professor at the University of St. Gallen. In November 2015 she became a Chaired Professor of Family Business at WHU – Otto Beisheim School of Management, Vallendar, Germany. Prof. Dr. Nadine Kammerlander has been a member of the INDUS Holding AG Supervisory Board since May 2017.

PERSONNEL AND NOMINATION COMMITTEE
Helmut Späth (Chairman) / Dr. Jürgen Allerkamp / Hans-Joachim Selzer (until May 24, 2017) / Dr. Dorothee Becker (since May 24, 2017)

AUDIT COMMITTEE
Dr. Jürgen Allerkamp (Chairman, Financial Expert) / Dr. Ralf Bartsch / Prof. Dr. Nadine Kammerlander (since May 24, 2017)

* Detailed information concerning the professional qualifications of the Supervisory Board members may be found on our internet page. For information concerning memberships on other Supervisory Boards, see page 169.

DR. RALF BARTSCH
MEMBER OF THE SUPERVISORY BOARD

Dr. Ralf Bartsch (born 1959) is a fully qualified lawyer and business manager. Since 2003 he has been Management Board Spokesman for the SCHLAU/HAMMER Group, Porta Westfalica. Previously, Dr. Bartsch worked for NORD Holding, Hanover, and for an international law firm specializing in capital markets and corporate law. He has been a member of the Supervisory Board of INDUS Holding AG since 2007.

DR. DOROTHEE BECKER
MEMBER OF THE SUPERVISORY BOARD

Dr. Dorothee Becker (born 1966) is an economist. She is the Managing Director of the SME Gebr. Becker GmbH in Wuppertal. She has been a member of the Supervisory Board of INDUS Holding AG since June 2014.

HANS JOACHIM SELZER
MEMBER OF THE SUPERVISORY BOARD (UNTIL MAY 24, 2017)

Hans Joachim Selzer (born 1943) holds a degree in industrial engineering, is an entrepreneur and former owner of Selzer Fertigungstechnik GmbH in Driedorf, a portfolio company of INDUS Holding AG. He has been a member of the INDUS Holding AG Supervisory Board since July 2012.

CARL MARTIN WELCKER
MEMBER OF THE SUPERVISORY BOARD

Carl Martin Welcker (born 1960) is managing partner at the medium-sized mechanical engineering company Alfred H. Schütte GmbH & Co. KG in Cologne. He has been a member of the Supervisory Board since February 2010.

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 association. 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 also information concerning the straying of actual developments from previously reported goals and of actual business developments from their planned course.

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 continually informed of current business performance and asset development. 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. In particular cases the Supervisory Board gave its consent to certain business transactions when the law, the articles of association or rules of procedure so required. 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 and kept themselves informed of significant company developments.

MEETING FREQUENCY AND ATTENDANCE

In fiscal year 2017, four ordinary meetings were held in the presence of the Board of Management. In addition, an extraordinary meeting was held in the form of a telephone conference. The Supervisory Board regards its individualized disclosure of participation in meetings of the full Supervisory Board and of its committees as an exercise of good corporate governance. All meetings and ballots held by the Supervisory Board or its committees had the full participation of all Supervisory Board and Board of Management members.

SUPERVISORY BOARD MEETINGS AND WORK OF THE COMMITTEES IN THE 2017 FISCAL YEAR

	PARTICIPATION	IN %		PARTICIPATION	IN %
Supervisory Board			**Personnel and Nomination Committee**		
Helmut Späth	5/5	100	Helmuth Späth	2/2	100
Dr. Jürgen Allerkamp	5/5	100	Dr. Jürgen Allerkamp	2/2	100
Dr. Ralf Bartsch	5/5	100	Dr. Dorothee Becker (since 24.05.2017)	1/1	100
Dr. Dorothee Becker	5/5	100	Hans Joachim Selzer (until 24.05.2017)	1/1	100
Prof. Dr. Nadine Kammerlander (since 24.05.2017)	3/3	100	**Audit Committee**		
Hans Joachim Selzer (until 24.05.2017)	2/2	100	Dr. Jürgen Allerkamp	3/3	100
Carl Martin Welcker	5/5	100	Dr. Ralf Bartsch	3/3	100
			Prof. Dr. Nadine Kammerlander (since 24.05.2017)	2/2	100

In addition to the four ordinary and one extraordinary meeting, a constituent meeting of the newly formed Supervisory Board was held on **May 24, 2017**, following the Annual Shareholders' Meeting. Prof. Dr. Nadine Kammerlander was elected to the Supervisory Board by the shareholders to replace Mr. Hans Joachim Selzer, who was not up for reelection due to age restrictions stipulated in the articles of association. Mr. Helmut Späth and Dr. Jürgen Allerkamp were confirmed as Chairman and Deputy Chairman of the Supervisory Board, respectively, during the constituent meeting. Dr. Dorothee Becker has replaced Mr. Hans Joachim Selzer in the Personnel and Nomination Committee. Prof. Dr. Nadine Kammerlander sits on the Audit Committee as an additional member.

Transactions of importance for the Company were discussed with the Supervisory Board also outside of its regular meetings to ensure that it was always involved in decisions of fundamental importance. There were no indications that Supervisory Board or Board of Management members 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

The focus of the first meeting held on March 22, 2017, was the presentation and discussion of the 2016 annual financial statements of the company and the Group and passage of the associated resolution. Focal points of the Audit Committee included a) the examination of company acquisitions, b) associated purchase price allocations, c) existing rest purchase price commitments, d) valuation of goodwill, e) earnings position development, and f) appropriate consideration of the audit focal points stipulated by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung). At the Audit Committee's recommendation and after thorough debates with the auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, the Supervisory Board approved the consolidated financial statements and adopted the annual accounts for fiscal year 2016. The Board of Management also provided information on the main investment targets over the last fiscal year and explained in detail the annual risk management and compliance reports. The Board of Management then presented INDUS Group's economic position as of February 2017.

The Supervisory Board voted on the Board of Management's proposal regarding the two-stage acquisition of the PEISELER Group, a supplier of high-precision indexing devices and rotary tilt tables for machine tools. PEISELER supplies machine tool manufacturers and end consumers around the globe in the mechanical engineering and shipbuilding, medical engineering, watchmaking and electrical, aircraft and turbine construction and automotive industries. 80.00 % of the shares were acquired as part of the first stage of the acquisition, with the contract being signed on April 18, 2017, and contract completion on May 23, 2017. The Board of Management also reported on the successful majority acquisition of M+P INTERNATIONAL (76.56 %), an innovative and internationally operating developer of measurement and test systems for vibration testing and analysis. Its measurement and test systems can be applied in fields ranging from aerospace technology to energy and environmental engineering. The Supervisory Board approved the acquisition during the meeting of December 14, 2016. The contract was signed on January 30, 2017 and the contract completed on March 1, 2017.

Other votes held were the Board of Management's dividend proposal and the agenda for the Annual Shareholders' Meeting on May 24, 2017. As a result of the structured recruitment process conducted before the meeting, the Personnel and Nomination Committee nominated Prof. Dr. Nadine Kammerlander to replace Mr. Hans Joachim Selzer on the Supervisory Board. Mr. Selzer was not eligible for reelection due to age restrictions stipulated in the articles of association. Following Prof. Dr. Nadine Kammerlander's introduction, the Supervisory Board accepted the candidate. Mr. Helmut Späth, Dr. Jürgen Allerkamp and Dr. Ralf Bartsch were nominated for reelection to the Supervisory Board.

One day before the Annual Shareholder's Meeting on **May 23, 2017**, the Supervisory board convened for its **second ordinary meeting**, in which the members attending the meeting acquainted themselves with the status of current proposals. Since no counterproposals had been submitted, the Supervisory Board dealt in depth with the report concerning business developments in the months from January to April 2017. The Board of Management also 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 2017. Overall, the current outlook confirmed the earnings projection for the whole of 2017.

Following the results of the recruitment process presented by the Personnel and Nomination Committee, the personal introduction and general discussion, the Supervisory Board approved the appointment of Mr. Axel Meyer as the fourth member of the Board of Management from October 1, 2017. This was followed by the regular update of the Supervisory Board's resolution regarding targets for the ratio of female staff on the Supervisory Board and the Board of Management.

The subject matter of deliberations also included the on-going status proceedings in which the Regional Court (Landgericht) of Cologne is reviewing, upon the application of a private shareholder, the Supervisory Board's composition in terms of its conformity with stock corporation law. The Board of Management again provided information regarding the initial decision of the Regional Court of Cologne in favor of the plaintiff. Following an in-depth discussion, the Supervisory Board and Board of Management resolved to appeal the decision at the Higher Regional Court of Düsseldorf.

During an **extraordinary meeting** held in the form of a telephone conference on **July 28, 2017**, the Board of Management explained the current and planned developments of both repositioning projects in the Metals Technology and Automotive Technology segments in detail. The Supervisory Board also dealt with the six-month figures up to June 30, 2017, as well as the current outlook for the whole of 2017.

The **third ordinary meeting** was held on **September 13/14, 2017**. The Board of Management began by providing information concerning the INDUS Group's economic performance in the first eight months of fiscal year 2017, and reporting in detail on the two repositioning projects and the integration of FICHTHORN in the SELZER Group in special reports. Taking into consideration the current Forecast II for the portfolio companies, the Board of Management confirmed the annual outlook for 2017.

The Chairman of the Audit Committee provided information regarding the topics of the meeting of the Audit Committee on September 13, 2017, in which Dr. Werner Holzmayer and Mr. Marcus Lauten participated as representatives of the auditing firm of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft of Cologne.

The agenda of this two-day meeting included introduction and discussion of an analysis for developing the entire portfolio and the individual segments since the introduction of the COMPASS 2020 strategy, and the segment strategies derived from COMPASS 2020. The Board of Management also introduced relevant areas of action in its opinion in the accompanying work areas finances and organization with a focus on the further improvement of early risk recognition and reduction. The Supervisory Board signaled its full support for the Board of Management's strategy in view of its announced portfolio development and accompanying measures.

The **last meeting of the year**, which was held on **November 30, 2017**, covered the updated outlook for fiscal year 2017 based on results up to October 2017 and planning for 2018. The Board of Management reported in detail on current developments in the individual segments. The below-plan developments in the Automotive Technology and Metals Technology segments stood against the very positive developments in the Construction/Infrastructure and Engineering segments. The Board of Management explained the corporate planning for fiscal year 2018, including plans for investment and financing. In the ensuing discussion, the Board of Management considered the details of the planning process. The Supervisory Board approved the annual plans in their entirety and without correction.

The Board of Management informed the Supervisory Board of the signing of a purchase contract on November 21, 2017, for the acquisition of the Dutch company ELECTRONIC EQUIPMENT B.V. by AURORA. The contract for this expansion acquisition was completed on January 25, 2018.

The chairmen of the committees reported on issues and results related to the committee meetings held on the same day. Dr. Werner Holzmayer and Marcus Lauten attended the Audit Committee meeting as representatives of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne.

Another topic reviewed was the ongoing status process. The members of the Supervisory Board again focused on the German Corporate Governance Code this reporting year. The Supervisory Board voted on the definition of specific targets for the composition of the Supervisory Board and the definition of the following specialist profiles for the entire committee:

SPECIALIST AREA	EXPLANATION
Strategy	Proven experience in creating and implementing corporate strategies
Technology	Profound knowledge and experience in technology areas relevant to the portfolio companies
Innovation	Profound knowledge and experience in the definition and implementation of innovation strategies
Internationalization	Proven experience with the setup and management of company units overseas or comprehensive personal experience overseas
Mergers & Acquisitions	Proven knowledge and experience in performing M&A processes
Management	Long-term, successful management experience at management or board level
Finances	Comprehensive knowledge and experience in accounting and accounting for complex corporate groups, corporate financing and financial risks
Risk management	Profound experience in designing and monitoring risk management systems
Remuneration systems	Practical experience in designing and applying performance-based remuneration systems

The Board of Management and the Supervisory Board 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.

WORK OF THE COMMITTEES

The main task of the two Supervisory Board committees is to prepare decisions and topics for the board's full 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. The chairman of the Supervisory Board holds the chairmanship of the Personnel Committee and Nomination Committee, but not the chairmanship of the Audit Committee. The personnel make-up of the two committees is presented in the Annual Report under the heading "Management Bodies".

The **Audit Committee** met **three times** during the fiscal year 2017: **March 22, September 13 and November 30, 2017**. 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 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 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 consultations were the 2017 annual financial statements, a review of the risk management and compliance reports, the audit of the financial statements and the accounting methods for Switzerland.

The **Personnel and Nomination Committees** prepared the Supervisory Board's personnel decisions in **two meetings** in fiscal year 2017, which were held on **March 22, and November 30, 2017**. Where necessary, decisions were made or resolutions were recommended to the Supervisory Board. The meeting focused on the recruitment process for a suitable new candidate for the Supervisory Board and a fourth member for the Board of Management, a remuneration system concept, in particular suggestions for determining bonuses for Board of Management members and other contractual matters. Details regarding compensation for the Board of Management members can be found in the remuneration report.

DELIBERATIONS CONCERNING THE ANNUAL FINANCIAL STATEMENTS AND PROPOSED DIVIDEND

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 Shareholders' Meeting of May 24, 2017, audited the annual financial statements and 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 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.

The consolidated financial statements and Group management report, the annual financial statements and management report, the sustainability report, and the audit reports were presented to all Supervisory Board members on time. These were discussed in detail at the Supervisory Board meeting held on Thursday, March 22, 2018 for adoption of the financial statements. This meeting was attended also by the 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. Based on the final result of our own audit of the documents submitted to us and the Audit Committee's recommendations, the Supervisory Board raises no objections, and concurs with the Group auditor's findings. The Board endorses the financial statements prepared by the Board of Management and approves the consolidated financial statements. The Supervisory Board concurs with the Board of Management's proposed appropriation of distributable profit.

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

Bergisch Gladbach, March 22, 2018

For the Supervisory Board
Helmut Späth
Chairman

THE INDUS SHARE

SHARE PRICE: SHARE PRICE INCREASE OF 15% SUPPORTED BY POSITIVE FIRST SIX MONTHS

Following a relatively cautious start, the INDUS share was able to pick up momentum in the second half of the 2016 fiscal year performing well above average in a very volatile market environment. In doing so, it significantly outperformed the SDAX and DAX indexes (INDUS approx. +21%, SDAX +6.5%, DAX +11.7%). The high price level therefore achieved at the end of 2016 provided a solid basis from which to start the fiscal year 2017. Extremely strong performance in the first half of 2017 took the INDUS share towards an all-time high. The INDUS share remained at this high level over the course of the year until around August. The share price then settled at the mid-range performance level against the DAX and SDAX and was subject to their fluctuations in an ongoing sideways movement up to the end of the fiscal year.

The INDUS share benefited from the first quarter of 2017 and rose sharply, performing significantly above average. The share had already achieved a plus of 17.3% by the end of March and significantly outperformed the reference indexes as a result (SDAX +6.0%, DAX +7.2%). The publication of the company's excellent 2016 financial figures in particular, and confirmation of the forecast for the year 2017 following the first quarter helped increase demand among investors and caused a further rise in the share price in the first six months. This upward trend continued to the end of June, peaking on June 19, 2017 at a new all-time high of EUR 65.10 – an increase of 26.1% compared to the start of the year.

Over the third quarter, the INDUS share price maintained the high level within a range of EUR 62 to EUR 65 up to the end of October. The positive sideways movement was supported by the announcement relating to the acquisition of two hidden champions and by the continued strong business performance of portfolio companies, despite the necessary repositioning of two portfolio companies. In the fourth quarter, the INDUS share performance was subject to more pronounced fluctuations to which the SDAX and DAX reference indexes were also exposed. The intensity of the INDUS share fluctuation was heightened by a selective, short-term market slump in October, presumably caused by a fall below the technical support level of between EUR 60 and EUR 61, however with no associated company announcement. At the start of November, the update of a positive analyst report is likely to have then caused a sharp rise in the share price.

KEY SHARE DATA (in EUR)

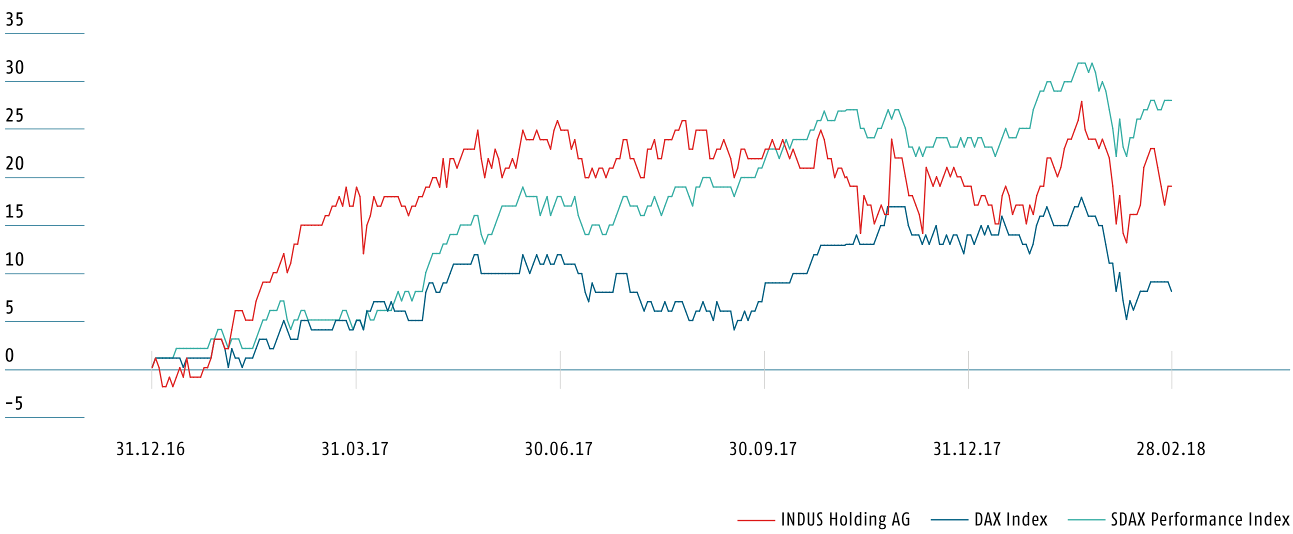
	2017	2016	2015
Earnings per share Group	3.37	3.27	2.78
Cash flow per share Group	5.07	4.69	5.36
Dividend per share	1.50[1]	1.35	1.20
Dividend yield in %	2.5	2.6	2.7
Sum disbursed in EUR millions	36.7	33.0	29.3
12-month high	65.10	54.15	50.12
12-month low	50.48	36.75	36.37
Price at year-end	59.50[2]	51.64	44.51
Market capitalization on Dec. 31 in EUR millions	1,454.8[3]	1,262.6	1,088.3
Average daily turnover in number of shares	31,116	35,578	53,308

1) Subject to approval at Annual Shareholders' Meeting on May 24, 2018
2) Basis: Closing prices in XETRA trading on 2017 reporting date
3) based on complete capital stock of 24,450,509 shares

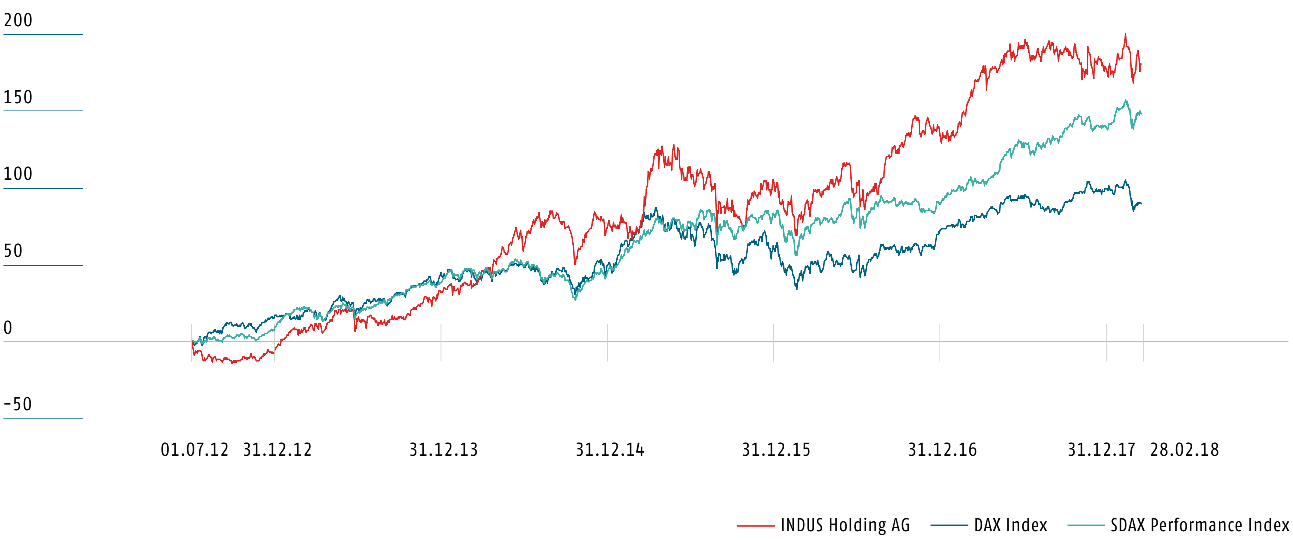
Expansion in advanced national economies in particular, but also in emerging countries, as well as the favorable economic forecasts supported the positive stock market performance from which the INDUS share also benefited. This was counteracted by ongoing geopolitical uncertainty, the Brexit issue – which continues to simmer away, customs tariffs on selective goods being discussed by the United States and also the expanding emissions scandal in the automotive industry. Despite the manifold influencing factors, the INDUS share price was able to hold its ground at the year end at just under EUR 60. At the end of fiscal year 2017, the share closed with a marked annual gain of roughly 15% (SDAX +24.9%, DAX +12.5%).

From a long-term perspective, the INDUS share performance also confirms of the direction of the COMPASS 2020 strategy with more than a three-fold increase in market capitalization since 2012 (+223%, incl. capital increase 2013).

SHARE PRICE PERFORMANCE OF THE INDUS SHARE IN 2017 INCL. DIVIDENDS (in %)



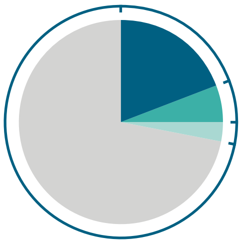
SHARE PRICE PERFORMANCE OF THE INDUS SHARE INCL. DIVIDENDS SINCE COMPASS 2020 (in %)



LIQUIDITY OF THE SHARE: INVESTORS KEEP A FIRM HOLD ON THEIR INVESTMENTS

Following the second half of 2016, the positive share price performance continued in particular in the first half of 2017 and resulted in a brisk demand which, however, was met with rather limited supply. On average, according to the statistics of the German Stock Exchange, 31,115 shares were traded per day on XETRA and the German regional exchanges during the fiscal year. That was, in total, more than eight million shares in 2017. There was major trading outside the exchanges as well: According to Bloomberg, another 6.4 million shares were transferred directly between buyers and sellers and over alternative trading platforms. Roughly 56% of trading volume was on XETRA and regional German stock markets, according to Bloomberg, and was trad-

SHAREHOLDER STRUCTURE OF INDUS HOLDING AG AS AT DEC. 31, 2017 (in %)



Source: Company information

ed at the level of the previous year. The renewed decline in average daily trading volume in fiscal year 2017 is a reflection of investor preference for investing in robust securities, and holding on to them, in uncertain times.

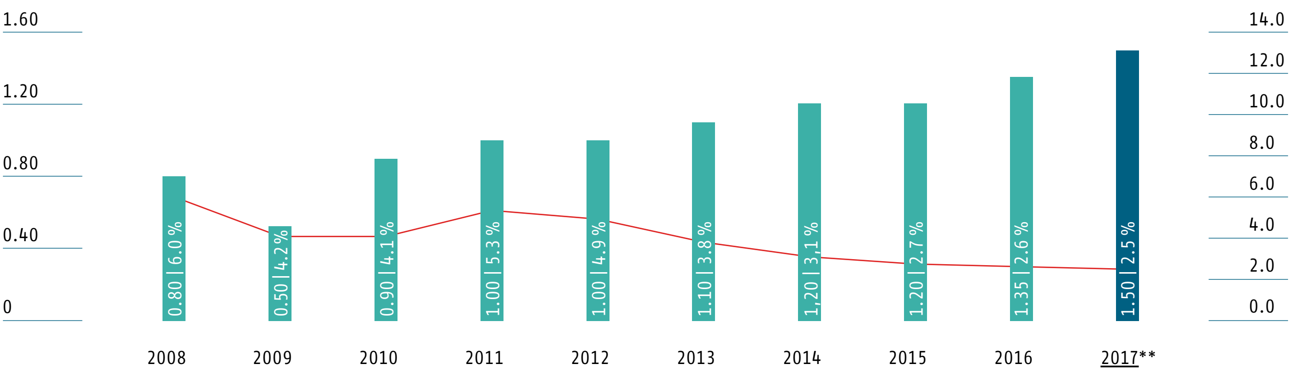
STABLE SHAREHOLDER STRUCTURE WITH MANY INSTITUTIONAL INVESTORS

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, reported reaching the 3% threshold for the first time on 14 November 2017 and since then has been one of the larger shareholders of INDUS Holding AG. 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 up to 50% of profits are to be reinvested in the company and up to 50% distributed. A necessary condition for this is that INDUS Holding AG show an accumulated profit on its annual financial statements. As of December 31, 2017, the holding company had EUR 83.5 million in accumulated profits. The Board of Management and the Supervisory Board will therefore propose a dividend payout of EUR 1.50 per share (EUR 1.35 in the previous year) at the Annual Shareholders' Meeting. This brings the total distribution amount EUR 36.7 million and a distribution ratio of 43.9%.

DIVIDEND PER SHARE* AND DIVIDEND YIELD, 2008–2017 (in EUR/in %)



* Dividend payout for each fiscal year
** Subject to approval at Annual Shareholders' Meeting on May 24, 2018

INDUS SHARE DATA

SIN / ISIN	620010 / DE0006200108
Stock exchange code	INH.DE
Share class	No-par-value bearer unit shares
Stock exchanges	XETRA, Düsseldorf, Frankfurt (regulated market) Tradegate Exchange, Berlin, Hamburg, Hanover, Munich, Stuttgart (free exchange)
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

SHARE ANALYSIS FOR INDUS HOLDING AG

Bankhaus Lampe	— February 2018 — Buy, target price EUR 72.00
Commerzbank	— February 2018 — Buy, target price EUR 78.00
Deutsche Bank	— February 2018 — Buy, target price EUR 68.00
Equinet Bank	— November 2017 — Neutral, target price EUR 64.50
HSBC	— February 2018 — Buy, target price EUR 78.00
LBBW	— November 2017 — Buy, target price EUR 70.00
M.M. Warburg	— February 2018 — Hold, target price EUR 66.00
Independent Research	— March 2018 — Buy, target price EUR 74.00

TARGETED AND TRANSPARENT INVESTOR RELATIONS WORK

A key topic in the dialog with the capital market in 2017 was the information concerning the current business trend and further steps towards implementation of the COMPASS 2020 strategy. 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.

ROADSHOW AND CAPITAL MARKET ACTIVITIES OF INDUS HOLDING AG 2017

March	— Deutschlandkonferenz, Baden-Baden
April	— Rheinland roadshow, Cologne and Düsseldorf
July	— Hamburg roadshow — DSW investor forum
August	— Commerzbank Sector Conference, Frankfurt/Main
September	— Prior Capital Market Conference, Dreieich-Götzenhain
October	— London roadshow — Zurich roadshow

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 dialog with private investors through the Annual Shareholders' Meeting and through personal contact. Interested investors may also stay abreast of current events through the INDUS Newsletter and the INDUS app. 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), German Investor Relations Association, since 2009. The financial calendar appearing on the cover 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 2018 and other IR information can be found at:
www.indus.de/en/investor-relations

COMPASS 2020: STATUS REPORT

INDUS is now in its sixth' year of being guided by COMPASS 2020. The Group made good to excellent progress in each of the years so far. Between the beginning of 2013 and the end of 2017, we made a total of 28 acquisitions: 9 growth acquisitions to strengthen the Group's structure and 19 second-level purchases to strengthen our existing portfolio companies. And in January 2018, AURORA acquired EE Electronic Equipment, the 20th strategic acquisition.

COMPASS 2020:
INTERIM RESULT 2012–2017

ACQUISITIONS
28

SALES
+48%

EARNINGS
+44%

MARKET CAPITALIZATION
+223%*

* incl. capital increase 2013

Our portfolio companies made good progress on their internationalization efforts. The majority of INDUS companies are now working intensely on their activities in foreign markets. Over the last years, many have invested in the expansion of existing locations or established new locations. Some even entered into new international partnerships. INDUS portfolio companies now have locations in 30 countries around the world.

Over the course of last year, we have narrowed down our strategy program further and made "Innovation" a strategic factor in decisions. The reason: Rapid digitalization is driving up development pressure on our portfolio companies. In connection with this, technological expertise will be a key factor for our current and future portfolio companies.

For INDUS acquisitions this means:

— Our focus for acquisitions will increasingly be on tech companies. These are companies who are able to secure their future competitive position in growth industries relevant to us through technological advantages.
— In order to gain access to this key factor we are also willing to acquire companies in the early stages of development.

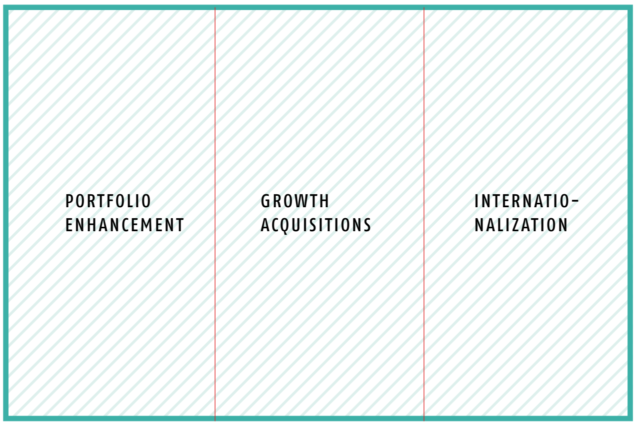
ABILITY TO INNOVATE AND COMPETE:
PROGRESS IN 2017

NUMBER OF PORTFOLIO COMPANIES THAT TOOK ADVANTAGE OF THE INDUS TOOL BOX OFFER
14

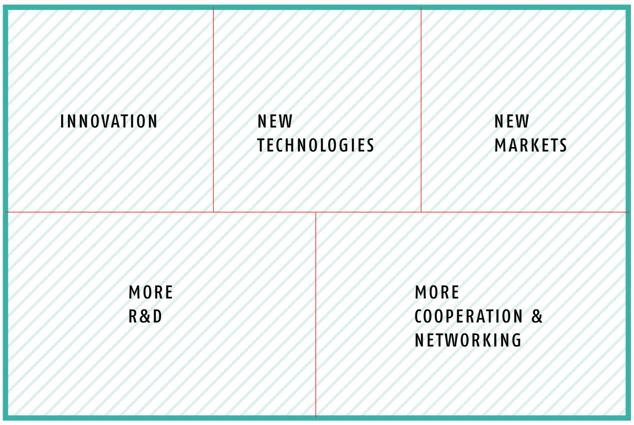
NUMBER OF INNOVATION PROJECTS SUPPORTED BY THE INDUS DEVELOPMENT BANK
12

COMPLETE REPOSITIONINGS TO RETURN TO A COMPETITIVE POSITION
2

BUY, HOLD & DEVELOP



FOCUS EXPANSION



During the restructure of our criteria, we took up the area of security technology in our acquisition checks last year, for example. Previously this had not been included on our checks grid.

For the support we offer our portfolio companies this means:
— We will increase our support for innovation work in areas that we have identified as growth areas: These are industry 4.0/digitalization, medical engineering for an aging society, innovative construction techniques, green tech, public and private security, and intelligent logistics infrastructure.
— We will be raising the available investment budget (development bank), increasing our support offers for internal innovation work (tool box offer) and supporting knowledge transfer (cooperations, network establishment).

In order to ensure that we can offer this extra support for our portfolio companies, in 2017, we expanded our workforce both at Board and employee level.

ACQUISITIONS 2017

01/2017 INDUS acquires approximately 76% of M+P INTERNATIONAL Mess- und Rechnertechnik GmbH, based in Hanover. With this supplier of measurement and test systems for vibration testing, INDUS strengthens its position in the growth area of measuring technology and control engineering.

04/2017 INDUS acquires 80% of PEISELER Group in Remscheid, further expanding its Engineering segment. This second acquisition is also active in the target market of automation, measuring technology and control engineering.

SUSTAINABILITY AT INDUS

INDUS believes that real entrepreneurial success cannot be measured in quarterly figures, but rather by long-term development. The entrepreneurial factors that are not included in the economic aspects are particularly important: the environment, employees, and the way we do business. These are the values that our portfolio companies, who act independently in their daily business, adhere to, as can be seen in the examples provided in our sustainability report.

FUNDAMENTAL PRINCIPLES

Sustainable operations create competitive advantages, increase enterprise value and make for a stronger corporate culture. Last year INDUS further professionalized its commitment to sustainability on the basis of this conviction.

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 provides an extensive information service that entails collecting sustainability-related data and delivering it to the Group companies. INDUS Holding AG also provides advice to the portfolio companies as required, helping them to effectively improve their “sustainability balance”.

As an asset management company, INDUS Holding AG’s tasks also include providing constant assistance for the portfolio companies and new acquisitions of 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 by a management company.

The holding company is not responsible for monitoring the relevant sustainability criteria in the portfolio companies’ value chain. Nevertheless, each portfolio company has been through the due diligence process before being acquired by the INDUS Group (hereinafter: INDUS). 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 and process developments in manufacturing processes at our portfolio companies and the technological advances made by manufacturers in the manufacture of machines and plants increase the quality of products and lead to a reduction in the energy consumed, thereby lowering both emissions and costs.

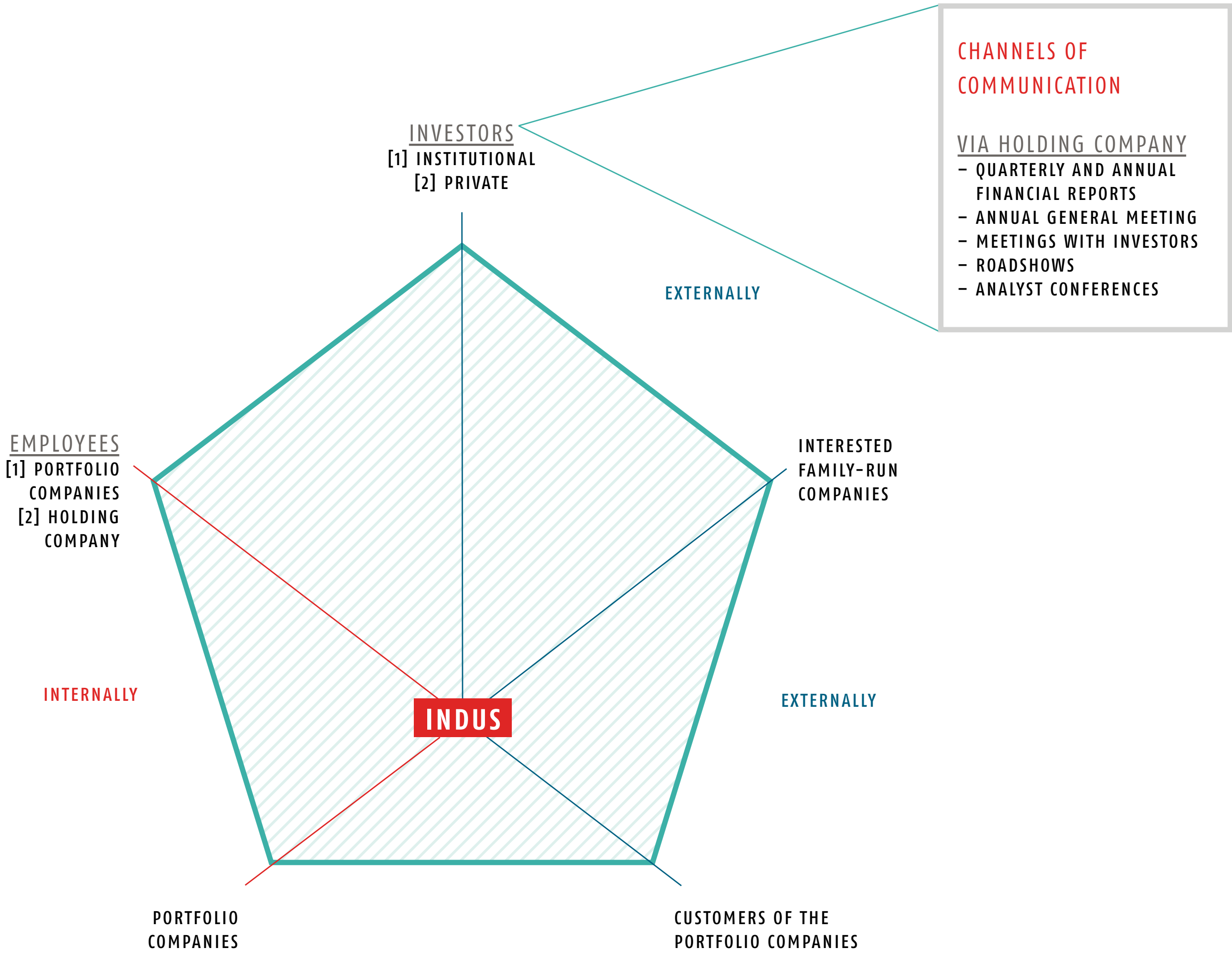
Ongoing and new measures to support the holding company’s sustainability strategy will be detailed in the following chapters. Our work in the field of sustainability has met with a positive response both in the business world and in the capital market environment. This is also reflected in the corresponding sustainability ratings: INDUS was again awarded a top “A” grade in the CDP Climate Scoring in November 2017. And it enjoys “Prime” status in the sustainability ratings of oekom research AG.

STAKEHOLDERS: RECOGNIZING INTERESTS, MAINTAINING A DIALOG

The basis for successful work on sustainability issues, and ultimately for long-term business 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:

— Investors: 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.

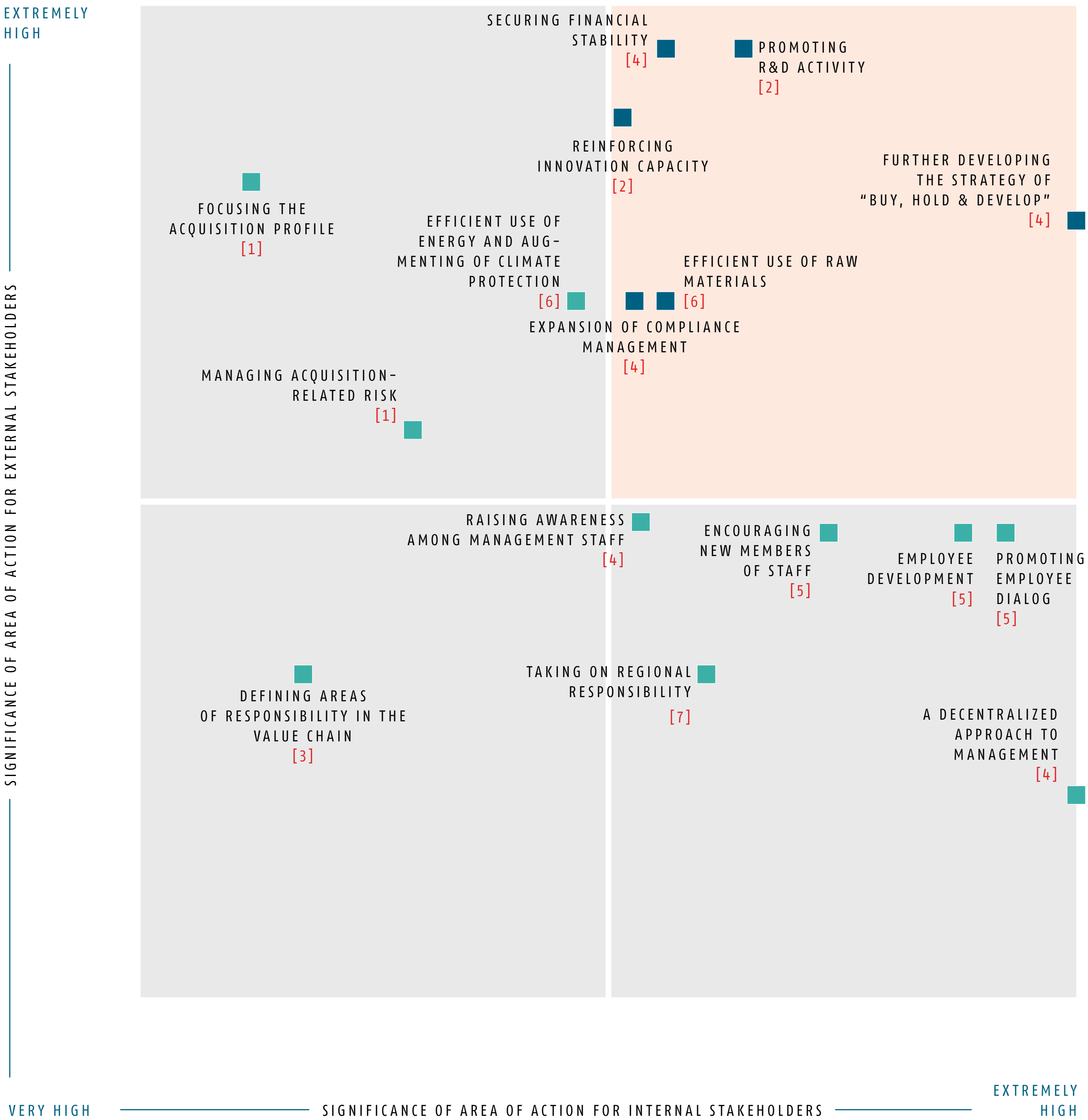
PROPER STAKEHOLDER GROUPS AND DIALOG TO MATCH



— Interested family entrepreneurs: 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: 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: 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.
— Portfolio companies and holding company employees: They seek an attractive and secure position in which they can apply their abilities meaningfully and an employer who both challenges and promotes 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 dialog with institutional investors and family-run companies 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.

MATERIALITY MATRIX



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

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. The results of this analysis have now been verified during the stakeholder dialog mentioned before. We were also able to confirm the seven key topics identified in the course of last year's reporting:

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, sales 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 in INDUS Holding AG and the individual portfolio companies
6. Social commitment: assuming the portfolio companies' and INDUS Holding AG's responsibility for social tasks
7. Resource efficiency: taking into account of ecological consequences in business decisions and minimizing the ecological effects of the portfolio companies' business operations

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. The focus of this year's report is the portfolio companies' and INDUS Holding AG's social commitment.

MATERIALITY MATRIX WITH CONCRETE FIELDS OF ACTION

Underlying the key topics identified above are fields of action from which concrete measures can be derived. We have placed these fields of action in a materiality matrix. This matrix reflects the importance 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 classified within the matrix through assessments by the sustainability team and the Board of Management and were compared with the assessments of the internal and external stakeholders. As a result of the discussions held with investors and former family-run companies in 2017, the action fields energy and resource efficiency, employee dialog and promotion of new employees were given higher priority. The materiality matrix was revised to reflect this and approved by the Board of Management.

NON-FINANCIAL EXPLANATION FOR THE INDUS GROUP

According to the CSR Directive Implementation Act (CSR-RLUG), INDUS Holding AG is obliged to report on sustainability issues from 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 dialog. 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 topics of discussion between the Board of Management and the managing directors of the portfolio companies include relevant sustainability issues, 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 during every annual industrialists' conference. In 2016, INDUS Holding AG integrated an incentive for progress in sustainability issues into the Board of Management remuneration system.

As a part of the annual company planning process, risks and opportunities are assessed according to the likelihood 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 operations 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 risk and opportunities report (cf. management report, "Risk and Opportunities report"). 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 we have not reported on four. More information is available at the end of the key figure overview. From 2018 we will standardize all of the key figures to match EFFAS criteria and include them in our due diligence process for new acquisitions and take them into consideration during the analysis.

The key figures that have been gathered pertain to fiscal year 2017 and are compared to those for the previous year (if figures are available 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. The collection of companies from which sustainability-related data were collected differs from those within the Group's scope of consolidation. It does, however, contain all direct INDUS portfolio companies along with important investments at the sub-subsidiary level (exclusive of acquisitions in the year under review). The previous year's figures are not adjusted for effects from changes to the scope of consolidation (like for like approach). Changes to the scope of consolidation create no material distortion of the results in the current fiscal year in the year-on-year comparison. 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 another direct portfolio company (new acquisitions made in 2017 will only be taken into consideration the following year).
— Inclusion of further EFFAS performance figures in accordance with DNK requirements (see corresponding figure in key figure overview).

Wirtschaftsprüfungsgesellschaft Ebner Stolz audited the INDUS Group non-financial explanation 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 according to industrial benchmarks. 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 may have a relevant environmental impact, such as those with galvanization and painting processes, are subject to corresponding statutory regulations and monitoring processes. The majority of these portfolio companies already have formal environmental management systems in place, such as ISO 14001. 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 managing directors of the portfolio companies independently develop rules and measures – as appropriate for the specific environment and in harmony with their corporate philosophy – for conserving resources: this includes not just production processes, but also product development (relevant examples can be found in the chapter "Resource Efficiency").

As part of the standardized due diligence process, INDUS Holding AG ensures that at least the statutory requirements are observed 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 does not invest in companies with high energy consumption or high emissions, or companies whose focus lies in the weapons industry. INDUS Holding AG's acquisition profile was revised and refined in the 2017 fiscal year – and includes sustainability issues.

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 to counter 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).

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 year under review, 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) were slightly reduced overall, despite the further expansion of resources in the holding company. The Group's total energy consumption (EFFAS E01-01) on the other hand has increased due to growth, despite numerous energy-saving measures. Due to the Group's growth, an increase in the total waste produced was also recorded (EFFAS E04-01). The recycling ratio (EFFAS E05-01) was recorded for the first time in 2017, so a year-on-year comparison is not possible for this figure.

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 of any significance 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. They support cultural, scientific and social projects in their immediate vicinity, for instance with student grants or donations to schools and daycare centers (cf. "Social Commitment"). The companies make no political donations.

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

Social concerns 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. The portfolio companies maintain regular dialog 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. Many of the portfolio companies also work with workshops for the disabled. 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 industrialists' conference and through internal non-financial reporting.

THE COMPANIES OF THE INDUS GROUP ARE ACTIVELY TAKING OVER RESPONSIBILITY AS PART OF SOCIETY AND INDEPENDENTLY EXECUTE IT WITH REFERENCE TO REGIONAL CONTEXT.

REDUCTION

of direct and indirect emissions (Scope 1&2)

↘ 12.0%

by 2020

↘ 42.5%

by 2040

INDUS HOLDING AG has set the goal to reduce its direct and indirect emissions (Scope 1&2) by 12% (absolute) by the year 2020 and by 42,5% (absolute) by the year 2040 (base year 2014).

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 does INDUS Holding AG have any information about such risks on the part of its 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:
— 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 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.

As part of the due diligence process carried out for company acquisitions, the holding company confirms that the company to be acquired observes basic social and ethical principles and in particular appropriate working conditions. Our requirements, including those relating to, inter alia, employee concerns in the holding company, are documented in our Code of Conduct (see below). All of the portfolio companies have drafted their own company-specific codes in which they set minimum standards for employee rights and by which to secure rights to humane work both internally and externally, i.e., also by 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 strategic development of the company, this also includes regular on-site visits (including at sub-subsidiaries).

RESULT

Indicators relating to employee concerns and respect for human rights to be reported pursuant to DNK include average training expenditure per employee (EFFAS S02-02), age structure (EFFAS S03-01), number of SA8000 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 at the portfolio companies (EFFAS S03-01) and average development expenditure per employee (EFFAS S02-02) was recorded for the first time in 2017. A year-on-year comparison is therefore not possible for this indicator. The number of female employees in the total workforce (EFFAS S10-01) has risen slightly, while the number of female staff in management positions (EFFAS S10-02) has dropped slightly. Some portfolio companies are OSHAS 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 SA8000 certified (EFFAS S07-02 II). SA8000 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. HAUFF was declared a TOP 100 Employer in 2017.

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 part of our basic corporate duties. The management of portfolio companies are 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 basic 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. 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 for executives of the portfolio companies (cf. the section "Shareholder's role"). In 2017, the focus was on data protection, cyber crime, and foreign trade – in addition to more general compliance topics. 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

Indicators to be reported relating to combating corruption and bribery pursuant to DNK are expenses and fines following claims and processes due to anticompetitive conduct, anti-trust and monopoly violations (EFFAS V01-01), sales by country with a higher corruption risk (EFFAS V02-01), and payments to political parties (EFFAS G01-01). 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. There were also no expenses and/or fines following claims or processes due to anticompetitive conduct (EFFAS V01-01). Fines resulting from other offenses amounted to approximately EUR 86,000 (above the materiality limit of EUR 10,000 per company). In 2017 the sales figure in countries with a higher corruption risk was on a par with the previous year (EFFAS V02-01). No payments were made to political parties (EFFAS G01-01).

For 2018 INDUS has planned a continuation of its training program for the companies in governance, risk and compliance matters. One of the focal points will be raising awareness among second management level employees at the portfolio companies.

PROGRESS IN 2017
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.

The portfolio companies regularly become involved in their regional environments and outside of their regions through donations and sponsoring.

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.

PROJECT HIGHLIGHT

ASS MASCHINENBAU

ASS Maschinenbau, Overath, has been working together with Lebenshilfe-Werkstätten Leverkusen/Rhein-Berg for more than 10 years. These workshops help people with mental and physical disabilities achieve a higher quality of life by offering them suitable professional occupations. Lebenshilfe workshops assemble and process several thousand components for ASS each year. The tasks are varied and Lebenshilfe employees receive specific professional training and use workbenches adapted to their specific abilities and needs. The in-depth involvement at ASS with these workbenches resulted in an idea for a new and innovative business field, Auxilio®. This includes professional work aids such as automatic counters or assembly aids and orthetics and prosthetics for the disabled. The first product catalog was produced at the end of 2017. ASS was therefore able to use its social commitment as a driver for innovation.

PROJECT HIGHLIGHT

AURORA/INDUS

In October 2017, AURORA initiated a project for 10th and 11th grade students at the Karl-Ernst Gymnasium high school in the neighboring town of Amorbach. With the general theme “Mobility in rural areas”, the youngsters developed ideas for innovative concepts and solutions over three afternoons using the “Design Thinking” method. The project was carried out by AURORA and the Joachim and Susanne Schulz Foundation with conception and methodology support from INDUS Holding AG. The aim of the series of workshops was to increase the existing contact between the school and the company. The youths presented the results of their work to the Foundation management, AURORA’s management and the local press. One result of the workshop that has already been implemented: The prototype of the e-bus cluster led by AURORA is now called ColumBUS. The Joachim and Susanne Schulz Foundation student research forum aims to support local public educational institutes in the regions of Amorbach and Mudau economically in a sustainable manner and over the long term. At the end of 2017, it was named one of the five award winners in the national concept competition organized by Stiftung Jugend Forscht and the Joachim Herz Foundation.

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 within the existing range of possibilities. The holding company regularly documents the portfolio companies' successes.

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 violations, 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 an exit orientation ("buy, hold & develop").
— The portfolio companies control their business operations independently. They are also mindful of sustainability considerations in their self-management.
— The shareholders receive up to 50% of the net retained profits 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 dialog with the managements.

ANNUAL COMPARISON OF HOW LONG COMPANIES REMAIN IN THE INDUS GROUP

14.6
YEARS
2017

14.3
YEARS
2016

OUTLOOK

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

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. The majority of the consultations in 2017 centered on new construction and expansion projects. ELTHERM's expansion, which was built and put into operation in 2017, for example, will be heated using heat pump technology – that is without the use of any fossil fuels. The same applies to the holding company's expansion.

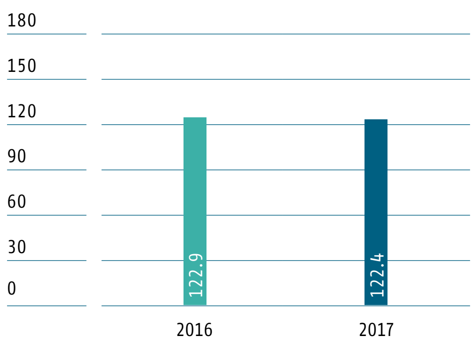
In addition, the individual portfolio companies are working in various ways to increase their use of secondary (recycled) raw materials. WEIGAND BAU, for example, uses a mobile bentonite recycling plant. The portfolio companies also use environmentally friendly substitution raw materials when possible and avoid the use of toxic materials. One example of this would be the switch made at WEINISCH from pre-treatment processes using chrome to the chrome-free processes.

The Group's specific emissions have been reduced by 3.6% (Scope 1 & 2 on the part of the portfolio companies, as compared to the previous year). The holding company's emissions were reduced by as much as 16.2% (154.2 to CO_2e in 2017 as compared to 184 to CO_2e in 2014) by using "green electricity". In 2017 the holding company also compensated for its remaining emissions again with investments in projects to lower emissions.

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 subsequent years, the Group will also come to grips with the requirements arising from national and international climate protection plans.

ANNUAL COMPARISON OF EMISSION INTENSITY IN 2016 AND 2017
(t CO_2e Scope 1+2 portfolio companies/EUR million value-added)

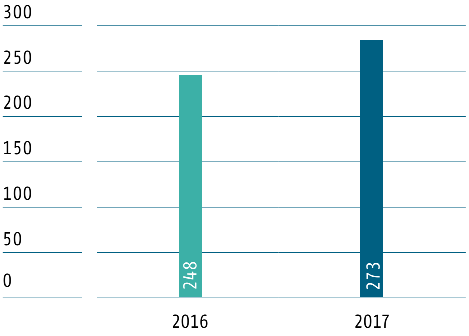


PERSONNEL

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.

ANNUAL COMPARISON OF TRAINEES IN 2016 AND 2017 (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, within the scope of a financial holding company.

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-appropriate 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 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.

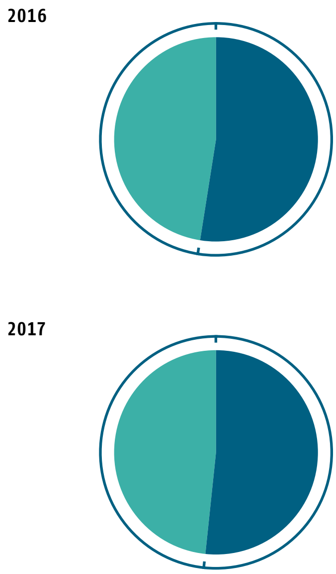
In 2016, the share of sales generated outside Germany and Europe amounted to 26.1%, an increase from the previous year. The share of sales generated in other European countries also increased (23.0% in 2016 as compared to 22.0% in 2015). The portfolio companies were able to stabilize long-term customer relationships, develop new customer relationships, and realize additional potential for added value by means of a stronger 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. An example of internationalization activity in fiscal year 2017 is the construction and startup of production at Chinese locations for BETEK and BILSTEIN & SIEKERMANN. In September 2017, MIKROP moved its production activities in Serbia from a location they had rented for more than 10 years to a newly constructed plant, creating a modern and safe workplace for around 100 employees.

Upon request from the management, INDUS Holding AG can provide the portfolio companies with advice regarding expansion activities abroad, in order 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.

ANNUAL COMPARISON OF NUMBER OF EMPLOYEES IN EUROPE (EXCL. GERMANY) AND THE REST OF THE WORLD IN 2016 AND 2017 (in %)



EMPLOYEES IN EUROPE (EXCL. GERMANY)
2016: 13.5 / 2017: 13.8

EMPLOYEES REST OF THE WORLD
2016: 12.1 / 2017: 12.9

INNOVATION

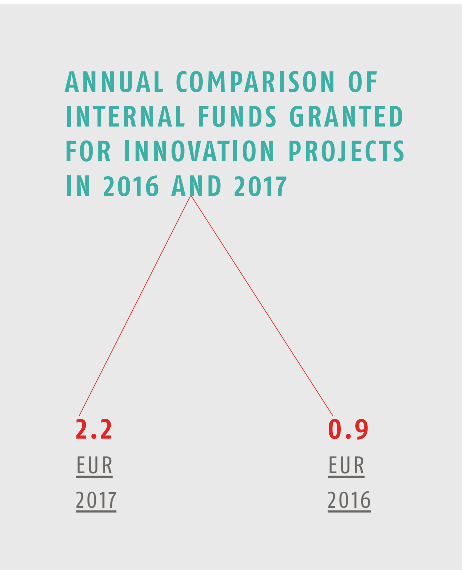
ENHANCING THE PORTFOLIO COMPANIES' ABILITY TO INNOVATE

INDUS Holding AG assists its portfolio companies in their management of innovation, 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. Upon request from the management, the holding company can also provide 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 2.2 million in internal development funds for innovation projects in 2017.

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 2017 the holding company provided such methodical support 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. Due to high demand for advice from the portfolio companies, the holding company expanded its advisory personnel resources in the area of technology and innovation.



Activities designed to build or strengthen networks, especially at the R&D level, also were continued and escalated. Regular working group meetings were held on the topics additive manufacturing (3D printing) and current trends in the automotive sector.

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 innovations projects as well as the inclusion of INDUS in the university's teachings, during seminars for instance.

OUTLOOK

In 2018, 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 2018. One such area will likely be industry 4.0 solutions, such as networking and digitalization solutions for production processes.

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 its COMPASS 2020 strategy, 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.

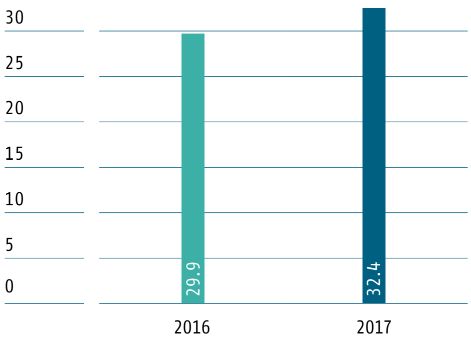
Another important factor we consider for an acquisition is reputation. The new company's image, core business and culture should add lasting value to the INDUS Group and have a positive effect on the attractiveness of INDUS for investors and potential sellers of companies.

In 2017 we directly acquired M+P INTERNATIONAL and PEISELER, two growth companies and our portfolio company AURORA acquired Electronic Equipment, a strategic second-level addition. We invested in total EUR 32.4 million in company acquisitions. Another EUR 79.0 million were invested in property, plant and equipment. The acquisitions contributed 3.1% to our growth in sales.

OUTLOOK

In the 2018 fiscal year, we wish to successfully continue the holding company's acquisition strategy of the last several years. That means the direct acquisition of one to two growth companies by the holding company. For this we have allocated an investment budget of not less than EUR 50 million. As in the past, the new Group companies are expected to be viably positioned for the long term in terms also of sustainability considerations.

ANNUAL COMPARISON OF INVESTMENTS IN COMPANY ACQUISITIONS IN 2016 AND 2017 (in EUR million)



CONTACT FOR ISSUES RELATING TO CONTENT

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Email: nachhaltigkeit@indus.de

KEY FIGURES

KEY TOPICS	KEY FIGURES	UNIT	2017	2016	AUDITED
Investment	Direct acquisitions[1]	number	2	1	
	Add-on aquisition (on sub-subsidiary level)[1]	number	0	7	
	Investments in company acquisitions[1]	in EUR millions	32.4	29.9	
	Investments in property, plant and equipment[1]	in EUR millions	79	70	
	Inorganic growth in sales[1]	in %	3.1	3.9	
Innovation	Expenses for research and development[1]	in EUR millions	16.4	14.6	
	Approved internal subsidies for innovation projects[1]	in EUR millions	2.2	0.9	
	Current cooperative relationships with universities and research institutions[3]	number	29	44	
	Received public subsidies for research projects[3]	in EUR '000	283.4	283.1	
	Industrial property rights applied for in the year under review[3]	number	241	239	
Internatio-nalization	External sales in Europe (exclusive of Germany)[1]	in %	22.9	23	
	External sales outside Europe[1]	in %	27.3	26.1	
	Employees in Europe (exclusive of Germany)[1]	in %	13.8	13.5	
	Employees outside Europe[1]	in %	12.9	12.1	
Shareholder's role	Equity ratio[1]	in %	40.8	42.4	
	EBIT margin[1]	in %	9.3	10.0	
	Organic growth in sales[1]	in %	10.5	0.1	
	Direct portfolio companies[1]	number	45	44	
	Average length of time portfolio companies have been affiliated with the INDUS Group[1]	in years	14.6	14.3	
	Total monetary value of significant fines (> EUR 10,000)[3]	in EUR '000	86.5	0	✓
	Expenses for legal suits/action due to anti-competitive behavior, violations of anti-trust laws and monopoly legislation[3]	in EUR	0	–	✓
	Non-monetary penalties for non-compliance with laws and regulations[3]	number	0	0	✓
	Share of sales in regions with a Transparency International Corruption Index <60[3]	in %	18.7	18.5	✓
	Number of all portfolio companies with SA 8000 certification[3, 4]	in %	0	–	✓
Personnel	Female executives (first and second management levels)[3, 5, 6]	in % of FTE	15.6	16.2	✓
	Female employees as a share of the total workforce[3, 5, 6]	in % of own FTE	31.3	30.3	✓
	Temporary workers as a share of the total workforce[3, 5, 6]	in % der FTE	3.9	3.2	
	Trainees[3, 5, 6]	in FTE	273	248	
	Participants in dual study programs[3, 6]	number	65	55	
	Reportable accidents at work (exclusive of commuting accidents)[3]	number	329	277	
	Fatal accidents at work (exclusive of commuting accidents)[3]	number	0	0	
	Percentage of employees of INDUS Holding AG who have received its Code of Conduct[2]	in %	100	100	
	Age structure and distribution (number of FTE by age group)[3, 6]	number in 10-year intervals	253/1629/2136* 2309/2356/664**	–	✓
	Average expenditure for training per FTE per year[3, 6]	in EUR	296.2	–	✓

KEY TOPICS	KEY FIGURES	UNIT	2017	2016	AUDITED
Social engagement	Legitimate complaints from the local area[3]	number	1	1	
	Percentage of companies that cooperate with social institutions (workshops for disabled persons, etc.)[3]	in %	42.0	38.8	
	Local donations and sponsoring (culture, education, sports, social affairs)[3]	in EUR '000	227.2	214.9	
	Non-local donations and sponsoring (culture, education, sports, social affairs)[3]	in EUR '000	169.6	172.8	
	Payments to political parties as percentage of total sales[3]	in %	0	–	✓
Resource Efficiency	Holding company's Scope 1 emissions[2, 7]	in t CO_2e	154.2	147.4	✓
	Holding company's Scope 2 emissions (market-based, GHG protocol Scope 2)[2, 7]	in t CO_2e	0	7.8	✓
	Holding company's Scope 2 emissions (location-based, GHG protocol Scope 2)[2, 7]	in t CO_2e	56.1	52.5	✓
	Holding company's Scope 3 emissions[2, 7]	in t CO_2e	437.0	324.5	
	Portfolio companies' Scope 1-3 emissions[2, 7]	in t CO_2e	2,892.1	2,607.5	
	Portfolio companies' emissions intensity (Scope 1 & 2)[3, 7, 8]	in t of CO_2e/million EUR value-added	122.4	122.9	
	Waste intensity[3, 8]	in t of CO_2e/million EUR value-added	27.3	23.5	
	Total weight of waste[3]	in t	17,470.7	14,379.0	✓
	Share of total waste that is recycled[3]	in %	50.9	–	✓
	Total water withdrawal intensity[3, 8]	in m^3/million EUR value-added	708.2	693.5	
	Total energy consumption[3]	in MWh	218,904	205,843	✓

Reporting limits/scope of consolidation:
1) Scope of consolidation IFRS consolidated financial statements | 2) INDUS Holding AG (exclusive of portfolio companies) | 3) Scope of consolidation sustainability excl. of INDUS Holding AG | 4) SA 8000 is an international standard designed to improve the working conditions of workers and defines minimum requirements on social and labor standards. | 5) The number of employees is expressed in full-time equivalents; part-time employees are accounted for proportionately according to the contractual work hours. | 6) Personnel figures as due date value as of Dec. 31, 2017 or Dec. 31, 2016. | 7) Included in the calculation besides CO_2 were nitrous oxide (N20), methane (CH4) and partly fluorinated hydrocarbons (F gases). | 8) The value-added is not equivalent to consolidated gross profit (company performance less cost of materials and other operating expenses)
* Age below 20 years / between 20 and 30 / between 30 and 39
** Age between 40, and 49 / between 50 and 59 / above 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 business models of the portfolio companies, R&D activities are primarily reflected in the corresponding expenses. 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. A meaningful inquiry into this key figure is therefore currently not possible.
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. A meaningful inquiry into this key figure is therefore currently not possible.

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 business development on a long-term basis. We intend to further expand our 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 SMES 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: 44). In 2017, the Group acquired M+P INTERNATIONAL and PEISELER. As part of the measures to optimize the Automotive Technology segment, FICHTHORN merged with the internationally active company SELZER on October 1, 2017. In total, 187 fully consolidated enterprises (previous year: 173) 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. Its share price increased by roughly 15%, to EUR 59.50, in the course of 2017.

In terms of its competitive position, INDUS's stance is that of 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 companies, INDUS sees itself as one of the leading holding companies.

INDUS has its registered offices in Bergisch Gladbach in North Rhine-Westphalia. The holding company is managed by the Board of Management. A fourth member joined the Board in 2017. On October 1, 2017, Axel Meyer was appointed to the Board of Management, joining existing members Jürgen Abromeit (Chairman), Dr. Johannes Schmidt, and Rudolf Weichert. Meyer will be responsible for the technology area, in particular the production and investment fields. A fourth member was appointed to the Board of Management in order to secure the INDUS strategy over the long term. As of the reporting date, the holding company had 30 employees, not including the Board of Management (previous year: 26). 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, AND 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, and have good long-term development prospects. The Group primarily acquires owner-managed companies. Continuity and the company's identity as an SME are the main priorities in organizing 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. Portfolio expansions enhance the development prospects of the entire Group and ensure 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 of business and technology, sales markets, and industry cycles. With their core capabilities they as a rule occupy interesting market niches in which they assume a leading position. Ideally, an INDUS portfolio company fulfills all of the criteria of a "hidden champion".

Within the limits of its possibilities 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 investment in fixed assets and for development projects that enable strong future growth among the subsidiaries. INDUS also facilitates investment particularly in innovation and company acquisitions (acquisitions at the second or sub-subsidiary level). In its role as shareholders' representative and advisor, the Board of Management offers the managers of the portfolio companies a strategic "sparring" relationship as a means of providing counsel and to facilitate as needed the transfer of knowledge (best practice) through networks within the Group.

In sum, the INDUS business model can be described in a nutshell as "buy, hold and develop." This represents the intention to hold the company for a longer period and support it in its development.

The portfolio companies enjoy the advantage of being able to pursue long-term development under the aegis of a financially strong partner while maintaining their own identity as SMEs. With their equity investments in the otherwise little accessible SME business segment, shareholders in INDUS are able to make sound investments while profiting from regular dividend payouts.

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 knowingly 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. Increasing globalization has thrust SMEs into direct price competition with foreign competitors that are able to produce under economically more favorable conditions. Material, energy and personnel costs are especially relevant cost variables. INDUS adapts by advising and helping the portfolio companies, on a case-by-case basis, to optimize their international positioning, including in organizational terms.

Another factor relevant to success is general technological development. Digital transformation is currently forcing manufacturing companies to undergo an additional process of intense development. In some cases this requires business model adjustments and a marked increase in the need for investment. Owing to the great importance of this external factor, INDUS is devoting increased attention to the topic of "investment in innovation."

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.

PORTFOLIO

45 COMPANIES IN FIVE SEGMENTS

The Group's portfolio comprised as of the reporting date 45 portfolio companies, each of which is classified as belonging to one of five segments: Construction/Infrastructure, Automotive Technology, Engineering, Medical Engineering/Life Science, and Metals Technology. In fiscal year 2017, these were the reportable segments per IFRS, with no change from the previous year.

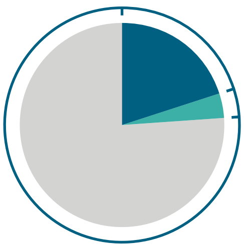
BASIC DATA FOR THE SEGMENTS (in EUR million)

	CONSTRUCTION/ INFRASTRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY
Sales	330.4	394.1	375.1	155.2	385.6
Operating result (EBIT)	49.4	14.7	53.5	20.8	24.2
Companies	11	9	11	5	9
Employees	1,714	3,557	1,830	1,540	1,538

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. The proportion of newer portfolio companies has increased in the recent years as a result of the clear growth strategy according to the COMPASS 2020 program, which was started in the fall of 2012.

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



UP TO 5 YEARS
20 / 9

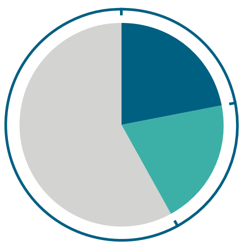
5 TO 10 YEARS
4 / 2

MORE THAN 10 YEARS
76 / 34

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 of at least EUR 25 million. Nearly a quarter generate less than EUR 15 million.

PORTFOLIOSTRUCTURE BY SALES (in %)



UP TO EUR 15 MILLION
22

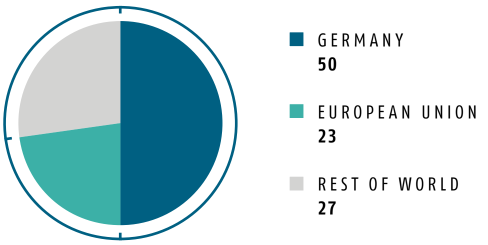
EUR 15 TO 25 MILLION
20

MORE THAN EUR 25 MILLION
58

SALES 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 currently Germany at 50%. The companies generate 23% of their revenue in the EU exclusive of Germany and 27% elsewhere abroad. The share of revenue generated abroad has increased consistently over the last years. The COMPASS 2020 strategy also calls for an increase in the proportion of revenue generated abroad in the years to come.

SALES BY REGION (in %)



PORTFOLIO CHANGES IN 2017

INDUS acquired two companies for the portfolio in the past fiscal year. Two existing INDUS portfolio companies were merged in order to serve the market more efficiently.

Growth acquisitions:

INDUS acquired M+P INTERNATIONAL Mess- und Rechnertechnik GmbH, Hanover, a provider of measurement and test systems for vibration testing, in January 2017. M+P Group is active in four areas: vibration testing, vibration and sound analysis, process monitoring, and the development and construction of special testing equipment. It has customers in the aerospace industry, the electrical engineering and electronics industry, and the automotive industry. Vibration analysis provides important information that can be applied to improve the design of products and equipment.

In April 2017, INDUS acquired the PEISELER Group, Remscheid, a provider of high-precision indexing devices and rotary tilt tables for machine tools. Today, PEISELER is a global supplier both to machine tool manufacturers and to end customers in the mechanical engineering and shipbuilding, medical engineering, watchmaking and electrical industry, aircraft and turbine construction, and automotive industries. The indexing devices and rotary tilt tables produced by PEISELER are used to fix and position workpieces. This permits flexibility in the sequencing of multiple work cycles in modern machining and manufacturing centers or transfer lines, thereby reducing set-up costs and completion times.

Integration of FICHTHORN into the SELZER Group

On October 1, 2017, the previously independent portfolio companies FICHTHORN and SELZER merged. They now operate under the name SELZER. The integration of FICHTHORN into SELZER was carried out as part of the optimization measures in the Automotive Technology segment. It was deemed necessary due to the constantly rising pressure on margins in the automotive industry. Both INDUS companies should benefit from the merger and work more effectively and efficiently in the long term.

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

TARGETS AND STRATEGY

TARGETS

GROWTH, VALUE APPRECIATION AND A BALANCED PORTFOLIO STRUCTURE

The INDUS Group owes its growth to the operational strength of its portfolio companies. On average, the Group has consistently recorded rising results over the past years. The EBIT margin has consistently been approximately 10%. The adjusted EBIT margin has usually amounted to 10% + X. A large portion of the income earned is available to the portfolio companies for further growth.

The value of the individual portfolio companies should increase in line with development, which in turn should result in value appreciation of the whole portfolio. To encourage this process, INDUS systematically provides its portfolio companies with capital that they can use for their further development.

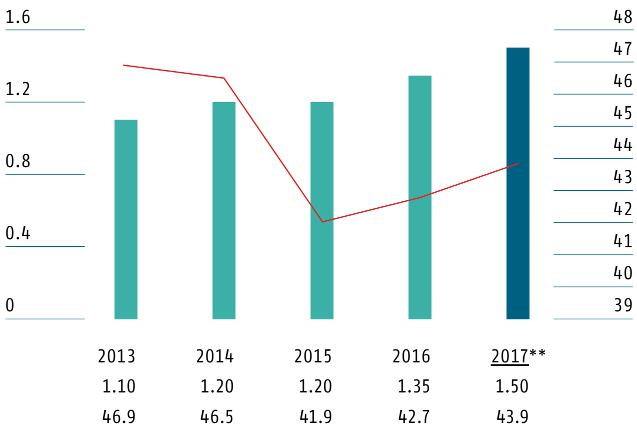
INDUS GOALS

INDUS sees further potential for the development of the Group in direct growth acquisitions: 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 operating in the markets of the future to ensure that the Group will continue to maintain a balanced, and hence stable, structure in the future.

SECURE DIVIDENDS

As owners, the shareholders are entitled to share in the success of their company though 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 net retained profits.

DIVIDENDS PER SHARE* WITH PAYOUT RATIO FROM 2013 TO 2017 (in EUR/in %)



* Dividend payment of the fiscal year concerned
** Subject to approval at Annual Shareholders' Meeting on May 24, 2018

ACQUISITION OF NEW COMPANIES

INDUS applies definite investment criteria when acquiring companies: 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 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 principles.

The ability to acquire a majority of shares is a key factor in their acquisition. We consider it important that the senior management and executives of such companies maintain close ties to their holding companies beyond the purchase date.

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.

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.

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 strategic acquisitions at the sub-subsidiary level, the investment decisions are linked to the portfolio companies' individual investment strategies, although INDUS is promoting more innovation-oriented acquisitions.

STRATEGY

COMPASS 2020 PROVIDES A CONCRETE TIMETABLE

In the fall of 2012, the Board of Management of INDUS drafted the COMPASS 2020 strategy program for our common future. It has a term of eight years. With the first five years already behind us, the Group is right on schedule.

The strategy comprises in essence three levers:
1. Direct investments
2. Financial support (investment in innovation and internationalization)
3. Strategic support in its role as shareholder

INVESTMENTS IN NEW PORTFOLIO COMPANIES

The Board of Management is aiming to modernize the portfolio structure so that 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 five growth industries that will be prioritized during acquisitions:

THE PREFERRED FIVE INDUSTRIES OF THE FUTURE FOR COMPANY ACQUISITIONS

1
TECHNOLOGY FOR INFRASTRUCTURE/LOGISTICS

2
ENERGY AND ENVIRONMENTAL TECHNOLOGY

3
AUTOMATION AND MEASURING TECHNOLOGY AND CONTROL ENGINEERING

4
MEDICAL ENGINEERING/LIFE SCIENCE

5
CONSTRUCTION AND SAFETY TECHNOLOGY

All five industries have above-average to very good prospects for development according to the relevant expert assessments. One of the COMPASS 2020 aims is to have

INDUS add one or two companies to the portfolio each year. The portfolio companies' investment strategies as they apply to the acquisition of strategic additions at the sub-subsidiary level vary by company and are linked to the holding company.

SUPPORTING INNOVATION

In light of the digital transformation taking place in the economy, it is becoming clear that a review of the INDUS portfolio companies' business models may be in order. As specialists and market leaders in their various niches, it is especially the portfolio companies with potential for innovation that are urged to seize their opportunities early on so that they may maintain or improve their market positions or tap into new markets.

Pursuant to COMPASS 2020, INDUS supports the portfolio companies in this area by three different means:

Development funds: INDUS gives financial support to promising innovation projects and provides the funds the way a development bank does. The holding company allocates an annual budget of up to 1.5% of the consolidated EBIT for this purpose.

Imparting methodological knowledge: INDUS assists the portfolio companies in the development of their strategies for innovation and their systematic development of fields of innovation, providing them with advice as needed. The aim of the advisory services it offers is to further professionalize the portfolio companies' management of their efforts towards innovation. 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.

SUPPORT FOR INTERNATIONALIZATION

Markets today are global even for the SME sector. This requires of some of the INDUS Group's portfolio companies more vigorous development of their international activities.

Owing to globalization and changes in the strength of particular countries, regions, or markets, the portfolio companies – and ultimately the Group as a whole – must significantly increase their foreign sales in the medium term as a percentage of their total sales. To that end, INDUS supports the portfolio companies by the following means in particular:

Acquisition of companies at the second level: INDUS provides its portfolio companies with capital for the acquisition of strategic additions. The COMPASS program is predicated on three to four acquisitions annually.

Funds for the expansion of sales: INDUS provides its portfolio companies with funds for the construction and expansion of international production and distribution facilities.

Assistance with internationalization: INDUS offers its portfolio companies close support for their internationalization measures. That includes clarifying and resolving legal issues, building networks and establishing local organizational structures.

LOOKING OUT FOR PROPRIETARY INTERESTS

Each of the portfolio companies pursues its own international strategy, concerning which INDUS regularly engages in an intensified informative dialog with their managers. In these exchanges possibilities that exist for successful development of the portfolio companies are discussed openly and constructively.

MANAGEMENT CONTROL

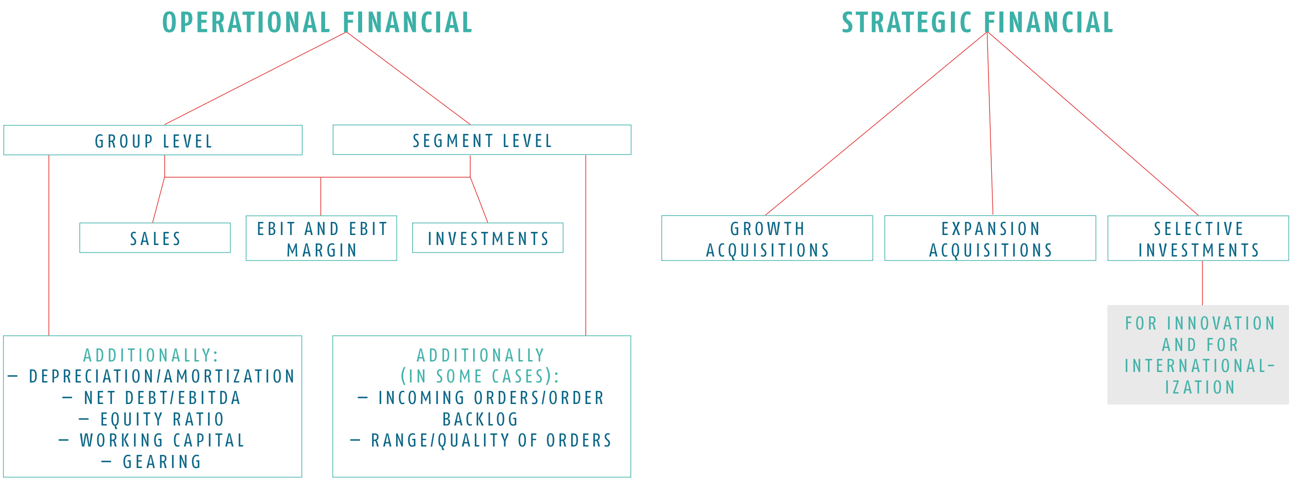
NO ORDERS, BUT TARGETED ADVICE AND ACTIVE REPRESENTATION OF PROPRIETARY INTERESTS

As a financial holding company, INDUS does not intervene directly in the operational or strategic management of the portfolio companies. Instead, in its dealings with its portfolio companies, it does make use of the means available to it to effectively represent its interests as owner. The primary aims are to prevent excesses and damage to the Group, and protect the development of assets over the long term.

The portfolio companies keep INDUS continually informed of financial developments in their enterprises, to which end they provide monthly reports on their financial situations. INDUS also receives information focused on specific topics. This gives management at the holding company an insight into the situation at the portfolio companies. This information allows INDUS to derive an image of the overall situation of the Group.

The financial metrics that are consulted within the holding company to assess the situation correspond to the operational financial performance indicators that are customary for manufacturing companies. They are complemented with strategic financial performance indicators for direct use in investment decision-making.

INFORMATION AND CONTROL BASIS



INDUS monitors the performance of the companies in light of projections based on monthly figures. The control system provides an early warning when 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 DIALOG

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 Board of Management and individual managing directors.

Using the flow of information and the exchanges with the managing directors, the INDUS Board of Management can gain an overall view of the expectations and planning. The Board of Management uses this to create the planning for the necessary financial funds and then communicates the consolidated planning and expectations to their own shareholders and creditors. The business objectives of INDUS Holding AG are thus based primarily on annual targets set by the companies.

NON-FINANCIAL PERFORMANCE INDICATORS

EMPLOYEES

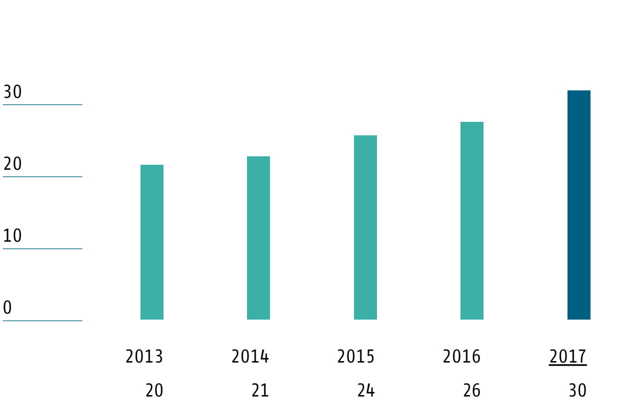
IN THE FINANCIAL HOLDING COMPANY: A TEAM OF SPECIALISTS FOR EFFICIENT SUPERVISION OF THE PORTFOLIO COMPANIES

At the end of fiscal year 2017, the holding company had 30 employees (previous year: 26), 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.

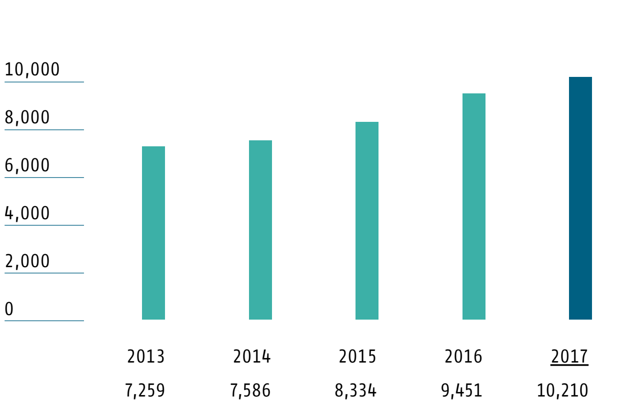
WITHIN THE GROUP: CULTIVATION OF AN SME-APPROPRIATE CULTURE

The subsidiaries had 10,210 employees as of the reporting date (previous year: 9,451). 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. Small and medium-size enterprises assume a high level of responsibility when it comes to training; this is especially true of the companies within the INDUS Group. In the Group as a whole, 434 trainees were employed in 2017; this equates to a training ratio of 4.3%.

EMPLOYEES IN THE HOLDING COMPANY (number)



EMPLOYEES IN THE GROUP'S INDIVIDUAL COMPANIES (number)



DEVELOPMENT AND INNOVATION

R&D SUPPORT FOR THE PORTFOLIO COMPANIES WITHIN THE SCOPE OF A FINANCIAL INVESTOR

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 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: Digital transformation is fundamentally changing the industrial environment. This presents the companies with both risks and opportunities. 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 promote above-average earnings opportunities.

The Group's internal knowledge platform: Many of the INDUS portfolio companies are focusing their development resources on continuous (incremental) development of existing product programs. In this way they are securing their existing market positions and realizing additional earnings potential. To support this important element in their development work, 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.

Sensitization: The management of the holding company watches the trends and developments in the markets across sectors and transfers the resulting knowledge to the portfolio companies through active dialog with their managements.

Methodological support: Innovation can be learned. Since fiscal year 2016, 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: To further such methodical support, INDUS forges helpful connections with research and industry for its portfolio companies.

To enhance its ability to effectively assist the companies in the field of research and development, and to do so with future prospects in mind, the holding company itself is continually seeking cooperative arrangements with science, research and industry.

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 2017 amounted to EUR 16.4 million (previous year: EUR 14.6 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.

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 directly and indirectly conduces to business success:

- 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 relies on traditional financial key figures and hence by choice to conservative or stability-oriented criteria. Its goal is to ensure its business 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 are oriented to the criteria applied by the traditional SME sector. 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 for some years been gradually increasing its transparency and supporting the portfolio companies in their commitment to the protection of resources, a concrete example of which is the funds it has provided for investment in efficiency measures. Regarding the topics of governance and compliance, the Board of Management and the Supervisory Board have long felt committed to responsible, transparent and sustainable value creation. 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 release its first non-financial explanation by December 31, 2017. 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 § 161 AktG (Aktiengesetz, German Stock Corporation Act) constitutes a part of the Declaration on Corporate Governance. This was issued by the Board of Management and the Supervisory Board on Thursday, November 30, 2017. In it they state that, with one exception, INDUS Holding AG is in compliance with all of the recommendations made by the government commission for the German Corporate Governance Code. The exception relates to the recommendation of a limit for serving on the Supervisory Board. The full declaration on corporate governance can be viewed on the INDUS website under the heading "Responsibility/Corporate Governance."

REPORT ON THE ECONOMIC SITUATION

INDUS can once more look back on a very successful fiscal year. The Group achieved a positive result for the fifth time in a row. Sales increased by 13.6%, to EUR 1.64 billion, and EBIT climbed to EUR 152.9 million, a 5.5% increase. The Group attained an operating EBIT margin of 9.3% and an adjusted EBIT margin of 10.0%. The above average performance of the Construction/Infrastructure and Engineering segments deserves a special mention. Both segments achieved margins above the target range. In the Automotive Technology segment, the companies were subject to the increasing pressure on margins in the automotive industry. And the profound repositioning being undertaken in this segment – and the Metals Technology segment – also had a negative impact.

CHANGES IN THE ECONOMIC ENVIRONMENT

MACROECONOMIC TRENDS

CONTINUED EXPANSION IN THE GLOBAL ECONOMY

Growth in the global economy picked up pace once more in 2017. At 3.8% (2016: 3.2%) it was the highest level of growth recorded since 2011. Following a weak phase, growth began to pick up as early as the end of 2016, continuing apace until the late summer of 2017. Toward the end of the year, the relevant indicators showed the upward trend in virtually all large national economies leveling out.

In the advanced economies, production expanded particularly solidly in the six months around summer, following moderate growth at the beginning of the year. The targeted stimulation of investment had a decisive impact on boosting the basic economic trend. As did the ongoing and stable high level of consumer demand from private households. In the United States, the geopolitical risks, which numerous market participants associated with the change in government there, retreated from center stage for the time being. The economy made use of the overall positive general conditions and growth rates expanded significantly. In Japan, total economic production picked up again with the support of exports. The euro area economy also continued its expansion, driving the upward trend and extending bases. Production in Great Britain was moderate in comparison.

Following rather weak growth in past years, expansion in the emerging markets began to speed up again in 2017. One main factor for this was the resurgence of production in countries that export raw materials. They suffered considerably in 2015 and 2016 from the collapse in the prices of raw materials, and benefited from the significant rise in prices in 2017. For instance, Brazil was able to come out of its recession. And there was even a clear uptick in production in Russia, despite the effects of the sanctions imposed by the western industrialized nations. A slight slow down in expansion was recorded in China, in spite of the reduction of fiscal stimulus from the government and slower credit growth.

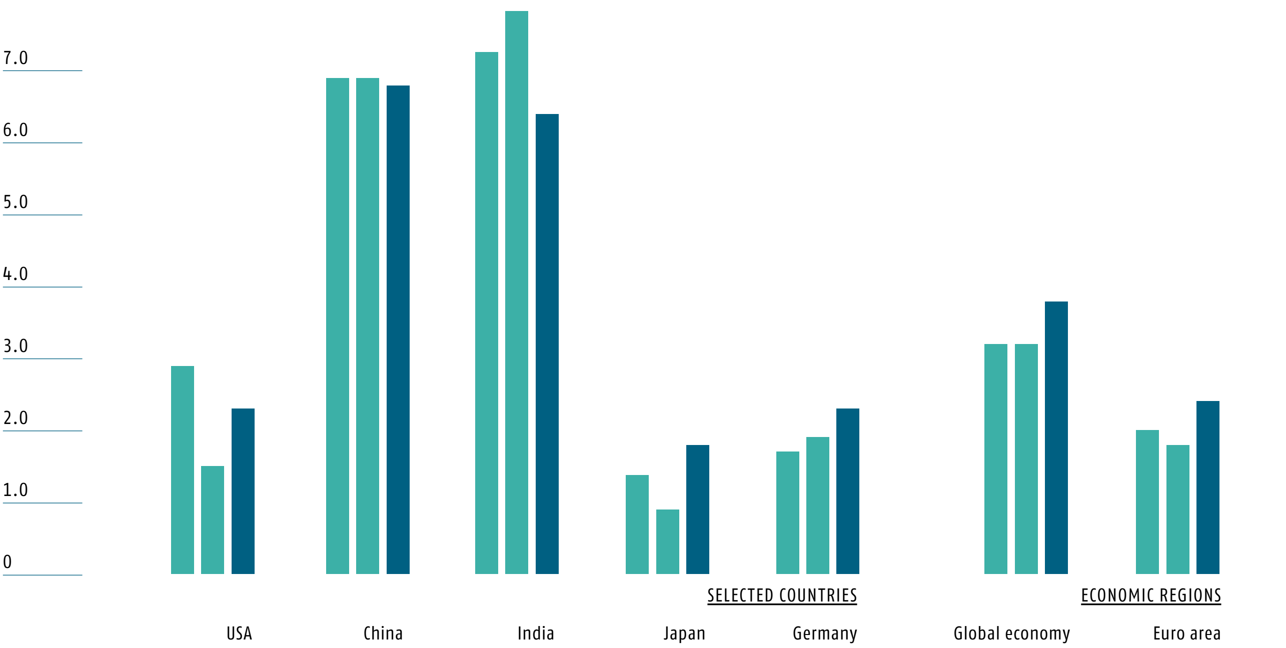
GERMAN ECONOMY BUILDS ON UPWARD TREND

The German economy was able to continue its upward trend of the last four years for another, fifth year. After a positive start to 2017, economic momentum picked up again in the following months, driving the unadjusted gross domestic product up 2.3% (2016: 1.9%). Since the beginning of the long growth phase in 2006/2007, the German economy has only grown stronger than in the first three months of 2017 in 2010/2011. Then, this was due to catch-up effects following the economic crisis of 2008/2009. In light of the economic boom, production capacity utilization increased further, pushing many companies to full capacity. Capacities remained particularly stretched in the construction industry.

A key factor in this positive economic trend was once again private consumption, which was stimulated by a good employment situation, increases in real wages, and a low crude oil price. The persistent low interest rates also stimulated private household expenditures.

Exports continued to expand significantly and were up 4.3% in 2017 (previous year: 2.6%). Exports within the euro area and Asia increased, while exports to the rest of Europe and the United States declined. Imports increased by 4.8% (previous year: 3.9%). The unemployment rate fell to 5.7% in 2017 (previous year: 6.1%), showing tendencies of further decline. This is despite an increase in the domestic labor force of 550,000. Germany's inflation rate, measured against the consumer price index in December 2017, stood at 1.7% (previous year: 0.5%).

ECONOMIC TENDENCIES: CHANGE IN GROSS DOMESTIC PRODUCT (GPD), ANNUAL GROWTH (2015-2017) (in %)



	USA	China	India	Japan	Germany	Global economy	Euro area
2017 (preliminary)	2.3	6.8	6.4	1.8	2.3	3.8	2.4

Source: Kiel Institute for the world economy

CAPITAL MARKETS REMAIN ROBUST

The global financial system remained robust in 2017. Despite numerous new geopolitical factors remaining uncertain (including Catalonia, Turkey, North Korea), the expectations of the financial market participants were colored by the positive economic outlook and positive expectations regarding fiscal policy. The American Federal Reserve Bank continued the course started in 2015 to normalize interest rates in 2017 and increased the base rate three times over the course of the year by a quarter of a percentage point each time. Following the last adjustment in December it ranged between 1.25% and 1.50%. The Federal Reserve Bank was reacting to the economic upturn in the United States, which enjoys virtually full employment and a persistently moderate rate of inflation. Despite this stabilization of interest rates abroad, the European Central Bank remained committed to its low interest rate phase. The deposit facility rate remained at -0.4% throughout the year.

On the international stock markets, the positive economic outlook was reflected in the expectation of greater profits, driving up most prices. They hit new peaks in both Germany and the United States. Over the course of the year, the Dow Jones gained 25.1% and the DAX gained 12.5%. The MSCI World Index, which includes the most important stock exchanges, increased by 20.0% over the year , and the MSCI Emerging Markets Index even recorded a 34.9% increase.

Positive economic data coming from the euro area and fading hopes of economic policy impulses from the United States has caused the euro to appreciate considerably against the US dollar since spring. The euro climbed 14.4% against the US dollar over the course of the year, and stood at EUR/USD 1.2005 at the end of the year.

CHANGES IN THE INDUSTRIAL ENVIRONMENT

SIGNIFICANT INCREASE IN GERMAN INDUSTRIAL PRODUCTION IN 2017

Overall the German economy saw a good start to the year 2017. Incoming orders rose continuously in the first half of the year. The greatest increase in demand among the main industrial groups was recorded in intermediate and consumer goods. Economic activity increased once again in the third quarter, and the companies expanded their investments in assets. Incoming orders increased by 3.6% calendar adjusted against the previous quarter, and an impressive 7.8% calendar adjusted year on year. The sharp increase in demand can be divided almost evenly between domestic and international demand. In the third quarter of 2017, the increase in production in manufacturing industries was 4.7% up year on year, adjusted for seasonal and calendar effects. The performance was spread evenly among the main industrial groups. With this exception of November, this positive overall performance continued until the end of the year.

CONSTRUCTION AND INFRASTRUCTURE: SECTOR CONTINUES TO GROW UNABATED

The construction industry again performed better than expectations in 2017. According to the two leading trade associations, Hauptverband der Deutschen Bauindustrie (HDI) and Zentralverband des Deutschen Baugewerbes (ZDB), sales climbed by 5% to EUR 112.2 billion. Residential construction continued to deliver the strongest impulses, but utilization of capacities also remained high in commercial and public construction. In the first ten months of 2017, incoming orders were 5% higher than in the previous year. The order backlog therefore exceeded the already high levels of the previous year's quarters, despite intense construction activity. This dynamic picked up again at the end of the year: Companies with over 20 employees in the main construction sector reported a sales increase of 11% year on year last November. Due to the solid order situation, the main construction sector expanded the number of employees significantly in 2017 by 3%, bringing the figure up to 805,000.

VEHICLE MARKET: STABLE TO POSITIVE SALES PERFORMANCES, DECLINE IN THE UNITED STATES

The vehicle market performed reasonably well in 2017. According to the German trade association Verbands der Automobilindustrie (VDA), sales of German cars increased by 3% to 3.4 million vehicles in 2017. Sales rose for the fourth year in a row, hitting the highest figure for the decade. Vehicle production, however, declined slightly by 2% to 5.6 million units. The German car manufacturers' exports also fell slightly by 1% to 4.4 million vehicles. This equates to an export rate of 77.4%. The research activity shows that the German automotive industry is tackling current technological challenges head on: According to the European Commission, R&D expenditure among German manufacturers increased by 7% in 2017 to EUR 40.2 billion. There was also an uptick in demand from the international vehicle markets: Sales in China rose by 2.0% to 24.2 million vehicles. In Europe (EU28+EFTA) vehicles sales reached the highest level since 2007 at 15.6 million vehicles (+3.3%). Japan (+5.8%), Brazil (+9.4%), Russia (+11.9%), and India (+8.8%) also reported high levels of growth in 2017. Sales in the United States declined slightly. At 17.1 million vehicles the market contracted by 1.9%.

ENGINEERING: SECTOR ACHIEVES SIGNIFICANT PLUS

Following a period of stagnation in the previous year, the German engineering sector was also able to harness the positive overall mood in the industry and recorded significant growth in 2017. For the first time, the sector was able to achieve sales of EUR 224 billion. Adjusted for prices, production climbed by 3% in the first eleven months. The export performance was even better: In the first nine months, the sector exported goods worth EUR 124.4 billion, a 6% increase against the previous year. In total, for every four machines produced, three were exported in 2017. The EU remained the largest sales market, by a significant margin. The most important importers outside of Europe were the United States and – with a considerable increase – China. In light of the uncertainty regarding its future relationship with the EU, exports to Great Britain continued to fall, as expected. A solid fall period contributed to the good result for the year: For the three-month period September to November, incoming orders increased 12% year on year. A 14% increase was even recorded in November against the previous year.

MEDICAL ENGINEERING/LIFE SCIENCE: ONGOING GROWTH, DIFFICULT CONDITIONS IN GERMANY

According to the trade association Bundesverband Medizintechnologie (BVMed), international sales increased by 6% in the medial engineering sector in 2017. This is on a par with the prior-year growth rates. With a 2.8% increase, the domestic market developed more sluggishly. This is primarily due to declining prices (low levels of reimbursement) and rising costs (regulatory requirements). The new EU medical device regulation (MDR) is currently having the strongest impact on these two earnings levers. This regulation has increased the market access requirements, which has led many companies to consider taking numerous products off the market for economical reasons or to cancel or delay introducing new products they had planned to put on the market. Despite the ongoing pressure on prices, companies are increasing investment in their German production locations. This will strengthen their competitive position. Another factor weighing on developments at the moment is the personnel situation. In light of these difficult conditions, only 44% of German medical companies took on new personnel this year; some even cut jobs.

METALS TECHNOLOGY: SECTOR ABLE TO MAINTAIN SOLID GROWTH

The metals industry remained on a solid growth trajectory in 2017. Production increased significantly in the first nine months compared with the same period in the previous year, and capacity utilization exceeded the multi-year average in October. Incoming orders also developed well and the sector recorded sales growth of 3.5% for the full year. Growth in the previous year was lower at 1.5%. In terms of earnings, the sector was only able to maintain the previous year's level. This was due to a number of factors, including rising labor costs, a shortage of skilled workers, and, in particular, the inability to pass on costs to customers.

PERFORMANCE OF THE INDUS GROUP

THE BOARD OF MANAGEMENT'S OVERALL ASSESSMENT

SALES AND EBIT ONCE MORE AT RECORD LEVELS

The fiscal year 2017 was, overall, highly successful for the INDUS Group. Sales amounted to EUR 1.64 billion, equating to a 13.6% increase against the previous year, to which all segments contributed. The 10.5% organic increase in sales is particularly pleasing (after deducting growth effects from new acquisitions). At EUR 152.9 million, or +5.5%, the operating result (EBIT) was also up against the previous year, but it did not quite manage the same increase reported in sales. This is due to considerable negative effects on earnings from two repositioning offensives carried out in the Automotive Technology and Metals Technology segments, but also exchange rate losses that were up significantly against the previous year. Exchange rate developments had an impact on the operating result in the Automotive Technology segment worth approximately EUR 2 million. This in turn led to the EBIT margin falling below our own high expectations at 9.3% (previous year: 10.0%). The adjusted operating result amounted to EUR 163.7 million (+5.3%), and the margin for the adjusted operating result (EBIT) amounted to 10.0%. The adjustments concern earnings effects from company acquisitions.

Looking at the segments, both the Construction/Infrastructure and the Engineering segment recorded significant increases in their margins and record results. Margins in both segments exceeded the target range. We have therefore raised our target margin for the Construction/Infrastructure segment for 2018 by one percentage point. As communicated early on, the Automotive Technology and Metals Technology segments have not achieved the forecast target margins. This is due to the challenging economic environment (automotive sector) and repositioning activities at individual portfolio companies. Once the repositioning measures are completed in 2018, we will achieve sustainable result improvements in these segments.

TARGET – ACTUAL COMPARISON

	ACTUAL 2016	PLAN 2017	ACTUAL 2017	EXTENT TO WHICH ACHIEVED
GROUP				
Acquisitions	Acquisition of 1 company, 7 strategic additions	2 growth acquisitions	2 growth acquisitions	achieved in full
Sales	EUR 1,444.3 million (+4%, of which 0.1% organic)	> EUR 1.5 billion	EUR 1,640.6 million (+13.6%, of which 10.5% organic)	better than expected
EBIT	EUR 144.9 million	EUR 145-150 million	EUR 152.9 million	achieved in full
Investments in property, plant and equipment	EUR 70.0 million	EUR 75 million	EUR 79.0 million	achieved in full
Equity ratio (in %)	42.4%	>40%	40.8%	achieved in full
Net debt/EBITDA	1.9 years	between 2.0 and 2.5	1.9 years	achieved in full
SEGMENTS				
Construction/Infrastructure				
Sales	EUR 274.5 million	Organic growth in the single-digit range	EUR 330.4 million	better than expected
EBIT	EUR 39.2 million	Proportional earnings increase	EUR 49.4 million	better than expected
EBIT margin (in %)	14.3%	12-14%	15.0%	better than expected
Automotive Technology				
Sales	EUR 372.2 million	Slight rise in sales	EUR 394.1 million	achieved in full
EBIT	EUR 20.3 million	Slight rise in earnings	EUR 14.7 million	not achieved
EBIT margin (in %)	5.4%	6-8%	3.7%	not achieved
Engineering				
Sales	EUR 305.9 million	Moderate rise in sales	EUR 375.1 million	better than expected
EBIT	EUR 41.4 million	Slight rise in earnings	EUR 53.5 million	better than expected
EBIT margin (in %)	13.5%	12-14%	14.3%	better than expected
Medical engineering/ Life science				
Sales	EUR 147.0 million	Slight rise in sales	EUR 155.2 million	achieved in full
EBIT	EUR 20.2 million	Slight rise in earnings	EUR 20.8 million	achieved in full
EBIT margin (in %)	13.7%	13-15%	13.4%	achieved in full
Metals Technology				
Sales	EUR 344.4 million	Slight rise in sales	EUR 385.6 million	achieved in full
EBIT	EUR 29.9 million	EBIT at previous year level	EUR 24.2 million	not achieved
EBIT margin (in %)	8.7%	8-10%	6.3%	not achieved

In 2017, the INDUS portfolio welcomed two promising hidden champions in the engineering segment. In January 2017, INDUS acquired M+P INTERNATIONAL Mess- und Rechnertechnik GmbH, a provider of measuring and test systems for vibration testing and analysis that is based in Hanover. M+P has a strong international focus and promises to perform well in the years to come. The PEISELER Group joined the portfolio in May. PEISELER manufactures high-precision indexing devices and rotary tilt tables for machine tools. These new acquisitions fit perfectly in the areas targeted by INDUS.

Investments in property, plant and equipment, and intangible assets was increased once more. At EUR 79.0 million, INDUS portfolio companies invested more than ever before in 2017. The Group's financial position remained very stable in 2017. At 40.8% the equity ratio remains comfortable. Its traditionally favorable liquidity position gave INDUS enough economic strength for the capital investment it made or intended to make. The company has a considerable liquidity buffer and access to credit lines for this purpose. The debt repayment term (net debt/EBITDA) remained unchanged at 1.9 years, and below the required target range of 2 to 2.5 years.

Of course, the two repositioning offensives, with their overall noticeable impact on results, remained in the foreground in the past fiscal year. However, the Board of Management is very satisfied overall with the Group's performance in the past fiscal year. The company's favorable position provides the conditions for further successful development.

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

DEVELOPMENT OF CONSOLIDATED EARNINGS

SALES AND EARNINGS: EBIT CANNOT MATCH THE INCREASE IN SALES

Sales in the INDUS Group increased by 13.6% in the fiscal year, to EUR 1,640.6 million. Virtually all portfolio companies contributed to this impressive organic growth of 10.5%. With the expansion of the Group through further first-level acquisitions (M+P INTERNATIONAL and PEISELER) strengthened INDUS Group and increased sales growth further (inorganic sales growth of 3.1%).

The cost of materials developed at a slightly disproportionately higher rate and increased by 15.0%, to EUR 745.9 million, as compared to the previous year (previous year: EUR 648.7 million). This is due to the disproportionate increase in costs for purchased services. These relate mainly to purchased personnel services to process the high order backlog and sales. Slight increases in raw material prices were also recorded. The cost of materials ratio therefore increased for the fiscal year by 0.6 percentage points, to 45.5% (previous year: 44.9%).

Personnel expenses climbed slightly disproportionately, by 11.5% to EUR 479.6 million. The portfolio companies largely contributed to the organic growth in sales with their own personnel, but due to the sharp rise more services were purchased. Accordingly, the personnel expense ratio increased by 0.6 percentage points, to 29.2% (previous year: 29.8%).

Other operating expenses increased by 12.0%, or EUR 24.5 million, as compared to 2017. The higher volume of business had an impact here. Individually, the exchange rate losses, consulting and EDP expenses, and freight and maintenance expenses for machines all climbed.

Once the expense items are subtracted, the resulting operating result to date before depreciation/amortization (EBITDA) is EUR 215.3 million. As compared to the previous year, EBITDA increased by 14.4 million (7.2%). At EUR 62.4 million, depreciation/amortization was 11.4% higher than in the previous year. The greater need for depreciation/amortization is attributable to the new companies and associated depreciation/amortization of excess value for purchase price allocation purposes and to the persistently high level of investment.

CONSOLIDATED STATEMENT OF INCOME (in EUR million)

	2017	2016	2015	DIFFERENCE BETWEEN 2017 AND 2016 ABSOLUTE	IN %
Sales	**1,640.6**	**1,444.3**	**1,388.9**	**196.3**	**13.6**
Other operating income	16.5	20.2	19.9	-3.7	-18.3
Own work capitalized	5.1	6.2	5.7	-1.1	-17.8
Changes in inventories	5.2	11.1	7.0	-5.9	-53.2
Overall performance	**1,667.4**	**1,481.8**	**1,421.5**	**185.6**	**12.5**
Cost of materials	-745.9	-648.7	-651.6	-97.2	15.0
Personnel expenses	-479.6	-430.2	-392.0	-49.4	11.5
Other operating expenses	-228.0	-203.5	-192.4	-24.5	12.0
Income from shares accounted for using the equity method	1.1	1.0	0.7	0.1	10.0
Other financial income	0.3	0.5	0.2	-0.2	-40.0
EBITDA	**215.3**	**200.9**	**186.4**	**14.4**	**7.2**
Depreciation/amortization	-62.4	-56.0	-50.1	-6.4	11.4
Operating result (EBIT)	**152.9**	**144.9**	**136.3**	**8.0**	**5.5**
Net interest	-23.7	-21.5	-27.0	-2.2	10.2
Earnings before taxes (EBT)	**129.2**	**123.4**	**109.3**	**5.8**	**4.7**
Taxes	-46.1	-43.0	-41.0	-3.1	7.2
Earnings after taxes	**83.1**	**80.4**	**68.3**	**2.7**	**3.4**
of which allocable to non-controlling shareholders	0.7	0.4	0.4	0.3	75.0
of which attributable to INDUS shareholders	82.4	80.0	67.9	2.4	3.0

This amounts to an operating result, or EBIT, of EUR 152.9 million for 2017. Due to the disproportionate increase in sales, the noticeable negative effects of the two repositioning measures, and the exchange rate effects, the EBIT margin came to 9.3%. The newly acquired portfolio companies M+P INTERNATIONAL and PEISELER imposed further burdens, of course. On the one hand, these two portfolio companies contributed EUR 30.6 million, or 15.6%, to the growth in sales. On the other, earnings were affected by the acquisitions owing to the surplus value depreciations and incidental acquisition costs.

Net interest fell by EUR -2.2 million, from EUR -21.5 million to EUR -23.7 million. This is due to higher interest expenses in the area "other interest." This expense item, which rose by EUR 1.5 million, includes the effects on income of the subsequent measurement of contingent purchase price commitment along with earnings after taxes due to non-controlling shareholders from shares in limited partnerships and to stock corporations with call/put options. Changes in the market value of interest derivatives had no significant effect. Earnings before taxes (EBT) improved to EUR 129.2 million (previous year: EUR 123.4 million). Tax expenses rose by EUR 3.1 million, while the tax rate increased from 34.8% last year to 35.7%, primarily due to lack of loss carry-forwards within the Group. Due to its business model, INDUS does not form tax groups.

Earnings after taxes reached EUR 83.1 million (previous year: EUR 80.4 million). This equates to a rise of 3.4% as compared to the previous year. Interests held by non-controlling shareholders amount EUR 0.7 million (previous year: EUR 0.4 million). Earnings after taxes of the INDUS shareholders amounted to EUR 82.4 million. This equates to earnings per share of EUR 3.37 as compared to EUR 3.27 in the previous year.

ADJUSTED EBIT: MARGIN STANDS AT 10.0%

In the interest of greater transparency in regard to operating performance, INDUS also reports an adjusted operating result (EBIT). The underlying reason for this is that INDUS' growth trend, and the regular acquisitions associated with it, result in non-operating charges against earnings. EBIT adjusted for these effects (after the effects of the acquisitions) increased by 5.3% to EUR 163.7 million. This results in a margin of 10.0% (previous year: 10.8%), whereby the effects of the repositioning are also perceptible here.

RECONCILIATION (in EUR million)

	2017	2016	2015	DIFFERENCE BETWEEN 2017 AND 2016: ABSOLUTE	IN %
Operating result (EBIT)	**152.9**	**144.9**	**136.3**	**8.0**	**5.5**
Depreciation of property, plant and equipment and amortization of intangible assets due to fair value adjustments from initial consolidations*	8.3	6.4	5.0	1.9	29.7
Impact of fair value adjustments on inventory assets/order backlogs from initial consolidations and incidental acquisition costs**	2.5	4.1	4.5	-1.6	-39.0
Adjusted operating result (EBIT)	**163.7**	**155.4**	**145.8**	**8.3**	**5.3**

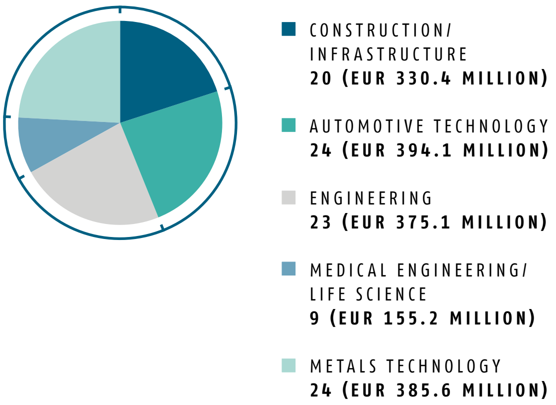
* Depreciation/amortization from fair value adjustments relate to identified assets at fair value in connection with acquisitions made by the INDUS Group.
** Impacts of fair value adjustments in inventory assets/order backlogs relate to identified surplus values included in the purchase price allocation and recognized after the initial consolidation.

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

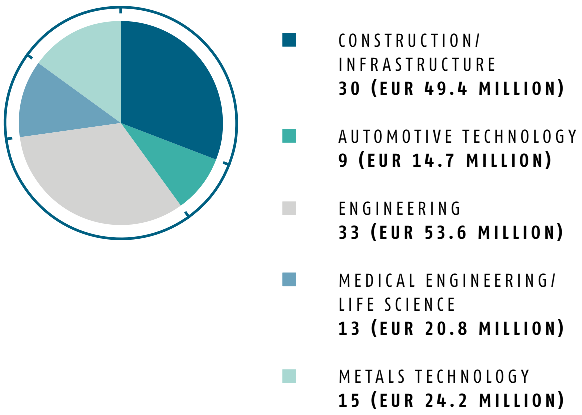
The individual segments' shares of sales and earnings have changed further in their ratios to one another. The Construction/Infrastructure segment's contribution to sales has grown at 20.1% (previous year: 19.0%), as has the Engineering segment's at 22.9% (previous year: 21.2%). With a share of 24.0% (previous year: 25.8%), the Automotive Technology segment remains the largest contributor to sales. The Metals Technology segment, too, remains a robust contributor to sales with 23.5% (previous year: 23.8%). Both segments, however, have ceded ground as compared to the previous year. With shares between 20.1% and 24.0%, the four segments are almost equal. The contribution to sales from the Medical Engineering/Life Science segment declined somewhat at 9.5% (previous year: 10.2%).

At the earnings level, too, the Engineering and Construction/Infrastructure segments performed especially well again, as they did last year. The Engineering segment increased the contribution it made to the operating result (EBIT) last year (27.4%) by 5.5 percentage points to 32.9% of the INDUS result. The Construction/Infrastructure segment exploited the strong economic conditions in the sector and the initial consolidation of all of the HEITZ Group's contribution to earnings and increased its share to 30.4% (previous year: 26.0%). The contribution to earnings from the Automotive Technology and Metals Technology segments fell significantly below the prior-year figures at 9.1% (previous year 13.4%) and 14.9% (previous year: 19.8%) respectively. This was caused by the difficult conditions in the automotive technology sector and the known repositioning measures in both areas. For the Medical Engineering/Life Science segment the earnings contribution ratio was, at 12.8% (previous year: 13.4%), slightly lower than for the previous year.

SALES BREAKDOWN BY SEGMENT (in %)



EBIT BREAKDOWN BY SEGMENT (in %)

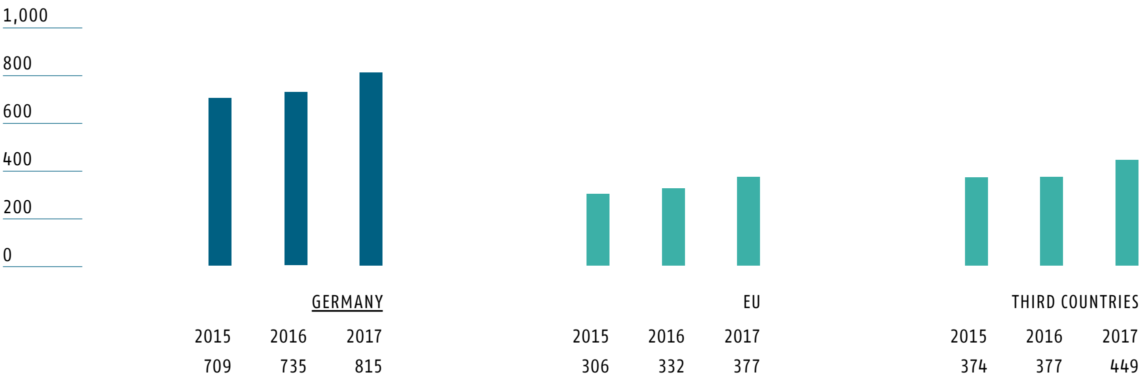


CONTRIBUTION TO SALES FROM THE REGIONS

The INDUS Group's sales increases are attributable in almost equal measure to its domestic and international business. In relative terms, the international share of sales increased slightly, by 1.2 percentage points, to 50.3% (previous year: 49.1%). This puts the international share of INDUS' sales higher than the domestic share for the first time.

Domestic sales increased by 10.9%, to EUR 815.5 million, as compared to the previous year. International sales increased by a pleasing 16.4%, to EUR 825.1 million, the increase being attributable primarily to sales outside of the EU (+19.1%). Sales in the EU increased by 13.4%.

SALES TRENDS BY REGION 2015–2017 (in EUR million)



EARNINGS TRENDS IN THE SEGMENTS

CONSTRUCTION/INFRASTRUCTURE

Segment description

As in the previous year, the Construction/Infrastructure segment comprises eleven portfolio units. The companies operate in different areas within the construction industry. Their products and services range from reinforcements 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 is disproportionately profitable. It is therefore INDUS's strategy to focus on boosting this segment by acquiring new companies.

Segment performance: Sales and EBIT margin increase by over 20%

Fueled by the general construction boom and a greater inclination towards investment by the public sector, the strong demand experienced in the Construction/Infrastructure segment continued unabated. The INDUS companies also benefited from this. Sales in this segment climbed by 20.4%, to EUR 330.4 million, on a yearly comparison (previous year: EUR 274.5 million). All of the companies in this segment contributed to the exceedingly strong business performance, without exception. Demand in the area of infrastructure in particular rose disproportionately. Due to the economic boom, some of the companies in the segment are working at full capacity. The shortage of skilled workers in the construction sector continued to increase and is posing challenges for our companies.

It should also be noted that the HEITZ Group, which was acquired in June 2016, was included with its full annual sales figures.

The excellent order situation, the INDUS portfolio companies' extremely high levels of productivity, and the construction boom pushed the operating result (EBIT) to a record high of EUR 49.4 million. This equates to an outstanding growth rate of 26.0%. At 15.0%, the EBIT margin also once again significantly surpassed the previous year's already very good figure (14.3%). All portfolio companies generated a positive operating result (EBIT). The greatest improvements in earnings were achieved in the subarea infrastructure/digitalization.

Investments in the segment from the previous year include the acquisition of the HEITZ Group and HAUFF-TECHNIK's acquisition of a 50% share in ZWEICOM. Investments in the reporting year related exclusively to investments in fixed assets, which were up EUR 2.1 million against the prior-year figure at EUR 13.4 million. This was due to the higher level of investment made by companies in the (digital) infrastructure area.

KEY FIGURES FOR CONSTRUCTION/INFRASTRUCTURE (in EUR million)

				DIFFERENCE BETWEEN 2017 AND 2016	
	2017	2016	2015	ABSOLUTE	IN %
Sales with external third parties	330.4	274.5	235.5	55.9	20.4
EBITDA	58.2	46.7	39.8	11.5	24.6
Depreciation/amortization	-8.8	-7.5	-6.3	-1.3	17.3
EBIT	49.4	39.2	33.5	10.2	26.0
EBIT margin in %	15.0	14.3	14.2	0.7pp	–
Investments	13.4	35.4	8.9	-22.0	-62.1
Employees	1,714	1,466	1,183	248	16.9

AUTOMOTIVE TECHNOLOGY

Segment description

The Automotive Technology segment comprises nine units (previous year: ten) whose products and services span the entire value chain in the automotive industry, from design and development, model and prototype construction to pre-series and small series production testing and measurement solutions, 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.

As part of the process of optimizing the Automotive Technology segment and in response to the constantly rising pressure on margins in the automotive industry, the INDUS portfolio company FICHTHORN was integrated into the internationally operating SELZER Group. The consolidation, which became effective October 1, 2017, serves the purpose of strengthening both INDUS companies.

Segment performance: Margin pressure weighs on companies

The INDUS portfolio companies in the Automotive Technology segment had to face a number of difficult circumstances in the automotive industry. These ultimately resulted in the segment's failure to achieve its growth targets on the earnings side. Sales did increase by 5.9% to EUR 394.1 million, but this was largely in the low-margin area of automotive series production suppliers. The engineering companies (pre- and post-series production) in the segment, who had been performing well, are starting to feel the pressure the OEMs are facing, caused by the emissions and cartel scandals, that are leading to OEMs tightening their belts. There was also a significant atmosphere of caution in the engineering segment at the end of 2017, which we believe is due to upheavals in the sector and the associated restructuring of development budgets. Technological changes in the automotive industry are also a considerable cost factor that is passed on to suppliers, and affects and challenges the supply industry. All in all, the entire industry is now suffering under intolerable pressure on margins. The announced repositioning of a portfolio company in the series production business is proceeding according to plan and is due to be successfully completed in the course of 2018. Currency developments also had a negative impact worth EUR 1.8 million on the result for the financial year. As a result of the numerous negative effects, the operating result (EBIT) fell by EUR 5.6 million, or 27.6%. The EBIT margin deteriorated to 3.7%, following 5.4% in the previous year.

Once the repositioning work has been completed, we should be able to attain a margin between 5% and 7% in the automotive technology segment.

All investments in the segment decreased considerably as compared to the previous year: Last year's investments included shares acquired by WIESAUPLAST (Wiesauplast-PMC de México) and company divisions acquired by IPETRONIK (CAETEC). Investments in fixed assets rose by EUR 1.5 million against the previous year to EUR 30.3 million. This specifically includes an investment in a new construction for a foreign sub-subsidiary.

KEY FIGURES FOR AUTOMOTIVE TECHNOLOGY (in EUR million)

				DIFFERENCE BETWEEN 2017 AND 2016	
	2017	2016	2015	ABSOLUTE	IN %
Sales with external third parties	394.1	372.2	367.7	21.9	5.9
EBITDA	36.5	39.9	39.6	-3.4	-8.5
Depreciation/amortization	-21.8	-19.6	-18.2	-2.2	11.2
EBIT	14.7	20.3	21.4	-5.6	-27.6
EBIT margin in %	3.7	5.4	5.8	-1.7pp	–
Investments	30.3	36.9	26.9	-6.6	-17.9
Employees	3,557	3,454	3,285	103	3.0

ENGINEERING

Segment description

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

In the year under review, two new INDUS portfolio companies were acquired for the Engineering segment. M+P INTERNATIONAL Mess- und Rechnertechnik joined INDUS in January. The M+P Group is a provider of measurement and test systems for vibration testing. The PEISELER Group (part of the portfolio since May 2017) manufactures high-precision indexing devices and rotary tilt tables for machine tools. These new acquisitions fit perfectly in the areas targeted by INDUS.

In INDUS's view, the impressive technical capabilities and quality of goods "engineered and made in Germany" promise future growth in the sub-fields of automation; measuring technology and control engineering, where INDUS seeks to make further acquisitions. The segment constitutes one of the mainstays of small and medium-scale industry and has good prospects.

Segment performance: Upswing Continues – M+P INTERNATIONAL and PEISELER well integrated

Sales in the Engineering segment increased by EUR 69.2 million, or 22.6%, to EUR 375.1 million, a result to which virtually every company in the segment contributed. With some sales hitting record levels, individual companies were operating at absolute full capacity. The previously announced large international order relating to clean room systems made as big a contribution to the high level of sales as the sales of the two new portfolio companies M+P INTERNATIONAL and PEISELER, which together amounted to EUR 30.6 million. At EUR 12.1 million, or 29.2%, the operating result (EBIT) in this segment increased more than the sales. The high level of investment that was made in this segment over the past years is now perceptible in the results. The portfolio companies in the logistics area are particularly noteworthy; they continue to grow at a very high level. The segment's improved result is even more impressive when we take into account that M+P INTERNATIONAL's and PEISELER's results are still carrying significant negative effects from surplus value depreciations and incidental acquisition costs from the initial consolidation of the new portfolio companies. At 14.3%, the EBIT margin was up 0.8% points against the high prior-year figure.

Segment investments were significantly higher than in the previous year at EUR 43.4 million; that is because the financial year includes the acquisition of M+P INTERNATIONAL and PEISELER. Investments in fixed assets rose by approx. 32% and involved the majority of the portfolio companies. One portfolio company's production location was expanded.

KEY FIGURES FOR ENGINEERING (in EUR million)

	2017	2016	2015	DIFFERENCE BETWEEN 2017 AND 2016: ABSOLUTE	IN %
Sales with external third parties	375.1	305.9	293.2	69.2	22.6
EBITDA	64.2	49.7	46.3	14.5	29.2
Depreciation/amortization	-10.7	-8.3	-7.3	-2.4	28.9
EBIT	53.5	41.4	39.0	12.1	29.2
EBIT margin in %	14.3	13.5	13.3	0.8pp	–
Investments	43.4	9.7	16.8	33.7	> 100
Employees	1,830	1,585	1,436	245	15.5

MEDICAL ENGINEERING/ LIFE SCIENCE

Segment description

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

This segment is for INDUS the subject of special strategic focus. It represents one of the four growth segments 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 above-average margins.

Segment performance: Sales and earnings trends positive

The Medical Engineering segment was able to continue pleasing upward trend of the previous financial year. Sales in the Medical Engineering sector were up 5.6%, or EUR 8.2 million, against the previous year. This puts sales in this growth segment at EUR 155.2 million in the reporting year. All portfolio companies in the segment contributed to the increase in sales, which can be attributed to improvements made to operative activities.

The operating result (EBIT) amounted to EUR 20.8 million, EUR 0.6 million higher than in the previous year (previous year: EUR 20.2 million). Fortunately, the segment's margin improved steadily over the course of the 2017 financial year. Following a rather weak first quarter (9.8%) – partially due to a department relocation – EBIT margins of 13.9% and 14.0% were attained in the subsequent quarters. This positive trend continued in the fourth quarter with a margin of 16.0%. With an EBIT margin of 13.4% for the entire year, the segment attained a very good result that was within the target range of 13–15%. All portfolio companies in the segment contributed to this success.

Investments were made exclusively in fixed assets in 2017 and, at EUR 7.4 million, were just higher than the previous year's figure. The most significant occurrences in 2017 were the investment in a foreign production site and the increasing level of investment in the automation of manufacturing processes.

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

	2017	2016	2015	DIFFERENCE BETWEEN 2017 AND 2016: ABSOLUTE	IN %
Sales with external third parties	155.2	147.0	132.3	8.2	5.6
EBITDA	27.6	26.8	24.9	0.8	3.0
Depreciation/amortization	-6.8	-6.6	-5.2	-0.2	3.0
EBIT	20.8	20.2	19.7	0.6	3.0
EBIT margin in %	13.4	13.7	14.9	-0.3pp	–
Investments	7.4	6.2	32.3	1.2	19.4
Employees	1,540	1,480	1,010	60	4.1

METALS TECHNOLOGY

Segment description

As in the previous year, this segment comprises nine units and serves a large number of 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. To boost innovative growth areas, particularly those involving carbide, INDUS aims to increase growth through acquisitions and greater internationalization. Other sub-areas are the focus of further optimization.

Segment performance: Swiss portfolio companies have sustained adverse impact on segment result

The Metals Technology segment recorded a 12.0% (EUR 41.2 million) increase in sales, to EUR 385.6 million, as compared to the previous year. This growth was generated in particular by the larger portfolio companies. At EUR 24.2 million, the operating result (EBIT) declined against the previous year's figure EUR 29.9 million, which equates to an EBIT margin of 6.3%. The restructuring processes underway at one portfolio company unit are radical and involve measures relating to strategy, location analysis, and cost optimization. The process is ongoing. The majority of the work is expected to be completed by mid-2018. The other portfolio companies in this segment achieved good to excellent results and, as suppliers to the construction industry and the Engineering segment, benefited from the favorable business climate in these areas.

Investments amounted to EUR 14.5 million. This figure is on a par with the last year, and investments were made exclusively in property, plant and equipment, and intangible assets. Machinery and equipment to increase automation in production were the focus of the purchasing activities.

KEY FIGURES FOR METALS TECHNOLOGY (in EUR million)

				DIFFERENCE BETWEEN 2017 AND 2016	
	2017	2016	2015	ABSOLUTE	IN %
Sales with external third parties	385.6	344.4	359.9	41.2	12.0
EBITDA	37.7	43.1	41.0	-5.4	-12.5
Depreciation/amortization	-13.5	-13.2	-12.4	-0.3	2.3
EBIT	24.2	29.9	28.6	-5.7	-19.1
EBIT margin in %	6.3	8.7	7.9	-2.4pp	–
Investments	14.5	14.5	21.8	0.0	0.0
Employees	1,538	1,439	1,395	99	6.9

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 solid German financial institutions as partners. Factors stabilizing its long-term financing needs include broad diversification of the loan volume across many financial institutes, a balanced redemption structure, and use of a spectrum of alternative financing instruments. To contain market price risks, the Group employs interest rate and currency derivatives. These are used exclusively for risk-hedging purposes.

Financial and liquidity management has 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 as little dependence on banks as possible.

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

Another objective of the individualized and joint finance and liquidity management system is to optimize net current assets (working capital). This frees up liquid assets, keeps debt levels low, and optimizes key financial indicators for the balance sheet structure (e.g., equity ratio) and return on capital. INDUS assists the companies in their management of working capital, with responsibility lying entirely with 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 2017

INDUS continued in 2017 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 2017. INDUS uses as off-balance sheet forms of financing primarily rent and leasehold agreements, especially for EDP accessories and company cars. Future operating lease commitments amounted to EUR 72.0 million as of December 31, 2017 (previous year: EUR 68.3 million).

Liabilities to banks amounted to EUR 346.9 million as of the reporting date (previous year: EUR 386.6 million); almost all of these (99%) were incurred in euros. The volume of loans in foreign currencies is low and consists of one loan in Swiss francs worth EUR 0.7 million (previous year: EUR 2.7 million) and one in South African rands, worth EUR 1.0 million. Financial liabilities include liabilities amounting to EUR 6.7 million (previous year: EUR 8.1 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 181.2 million (previous year: EUR 109.0 million). It also has unused credit lines totaling EUR 34.0 million (previous year: EUR 28.7 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)

	2017	2016	2015
Operating cash flow	145.0	137.9	157.3
Interest	-21.0	-23.4	-26.4
Cash flow from operating activities	**124.0**	**114.5**	**130.9**
Cash outflow from investments and acquisitions	-113.9	-108.1	-118.4
Cash inflow from the disposal of assets	3.9	3.7	5.6
Cash flow from investing activities	**-110.0**	**-104.4**	**-112.8**
Dividends paid to shareholders	-33.0	-29.3	-29.3
Dividends paid to non-controlling shareholders	-0.7	-0.4	0.0
Cash outflow from the repayment of contingent purchase price commitments	-0.8	0.0	0.0
Cash inflow from raising of loans	151.0	132.3	126.9
Cash outflow from the repayment of loans	-120.4	-117.5	-100.7
Cash flow from financing activities	**-3.9**	**-14.9**	**-3.1**
Net changes in financial facilities	10.1	-4.8	15.0
Changes in cash and cash equivalents caused by currency exchange rates	-1.4	0.2	0.7
Cash and cash equivalents at the beginning of the period	127.2	132.2	116.5
Cash and cash equivalents at the end of the period	**135.9**	**127.2**	**132.2**

HIGH LEVELS OF OPERATING CASH FLOW AND INVESTMENT

Earnings after tax rose by EUR 2.7 million to EUR 83.1 million in 2017 (previous year: EUR 80.4 million). The increase in inventory assets and increase in receivables had the effect of reducing liquidity. Despite this, at EUR 145.0 million, operating cash flow improved by EUR 7.1 million against the previous year (EUR 137.9 million).

The interest that was paid (including variable interest on the purchase price commitment to minority shareholders) was, at EUR -21.2 million, just less than the EUR -23.9 million that was paid in the previous year. 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 124.0 million. It improved by EUR 9.5 million, particularly due to the improvement in earnings after taxes (+EUR 2.7 million) and higher depreciation/amortization (+EUR 6.4 million).

Cash flow from investing activities amounted to EUR -110.0 million at the end of the year (previous year: EUR -104.4 million); this item includes the acquisition of M+P INTERNATIONAL and PEISELER.

Cash flow from financing activity decreased from EUR -14.9 million to EUR -3.9 million. The main reason for this was higher net borrowing as compared to the previous year. Amidst all of its financing activity, as of the end of 2017 INDUS continued to possess a high degree of liquidity. As of the reporting date, cash and cash equivalents amounted to EUR 135.9 million (previous year: EUR 127.2 million). A detailed statement of cash flows is part of the consolidated financial statements.

NET ASSETS

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

			DIFFERENCE BETWEEN 2017 AND 2016	
	DEC. 31, 2017	DEC. 31, 2016	ABSOLUTE	IN %
ASSETS				
Non-current assets	**953.6**	**885.8**	**67.8**	**7.7**
Fixed assets	942.2	880.5	61.7	7.0
Receivables and other assets	11.4	5.3	6.1	115.1
Current assets	**699.6**	**635.8**	**63.8**	**10.0**
Inventories	339.2	308.7	30.5	9.9
Receivables and other assets	224.5	199.9	24.6	12.3
Cash and cash equivalents	135.9	127.2	8.7	6.8
Total assets	**1,653.2**	**1,521.6**	**131.6**	**8.6**
LIABILITIES				
Non-current liabilities	**1,234.8**	**1,150.9**	**83.9**	**7.3**
Equity	673.8	644.6	29.2	4.5
Borrowings	561.0	506.3	54.7	10.8
of which provisions	46.3	31.2	15.1	48.4
of which current liabilities and deferred taxes	514.7	475.1	39.6	8.3
Current liabilities	**418.4**	**370.7**	**47.7**	**12.9**
of which provisions	72.4	65.6	6.8	10.4
of which liabilities	346.0	305.1	40.9	13.4
Total assets	**1,653.2**	**1,521.6**	**131.6**	**8.6**

As of the reporting date, total assets of the INDUS Group amounted to EUR 1,653.2 million, an 8.6% increase from the previous year's reporting date. The increase was attributable mainly to the acquisitions, but the increase in business operations also contributed significantly to the increase in total assets.

ASSETS: HIGH INCREASE IN ASSETS DUE TO ACQUISITIONS

Non-current assets increased by EUR 67.8 million, or 7.7%, to EUR 953.6 million as compared to the previous reporting date. The increase was primarily in fixed assets. Goodwill increased by EUR 19.9 million (+4.9%), intangible assets by

EUR 12.1 million (+16.3%). The acquisition of M+P INTERNATIONAL and the PEISELER Group were a major factor in the increase in both items.

Tangible fixed assets increased by EUR 27.7 million as compared to the previous year. The precipitating factor was, aside from the addition of new companies, the further increase in investments in property, plant and equipment. The value of the portfolio companies measured at equity was as of December 31, at EUR 10.9 million, EUR 0.4 million higher than it was a year before.

Current assets increased by EUR 63.8 million, or 10.0%, to EUR 699.6 million as compared to the previous reporting date, while inventories increased by 9.9%. The increase in inventories by EUR 30.5 million is largely attributable to new acquisitions to build up the inventories of particular portfolio companies. The increase in receivables amounts to EUR 19.9 million (+11.2%) and is due to increased sales, the new companies, and one-off effects relating to the reporting date. Cash and cash equivalents increased by EUR 8.7 million and remain at a very high level.

LIABILITIES: EQUITY INCREASED BY EUR 29 MILLION

Equity increased by 4.5%, to EUR 673.8 million, owing to, among other factors, the high annual result. The outflow of dividends was therefore overcompensated by current earnings. The equity ratio fell year on year from 42.4% to 40.8% as of the reporting date. The equity ratio thus remains above the lower limit of 40%, which was defined as the target.

Non-current liabilities were, at EUR 561.0 million, 10.8% higher than the previous year's figure. Non-current financial liabilities increased by EUR 49.8 million. This increase is linked to a reduction in current financial liabilities and expansion of business activities. Non-current other liabilities changed in the opposite direction, decreasing by EUR 18.6 million. The addition of contingent purchase price commitment from company acquisitions was overcompensated for by maturity-contingent reclassifications in the current category. Deferred taxes increased by EUR 8.3 million, primarily due to the initial consolidation of M+P INTERNATIONAL and PEISELER.

A 12.9% increase was registered in current liabilities. This equates to EUR 47.7 million. Current financial liabilities were brought down EUR 18.7 million to EUR 95.3 million. There was an increase, on the other hand, in trade payables (+ EUR 10.8 million) and other current liabilities (+ EUR 46.6 million) as a result of the growth in sales. The increase in other current liabilities is primarily the result of maturity-contingent reclassifications of contingent purchase price commitment to current items, new purchase price commitment and an increase in production orders with a net debit balance

WORKING CAPITAL (in EUR million)

	DEC. 31, 2017	DEC. 31, 2016	DIFFERENCE BETWEEN 2017 AND 2016 ABSOLUTE	IN %
Inventories	339.2	308.7	30.5	9.9
Trade receivables	197.5	177.6	19.9	11.2
Trade payables	-66.2	-55.4	-10.8	19.5
Advance payments received	-18.6	-20.5	1.9	-9.3
Construction contracts with a negative balance	-49.0	-37.9	-11.1	29.3
Working capital	**402.9**	**372.5**	**30.4**	**8.2**

INDUS calculates working capital by adding trade receivables to inventories and deducting trade payables along with received prepayments and production orders with a net debit balance. As of December 31, 2017, working capital stood at EUR 402.9 million. This represents an increase against the previous year's reporting date of 8.2%. Relative to overall performance, it decreased from 25.1% last year to 24.2% in the year under review.

NET FINANCIAL LIABILITIES (in EUR million)

	DEC. 31, 2017	DEC. 31, 2016	DIFFERENCE BETWEEN 2017 AND 2016 ABSOLUTE	IN %
Non-current financial liabilities	439.5	389.8	49.7	12.8
Current financial liabilities	95.3	114.0	-18.7	-16.4
Cash and cash equivalents	-135.9	-127.2	-8.7	6.8
Net financial liabilities	**398.9**	**376.6**	**22.3**	**5.9**

INDUS calculates financial liabilities as the difference between cash and cash equivalents and current and non-current financial liabilities. As of December 31, 2017, it amounted to EUR 398.9 million, which equates to an increase of 5.9% as compared to the previous year's reporting date. The ratio of net debt to equity (gearing) is 59% (previous year: 58%). The net debt/EBITDA ratio is 1.9 (previous year: 1.9). The repayment term therefore remains below the target corridor of 2 to 2.5 years.

INVESTMENTS AND DEPRECIATION/AMORTIZATION (in EUR million)

	2017	2016	2015	DIFFERENCE BETWEEN 2017 AND 2016: ABSOLUTE	DIFFERENCE BETWEEN 2017 AND 2016: IN %
Investments	**111.4**	**103.9**	**107.3**	**7.5**	**7.2**
of which in:					
Company acquisitions	**32.4**	**29.9**	**34.3**	**2.5**	**8.4**
Investments according to the equity method	**0.0**	**4.0**	**0.0**	**-4.0**	**–**
Intangible assets	**7.7**	**10.3**	**8.7**	**-2.6**	**-25.2**
Property, plant and equipment	**71.3**	**59.7**	**64.3**	**11.6**	**19.4**
of which in:					
Land and buildings	7.2	3.3	15.2	3.9	>100
Technical equipment and machinery	20.5	24.5	19.0	-4.0	-16.3
Other equipment, factory and office equipment	18.7	17.3	16.0	1.4	8.1
Prepayments and facilities under construction	24.9	14.6	14.1	10.3	70.5
Depreciation/amortization	**-62.4**	**-56.0**	**-50.1**	**-6.4**	**11.4**

Investments in the year under review was 7.2% higher than in the previous year and reached EUR 111.4 million. Of this amount, EUR 32.4 million was attributable to company acquisitions (+8.4%), EUR 71.3 million to investments in property, plant, and equipment (+19.4%), and EUR 7.7 million to investment in intangible assets (-25.2%). Investments in company acquisitions remained at the high level seen in the past years. Two growth companies were acquired for the portfolio in the current year.

The primary focus of the investments remained investments in property, plant and equipment. The funds used by the portfolio companies are intended to improve the portfolio companies' value-added processes and 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 MIKROP in Serbia (EUR 1.1 million) and a building extension at RÜBSAMEN (EUR 1.2 million).

Larger individual investments made in 2017 in technical equipment included the acquisition of a powder-coating machine for OBUK (EUR 2.1 million), a soldering line with tempering function for BETEK (EUR 1.6 million), series production machinery for SELZER (EUR 2.2 million) and an automatic parts storage facility for OFA (EUR 1.3 million).

Advance payments significantly increased by EUR 10.3 million, to EUR 24.9 million. They primarily relate to the construction of a heating hose production facility and a new administration building for ELTHERM (EUR 3.3 million). Investments in intangible assets registered a decrease of EUR 2.6 million to EUR 7.7 million.

Depreciation/amortization increased by 11.4% to EUR -62.4 million, owing to the high volume of investment activity

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)

	2017	2016	2015	DIFFERENCE BETWEEN 2017 AND 2016 ABSOLUTE	IN %
Sales	**5.6**	**5.3**	**6.3**	**0.3**	**5.7**
Other operating income	2.2	4.5	5.3	-2.3	-51.1
Personnel expenses	-6.0	-5.7	-6.0	-0.3	5.3
Other operating expenses	-12.7	-7.3	-6.1	-5.4	74.0
Income from investments	74.5	67.7	55.4	6.8	10.0
Income from long-term loans classified as financial assets	49.8	46.5	43.7	3.3	7.1
Other interest and similar income	6.6	7.4	10.4	-0.8	-10.8
Impairment of on intangible assets and property, plant and equipment	-0.5	-0.5	-0.6	0.0	0.0
Impairment of financial assets	-12.7	-12.5	-5.0	-0.2	1.6
Expenses from loss absorption	-5.8	-9.5	-12.6	3.7	-38.9
Interest and similar expenses	-11.9	-12.5	-14.3	0.6	-4.8
Earnings from ordinary business activities	**89.1**	**83.4**	**76.5**	**5.7**	**6.8**
Taxes	-7.3	-8.4	-8.1	1.1	-13.1
Net income	**81.8**	**75.0**	**68.4**	**6.8**	**9.1**
Profit carried forward	1.7	2.2	1.7	-0.5	-22.7
Retained earnings	**83.5**	**77.2**	**70.1**	**6.3**	**8.2**

The earnings of INDUS Holding AG derive primarily from income from portfolio companies and loans of financial assets.

Sales comprise services performed for the portfolio companies by the company in its capacity as an asset-managing holding company. At EUR 5.6 million, they were EUR 0.3 million higher than the previous year's figure.

Other operating income declined from EUR 4.5 million to EUR 2.2 million owing to less income from appreciation of financial assets (- EUR 2.0 million). Personnel expenses rose slightly from EUR 5.7 million in 2016 to EUR 6.0 million. Other operating expenses increased by EUR 5.4 million, to EUR 12.7 million. Higher exchange rate losses and higher legal and consulting expenses were incurred in the year under review.

Income from the portfolio companies increased once again, due to the good results achieved by the subsidiaries. Last year this income amounted to EUR 67.7 million. In the year under review, we were able to appropriate income from the portfolio companies in the amount of EUR 74.5 million. Income from long-term loans classified as financial assets rose, by EUR 3.3 million, and reached EUR 49.8 million. At EUR 6.6 million, interest income was below the level recorded in the previous year (EUR 7.4 million).

Depreciation and amortization on property, plant and equipment, and intangible assets remains unchanged against the previous year at EUR 0.5 million. The impairments of long-term financial assets relate to impairments recorded pursuant to impairment testing of investment carrying amounts. In the year under review, carrying amounts of investments in subsidiaries in the Metals Technology segment were impaired in the amount of EUR 12.7 million. Expenses from loss absorption, on the other hand, were reduced from EUR 9.5 million to EUR 5.8 million and relate to, among other things, losses from repositioning measures in the Automotive Technology segment. Interest expense in the amount of EUR 11.9 million was EUR 0.6 million less than the previous year's figure.

Thus on the whole, earnings from ordinary business activities improved to EUR 89.1 million. Taxes for the financial year amounted to EUR 7.3 million, EUR 1.1 million less than in the previous year. Net income for the year therefore improved by EUR 6.8 million to EUR 81.8 million.

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

	DEC. 31, 2017	DEC. 31, 2016
ASSETS		
Intangible assets	0.1	0.2
Property, plant and equipment	6.0	4.0
Financial assets	1,125.4	1,046.7
Fixed assets	**1,131.5**	**1,050.9**
Receivables and other assets	313.0	287.4
Cash on hand and bank balances	6.0	21.6
Current assets	**319.0**	**309.0**
Prepaid expenses	0.3	0.3
Total assets	**1,450.8**	**1,360.2**
LIABILITIES		
Equity	855.6	806.9
Provisions	5.3	5.5
Liabilities	546.3	503.7
Deferred tax liabilities	43.6	44.1
Total assets	**1,450.8**	**1,360.2**

The holding company's statement of financial position reflects the carrying amounts of the portfolio companies along with long- and short-term loans to the portfolio companies. The total assets of INDUS Holding AG increased by 6.7%, this is particularly due to the acquisition of M+P INTERNATIONAL and PEISELER, but also the additional financing provided for higher business volumes at the subsidiaries. As of December 31, 2017, total assets amounted to EUR 1,450.8 million. As a result, financial assets increased by EUR 78.7 million.

Current assets increased by EUR 10.0 million, to EUR 319.0 million. This is due to higher receivables and other assets (+ EUR 25.6 million). Cash and cash equivalents decreased by EUR 15.6 million, to EUR 6.0 million.

The equity of INDUS Holding AG was increased in the period under review by EUR 48.7 million, to EUR 855.6 million. The equity ratio as of December 31, 2017, amounted to 59.0% and is only slightly below the equity ratio as of December 31, 2016 (59.3%). Liabilities are, at EUR 546.3 million as of December 31, 2017, higher by EUR 42.6 million than as of December 31, 2016. This relates to liabilities to banks and liabilities to affiliated companies.

INDUS employed a total of 30 employees, not including the Board of Management, as of December 31, 2017 (previous year: 26 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).

COMPENSATION OF THE BOARD OF MANAGEMENT

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 calculated on the basis of 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 like-

BOARD OF MANAGEMENT REMUNERATION – GRANTED BENEFITS (in EUR '000)

	JÜRGEN ABROMEIT CHAIRMAN OF THE BOARD OF MANAGEMENT (SINCE 2012; BOARD MEMBER SINCE 2008)				AXEL MEYER BOARD MEMBER (SINCE 2017)			
	2016	2017	2017 (MIN.)	2017 (MAX.)	2016	2017	2017 (MIN.)	2017 (MAX.)
Basic salary	550	625	625	625	0	85	85	85
Ancillary benefits	20	17	17	17	0	7	7	7
Total	**570**	**642**	**642**	**642**	**0**	**92**	**92**	**92**
One-year variable remuneration	270	270	0	405	0	43	0	64
Multi-year variable remuneration								
Tranche 2016*	140	0	0	0	0	0	0	0
Tranche 2017**	0	140	0	280	0	18	0	35
Total	**410**	**410**	**0**	**685**	**0**	**61**	**0**	**99**
Benefit expenses	0	0	0	0	0	0	0	0
Totel compensation	**980**	**1.052**	**642**	**1.327**	**0**	**153**	**92**	**191**

* Tranche 2016: Virtual stock options (Jan. 1, 2016 – Dec. 31, 2021)
** Tranche 2017: Virtual stock options (Jan. 1, 2017 – Dec. 31, 2022)

wise 100%. 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. If the target attainment is greater than 125%, a cap (maximum upper limit) applies.

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%). 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 2017, 42,887 SARs were granted (previous year: 40,241). On the date on which they were granted, the total fair value of the SARs was EUR 298,000 (previous year: EUR 280,000). The fair value of previously granted SARs was calculated at a total of EUR 1,978,000 on the reporting date (previous year: EUR 1,974,000). A provision in this amount was formed in the annual financial statements. Personnel expenses include the EUR 564,000 change in fair value before discounting (previous year: EUR 567,000). 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. For the 2016 and 2017 fiscal years, Board of Management compensation was

DR. JOHANNES SCHMIDT BOARD MEMBER (SINCE 2006)				RUDOLF WEICHERT BOARD MEMBER (SINCE 2012)			
2016	2017	2017 (MIN.)	2017 (MAX.)	2016	2017	2017 (MIN.)	2017 (MAX.)
370	387	387	387	340	340	340	340
18	17	17	17	32	31	31	31
388	**404**	**404**	**404**	**372**	**371**	**371**	**371**
170	170	0	255	170	170	0	255
70	0	0	0	70	0	0	0
0	70	0	140	0	70	0	140
240	**240**	**0**	**395**	**240**	**240**	**0**	**395**
0	0	0	0	0	0	0	0
628	**644**	**404**	**799**	**612**	**611**	**371**	**766**

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 company cars. Deferred salary plans resulted in the accumulation of pension rights by a former Board of Management member. These were 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 remuneration for the Board of Management can be found in the table "Granted Benefits".

BOARD OF MANAGEMENT REMUNERATION – AMOUNTS RECEIVED IN YEAR UNDER REVIEW (in EUR '000)

	JÜRGEN ABROMEIT CHAIRMAN OF THE BOARD OF MANAGEMENT (SINCE 2012; BOARD MEMBER SINCE 2008)		AXEL MEYER BOARD MEMBER (SINCE 2017)		DR. JOHANNES SCHMIDT BOARD MEMBER (SINCE 2006)		RUDOLF WEICHERT BOARD MEMBER (SINCE 2012)	
	2016	2017	2016	2017	2016	2017	2016	2017
Basic salary	550	625	0	85	370	387	340	340
Ancillary benefits	20	17	0	7	18	14	32	31
Total	**570**	**642**	**0**	**92**	**388**	**401**	**372**	**371**
One-year variable remuneration	377	398	0	38	240	251	240	251
Multi-year variable remuneration								
Tranche 2012*	210	0	0	0	140	0	93	0
Tranche 2013**	0	280	0	0	0	140	0	140
Total	**587**	**678**	**0**	**38**	**380**	**391**	**333**	**391**
Benefit expenses	0	0	0	0	0	0	0	0
Total compensation	**1,157**	**1,320**	**0**	**130**	**768**	**792**	**705**	**762**

* Tranche 2012: Virtual stock options (Jan. 1, 2012 – Dec. 31, 2017)
** Tranche 2013: Virtual stock options (Jan. 1, 2013 – Dec. 31, 2018)

SUPERVISORY BOARD COMPENSATION

Supervisory Board compensation is governed by Item 6.16 of the articles of association. 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 Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. No additional fee is paid to committee members for committee meetings held on the same day as Supervisory Board meetings. Nor are attendance fees paid for resolutions taken by circulating written ballots. The chairman and deputy chairman of the Nomination Committee and Audit Committee do not receive additional fees. Supervisory Board members who do not serve for the entire fiscal year receive pro rata compensation. Compensation is reduced pro rata accordingly for failure to attend Supervisory Board meetings and/or committee meetings.

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 2017 fiscal year was EUR 338,000 (previous year: EUR 338,000). No Supervisory Board member received fees for personally performed advisory services to Group companies (previous year: EUR 0). See 'Further Information' in the chapter of the same name for additional offices held by Board of Management or Supervisory Board members on legally mandatory Supervisory Boards or comparable domestic or foreign oversight bodies. 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	
	2016	2017	2016	2017	2016	2017
Helmut Späth	60	60	30	30	90	90
Dr. Jürgen Allerkamp	45	45	23	23	68	68
Dr. Ralf Bartsch	30	30	15	15	45	45
Dr. Dorothee Becker	30	30	15	15	45	45
Prof. Dr. Kammerlander	0	15	0	9	0	24
Hans Joachim Selzer	30	15	15	6	45	21
Carl Martin Welcker	30	30	15	15	45	45
Total	**225**	**225**	**113**	**113**	**338**	**338**

ACQUISITION-RELATED DISCLOSURES

DISCLOSURES PURSUANT TO SECTIONS 289a (1) AND 315a (1) OF THE HGB: SUBSCRIBED CAPITAL, VOTING RIGHTS, AND TRANSFER OF SHARES

As of December 31, 2017, the share capital 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 exist no shares with privileges conferring control rights. The Board of Management is not aware of any voting rights control in cases when employees hold shares of INDUS Holding AG without exercising their own control rights directly.

APPOINTMENT AND DISMISSAL OF BOARD OF MANAGEMENT MEMBERS

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 item 5.1 of the Articles of Incorporation, the Board of Management consists of one or more individuals. Pursuant to item 5.2 of the Articles of Incorporation, the Supervisory Board may appoint one Board of Management member as chairman or spokesman, and another member as deputy chairman.

MATERIAL AGREEMENTS IN THE EVENT OF A CHANGE IN CONTROL

In the event of a material change in the composition of the Supervisory Board and the company's business approach (change of control), the members of the Board of Management of INDUS Holding AG 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 § 626 BGB, the company will pay out severance to the members of the Board of Management. The severance payment will be based on the full remuneration, 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 ASSOCIATION

Amendments to the articles of association 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 item 7.12 of the articles of association, the Supervisory Board is authorized to adopt purely editorial amendments to the articles of association and, pursuant to item 4.5, to change wording to reflect the use of authorized capital.

SHARE ISSUANCE AND BUY-BACK POWERS OF THE BOARD OF MANAGEMENT

CONTINGENT CAPITAL

The company's share capital was conditionally increased by up to EUR 11,700,000.04, divided into up to 4,500,000 no-par-value bearer or – insofar as the company's articles of association allow for the issue of registered shares at the time of issuance – registered shares (Contingent Capital 2013). The conditional capital increase is carried out only if the holders or creditors of convertible bonds or warrants from option bonds (or of a combination of these instruments) by the company or its Group companies pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting of June 24, 2013 exercise their conversion or option rights, or those obligated under the convertible bonds or option bonds (or a combination of these instruments) issued or guaranteed on or before June 23, 2018 by the company or its Group companies pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting of June 24, 2013 fulfill their conversion or option duty and the contingent capital is needed 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.

AUTHORIZED CAPITAL

In accordance with item 4.3 of the Articles of Incorporation, the Board of Management is authorized to increase the company's share capital one or more times (Authorized Capital 2014), up to a total of EUR 31,785,660.51 in exchange for cash and/or non-cash contributions (including mixed non-cash contributions) until June 10, 2019, with the approval of the Supervisory Board, and to set a date other than as provided by law on which profit sharing is to begin, including retroactively for an already ended fiscal year, provided that no resolution has yet been taken regarding the profit. The shareholders are to be given subscription rights. The new shares may be assumed also by one or more financial institutions chosen by the Board of Management with the obligation to offer them to the shareholders (indirect subscription rights). 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 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. The Board of Management is authorized to establish, with the Supervisory Board's approval, the further particulars of the capital increase and its implementation, particularly the content of the share rights and the terms of the share issue, including the issue amount. The Supervisory Board is authorized to revise the Articles of Incorporation in accordance with the amount of the capital increase from authorized capital.

SHARE BUYBACKS

The Annual Shareholders' Meeting on June 3, 2015, also authorized the Board of Management, with the approval of the Supervisory Board, to buy back shares up to 10% of the company's share capital 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 share capital may be bought back under this authorization, including 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 its own 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 own 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 buying 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 on 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 mergers;
- 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 buying 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 share capital at the time of the resolution of the Annual Shareholders' Meeting concerning this authorization or, if less, to 10% of the share capital 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 own 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 own 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 shares, with the approval of the Supervisory Board, 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. Own shares can be recalled also in a simplified process without a capital reduction by adjusting the proportionate share of share capital 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 DIALOG 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 dialog" 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 Board of Management also regularly explores, independently of the portfolio companies, the possibilities for the Group's further strategic development, studying in particular such global growth drivers as digitalization, mobility, infrastructure, health, and security. 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.

QUEST FOR STRATEGIC ADDITIONS

The holding company helps the portfolio companies exploit their opportunities by providing both advice and financial resources, for example for strategic additions at the company level. 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 dialog 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 OPPORTUNITIES

STRATEGIC OPPORTUNITIES FOR THE GROUP

INDUS' business policy revolves around increasing the value of the portfolio. The most significant strategic opportunities therefore derive from acquiring, holding, and financing the portfolio companies' development possibilities. INDUS's M&A activities are therefore of central importance. To systematically take advantage of its acquisition opportunities, INDUS has identified in its strategic COMPASS 2020 program 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, transport and logistics, energy and environmental technology, measurement technology and control systems along with 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 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 often 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 and 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 trend 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 net assets, financial, and earnings position. Thus in compliance with industry standards and 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 PURSUANT TO SECTIONS 289 (4), 315 (4) OF THE 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 effectiveness with regard to the objectives. 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 management control department 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 EDP 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 reporting formats. 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 department of INDUS Holding AG ensures, 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 2018 COMPARED WITH PREVIOUS YEAR
Business environment and sector risks	significant	unchanged
Corporate strategy risks	significant	unchanged
Performance risks	significant	unchanged
Personnel risks	low	increased
EDP risks	significant	unchanged
Financial risks	low	unchanged
Legal risks	significant	unchanged
Other risks	low	unchanged

Extent of possible financial impact on consolidated result or consolidated EBIT:
low (<EUR 5 million), significant (EUR 5 to 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.

INDUS concentrates on the acquisition of medium-sized production companies in Germany and other German-speaking countries. Currently 50% of total sales are generated domestically (previous year: 51%). The Group's business is thus still strongly affected by the state of the German economy. In recent years, this dependency on the German market has decreased significantly thanks to strategic international business expansion. This regional diversification of operational activities reduces business risk for INDUS. Further internationalization will gradually de-prioritize the domestic market.

CORPORATE STRATEGY RISKS

Risks associated with corporate strategy 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; an 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. 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 anti-virus programs and firewall soft- and hardware, access control measures, and other preventative protection measures such as raising employee awareness and training. Measures to prevent, discover and handle cyber attacks 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 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 collateral is not held. 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 partially hedged via interest rate swaps. A change in interest rates during loan term would thus hardly affect income at all, as the aforementioned instruments nearly fully hedge interest rate risks, interest rate changes on variable debt being offset by the corresponding derivative financial instruments. The nominal volume of interest rate hedges totaled EUR 290.5 million as of December 31, 2017 (previous year: EUR 99.7 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 13.4 million as of December 31, 2017 (previous year: EUR 27.0 million); this was mainly attributable to the portfolio companies. Further explanation of financing matters may be found in the Notes under "Information on the significance of financial instruments".

LEGAL RISKS

INDUS Holding AG and its portfolio companies are exposed to numerous legal risks. These lie primarily in the areas of competition, antitrust, foreign trade, customs, and tax law. Risks also arise from the individual portfolio companies' 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 74.8 million were carried on the balance sheet in 2017 (previous year: EUR 67.8 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 the non-financial explanation, INDUS reports risks linked to the Group's business activities, business relationships, products, and services, and which 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 428.6 million in goodwill (previous year: EUR 408.7 million). According to IAS 36, this must be subjected to an impairment test at least once a year. If an impairment is found to be evident, goodwill must be written down accordingly. There were no impairments in the year under review (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 2018

In fiscal 2017, INDUS continued pursuing its long-term corporate strategy. The ongoing positive liquidity situation was used to acquire two new direct companies. For 2018, INDUS aims to further strengthen its position through acquisitions; emphasis will be given to measurement technology and control systems and to the fields of automation, energy and the environment, and health and safety. The Board of Management sees great growth opportunities for 2018 in possible acquisitions at both the portfolio level and the level of the portfolio companies.

Approximately EUR 140 million are earmarked for planned investments (in fixed assets 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 2018 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. It is the opinion of the Board of Management that the risks in 2017 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

The economic outlook is positive. The markets 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 are therefore subject to the assumption 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 over the last five years.

ECONOMIC OUTLOOK

GLOBAL ECONOMY: ECONOMY CONTINUES TO GROW FOR THE TIME BEING

Virtually all large national economies are in upswing, and this trend is expected to gain slightly more pace again in the current year. According to its forecast published at the end of 2017, the Kiel Institute for the World Economy (IfW) expects growth of 0.1% in global production to 3.9% in 2018. Growth is not expected to be higher due to the high level of utilization of capacities.

The upswing in the advanced economies will lose virtually no momentum: Following 2.4% past year, growth of 2.3% is forecast for this year. Economic experts expect expansionary monetary policies will continue, albeit in lesser manner, an increase in measures to stimulate the economy, and a return to stronger increases in demand in developing and emerging markets.

While the growth rate has dropped once more in China, it is expected to continue in the remaining emerging markets. This growth will be buoyed by higher raw material prices and robust overseas economies. In numerous countries, for example Latin American countries, less restrictive monetary policy will also provide impetus for growth.

The global economy still faces numerous political risks this year. The long-standing fear that the US government could significantly impact the global economy if it took a more protectionist course has not yet materialized. But the onslaught of initiatives from the US government aimed at benefiting the trade interests of the United States increase the likelihood that sooner or later one of them will actually be implemented. China and the western industrialized nations are currently carefully monitoring announcements from the President of the United States regarding the introduction of penalties on foreign products, and explicitly warning the United States against inciting a global trade war. In Europe, Catalonia's current attempts to gain independence clearly show that there is still a great lack of unity in the EU. And monetary policy risks are once again coming to the fore. It is therefore possible that the upcoming normalization of monetary policy may cause sudden uncertainty on the capital market, resulting in drastic corrections.

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

	2017 (PRELIMINARY)	2018 (FORECAST)	2019 (FORECAST)
Economic regions			
Global economy	3.8	3.9	3.6
Euro area	2.4	2.3	2.0
Selected countries			
USA	2.3	2.5	1.9
China	6.8	6.4	6.1
India	6.4	7.3	7.0
Japan	1.8	1.5	1.3
Germany	2.3	2.5	2.2

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

GERMANY: ECONOMY APPROACHING FULL CAPACITY

Economic experts predict a modest continuation of positive development in Germany in 2018, with the gross domestic product growing 0.2 percentage points to 2.5%. This will push capacities, which are already close to full utilization, closer to the limit. Buoyed by income growth, private consumer spending will continue to climb and the construction boom will be carried by the ongoing favorable financing conditions. Bottlenecks in capacity utilization will lead to an increase in construction prices. Company investments will also drive growth, as the companies overcome their reluctance to invest in the face of the high capacity utilization and excellent business prospects.

The solid global economy will boost exports, which could rise by 5.0% (2017: 4.3%). Goods flows will be continue to be expanded in the euro area and to Asia. The lively domestic economy will continue to boost imports, with imports expected to climb by 5.7% (2017: 4.8%). This will again slightly worsen the terms of trade, that is the international import exchange ratio.

On the labor market, employment will carry on rising. The Institute for the World Economy forecasts that the annual unemployment average will fall from 5.7% last year to 5.4% this year. The supply of labor is showing increasing scarcity, and the results of the wage agreements will be noticeable. Overall, wages will continue to rise.

PRICE INCREASES EXPECTED TO DUE ONGOING LOW BASE RATES

The rising inflation in prices seen in the previous year is expected to maintain its level in 2018 and come in again at 1.7%. The inflation rate will thus tend once again towards the European Central Bank's target rate of 2.0%.

While the American Federal Reserve Bank appears inclined to raise interest rates, the ECB is expected to keep base rates low in the euro area until further notice. However during a meeting in October, the ECB council sent out the first signal that it may be considering a change of course: It decided to continue purchases at the monthly volume of EUR 60 billion in the expanded asset purchase programme (APP) until the end of 2017, and then to reduce the net purchases from January 2018 to a monthly volume of EUR 30 billion.

GERMAN INDUSTRY: GROWTH EXPECTED TO CONTINUE

Overall, German industrial production will remain on a solid growth trajectory in 2018. The companies' order books are well filled and, following a short pause in November, production has picked up pace again. According to the Deutsche Bundesbank, the economy is operating at a capacity similar to that at the peak of the boom before the 2007 global financial crisis. Capacity expansion is growing increasingly important in light of the high utilization of capacities. Four out of ten industrial companies are increasing their budgets for new facilities and machinery according to an economic study carried out by the German Association of Chambers of Commerce and Industry (DIHK).

Companies in the German construction sector have high hopes for the current year. Based on preliminary indicators and the positive overall economic conditions, the two leading trade associations HDB and ZDB anticipate around 4% growth in 2018, which equates to an increase in sales of EUR 117 billion. Residential construction will continue to be one of the most important growth drivers (+3.5%). With an anticipated 320,000 new apartments, the completion rate in 2018 will be double that of 2010. Commercial construction will also continue to rise, due to companies' willingness to invest (+4%). Public construction will continue to benefit from the government's high level of investment activity in traffic routes and will also grow significantly (+4%). The extension of the municipal investment promotion fund in 2017, through which the investment volume was doubled to EUR 7 billion, will also have a positive effect on sales.

International car manufacturers anticipate slight growth in 2018. According to estimates by the trade association VDA, the global market for cars will expand by 1% in the current year to 85.7 million new cars sold. One of the factors supporting growth will be further sales increases in China, Russia, and Brazil. In contrast, the US market will contract again. Sales levels will remain stable in the European countries. Germany will not be able to sustain the high level of sales recorded in 2017 and will contract by 2% (to 3.4 million units). The global volume of vehicles produced by German manufacturers is expected increase by 2% to 16.7 million. German domestic production will remain stable at 5.6 million cars, and Germany’s exports will be on a par with the previous year at 4.3 million vehicles. The focus on alternative drives/e-mobility is becoming ever stronger. German car manufacturers are tackling this head on and have declared they will invest EUR 40 billion in alternative drives alone by 2020. The VDA expects that 15 to 25% of newly registered cars will be electric in 2025.

All signs point to the German engineering sector performing well again in 2018. The trade association Verband Deutscher Maschinen- und Anlagenbau e. V. (VDMA) anticipates that German engineering companies will maintain their dynamism and achieve growth of 3%. Sales in the sector will therefore climb to EUR 230 billion. Despite this positive outlook, the sector faces a number of uncertainties both at home and abroad: The VDMA justifiably hopes that the investment jam that has been building for a while will gradually dissipate in Germany. Simultaneously, the association is demanding urgent decisions and measures from the political powers to strengthen the sector’s competitive position. The issues include a full-coverage construction of a gigabit network, the introduction of tax benefits for research, and labor policies and laws that are in line with the practical realities that companies face. External issues include monitoring developments in the two largest importing countries, the United States and China.

The outlook for companies in the medical engineering sector remains positive, despite the fact that regulatory requirements (EU data protection regulation, EU medical device regulation (MDR)) continue to push up costs. The trade association Spectaris forecasts sales growth of almost 5% in 2018. That means roughly 1,260 companies with more than 20 employees will generate sales of around EUR 32 billion. At the moment around two thirds of sales are exports. Demographic changes, the increasing importance of “good health,” and an increase in demand particularly from the emerging markets continue to have a positive effect on sentiment in the sector. Individual medical care, digitalization in the healthcare sector, and new approaches in in-vitro diagnostics are also important growth drivers. Spectaris also anticipates continual growth on the global market in the coming years of 5%, pushing the market volume to USD 530 billion by 2022. We can assume that German medical engineering can, at least proportionately, benefit from these developments.

The outlook for the metals and electronics industry remains positive. There was another uptick in incoming orders at the end of the year, which point to the continuation of growth. Capacity utilization also continued to climb, coming in well-above the multi-year average in January 2018. The industry expects somewhat slower growth of 2.5 to 3.0% over the year as a whole.

Despite the optimistic expectations, some risks and uncertainties remain for the industry: The domestic economy continues to rely too heavily on consumers and not enough on investors. The automotive market is also currently plagued by uncertainty. In addition to Brexit and the possibility of more restrictive trade policies of the United States, new uncertainties are rearing their head in the form of a strong euro and a downturn in trade with Turkey.

EXPECTED GROUP PERFORMANCE

REFINING COMPASS 2020: TECHNOLOGICAL STRENGTH AND INNOVATION

In 2018, INDUS will continue to follow the strategy laid out in 2012 with COMPASS 2020. In doing so, the holding company continues to orient itself to three fundamental objectives: growth, value enhancement, and securing a portfolio structure that is balanced in terms of industry, market cycle, and market opportunities.

To achieve these objectives, INDUS is continuing the (support) measures that have stood the test of time: It provides capital for portfolio companies to implement their plans, networks and knowledge, and keeps an eye out for suitable acquisitions at the holding level. The holding company has been successfully following the COMPASS 2020 strategy programme for five years now, all the while refining the strategic focus. Two of the main focal points here are innovation management and digitalization.

When it comes to growth acquisitions to complement the holding company's portfolio, the Board of Management particularly looks to companies in the five technology-heavy growth sectors: Infrastructure and logistics technology, automation, measuring technology and control engineering, energy and environmental technology, medical engineering and life science technology, and construction and safety technology. The company is also interested in acquiring larger businesses with an annual turnover of more than EUR 50 million. The company will continue to follow the tried-and-tested strategy of acquiring companies in earlier stages of development, particularly as complementary additions to existing portfolio companies. All potential new portfolio companies must fit the Group's core criteria, and this general prerequisite for all acquisitions will continue to apply. At the first level, INDUS is still looking at companies in the German-speaking region; at the second level, the holding company dedicatedly supports international acquisitions, particularly in Europe, Asia, and North America. In addition to acquisitions, it may also be necessary to divest companies from the portfolio in individual cases, following in-depth continuation and portfolio analyses.

To tackle the challenges of digital transformation and to secure the long-term competitiveness of the portfolio companies, the holding company has set up and implemented an offer to support innovation in the portfolio companies. As part of its development bank model, the holding company currently supports twelve innovation projects within the companies aimed at tapping into new technologies and/or markets. The focus is on the growth areas of industry 4.0/digitalization, medical engineering for an aging society, innovative construction techniques, green tech, public and private security, and intelligent logistics infrastructures. Another 14 subsidiaries have taken up the tool box offer for methodological knowledge in the area of innovation management. It is the holding company's aim to continue following this strategy of supporting innovation through funds and the imparting of knowledge and networks.

With these overall positive general conditions, the Board of Management expects that INDUS will be able to expand its market position further in 2018: sales should come in between EUR 1.65 and 1.70 billion and earnings between EUR 154 to 160 million. These target figures do not take into account the new acquisitions that are sought at the first and second levels. In light of the proactive growth strategy of acquiring companies, the EBIT margin, adjusted for accounting effects from initial consolidations, is vital for evaluating the operative earning power. The target remains an EBIT margin of 10%. The Board of Management assumes that the two repositioning projects that negatively impacted the earnings margin in 2017, and will likely continue to impact the margin, at least partially, in 2018, will be completed by the middle of the year.

Rising raw material and energy prices along with higher wages will inhibit the continuation of the growth path. While INDUS portfolio companies manage to pass on the rise in material costs to some extent, wage increases from union wage agreements will have a more direct impact. This is particularly true in light of the increasing shortage of skilled workers. The search for qualified personnel will become a considerable risk factor in the future. For the other items on the consolidated statement of income, the Board of Management expects only changes on the usual scale.

The operating cash flow is expected to maintain its high level in 2018 as well and, together with the high level of liquidity, provide a sound basis for further implementation of the company's growth strategy. The investment budget for the coming year is EUR 88 million (excluding acquisitions). In addition to (international) expansion measures, the focus will be on projects within the portfolio companies to increase efficiency. This is due to the fact that some portfolio companies have reached full capacity. The investment budget for acquisitions is EUR 50 million. As in previous years, the Board of Management aims for two growth acquisitions per year. In the face of an overheating market, however, the guiding principle remains to make only acquisitions that comply with INDUS's investment criteria. At the same time, the option to increase the budget for acquisitions under certain circumstances remains open, in order to implement larger acquisition projects in the future. INDUS still strives to carry out its financing activities as independently of banks as possible.

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. As in years past, the INDUS Group's equity ratio is not to fall below 40%. In order to carry out planned necessary measures, INDUS will take up debt in 2018. 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 corridor.

FINANCIAL POSITION: FURTHER GROWTH

TARGET – ACTUAL COMPARISON

	ACTUAL 2017	PLAN 2018
GROUP		
Acquisitions	2 growth acquisitions	2 growth acquisitions
Sales	EUR 1,640.6 billion	EUR 1.65–1.70 million
EBIT	EUR 152.9 million	EUR 154–160 million
Investments in property, plant and equipment	EUR 79.0 million	EUR 88 million
Equity ratio (in %)	40.8%	>40%
Net debt/EBITDA	1.9 years	between 2.0 and 2.5
SEGMENTS		
Construction/Infrastructure		
Sales	EUR 330.4 million	slight rise in sales
EBIT	EUR 49.4 million	proportional increase in earnings
EBIT margin (in %)	15.0%	13–15%
Automotive Technology		
Sales	EUR 394.1 million	no change
EBIT	EUR 14.7 million	perceptible increase in earnings
EBIT margin (in %)	3.7%	5–7%
Engineering		
Sales	EUR 375.1 million	slight rise in sales
EBIT	EUR 53.5 million	proportional increase in earnings
EBIT margin (in %)	14.3%	12–14%
Medical engineering/ Life science		
Sales	EUR 155.2 million	slight rise in sales
EBIT	EUR 20.8 million	no change
EBIT margin (in %)	13.4%	13–15%
Metals Technology		
Sales	EUR 385.6 million	slight rise in sales
EBIT	EUR 24.2 million	perceptible increase in earnings
EBIT margin (in %)	6.3%	8–10%

Economic conditions remain very positive for the Construction/Infrastructure segment. The large order placed in the digital infrastructure area of the segment in 2016 will continue to run through 2018, contributing to the high sales and earnings level. In light of virtually full capacity utilization, the shortage of skilled workers is started to restrict the companies. The Board of Management is still actively looking for complementary acquisitions in the growing construction and safety technology sector. The slight increase expected in sales and a proportional increase in earnings should make it possible to achieve an EBIT margin in the slightly higher range of between 13% and 15%.

The Board of Management is cautiously optimistic about the future performance of portfolio companies in the Automotive Technology segment. It believes that the high-margin companies pre- and post-series will benefit if the investment budget of the OEMs starts increasing again. The position of the series suppliers is less promising: On the one hand, the high call figures in 2017 will probably not be matched again, on the other, the pressure on margins continues to impact the supply side. The ongoing repositioning measures in the segment are due to be completed by the middle of the year. Overall, with sales forecast to remain the same, the EBIT margin is set at between 5% and 7%.

The sector outlook for the Engineering segment promises positive conditions. There is great development potential in the area of logistics in particular. In line with the strategy followed over the last years, the company strives for further growth through acquisitions. The prospect of a hard Brexit, with the negative impact it will likely have on the export-heavy engineering sector, remains a risk. Slight growth is expected in sales, with a proportional increase in earnings. The target remains an EBIT margin between 12% and 14%.

For the Medical Engineering/Life Science segment the industry environment remains positive in 2018, despite the increasing regulatory requirements. The Board of Management believes the growing sector medical engineering for an aging society holds great promise – with room for complementary acquisitions in the growth industry medical engineering/life science. INDUS has set consistent earnings as a target with a slight increase in sales in this segment. INDUS continues to aim for an EBIT margin between 13% and 15%.

The outlook for the companies in the Metals Technology segment is cautious based on a positive underlying trend. Rising material and in particular wage costs will put dampeners on growth. The ongoing repositioning activities in this segment – due to be completed by the middle of the year – are running on schedule, which means there should be a noticeable increase in earning power over the course of the year. Overall, based on a slight increase in growth, an EBIT margin of between 8% and 10% is forecast for this segment.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

in EUR '000	NOTES	2017	2016
SALES	[6]	**1,640,640**	**1,444,270**
Other operating income	[7]	16,536	20,246
Own work capitalized	[8]	5,131	6,218
Changes in inventories	[9]	5,204	11,113
Cost of materials	[10]	-745,894	-648,685
Personnel expenses	[11]	-479,679	-430,230
Depreciation/amortization	[12]	-62,438	-55,976
Other operating expenses	[13]	-228,019	-203,507
Income from shares accounted for using the equity method		1,081	965
Financial income	[14]	303	520
OPERATING INCOME (EBIT)		**152,865**	**144,934**
Interest income		231	516
Interest expense		-23,905	-22,072
INTEREST INCOME	[15]	**-23,674**	**-21,556**
EARNINGS BEFORE TAXES		**129,191**	**123,378**
Taxes	[16]	-46,117	-42,960
EARNINGS AFTER TAXES		**83,074**	**80,418**
of which allocable to non-controlling shareholders		737	377
of which allocable to INDUS shareholders		82,337	80,041
Earnings per share, basic, in EUR	[17]	3.37	3.27
Earnings per share, diluted, in EUR		3.37	3.27

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

in EUR '000	2017	2016
EARNINGS AFTER TAXES	**83,074**	**80,418**
Actuarial gains/losses	-13,258	-960
Deferred taxes	2,839	284
Items not reclassified to profit or loss	**-10,419**	**-676**
Currency translation adjustment	-9,233	-2,191
Change in the market values of derivative financial instruments (cash flow hedge)	-943	1,575
Deferred taxes	241	-249
Items to be reclassified to profit or loss	**-9,935**	**-865**
OTHER COMPREHENSIVE INCOME	**-20,354**	**-1,541**
TOTAL COMPREHENSIVE INCOME	**62,720**	**78,877**
of which allocable to non-controlling shareholders	737	377
of which allocable to INDUS shareholders	61,983	78,500

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR '000	NOTES	DEC. 31, 2017	DEC. 31, 2016
ASSETS			
Goodwill	[18]	428,590	408,702
Other intangible assets	[19]	86,454	74,306
Property, plant and equipment	[19]	397,008	369,331
Investment property	[19]	5,220	5,412
Financial assets	[20]	13,995	12,214
Shares accounted for using the equity method	[21]	10,903	10,497
Other non-current assets	[22]	2,594	3,029
Deferred taxes	[23]	8,862	2,258
Non-current assets		**953,626**	**885,749**
Inventories	[24]	339,154	308,697
Receivables	[25]	197,528	177,626
Other current assets	[22]	18,247	16,424
Current income taxes	[23]	8,750	5,928
Cash and cash equivalents		135,881	127,180
Current assets		**699,560**	**635,855**
TOTAL ASSETS		**1,653,186**	**1,521,604**
EQUITY AND LIABILITIES			
Subscribed capital		63,571	63,571
Capital reserves		239,833	239,833
Other reserves		367,509	338,534
Equity held by INDUS shareholders		**670,913**	**641,938**
Non-controlling interests in the equity		2,900	2,630
Equity	[26]	**673,813**	**644,568**
Pension provisions	[27]	43,969	29,020
Other non-current provisions	[28]	2,377	2,217
Non-current financial liabilities	[29]	439,545	389,757
Other non-current liabilities	[30]	29,174	47,729
Deferred taxes	[23]	45,956	37,595
Non-current liabilities		**561,021**	**506,318**
Other current provisions	[28]	72,384	65,578
Current financial liabilities	[29]	95,301	113,974
Trade payables		66,162	55,409
Other current liabilities	[30]	174,081	127,505
Current income taxes	[23]	10,424	8,252
Current liabilities		**418,352**	**370,718**
TOTAL ASSETS		**1,653,186**	**1,521,604**

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, 2015	**63,571**	**239,833**	**290,861**	**-1,486**	**592,779**	**2,651**	**595,430**
Earnings after taxes			80,041		80,041	377	80,418
Other comprehensive income				-1,541	-1,541		-1,541
Total comprehensive income			**80,041**	**-1,541**	**78,500**	**377**	**78,877**
Dividend payment			-29,341		-29,341	-398	-29,739
BALANCE DEC. 31, 2016	**63,571**	**239,833**	**341,561**	**-3,027**	**641,938**	**2,630**	**644,568**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR '000	2017	2016
Income after taxes	83,074	80,418
Depreciation/appreciation of non-current assets (excluding deferred taxes)	62,438	55,976
Gains (-)/losses (+) from the disposal of assets	-762	-657
Taxes	46,117	42,960
Net interest	23,674	21,556
Income from companies accounted for using the equity method	-1,081	-965
Other non-cash transactions	197	-2,043
Changes in provisions	3,566	2,540
Increase (-)/decrease (+) in inventories, trade accounts and other assets	-41,185	-28,783
Increase (+)/decrease (-) in trade accounts and other liabilities	18,081	15,309
Income taxes received/paid	-49,907	-48,433
Dividends received	730	67
Operating cash flow	**144,942**	**137,945**
Interest paid	-21,211	-23,897
Interest received	231	516
Cash flow from operating activities	**123,962**	**114,564**
Cash outflow from investments in		
intangible assets	-7,721	-10,240
property, plant and equipment	-71,290	-59,724
financial assets and shares measured according to using the equity method	-2,451	-8,272
shares in fully consolidated companies	-32,414	-29,889
Cash inflow from the disposal of other assets	3,920	3,671
Cash flow from investing activities	**-109,956**	**-104,454**
Dividends paid to shareholders	-33,008	-29,341
Cash outflows from non-controlling shareholders	-664	-397
Cash outflow from the repayment of contingent purchase price commitments	-820	0
Cash inflow from raising of loans	151,006	132,270
Cash outflow from the repayment of loans	-120,412	-117,470
Cash flow from financing activities	**-3,898**	**-14,938**
Net changes in cash and cash equivalents	10,108	-4,828
Changes in cash and cash equivalents caused by currency exchange rates	-1,407	-187
Cash and cash equivalents at the beginning of the period	127,180	132,195
Cash and cash equivalents at the end of the period	**135,881**	**127,180**

NOTES

BASIC PRINCIPLES OF THE 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, 2017 to December 31, 2017 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 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 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 15, 2018. The Supervisory Board approved the consolidated financial statements at its meeting on March 22, 2018.

[2] APPLICATION AND IMPACT OF NEW AND REVISED STANDARDS

All standards whose application was mandatory as of December 31, 2017, 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 2017 FISCAL YEAR

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

Changes with respect to IAS 7 “Statement of Cash Flows” were applied from January 1, 2017. Changes to this standard affect the disclosure of information regarding debts arising from financing transactions. This results in reconciliation of financial liabilities from the balance sheet to the statement of cash flows.

STANDARDS PUBLISHED BY DECEMBER 31, 2017 WHICH WERE NOT APPLIED EARLY IN THESE FINANCIAL STATEMENTS

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

Revenue recognition based on time frame will have a particular impact for INDUS. The scope of time-frame revenue recognition corresponds to PoC accounting as of December 31, 2017. As of December 31, 2017, INDUS had an order backlog amounting to EUR 336,147,000, consisting of customer-specific construction contracts as defined in IAS 11. The other IFRS topics did not lead to any changes at INDUS as of Dec. 31, 2017.

- IFRS 9 "Financial Instruments" will be applied at INDUS for the first time 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 provisions for hedge accounting and expansion of the scope of application for basic hedging transactions.

The approach to classification and measurement adjustments will entail changes to the balance sheet structure and the information contained in the Notes. Applying the simplified hedge accounting rules have not resulted in any changes at INDUS.

- 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.

The new standard will have a material effect on the financial position of INDUS. Total assets will increase in the same way as 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, 2017, operating lease obligations amounting to EUR 71,979,000 are reported in the Notes.

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. Positive goodwill is not amortized but rather tested at least once annually for impairment. Negative differences are immediately charged against income. Positive goodwill is carried in the functional currency of the acquired subsidiary/Group.

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 held by non-controlling shareholders that are eligible are calculated at fair value.

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

CURRENCY TRANSLATION

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 at their fair values 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, 2017	DEC. 31, 2016	2017	2016
United Arab Emirates	AED	4.408	3.863	4.137	4.050
Brazil	BRL	3.976	3.431	3.605	3.837
Canada	CAD	1.511	1.419	1.464	1.465
Switzerland	CHF	1.169	1.074	1.111	1.090
China	CNY	7.805	7.320	7.626	7.348
Czech Republic	CZK	25.540	27.021	26.327	27.034
Denmark	DKK	7.447	7.343	7.439	7.445
Great Britain	GBP	0.886	0.856	0.876	0.816
Hungary	HUF	310.760	309.830	309.268	311.432
South Korea	KRW	1,280.860	1,269.360	1,273.211	1,283.433
Morocco	MAD	11.224	10.650	10.921	10.806
Mexico	MXN	23.604	21.772	21.335	20.627
Poland	PLN	4.176	4.410	4.256	4.363
Romania	RON	4.666	4.539	4.569	4.491
Serbia	RSD	118.300	123.260	120.965	122.695
Singapore	SGD	1.606	1.523	1.558	1.527
Turkey	TRY	4.555	3.707	4.121	3.337
Taiwan	TWD	35.608	–	34.359	–
USA	USD	1.200	1.054	1.130	1.106
South Africa	ZAR	14.848	14.457	15.035	16.208

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.

ACCOUNTING AND MEASUREMENT

Goodwill is not subject to amortization owing 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: 41) cash generating units. No individual goodwill amount is significant within the meaning of IAS 36.134.

Purchased intangible assets are measured at cost and amortized using the straight-line method over their useful lives of two to ten years, insofar as these can be determined. 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 less depreciation and amortization and, if applicable, impairments. 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 written down as 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 the major risks and opportunities, lease agreements are classified as operating leases or finance leases, with the consequence that finance leases are recognized as assets. Fixed assets leased within the framework of finance leases are capitalized at the fair value or the lower net present value of the minimum lease payments and subjected to amortization over the useful life or the shorter contractual term. The payment obligations resulting from the future leasing rates are shown discounted under financial liabilities.

Inventories are measured at cost or at the 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.

Production orders are recognized using the "percentage of completion" (PoC) method. Contract revenue and profit are not recognized upon transfer of risk, but rather by degree of completion. Revenue from the contract agreed with the customer and the anticipated costs of the contract are taken as the basis. The percentage of completion is calculated on the basis of the ratio of costs incurred to the total costs of the contract.

Anticipated losses from production orders are immediately recognized as expenses as they are identified, beginning with the recording of impairments on assets, in addition to which provisions are formed as needed. If the result of a production order is not yet sufficiently certain, revenue is recognized only in the amount of the contractual costs that have been incurred.

Financial instruments are contracts which simultaneously result in a financial asset at one company and a financial liability or equity instrument at another company. Subsequent asset valuations are carried out applying one of the following four categories: "measured at fair value through profit or loss", "held to maturity", "loans and receivables" and "available for sale." Financial liabilities are recognized in the two categories "measured at fair value through profit or loss" and "measured at amortized cost." The fair value option is not used.

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.

Investments stated under financial assets are normally carried at cost, as no quoted market price exists for such investments and a fair value cannot be reliably determined at a reasonable cost. Associated companies 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 measurement, the carrying amount is adjusted by the proportional changes in the associated company's equity.

Receivables and other assets are stated at amortized cost; for current receivables the carrying amount is the nominal amount. 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 settlement value.

Derivative financial instruments are used at 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 hedge instrument is effective and that this is documented and continuously monitored.

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 measurement of the hedging instruments described above, only market-related valuation techniques 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 factor for measuring interest-rate swaps.

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

For the evaluation of call/put options recognized at fair value market-related observable input forces (level 2) and internal data (level 3) were used. 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 factors 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 of varying design.

The expenses from defined contribution plans 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 through the change in consolidated equity and recorded on the statement of income and in pension provisions.

Other provisions are calculated for existing legal or constructive obligations to third parties relating to past events, in respect of which it is probable that an outflow of resources will be required and for which it is possible to make a reliable estimate of the amount of the obligation. 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 which are unlikely to result in an outflow of resources or the amount of which cannot be reliably determined. Disclosures must be made in the Notes regarding existing contingent liabilities.

Deferred taxes are identified for all temporary differences between the value recognized in the IFRS statement of financial position and the corresponding tax bases of assets and liabilities in accordance with 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. Based on a trade tax assessment multiplier of 395% and solidarity surcharge of 5.5%, the income tax rate for companies based in Germany amounts to 29.6% (previous year: 29.6%). Foreign tax rates remain between 16% and 39%.

For purposes of income realization, revenues are recorded when services have been performed or goods or products have been delivered, the risk having thereby passed to the customer. Rebates are deducted from revenues. The general prerequisite of this is that the amount of income can be reliably determined and that there is sufficient certainty that INDUS will derive economic benefits from this. Sales from services are recorded based on progress if the corresponding conditions are met. Earnings from construction contracts are recognized in accordance with stage of completion. Dividend income on equity shares is recognized when a legal claim to payment arises.

Virtual stock options (stock appreciation rights) granted as part of the long-term incentive program are classified as “share-based remuneration with cash settlement”. Provisions are formed for these and measured at the fair value of the commitments.

The statement of cash flows is divided into the sections "Cash flow from operating activities", "Cash flows from investing activities" and "Cash flows from financing activities" in accordance with the provisions of IAS 7. Interest and dividends received are assigned to cash flows from operating activities. Financial facilities on hand are equivalent to the statement of financial position item "Cash and cash equivalents" and include demand deposits and cash on hand. Cash flows from operating activities are 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 consolidated financial statements is influenced by assumptions and estimates made which have an impact on the recognized value of the assets, liabilities, and contingent liabilities as well as on income and expenses. When estimates are made regarding the future, actual values may deviate from the estimates. If the original basis for the estimates changes, the statement of the relevant items 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 derive from statement of financial position items in respect of which anticipated future cash flow series are discounted. The course of such cash flow series depends on future events about whose trends 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 2018 we do 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 finance 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 SHAREHOLDINGS LESS THAN 100%
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	10
Metals Technology	16	9	25	3
Other	9	0	9	1
Total	**119**	**68**	**187**	**50**
DEC. 31, 2016				
Construction/ Infrastructure	26	10	36	2
Automotive Technology	33	14	47	10
Engineering	22	17	39	15
Medical Engineering/ Life Science	7	9	16	9
Metals Technology	16	9	25	3
Other	10	0	10	1
Total	**114**	**59**	**173**	**40**

The main operating subsidiaries are listed in the Notes under item [43]. The complete list of shareholdings pursuant to Section 313 of the German Commercial Code, which is part of the Notes, is published electronically together with the consolidated financial statements in the German Federal Gazette.

The carrying amount of non-controlling interests amounts to EUR 2,900,000 (previous year: EUR 2,630,000). None of the non-controlling interests are in themselves material.

If minority shareholders have, as of the date of the initial consolidation, a right to tender from which INDUS is unable to withdraw and a combination with a call option for INDUS exists, economic ownership will remain with INDUS and the shares in question will be fully consolidated and recognized at fair value as a contingent purchase price liability. As of the reporting date, purchase price commitments from minority interests with a right to tender were recognized in the amount of EUR 64,275,000 (previous year: EUR 54,899,000). In all material instances, purchase price models ensure that the shares can be valued objectively taking company-specific risk structures into account, thereby facilitating the exchange of non-controlling interests at fair value. As a rule, both of the contractual parties can exercise the options at contractually determined times.

As of December 31, 2017, the scope of consolidation encompassed 37 limited liability companies (GmbH) which, as general partners, constitute a unit company with the associated limited partnership (December 31, 2016: 34 limited liability companies as general partners).

Additions to the scope of consolidation result from acquisitions or the foundation of new companies, or from the assumption of the operating activities of portfolio companies that had not previously been consolidated.

Removals from the scope of consolidation result from the merger of portfolio companies.

Three (previous year: three) subsidiaries which were of subordinate significance for the consolidated financial statements owing to their small size or minimal business activity are recognized at amortized cost according to IAS 39 (Financial Instruments: Recognition and Measurement) since there is no active market for them and their fair values cannot be ascertained with reasonable effort.

[5] BUSINESS COMBINATIONS

DISCLOSURES ON INITIAL CONSOLIDATION FOR THE CURRENT FISCAL YEAR

M+P INTERNATIONAL

INDUS Holding AG acquired 76.56% of shares in M+P International Mess- und Rechnertechnik GmbH, Hanover, under a contract dated January 30, 2017. The M+P Group is a provider of measurement and test systems for vibration testing and analysis. M+P is classified as part of the Engineering segment.

The fair value of the total consideration given amounted to EUR 19.834 million at the time of acquisition. This figure comprises a cash component and a contingent purchase price payment in the amount of EUR 5,137,000, which was measured at fair value and which is the result of call/put options for the minority shares. The amount of the contingent purchase price commitment was calculated on the basis of EBIT multiples and a forecast of future EBIT.

The goodwill in the amount of EUR 9,310,000 calculated for purchase price allocation purposes is not tax-deductible. The goodwill represents inseparable values such as the know-how of the workforce, positive earnings expectations for the future, and synergies resulting from development, production, sales and marketing.

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

NEW ACQUISITION: M+P INTERNATIONAL (in EUR '000)

	CARRYING AMOUNTS AT TIME OF ACQUISITION	ASSETS ADDED DUE TO INITIAL CONSOLIDATION	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	9,310	9,310
Other intangible assets	317	8,546	8,863
Property, plant and equipment	330	0	330
Inventories	1,119	1,144	2,263
Receivables	2,054	0	2,054
Other assets*	139	0	139
Cash and cash equivalents	2,985	0	2,985
Total assets	**6,944**	**19,000**	**25,944**
Other provisions	947	0	947
Trade payables	267	0	267
Other liabilities**	2,028	2,868	4,896
Total liabilities	**3,242**	**2,868**	**6,110**

* Other assets: Other non-current assets, Other current assets, Deferred taxes, Current income taxes
** Other liabilities: Other non-current liabilities, Other current liabilities, Deferred taxes, Current income taxes

The initial consolidation of M+P INTERNATIONAL took place in February 2017. The M+P Group contributed sales amounting to EUR 10,048,000 to the INDUS result for the period from January 1 to December 31, 2017, and an operating result (EBIT) of EUR -310,000. Had the M+P Group already been integrated on January 1, 2017, revenue would have amounted to EUR 10,456,000 and EBIT to EUR -548,000.

Expenses affecting net income arising from the initial consolidation of M+P INTERNATIONAL reduced the operating result by EUR 2,038,000. The incidental acquisition costs were recorded in the statement of income.

PEISELER

On April 18, 2017 INDUS Holding AG acquired 80% of shares in PEISELER Holding GmbH, Remscheid. PEISELER is a provider of high-precision indexing devices and rotary tilt tables for machine tools. In addition to its main operating company in Remscheid, the PEISELER Group comprises a permanent establishment in Morbach and an American distribution subsidiary in Grand Rapids, Michigan. PEISELER is classified as part of the Engineering segment.

The fair value of the total consideration given amounted to EUR 31,218,000 at the time of acquisition. This figure comprises a cash component and a contingent purchase price commitment in the amount of EUR 7,218,000, which was measured at fair value and which is the result of symmetrical call/put options for the minority shares. The amount of the contingent purchase price commitment was calculated on the basis of EBIT multiples and a forecast of future EBIT.

The goodwill in the amount of EUR 11,526,000 calculated for purchase price allocation purposes is not tax-deductible. The goodwill represents inseparable values such as the know-how of the workforce, positive earnings expectations for the future, and synergies resulting from development, production, sales and marketing.

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

NEW ACQUISITION: PEISELER (in EUR '000)

	CARRYING AMOUNTS AT TIME OF ACQUISITION	ASSETS ADDED DUE TO INITIAL CONSOLIDATION	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Goodwill	0	11,526	11,526
Other intangible assets	34	9,548	9,582
Property, plant and equipment	3,150	6,081	9,231
Inventories	5,912	985	6,897
Receivables	2,730	0	2,730
Other assets*	1,275	0	1,275
Cash and cash equivalents	3,298	0	3,298
Total assets	**16,399**	**28,140**	**44,539**
Pension provisions	1,875	0	1,875
Other provisions	1,055	0	1,055
Financial liablities	1,077	0	1,077
Trade payables	400	0	400
Other liabilities**	3,996	4,918	8,914
Total liabilities	**8,403**	**4,918**	**13,321**

* Other assets: Other non-current assets, Other current assets, Deferred taxes, Current income taxes
** Other liabilities: Other non-current liabilities, Other current liabilities, Deferred taxes, Current income taxes

The gross value of receivables taken over amounts to EUR 2,836,000.

The initial consolidation of PEISELER took place in May 2017. The PEISELER Group contributed sales amounting to EUR 20,504,000 to the INDUS result for the period from January 1 to December 31, 2017, and an operating result (EBIT) of EUR 1,697,000. Had PEISELER been consolidated by January 1, 2017, revenue in 2017 would have amounted to EUR 27,442,000 and the operating result (EBIT) to EUR 1,661,000.

Expenditures affecting net income and arising from the initial consolidation of PEISELER reduced the operating result by EUR 2,102,000. The incidental acquisition costs were recorded in the statement of income

NOTES TO THE STATEMENT OF INCOME

[6] REVENUE

Revenue includes EUR 227,660,000 in revenue from production orders (previous year: EUR 177,320). Also included is EUR 14,407,000 in revenue from services (previous year: EUR 15,180,000).

A more detailed presentation of sales can be found in the section entitled “Segment Reporting.”

[7] OTHER OPERATING INCOME

in EUR '000	2017	2016
Income from the release of accruals	4,170	4,133
Release of valuation allowances	2,662	2,522
Transfer to earnings/release of deferrals carried as liabilities	875	584
Insurance compensation	1,627	2,800
Income from rental and lease agreements	632	783
Income from currency translation	259	3,737
Income from asset disposals	1,630	1,360
Other operating income	4,681	4,327
Total	**16,536**	**20,246**

Income from currency translation of EUR 259,000 (previous year: EUR 3,737,000) was offset by expenses amounting to EUR -5,486,000 (previous year: EUR -1,127,000). Exchange differences on translation recognized in income thus amounted to EUR -5,227,000 (previous year: EUR 2,610,000).

[8] OWN WORK CAPITALIZED

in EUR '000	2017	2016
Other own work capitalized	1,920	3,295
Own work capitalized in accordance with IAS 38	3,211	2,923
Total	**5,131**	**6,218**

Research and development expenses amounting to EUR 16,397,000 (previous year: EUR 14,614,000) continued to be recognized in expenses for the period.

[9] CHANGES IN INVENTORIES

in EUR '000	2017	2016
Work in process	-3,256	-8,866
Finished goods	8,460	19,979
Total	**5,204**	**11,113**

[10] COST OF MATERIALS

in EUR '000	2017	2016
Raw materials and goods for resale	-606,215	-532,795
Purchased services	-139,679	-115,890
Total	**-745,894**	**-648,685**

[11] PERSONNEL EXPENSES

in EUR '000	2017	2016
Wages and salaries	-404,501	-363,129
Social security	-70,643	-62,918
Pensions	-4,535	-4,183
Total	**-479,679**	**-430,230**

Personnel expenses do not include the interest portion of transfers to pension provisions. This is recognized in interest income at EUR -643,000 (previous year: EUR -680,000).

[12] DEPRECIATION/AMORTIZATION

in EUR '000	2017	2016
Amortization	-62,438	-55,976
Impairment	0	0
Total	**-62,438**	**-55,976**

[13] OTHER OPERATING EXPENSES

in EUR '000	2017	2016
Selling expenses	-90,454	-84,131
Operating expenses	-76,109	-70,560
Administrative expenses	-50,970	-42,528
Other expenses	-10,486	-6,288
Total	**-228,019**	**-203,507**

SELLING EXPENSES

in EUR '000	2017	2016
Shipping, packaging, and provisions	-45,255	-38,940
Vehicle, travel, and entertainment expenses	-21,933	-19,185
Marketing and trade fairs	-12,747	-12,846
Receivable and guarantees	-8,000	-10,823
Other selling expenses	-2,519	-2,337
Total	**-90,454**	**-84,131**

OPERATING EXPENSES

in EUR '000	2017	2016
Machinery and plant: Rent and maintenance	-27,400	-25,309
Land and buildings: Leases and occupancy costs	-23,336	-21,271
Energy, supplies, tools	-15,796	-15,177
Other operating expenses	-9,577	-8,803
Total	**-76,109**	**-70,560**

ADMINISTRATIVE EXPENSES

in EUR '000	2017	2016
IT, office, and communication services	-15,789	-13,415
Consulting and fees	-18,935	-14,940
Insurance	-4,662	-4,439
Human Resources administration and continuing education	-6,888	-5,610
Other administrative costs	-4,696	-4,124
Total	**-50,970**	**-42,528**

OTHER EXPENSES

in EUR '000	2017	2016
Cost of currency translation	-5,486	-1,127
Disposal of fixed assets	-868	-702
Transfer to provisions	-503	-226
Miscellaneous	-3,629	-4,233
Total	**-10,486**	**-6,288**

[14] FINANCIAL INCOME

in EUR '000	2017	2016
Income from financial assets	317	539
Impairment of financial assets	-14	-19
Total	**303**	**520**

[15] INTEREST INCOME

in EUR '000	2017	2016
Interest and similar income	231	516
Interest and similar expenses	-15,902	-15,536
Interest from operations	**-15,671**	**-15,020**
Other: Market value of interest rate swaps	9	91
Other: Non-controlling interests	-8,012	-6,627
Other interest	**-8,003**	**-6,536**
Total	**-23,674**	**-21,556**

The item "Other: Non-controlling interests" contains the effect on results of the subsequent valuation of the contingent purchase price commitments (call/put options) in the amount of EUR -151,000 (previous year: EUR -419,000) along with earnings after taxes owed to external entities from shares in partnerships and corporations with call/put options. For consistency reasons, this is shown in the net interest item

[16] TAXES

in EUR '000	2017	2016
Non-recurring taxes	194	-355
Current taxes	-48,985	-43,872
Deferred taxes	2,674	1,267
Total	**-46,117**	**-42,960**

The non-recurring taxes result predominantly from changes due to 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 depreciations. 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 earnings after trade tax are 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)

	2017	2016
Earnings before income taxes	129,191	123,378
Expected tax expenses 29.6% (previous year: 29.6%)	38,241	36,520
Reconciliation		
Non-recurring taxes	-194	355
Measurement of associated companies according to the equity-method	-320	-286
Structural effects of		
divergent local tax rates	180	33
divergent national tax rates	-1,073	-263
Corporate acquisition transaction costs	155	187
Capitalization or valuation allowance of deferred tax loss carryforwards	1,395	1,267
Actual use of tax loss carryforward	-743	-1,370
No offsetting of income for autonomous subsidiaries	3,454	2,730
Earnings attributable to other shareholders	2,372	1,962
Effects of the interest barrier on INDUS Holding AG	542	420
Other non-deductible expenses or tax-free income	2,108	1,405
Actual tax expenses	**46,117**	**42,960**
as a percentage of earnings	35.7	34.8

With a corporate income tax rate of 15% (previous year: 15%), the calculation for domestic companies is subject to an average trade tax rate of 395% (previous year: 395%) and an unchanged solidarity surcharge of 5.5%, with income tax at 29.6% (previous year: 29.6%).

[17] EARNINGS PER SHARE

Earnings came to EUR 3.37 per share (previous year: EUR 3.27 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	2017	2016
Earnings attributable to INDUS shareholders	**82,337**	**80,041**
Weighted average of shares outstanding (in thous. shares)	24,451	24,451
Earnings per share (in EUR)	3.37	3.27

The earnings taken as the basis are derived from the earnings of the INDUS shareholders, adjusted to exclude income from discontinued operations. In the event of the contingent/authorized capital being utilized, dilutions can arise in the future.

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, 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**

	CARRYING AMOUNT JAN. 1, 2016	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	IMPAIRMENT	CURRENCY DIFFERENCE	CARRYING AMOUNT DEC. 31, 2016
Construction/Infrastructure	103,074	9,145	0	0	0	76	112,295
Automotive Technology	71,499	3,833	0	0	0	88	75,420
Engineering	121,305	1,574	0	0	0	-977	121,902
Medical Engineering/Life Science	69,477	162	0	0	0	0	69,639
Metals Technology	29,447	0	0	0	0	-1	29,446
Total goodwill	**394,802**	**14,714**	**0**	**0**	**0**	**-814**	**408,702**

GOODWILL IMPAIRMENT

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

The impairment tests 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. After the three-year detailed planning period, future cash flows are projected using a global growth rate of 1.0% (previous year: 1.0%). The projection figures are discounted applying a capital cost rate. These are based on a risk-free interest rate of 1.25% (previous year: 0.5%), a market risk premium of 6.75% (previous year: 7.00%), segment-specific beta coefficient derived from a peer group, and borrowing rates. The following segment-specific pre-tax cost of capital rates were applied: Construction/Infrastructure 5.8% (previous year: 6.4%), Automotive Technology 9.3% (previous year: 8.6%), Mechanical Engineering 7.3% (previous year: 6.6%), Medical Engineering/Life Science 6.8% (previous year: 4.8%), and Metals Technology 7.8% (previous year: 6.9%).

As in the previous year, no impairments were recognized on goodwill in fiscal year 2017.

If the pre-tax cost-of-capital rate were to increase by 0.5%, the impairment on goodwill would amount to EUR 2,360,000 (previous year: EUR 0).

[19] DEVELOPMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTY

COSTS IN 2017 (in EUR '000)

	OPENING BALANCE JAN. 1, 2017	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY TRANSLATION	CLOSING BALANCE DEC. 31, 2017
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
Plant 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 work in process	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/AMORTIZATON IN 2017 (in EUR '000)

	OPENING BALANCE JAN. 1, 2017	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS AND TRANSFERS	APPRECIATION IN VALUE	CURRENCY TRANSLATION	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
Plant 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 work in process	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**

COSTS IN 2016 (in EUR '000)

	OPENING BALANCE JAN. 1, 2016	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS	TRANSFERS	CURRENCY TRANSLATION	CLOSING BALANCE DEC. 31, 2016
Goodwill	**434,871**	**14,714**	**0**	**0**	**0**	**-838**	**448,747**
Capitalized development costs	26,863	156	4,161	0	79	15	31,274
Property rights, concessions and other intangible assets	148,847	16,214	6,140	-1,348	71	-282	169,642
Total other intangible assets	**175,710**	**16,370**	**10,301**	**-1,348**	**150**	**-267**	**200,916**
Land and buildings	259,519	6,100	16,847	-2,592	1,176	-69	280,981
Plant and machinery	386,271	1,253	24,532	-8,222	7,993	209	412,036
Other equipment, factory and office equipment	147,708	1,096	17,481	-6,136	504	17	160,670
Advance payments and work in process	10,212	39	14,574	-1,351	-9,823	-55	13,596
Total property, plant and equipment	**803,710**	**8,488**	**73,434**	**-18,301**	**-150**	**102**	**867,283**
Investment property	**7,891**	**0**	**0**	**-918**	**0**	**0**	**6,973**

DEPRECIATION/AMORTIZATON IN 2016 (in EUR '000)

	OPENING BALANCE JAN. 1, 2016	CHANGES IN SCOPE OF CONSOLIDATION	ADDITIONS	DISPOSALS AND TRANSFERS	APPRECIATION IN VALUE	CURRENCY TRANSLATION	CLOSING BALANCE DEC. 31, 2016
Goodwill	**40,069**	**0**	**0**	**0**	**0**	**-24**	**40,045**
Capitalized development costs	15,673	0	2,987	0	0	8	18,668
Property rights, concessions and other intangible assets	101,209	0	8,226	-1,318	0	-175	107,942
Total other intangible assets	**116,882**	**0**	**11,213**	**-1,318**	**0**	**-167**	**126,610**
Land and buildings	79,535	0	7,979	-1,863	0	37	85,688
Plant and machinery	289,353	0	22,492	-7,756	0	584	304,673
Other equipment, factory and office equipment	99,976	0	13,459	-5,929	0	85	107,591
Advance payments and work in process	0	0	0	0	0	0	0
Total property, plant and equipment	**468,864**	**0**	**43,930**	**-15,548**	**0**	**706**	**497,952**
Investment property	**1,967**	**0**	**190**	**-596**	**0**	**0**	**1,561**

Intangible assets have determinable useful lives. The change in scope of consolidation concerns additions according to IFRS 3. The residual carrying amount of capitalized finance leases came to EUR 11,508,000 for property and building leases (previous year: EUR 14,408,000) and EUR 2,100 for plant and machinery leases (previous year: EUR 1,044,000).

As of the reporting date, the residual carrying amounts of fixed assets, property, plant, and equipment, and property held as a financial investment came to:

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

	DEC. 31, 2017	DEC. 31, 2016
Goodwill	**428,590**	**408,702**
Capitalized development costs	12,624	12,606
Property rights, concessions and other intangible assets	73,830	61,700
Total other intangible assets	**86,454**	**74,306**
Land and buildings	207,318	195,293
Plant and machinery	110,683	107,363
Other equipment, factory and office equipment	60,315	53,079
Advance payments and work in process	18,692	13,596
Property, plant and equipment	**397,008**	**369,331**
Investment property	**5,220**	**5,412**

[20] FINANCIAL ASSETS

in EUR '000	DEC. 31, 2017	DEC. 31, 2016
Other investments	2,592	2,518
Other loans	11,403	9,696
Total	**13,995**	**12,214**

The loans relate to loans originated by the company which are carried at amortized cost. Some of the loans are extended interest-free, but the majority of them have interest rates suitable for their durations and long-term fixed rates. There were no defaults in either of the two fiscal years.

[21] SHARES MEASURED ACCORDING TO THE EQUITY METHOD

As of December 31, 2017, the carrying amounts of shares accounted for using the equity method totaled EUR 10,903,000 (previous year: EUR 10,497,000).

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

in EUR '000	2017	2016
Purchase price of associated companies	8,408	8,408
Appropriated income in the period	1,038	849
Key figures of the associated companies:		
Assets	45,091	38,284
Liabilities	27,734	22,602
Capital	17,357	15,682
Revenue	30,498	26,599
Earnings	2,141	1,715

[22] OTHER ASSETS

in EUR '000	DEC. 31, 2017	DEC. 31, 2016
Accrual of payments not relating to the period under review	6,048	5,526
Other tax refund claims	4,199	4,272
Long-term receivables	107	9
Reinsurance premiums	1,233	1,184
Loans and other receivables	596	490
Positive swap market value	99	860
Other assets	8,559	7,112
Total	**20,841**	**19,453**
of which current	18,247	16,424
of which non-current	2,594	3,029

[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:

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**

2016 (in EUR '000)	ASSETS	LIABILITIES	BALANCE
Goodwill of limited partnerships	2,696	-27,119	-24,423
Intangible assets	0	-17,907	-17,907
Property, plant and equipment	2,433	-5,155	-2,722
Receivables and inventories	577	-3,535	-2,958
Other current assets	12	-146	-134
Long-term provisions	5,553	-26	5,527
Current liabilities	3,575	0	3,575
Capitalization of loss carryforwards	3,705	0	3,705
Netting-out of accounts	-16,293	16,293	0
Deferred taxes	**2,258**	**-37,595**	**-35,337**

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, 2017	STATEMENT OF INCOME	OTHER	DEC. 31, 2017
Trade tax	3,141	714	0	3,855
Corporate 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**

	JAN. 1, 2016	STATEMENT OF INCOME	OTHER	DEC. 31, 2016
Trade tax	2,617	524	0	3,141
Corporate tax	546	18	0	564
Capitalization of loss carryforwards	**3,163**	**542**	**0**	**3,705**
Other deferred taxes	-37,941	725	-1,826	-39,042
Deferred taxes	**-34,778**	**1,267**	**-1,826**	**-35,337**

The other changes in deferred taxes are composed as follows:

in EUR '000	2017	2016
Provisions for mark-to-market evaluation of cash flow hedges	241	-249
Currency translation reserve	275	-143
Pension provisions (actuarial gains/losses)	2,839	284
Change in scope of consolidation	-7,786	-1,718
Total	**-4,431**	**-1,826**

Deferred tax assets were recognized for tax loss carryforwards in the amount of EUR 35,417,000 (previous year: EUR 25,453,000).

Other tax loss carryforwards totaling EUR 179,192,000 (previous year: EUR 165,241,000), which are unlikely to be realized in the next five years, were not capitalized. The majority of these were trade tax loss carryforwards resulting from the fiscal particularities prevailing at INDUS Group, as explained in item [16]. Potential opportunities to realize such carryforwards in the future will accordingly be determined by the prevailing trade tax rate. The largest single item is the holding company's trade tax loss carryforward. The utilization of these loss carryforwards is not subject to any time limits.

Owing to a lack of realization opportunities, deferred tax assets of EUR 24,000 (previous year: EUR 139,000) were not recognized. Deferred tax assets amounting to EUR 840,000 (previous year: EUR 945,000) were recognized in addition to the relevant deferred tax liabilities for companies which have recently suffered tax losses.

[24] INVENTORIES

in EUR '000	DEC. 31, 2017	DEC. 31, 2016
Raw materials and supplies	125,146	98,941
Unfinished goods	88,205	85,419
Finished goods and goods for resale	109,340	102,772
Prepayments for inventories	16,463	21,565
Total	**339,154**	**308,697**

The value of the inventories' carrying amounts was adjusted downward by EUR 17,606,000 (previous year: EUR 15,982,000).

[25] FORDERUNGEN

in EUR '000	DEC. 31, 2017	DEC. 31, 2016
Receivables from customers	180,138	163,257
Receivables from construction contracts	15,693	12,689
Receivables from associated companies	1,697	1,680
Total	**197,528**	**177,626**

In the year under review, EUR 108,000 in receivables from customers with a payment term of more than one year were recognized (previous year: EUR 75,000).

Further information on construction contracts is contained in the following table:

in EUR '000	2017	2016
Costs incurred including prorated income	107,971	71,782
Advance payments received	141,279	96,986
Construction contracts with a positive balance	15,693	12,689
Construction contracts with a negative balance	49,001	37,893

Construction contracts with a balance on the liabilities side consist of construction contracts with a settled surplus from payments received. These are listed under other liabilities in the statement of financial position.

The receivables include valuation allowances amounting to EUR 5,999,000 (previous year: EUR 7,011,000). They developed as follows:

in EUR '000	2017	2016
Valuation allowances as of January 1	**7,011**	**6,278**
Currency translation	-52	-12
Change in scope of consolidation	53	137
Additions	2,431	2,922
Utilization	-597	-368
Reversals	-2,847	-1,946
Valuation allowances as of December 31	**5,999**	**7,011**

[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, and Stuttgart.

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. However, the Board of Management is authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights in certain cases.

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.

Per resolution adopted at the Annual Shareholders' Meeting on June 24, 2013, 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 or – insofar as the company's articles of association allow for the issue of registered shares at the time of issuance – registered shares (Contingent Capital 2013).

The implementation of the capital increase is conditional upon

— exercise by the holders or creditors of convertible bonds or warrants of optional bonds (or a combination thereof) issued or guaranteed by INDUS Holding AG or its Group companies by June 23, 2018 pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on June 24, 2013, of such convertible bonds or warrants;
— or fulfillment by the obligated parties of obligations to exercise/convert convertible bonds or optional bonds issued or guaranteed by the company or its Group companies through the date June 23, 2018 pursuant to the authorization granted to the Board of Management by the Annual Shareholders' Meeting on June 24, 2013;
— and contingent capital being required in accordance with the terms of the convertible bonds or option bonds.

RESERVES AND CONSOLIDATED NET INCOME AVAILABLE FOR DISTRIBUTION

The development of reserves is presented in the statement of changes in equity and includes INDUS Holding AG's capital reserves. As of the reporting date, the equity ratio was 40.8% (previous year: 42.4%).

INTERESTS ALLOCABLE 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. Non-controlling interests in limited partnerships and limited liability companies, for which the economic ownership of the corresponding non-controlling interests had already been passed on under reciprocal option agreements, 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 retained earnings:

Payment of a dividend of EUR 1.50 per no-par-value share (previous year: EUR 1.35 per no-par-value share). With 24,450,509 shares (previous year: 24,450,509 shares), this equates to a payment of EUR 36,675,763.50 (previous year: EUR 33,008,187.15). The full text of the dividend proposal is published separately. The proposed dividend was not recognized in the balance sheets and there are no tax consequences.

OTHER RESERVES

CHANGE IN OTHER RESERVES (in EUR '000)

	JAN. 1, 2016	OTHER RESULT 2016	DEC. 31, 2016	OTHER RESULT 2017	DEC. 31, 2017
Reserve for currency translation	10,108	-2,191	7,917	-9,233	-1,316
Pension provisions (actuarial gains/losses)	-10,534	-960	-11,494	-13,258	-24,752
Deferred taxes for pensions	3,119	284	3,403	2,839	6,242
Reserve for cash flow hedges	-4,960	1,575	-3,385	-943	-4,328
Deferred taxes for cash flow hedges	781	-249	532	241	773
Total other reserves	**-1,486**	**-1,541**	**-3,027**	**-20,354**	**-23,381**

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 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 442,934,000 (previous year: EUR 405,571,000). Taking equity in the statement of financial position into account, total capital comes to EUR 1,116,747,000 (previous year: EUR 1,050,139,000). Relative to total interest-bearing capital employed, the equity ratio is 60.3% (previous year: 61.4%).

The increase in total capital by EUR 66,608,000 (previous year: EUR 70,298,000) resulted from an increase in equity by EUR 29,245,000 (previous year: EUR 49,138,000) and a EUR 37,363,000 increase in the interest-bearing debt (previous year: EUR 21,160,000 increase). The reinvested capital enhances INDUS' solid capital base.

INDUS Holding AG is not subject to any other legally mandatory capital requirements, with the exception of the minimum capital rules stipulated in stock corporation law. Furthermore, INDUS Holding AG has entered into obligations to maintain a minimum equity ratio at the stock corporation in connection with loan agreements. This enables it to keep receiving funds on reasonable terms. The required minimum equity ratio was exceeded in the past fiscal year. The creditors have exceptional 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)

	2017	2016	CHANGE
Current service cost	418	401	17
Interest cost	643	680	-37
Income from plan assets	-56	-62	6
Cost of defined benefit obligation	**1,005**	**1,019**	**-14**
+ Defined contribution plan cost	3,771	3,564	207
= Cost of pension commitments for the period	**4,776**	**4,583**	**193**

BALANCE SHEET VALUES (in EUR '000)

	2017	2016	CHANGE
Present value of benefit obligations financed by provisions	43,969	29,020	14,949
Present value of funded benefit obligations	38,221	2,864	35,357
DBO: accumulated benefit obligations	**82,190**	**31,884**	**50,306**
Market value of plan assets	-38,221	-2,864	-35,357
Net obligation = provisions	**43,969**	**29,020**	**14,949**
Actuarial gains/losses	-24,752	-11,494	-13,258
Opening balance: amount carried on the statement of financial position as of January 1	**29,020**	**28,055**	**965**
Pension obligation expenses	1,005	1,019	-14
Pension payments	-1,189	-1,014	-175
Actuarial gains/losses realized in equity	13,258	960	12,298
Change of scope in consolidation/netting-out	1,875	0	1,875
Closing balance: amount carried on the statement of financial position as of December 31	**43,969**	**29,020**	**14,949**
Underlying assumptions in percent:			
Discount rate			
Germany	1.80	2.00	
Switzerland	0.75	0.75	
Salary trend			
Germany	2.50	2.50	
Switzerland	0.75	0.75	
Pension trend			
Germany	1.75	1.75	
Switzerland	0.00	0.00	
Expected income from plan assets			
Germany	1.80	2.00	
Switzerland	0.75	0.75	

Interest expenses are stated in the item “Net interest.” The anticipated income from plan assets essentially corresponds to actual income.

The defined benefit plans are associated with actuarial risks, such as the longevity risk and interest rate risk. An increase or reduction in the discounting factor by 0.5 percentage points would reduce net obligations by EUR 4,703,000 (previous year: EUR 2,150,000) or increase them by EUR 5,325,000 (previous year: EUR 2,418,000).

Actuarial assumptions regarding the likelihood of Swiss benefit obligations being utilized by INDUS were changed in the 2017 fiscal year. Due to fact that we believe the likelihood of utilization has increased, defined benefit plans, which were previously recognized as defined contributions plans, are now recognized as defined benefit plans. Actuarial losses resulting from the reassessment amount to EUR 12,649,000 and are recognized under other income.

Payments amounting to EUR 3,078,000 are anticipated in 2018 in connection with retirement benefits (in 2016 for 2017: EUR 1,254,000).

Plan assets primarily consist of reinsurance policies. Plan assets developed as follows:

in EUR '000	2017	2016
Assets as of January 1	**2,864**	**2,799**
Expected return on plan assets	56	62
Ongoing provider contributions	101	52
Pensions paid	-148	-148
Change of scope in consolidation	0	0
Netting-out/Other	35,348	99
Assets as of December 31	**38,221**	**2,864**

The statement of financial position also includes reimbursement claims totaling EUR 1,233,000 (previous year: EUR 1,184,000).

[28] OTHER PROVISIONS

Other provisions include interest in the amount of EUR 84,000 (previous year: EUR 83,000).

PROVISIONS 2017 (in EUR '000)

	OPENING BALANCE JAN. 1, 2017	CHANGE IN SCOPE OF CONSOLIDATION	USED	LIQUIDATION	ADDITIONS/ NEWLY CREATED	CURRENCY DIFFERENCE	CLOSING BALANCE DEC. 31, 2017
Sales and purchasing obligations	30,465	603	22,450	2,449	27,614	-161	33,622
Personnel expenses	22,777	896	20,262	710	24,040	-198	26,543
Other provisions	14,553	388	8,613	1,132	9,506	-106	14,596
Total	**67,795**	**1,887**	**51,325**	**4,291**	**61,160**	**-465**	**74,761**

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, 2017 CARRYING AMOUNT FOR REPORTING PERIOD	CASH-EFFECTIVE	CASH-EFFECTIVE			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, 2017 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks				
in the Group's currency EUR	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

	DEC. 31, 2016 CARRYING AMOUNT FOR REPORTING PERIOD	REPAYMENT OBLIGATION		
		UP TO 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS
Liabilities to banks				
in the Group's currency EUR	383,907	102,034	253,783	28,090
in Swiss francs	2,695	1,730	965	0
in other currencies	0	0	0	0
Finance leases	8,140	2,414	5,726	0
Promissory note loans	108,989	7,796	81,186	20,007
Total financial liabilities	503,731	113,974	341,660	48,097
Derivatives/interest-rate swaps – nominal values	99,652	34,570	64,827	255

[30] OTHER LIABILITIES

in EUR '000	DEC. 31, 2017	CURRENT	NON-CURRENT	DEC. 31, 2016	CURRENT	NON-CURRENT
Accounts payable to outside shareholders	85,843	60,746	25,097	72,758	32,543	40,215
Accounts payable for personnel	19,062	19,062	0	15,802	15,799	3
Derivative financial instruments	4,346	4,346	0	3,487	3,487	0
Advance payments received	18,568	17,658	910	20,517	17,008	3,509
Construction contracts with a negative balance	49,001	49,001	0	37,892	37,892	0
Accrual of non-recurrent payments	11,829	11,771	58	9,913	9,913	0
Accrual of payments not relating to the period under review	1,167	814	353	1,891	1,429	462
Investment subsidies	2,261	0	2,261	2,545	0	2,545
Customer credit notes	6,331	6,331	0	5,953	5,953	0
Sundry other liabilities	4,847	4,352	495	4,476	3,481	995
Total	**203,255**	**174,081**	**29,174**	**175,234**	**127,505**	**47,729**

Accounts payable to outside shareholders included EUR 64,275,000 (previous year: EUR 54,889,000) for contingent purchase price commitments measured at fair value insofar as minority shareholders are able to tender their shares to INDUS by terminating the articles of association or on the basis of option agreements. During the fiscal year, new purchase price commitment amounted to EUR 10,231,000, EUR 24,000 were recognized in expenses and EUR 821,000 was deducted mainly due to payouts to minority shareholders. Purchase price commitment fluctuated in line with the percentage change in the operating result (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	2017	2016
Cash-effective attributable to the acquisition of portfolio companies:	-38,697	-36,110
Subject to assumed financial liabilities	6,283	6,221
Net purchase price	**-32,414**	**-29,889**

Cash and cash equivalents include limited-authorization accounts with a balance of EUR 155,000 (previous year: EUR 55,000). Investing and financing transactions amounting to EUR 5,650,000 (previous year: EUR 3,004,000), which had no impact on cash and cash equivalents, are not part of the statement of cash flows.

[32] SEGMENT REPORTING

SEGMENT INFORMATION FOR THE BUSINESS UNITS

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

	CONSTRUCTION/ INFRA-STRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCI-LIATION	CONSOLIDATED FINANCIAL STATEMENTS
2017								
Sales with external third parties	330,368	394,106	375,117	155,179	385,617	1,640,387	253	1,640,640
Sales 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**
Earnings from equity valuation	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 acquisition	0	0	32,414	0	0	32,414	0	32,414
of which at equity	0	0	0	0	0	0	0	0
Dec. 31, 2017								
Shares measured according to 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

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

	CONSTRUCTION/ INFRA-STRUCTURE	AUTOMOTIVE TECHNOLOGY	ENGINEERING	MEDICAL ENGINEERING/ LIFE SCIENCE	METALS TECHNOLOGY	TOTAL SEGMENTS	RECONCI-LIATION	CONSOLIDATED FINANCIAL STATEMENTS
2016								
Sales with external third parties	274,542	372,164	305,878	147,026	344,363	1,443,973	297	1,444,270
Sales with Group companies	25,677	41,980	49,282	15,890	37,857	170,686	-170,686	0
Sales	**300,219**	**414,144**	**355,160**	**162,916**	**382,220**	**1,614,659**	**-170,389**	**1,444,270**
Segment earnings (EBIT)	**39,235**	**20,271**	**41,387**	**20,153**	**29,917**	**150,963**	**-6,029**	**144,934**
Earnings from equity valuation	173	559	233	0	0	965	0	965
Depreciation/amortization	**-7,455**	**-19,611**	**-8,318**	**-6,596**	**-13,225**	**-55,205**	**-771**	**-55,976**
of which amortization	-7,455	-19,611	-8,318	-6,596	-13,225	-55,205	-771	-55,976
of which impairment	0	0	0	0	0	0	0	0
Segment EBITDA	**46,690**	**39,882**	**49,705**	**26,749**	**43,142**	**206,168**	**-5,258**	**200,910**
Investments	**35,350**	**36,902**	**9,659**	**6,199**	**14,491**	**102,601**	**1,282**	**103,883**
of which company acquisition	20,120	8,137	1,318	314	0	29,889	0	29,889
of which at equity	4,030	0	0	0	0	4,030	0	4,030
Dec. 31, 2016								
Shares accounted for using the equity method	4,203	4,371	1,923	0	0	10,497	0	10,497
Goodwill	112,295	75,420	121,902	69,639	29,446	408,702	0	408,702

RECONCILIATION (in EUR '000)

	2017	2016
Segment earnings (EBIT)	**162,620**	**150,963**
Areas not allocated, incl. holding company	-9,913	-6,266
Consolidations	158	237
Net interest	-23,674	-21,556
Earnings before taxes	**129,191**	**123,378**

The classification of segments corresponds unchanged to the current status of internal reporting. The information relates to continuing activities. The companies are allocated to the segments on the basis of their selling markets insofar as the bulk of their product range is sold in that 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-operational units not allocated to any segment, and consolidations. See the discussion provided in the management report regarding the products and services that generate segment sales.

The key control variable for the segments is operating earnings (EBIT) as defined in the consolidated financial statements. The segment information has been ascertained in compliance with the reporting and valuation methods that were applied during the preparation of the consolidated financial statements. The transfer prices between the segments are based on market prices.

SEGMENT INFORMATION BY REGION

Sales are broken down by region in relation to our selling markets. Further classification of our diverse foreign activities by country is not expedient, as no country outside of Germany accounts for 10% of Group sales.

Non-current assets, less deferred taxes and financial instruments, are based on the domiciles of the respective companies. Further differentiation is not expedient, as the majority of companies are domiciled 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
2017				
Sales 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
2016				
Sales with external third parties	1,444,270	735,486	332,049	376,735
Dec. 31, 2016				
Non-current assets, less deferred taxes and financial instruments	868,248	732,990	41,190	94,068

[33] INFORMATION ON THE SIGNIFICANCE OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS (in EUR '000)

	BALANCE SHEET VALUE	IFRS 7 NOT APPLICABLE	FINANCIAL INSTRUMENTS IFRS 7	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
DEC. 31, 2017					
Financial assets	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**

	BALANCE SHEET VALUE	IFRS 7 NOT APPLICABLE	FINANCIAL INSTRUMENTS IFRS 7	OF WHICH MEASURED AT FAIR VALUE	OF WHICH MEASURED AT AMORTIZED COST
DEC. 31, 2016					
Financial assets	12,214	0	12,214	0	12,214
Cash and cash equivalents	127,180	0	127,180	0	127,180
Receivables	177,626	12,689	164,937	0	164,937
Other assets	19,453	9,798	9,655	860	8,795
Financial instruments: Assets	**336,473**	**22,487**	**313,986**	**860**	**313,126**
Financial liabilities	503,731	0	503,731	0	503,731
Trade payables	55,409	0	55,409	0	55,409
Other liabilities	175,234	74,313	100,921	49,531	51,390
Financial instruments: Equity and liabilities	**734,374**	**74,313**	**660,061**	**49,531**	**610,530**

The fair value of the financial liabilities amounts to EUR 533,319,000 (previous year: EUR 511,100). The fair value of all other financial instruments that are carried at amortized costs is equivalent to the amortized costs or differs only negligibly from them.

FINANCIAL INSTRUMENTS BY IAS 39 VALUATION CATEGORY (in EUR '000)

	CARRYING AMOUNT		NET GAINS/LOSSES	
	DEC. 31, 2017	DEC. 31, 2016	2017	2016
Measured at fair value through profit and loss				
for trading purposes	99	860	-761	399
designated instrument	0	0	0	0
Financial investments held to maturity	0	0	0	0
Loans and receivables	339,616	310,608	-3,930	786
Available-for-sale financial assets	2,591	2,518	75	67
Financial instruments: Assets	**342,306**	**313,986**	**-4,616**	**1,252**
Measured at fair value through profit and loss				
for trading purposes	68,622	49,531	-13	-22
designated instrument	0	0	0	0
Financial liabilities measured at their residual carrying amounts	650,018	610,530	-1,394	692
Financial instruments: Equity and liabilities	**718,640**	**660,061**	**-1,407**	**670**

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

Total interest income and expenses for financial instruments not measured at fair value through profit and loss amount to EUR 14,963,000 (previous year: EUR -14,466,000).

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 to enable the firm to take action at any time (2017: EUR 135,881,000; previous year: EUR 127,180,000). It also has unused credit lines totaling EUR 34,028,000 (previous year: EUR 28,701,000).

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 OUTFLOWS (in EUR '000)

	Dec. 31, 2017			Dec. 31, 2016		
	Up to 1 year	1 to 5 years	More than 5 years	Up to 1 year	1 to 5 years	More than 5 years
Interest rate derivatives	1,468	6,462	2,159	1,852	2,397	9
Total derivative financial instruments	**1,468**	**6,462**	**2,159**	**1,852**	**2,397**	**9**
Financial liabilities	104,424	368,484	98,252	124,944	360,664	49,316
Trade payables	66,162	0	0	55,409	0	0
Other liabilities	174,081	26,913	2,261	127,505	45,184	2,545
Total financial instruments	**344,667**	**395,397**	**100,513**	**307,858**	**405,848**	**51,861**

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. The overall portfolio of trade receivables shows that 8 customers (previous year: 11) each accounted for more than 1% of Group sales. This equates to a share of about 25% of open items as recognized in the consolidated financial statements (previous year: 32%). The ten largest customers accounted for approximately 28% of consolidated sales (previous year: approximately 29%).

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)

	2017	2016
Amount carried in the statement of financial position*	181,834	164,937
+ valuation allowances contained therein	5,999	7,011
= gross value of receivables before valuation allowances	187,833	171,948
of which as per reporting date		
neither impaired nor overdue	141,154	132,060
not impaired and overdue by the following periods:		
less than 3 months	36,221	30,607
3 to 6 months	2,909	1,758
6 to 9 months	843	1,047
9 to 12 months	1,356	284
over 12 months	1,132	1,516

* excluding receivables from production orders per IAS 11

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. The means employed include 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 values have an impact on the presentation of the net assets, financial position and financial performance, depending on the valuation categories of the underlying financial instruments. The following table shows interest rate sensitivity given a parallel shift in the rate curve by 100 basis points (BP):

MARKET PRICE RISK SENSITIVITY ANALYSIS (in EUR '000)

	DEC. 31, 2017		DEC. 31, 2016	
	+ 100 BP	- 100 BP	+ 100 BP	- 100 BP
Market value of derivatives	850	-883	1,593	-1,662
of which equity/hedges	847	-880	1,586	-1,655
of which interest expense per statement of income	3	-3	7	-7
Market value of loans	15,379	-16,221	12,225	-12,864
Total market value	**16,229**	**-17,104**	**13,818**	**-14,526**

Since, from a commercial point of view, interest rate risks are almost completely hedged, changes in the interest rates of variable-interest financial liabilities and derivative financial instruments would offset each other. This means that future cash flows will not be significantly affected.

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 net assets, 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 translation would not materially change.

HEDGE ACCOUNTING

Hedging measures

As of the reporting date, currency hedging accounted for a nominal volume of EUR 13,448,000 (previous year: EUR 27,027,000). Most of this currency hedging consisted of transactions in US dollars, Chinese renminbi, and British pounds (previous year: US dollars, Swiss francs, and Chinese renminbi). Hedging contracts have a market value of EUR -1,150,000 (previous year: EUR 795,000).

Interest rate hedging accounts for a nominal volume of EUR 290,544,000 (previous year: EUR 99,652,000). The market values amounted to EUR -3,682,000 (previous year: EUR -3,412,000). The interest-rate hedges consist of loan transactions that have already been recognized amounting to EUR 65,544,000 (previous year: 99,652,000) and future loan transactions at high risk of being subject to interest changes amounting to EUR 225,000,000 (previous year: EUR 0).

Further details on terms and maturities are included in the report on financial liabilities.

[34] COLLATERAL FURNISHED

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

PLEDGED ASSETS (in EUR '000)

	2017	2016
Land charges	18,965	22,255
Securities collateral	1,444	1,705
Other collateral	76	620
Total collateral	**20,485**	**24,580**

[35] CONTINGENT LIABILITIES

Obligations from guarantees exist in the amount of EUR 6,859,000 (previous year: EUR 14,806,000). 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:

	2017	2016
Up to 1 year	15,532	15,063
Between 1 and 5 years	35,191	31,784
More than 5 years	21,256	21,418
Total	**71,979**	**68,265**

Operating lease installments in the year under review amounted to EUR 16,113,000 (previous year: EUR 15,879,000).

Obligations arising from purchase commitments for non-current assets amount to EUR 12,714,000 (previous year: EUR 20,543,000), of which property, plant, and equipment account for EUR 12,700,000 (previous year: EUR 20,431,000), and intangible assets for EUR 14,000 (previous year: EUR 112,000).

Real estate leases are concluded with clauses allowing for the adjustment of the lease installments based on the development of price indices. The contracts regularly contain purchase options.

The following overview shows amounts from finance leases payable in the future:

in EUR '000	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
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
2016				
Lease installments	2,622	5,996	0	8,618
Interest component	209	271	0	480
Carrying amount/ present value	2,413	5,725	0	8,138

Favorable purchase options generally exist for the corresponding assets, which, as far as we know, will also be exercised. The purchase prices are fixed and there are no price adjustment clauses. The applicable contract interest rates remained between 2.5% and 6.9% (previous year: 2.5%–7.5%). There were no rental payments, contingent or otherwise, from subleases

[37] RELATED PARTY TRANSACTIONS

MEMBERS OF MANAGEMENT IN KEY POSITIONS AND AFFILIATED PERSONS

In line with the INDUS Group structure, members of management in key positions include the Supervisory Board (six members in 2017, six members in 2016) the Board of Management of INDUS Holding AG (2017: from October 1, 2017: four persons; from January 1, 2017–September 30, 2017: three persons; previous year: three persons) and the managing directors of the operating units (2017: 119 persons; previous year: 112 persons).

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	OF WHICH PENSIONS
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**
2016					
INDUS Holding AG					
Supervisory Board	338	338	0	0	0
Board of Management**	2,220	1,940	280	0	0
Subsidiaries					
Managing directors	20,295	19,589	0	364	342
Family members	304	304	0	0	0
Total	23,157	22,171	280	364	342

* SAR = stock appreciation rights = virtual share options
** The received compensation is listed for the Board of Management

REMUNERATION OF THE SUPERVISORY BOARD

The Supervisory Board's compensation was redetermined by the Annual Shareholders' Meeting of INDUS Holding AG in July 2010. It is governed by Item 6.16 of the articles of association. In addition to reimbursement of out-of-pocket expenses incurred in performance of 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 Chairman receives double the two aforementioned sums, and his deputy receives one-and-a-half times these amounts. There are no stock option plans or similar securities-based incentive systems in place for Supervisory Board members. The Supervisory Board convened five times in 2017 and five times in 2016.

REMUNERATION OF THE BOARD OF MANAGEMENT

The intention of the German Management Board Remuneration Act (VorstAG) newly adopted in August 2009 is that listed companies should make greater use of incentives for sustainable corporate development when setting the remuneration for their management board members in future. This obliged INDUS Holding AG to restructure the variable remuneration components for Board of Management members.

The long-term incentive plan was implemented as of 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 fiscal 2017, 42,887 SARs were granted (previous year: 40,241). On the date on which they were granted, the total fair value of the SARs was EUR 298,000 (previous year: EUR 280,000). The stock of SARs granted up to December 31, 2017 amounted to 225,964 (previous year: 277,152). The fair value of previously granted SARs was calculated at a total of EUR 1,987,000 at the reporting date (previous year: EUR 1,974,000). A provision in this amount was formed in the annual financial statements. Personnel expenses include the EUR 564,000 change in fair value before discounting (previous year: EUR 567,000). 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 and the company’s business approach (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 remuneration components 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 2017 and the 2016 fiscal year, the compensation paid to the members of the Board of Management of INDUS Holding AG comprised fixed basic salary (including taxable benefits in kind), performance-based variable compensation (short-term incentive program), and stock-based compensation in the form of virtual stock options (long-term incentive program).

In total, the members of the Board of Management were paid EUR 2,460,000 (previous year: EUR 2,220,000). Of that, EUR 1,506,000 was in fixed remuneration (previous year: EUR 1,330,000), EUR 653,000 to short-term variable remuneration (previous year: EUR 610,000), and EUR 298,000 to virtual stock options (previous year: EUR 280,000). See the remuneration section of the management report for individual Board of Management remunerations.

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 PURCHASED	OTHER PURCHASES*	OPEN ITEMS	LOANS GRANTED
2017					
Related companies	2,674	4	622	1,692	7,840
Family members of BoM members and shareholder	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**
2016					
Related companies	2,722	18	456	1,675	5,880
Family members of BoM members and shareholders	0	0	38	0	0
Non-controlling shareholders	0	0	447	0	0
Managing directors of portfolio companies	1,484	1,006	2,092	28	0
Total related party transactions	**4,206**	**1,024**	**3,033**	**1,703**	**5,880**

* Interest, rent, consulting service

[38] EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES IN THE FISCAL YEAR

	2017	2016
Employees per region		
Germany	7,487	6,999
Europe (EU & Switzerland)	1,411	1,277
Rest of world	1,312	1,175
Total	**10,210**	**9,451**
Employees per segment		
Construction/Infrastructure	1,714	1,466
Automotive Technology	3,557	3,454
Engineering	1,830	1,585
Medical Engineering/Life Science	1,540	1,480
Metals Technology	1,538	1,439
Other	31	27
Total	**10,210**	**9,451**

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

The accounting and law firm Ebner Stolz GmbH & Co. KG charged a fee of EUR 238,000 (previous year: EUR 243,000) for auditing the financial statements, of which EUR 10,000 was for previous years (previous year: EUR 18,000), EUR 5,000 for other confirmation and valuation services (previous year: EUR 5,000), and EUR 6,000 for other services (previous year: EUR 4,000). “Confirmation services” refer to a covernance confirmation. “Other services” refers to payment for a training event.

[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 2017 and made it available to shareholders on the INDUS Holding Aktiengesellschaft website (www.indus.de).

[41] EXEMPTIONS APPLIED IN ACCORDANCE WITH SECTION 264 (3) AND SECTION 264B OF THE 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, 2017.

[42] EVENTS AFTER THE REPORTING DATE

No events of material significance occurred after the end of the 2017 fiscal year.

Bergisch Gladbach, Germany, March 21, 2018

INDUS Holding AG

The Board of Management

Jürgen Abromeit   Axel Meyer   Dr. Johannes Schmidt   Rudolf Weichert

FURTHER INFORMATION

INDUS pursues a transparent corporate policy. The management and a team of employees maintain regular dialog with a variety of target groups – especially investors, capital market representatives, business partners, and public representatives.

If you have any questions, please visit our website or feel free to get in touch with the company directly.

RESPONSIBILITY STATEMENT

We hereby certify, to the best of our knowledge, that in accordance with the applicable accounting principles as of December 31, 2017, 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 2017 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, 2018

The Board of Management

Jürgen Abromeit   Axel Meyer   Dr. Johannes Schmidt   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 2017 fiscal year to the amount of EUR 83,488,075.70:

Payment of a dividend ofEUR 1.50 per no-par-value share (24,450,509) to the capital stock of EUR 63,571,323.62	36.675.763,50
Transfer to other revenue reserves	45,000,000.00
Earnings carried forward	1,812,312.20
Balance sheet profit	83,488,075.70

Bergisch Gladbach, March 21, 2018

The Board of Management

Jürgen Abromeit Axel Meyer Dr. Johannes Schmidt 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 AG, Bergisch Gladbach, Germany, and of its subsidiaries (the Group) – which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, and the consolidated cash flow statement for the fiscal year from January 1, 2017 to December 31, 2017, and notes 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, 2017 to December 31, 2017. In accordance with German legal requirements, we have not audited the content of the separate non-financial group management 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 "Corporate Governance" section of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply in all material respects with the IFRS as adopted by the EU, and with the additional requirements under German law in accordance with Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2017 and of its financial performance for the fiscal year from January 1, 2017 to December 31, 2017, 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 content of the separate non-financial group management report and the declaration on corporate governance in accordance with Sections 289f and 315d HGB published on the company website to which reference is made in the "Corporate Governance" section of the combined management report.

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 "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 Group auditor's 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, 2017 to December 31, 2017. These matters were considered in the context of our overall audit of the consolidated financial statements, and when forming our opinion in this regard, we have not provided a separate opinion on these matters.

We have set out what, in our view, constitute the key audit matters:

1) Identification and measurement of assets and liabilities as part of the initial consolidation (purchase price allocation);
2) Impairment testing of goodwill;
3) Financial statement accounting of pension commitments.

Re 1) Identification and measurement of assets and liabilities as part of the initial consolidation (purchase price allocation)

a) Financial statement risk

In the fiscal year 2017, company acquisitions were made with total consideration (not including consideration for minority interests, for which present ownership applies, and cash acquired) of EUR 38.7 million. The allocation of the purchase price into the acquired assets and liabilities was concluded for all company acquisitions in the fiscal year 2017. The full identification and correct measurement of asset and liabilities in the context of the purchase price allocation of newly acquired companies is subject to considerable complexity. The measurement of identified assets and liabilities is regularly carried out on the basis of future anticipated cash flows.

In this respect, the purchase price allocation is subject significantly to estimations on the part of the Group's legal representatives. Furthermore, the full identification and correct measurement of the net assets acquired in each case is highly significant as the goodwill is not amortized over subsequent years and is a residual value arising from the purchase price and the net assets acquired.

In light of this, these matters were in our view of particular importance in the context of the audit.

b) Audit approach and conclusions

An aim of audit procedures was to ensure full identification and correct measurement for material acquisitions of all relevant assets to be estimated and liabilities transferred as part of the initial consolidation.

For this purpose we inspected proposals prepared by the company for the Supervisory Board and the fairness opinion for the board of management available as part of the transaction, and also interviewed client employees and employees of the acquired company who were responsible in order to gain an understanding of the business model of each of the companies acquired, the motivations for purchase and an overall impression of the assets and liabilities to be estimated.

We have also inspected company acquisition agreements and articles of incorporation, employment contracts of managing partners, due diligence investigation reports and other relevant documents and agreements and where applicable have scrutinized available references to matters not yet considered.

The plausibility of forecasts used in the context of the measurements was ensured. Furthermore, the methodological and accounting accuracy of measurements undertaken was checked and the overall result scrutinized analytically.

We have audited the information regarding these company acquisitions contained in the notes on the basis of the findings obtained. The assessments of the legal representatives upon which the initial consolidation is based are, in our view, sufficiently justified and documented and allow for proper representation in the consolidated financial statements.

Re 2) Impairment testing of goodwill

a) Financial statement risk

As at the reporting date, the consolidated statement of financial position reported goodwill at a total carrying amount of EUR 428.6 million, for which 42 cash generating units are identified as at December 31, 2017.

As a result of the annual impairment test, no impairment loss was recorded in relation to any cash generating unit. Company information relating to goodwill is contained in sections 3 and 18 of the notes.

In accordance with IAS 36.90, cash generating units to which goodwill is allocated must be impaired or subject to an impairment test on at least an annual basis if there is an indication of impairment. Under IAS 36.74, the recoverable amount of a cash generating unit, which must be compared with the carrying amount of the cash generating unit, is the higher of the two values from the fair value less costs of disposal or value in use.

In the context of this audit complex valuation models were used which are based on the expectations of the future development of the respective business operations and the payment flows resulting from this. The result of the impairment test is therefore very much subject to the influence of estimated values.

In light of this, these matters were in our view of particular importance in the context of the audit.

b) Audit approach and conclusions

As part of our audit we have ensured the plausibility of forecasts upon which the impairment test of all material goodwill is based by means of analysis of the forecast premises 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 to verifying the plausibility of the underlying forecasts, we have also assessed the forecast accuracy by comparing forecasts for the previous year against the actual values achieved.

We have focused in particular on that material goodwill for which there was an indication of impairment or for which the recoverable values 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 discount rate 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 were consistent overall with our expectations and have been derived correctly.

Re 3) Financial statement accounting of pension commitments

a) Financial statement risk

The classification of pension commitments as a defined contribution or defined benefit influences the type of accounting standard to be used. The financial statement accounting is dependent in particular on who bears the actuarial and capital investment risk. A defined contribution commitment exists in cases where the risk is borne solely by an external pension provider. However if the employer bears the risks or retains the risks, then this is a defined benefit commitment.

The financial statements accounting of pension commitments according to the IRS has been subject in some cases to lively and heated discussion in light of national features of pension systems. Defined benefit pension schemes of individual subsidiaries abroad have, to date, been treated in the consolidated financial statements of INDUS Holding AG as defined contribution schemes. For the most part these pension commitments involve fully-insured pension plans for which it was assumed, on the basis of insurance agreements with corresponding coverage of the commitments, that no significant risk rests with the reporting company and that a structuring equivalent to a contribution commitment is arrived at. This assessment was reviewed in the reporting period and amended to the effect that, in particular due to a change in the underlying economic conditions, use by individual subsidiaries can no longer be assessed as extremely unlikely. The relevant pension commitments are therefore now shown as defined benefit pension obligation in the consolidated statement of financial position as at December 31, 2017 as also explained in section 27 of the notes. The reassessment of the risk of use has been classified as a change to the actuarial assumptions. The net debt arising of EUR 12.6 million from the reassessment has been recorded as an actuarial loss in other income.

In light of this complex balance sheet assessment, these matters were in our view of particular importance in the context of the audit.

b) Audit approach and conclusions

As part of our audit we have reviewed the financial statement accounting of pension commitments under IAS 19 on the basis of pension commitments and the structuring of pension systems under national law. For this purpose we entered into detailed discussion with the audit committee, the board of management and the local component auditors. Additionally, we conducted a consultation with pension experts. We have assessed the existing structures in terms of which risks exist of recourse against the company taking into account existing reinsurance of benefits.

In this respect we were satisfied that the assessments and assumptions made by the legal representatives relating to the change to the financial statement accounting of pension commitments based on risk allocation in national pension systems and the change in the general economic conditions were sufficiently documented and justified.

OTHER INFORMATION

The legal representatives are responsible for the other information. The other information comprises:

- The separate non-financial group management 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 "Corporate Governance" section of the combined management report.
- The other parts of the annual report, with the exception of the audited consolidated financial statements, the combined management report and our Group auditor's report.
- The Corporate Governance report in accordance with No. 3.10 of the German Corporate Governance Kodex and
- 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.

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, with 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 IFRSs 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, on compliance with these requirements, give 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 on accordance 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.

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, if 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 Accepted Standards for Financial Statement Audits of the Institut der Wirtschaftsprüfer (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 misstatement of the consolidated financial statements and of 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 in order 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 policies used by the legal representatives and the reasonableness of estimates and related disclosures made by the legal representatives.
— Draw conclusion 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 if the Group in compliance with IFRSs 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 business 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 direction, supervision and completion of the group audit We remain solely responsible for our opinions.
— 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 on 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 INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the Annual Shareholders' Meeting on April 24, 2017. We were engaged by the Supervisory Board on September 9, 2017. 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 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, 2018

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Werner Holzmayer Wirtschaftsprüfer	Marcus Lauten Wirtschaftsprüfer

FURTHER INFORMATION ON THE BOARD MEMBERS

THE SUPERVISORY BOARD OF THE INDUS HOLDING AG

HELMUT SPÄTH
Business graduate (Dipl.-Kfm.), Deputy CEO of Versicherungskammer Bayern Versicherungsanstalt des öffentlichen Rechts, Munich (until December 31, 2017)
CHAIRMAN

Other mandates, in accordance with Section 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):
- ifb AG, Cologne, Chairman of the Supervisory Board
- Bayerische Beamtenkasse AG, Munich*, Chairman of the Supervisory Board (until April 16, 2018)
- Saarland Feuerversicherung AG, Saarbrücken* (until April 23, 2018)
- Saarland Lebensversicherung AG, Saarbrücken* (until April 23, 2018)

* These mandates are group companies of Versicherungskammer Bayern.

DR. JÜRGEN ALLERKAMP
Fully qualified lawyer, CEO of Investitionsbank Berlin, Berlin
DEPUTY CHAIRMAN

Other mandates, in accordance with 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 (from May 11, 2017 to May 11, 2018: Deputy Chairman of the Supervisory Board)
- IBB Beteiligungsgesellschaft mbH, Berlin**

** This mandate is a group company of Investitionsbank Berlin.

DR. RALF BARTSCH
Fully qualified lawyer, Management Board Spokesperson for the Brüder Schlau Group, Porta Westfalica

DR. DOROTHEE BECKER
Economics graduate, Management Board Spokesperson for the Gebrüder Becker Group, Wuppertal

PROF. DR. NADINE KAMMERLANDER
(SINCE MAY 24, 2017)
Physics graduate, Chaired Professor of Family Business at the WHU – Otto Beisheim School of Management, Vallendar

HANS JOACHIM SELZER
(UNTIL MAY 24, 2017)
Engineer (Dipl.-Wirtschafts-Ing.), Driedorf

CARL MARTIN WELCKER
Engineer (Dipl.-Ing), Managing Director of Alfred H. Schütte GmbH & Co. KG, Cologne

THE BOARD OF MANAGEMENT OF THE INDUS HOLDING AG

JÜRGEN ABROMEIT
Georgsmarienhütte
CHAIRMAN

Other mandates in advisory councils:
- NORD/LB economic council, Hannover
- SME Initiative Group, DZ Bank, Frankfurt/Düsseldorf
- Regional Advisory Council West, Commerzbank, Frankfurt

AXEL MEYER
(SINCE OCTOBER 01, 2017)
Graduate industrial engineer (Dipl.-Wirtschafts-Ing), LL.M., Esslingen am Neckar

DR.-ING. JOHANNES SCHMIDT
Bergisch Gladbach

RUDOLF WEICHERT
Business graduate (Dipl.-Kfm.), Erkrath

Other mandate in advisory councils:
- Stock exchange council Börse Düsseldorf (since January 1, 2017)

INVESTMENTS OF THE INDUS HOLDING AG

by Segments	CAPITAL (IN EUR MILLIONS)	INDUS STAKE (IN %)
Construction/Infrastructure		
ANCOTECH AG, Dielsdorf/Switzerland*	4.32**	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*	1.62	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	1.56	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*	3.93	100
BILSTEIN & SIEKERMANN GmbH + Co. KG, Hillesheim*	3.11	100
IPETRONIK GmbH & Co. KG, Baden-Baden*	2.54	100
KIEBACK GmbH & Co. KG, Osnabrück*	0.64	100
Konrad SCHÄFER GmbH, Osnabrück*	1.62	100
SELZER Fertigungstechnik GmbH & Co. KG, Driedorf*	8.41	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*	13.78	100
Engineering		
ASS Maschinenbau GmbH, Overath*	0.57	100
M. BRAUN Inertgas-Systeme GmbH, Garching / Munich*	1.92	100
BUDDE Fördertechnik GmbH, Bielefeld*	0.39	75
ELTHERM GmbH, Burbach*	1.25	100
GSR Ventiltechnik GmbH & Co. KG, Vlotho*	0.57	100
HORN GmbH & Co. KG, Flensburg*	8.25	100
IEF-Werner GmbH, Furtwangen / Black Forest	1.28	75
MBN – Maschinenbaubetriebe Neugersdorf GmbH, Ebersbach-Neugersdorf*	0.74	75
M+P International Mess-und Rechnertechnik GmbH, Hanover*	1.23	77
PEISELER GmbH & Co. KG, Remscheid*	1.05	80
TSN Turmbau Steffens & Nölle GmbH, Berlin	0.50	100

by Segments	CAPITAL (IN EUR MILLIONS)	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	80
ROLKO Kohlgrüber GmbH, Borgholzhausen*	0.65	75
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	2010	2011	2012	2013	2014	2015	2016	2017
Consolidated Statement of Income								
Sales	971,585	1,097,125	1,105,271	1,186,785	1,255,723	1,388,857	1,444,270	1,640,640
of which domestic	537,708	592,907	569,488	611,191	655,198	708,993	735,486	815,497
of which abroad	433,877	504,218	535,783	55,594	600,525	679,864	708,784	825,143
Personnel expenses	265,128	292,129	306,240	322,628	349,010	392,012	430,230	479,679
Personnel expenses ratio (personnel expenses as % of sales)	27,3	26,6	27,7	27,2	27,8	28,2	29,8	29,2
Cost of materials	461,988	544,840	523,555	562,789	598,204	651,562	648,685	745,894
Cost of materials ratio (cost of materials as % of sales)	47,5	49,7	47,4	47,4	47,6	46,9	44,9	45,5
EBITDA	145,032	159,972	151,778	162,270	175,156	186,408	200,910	215,303
Depreciation/amortization	43,596	46,759	45,818	43,685	47,970	50,103	55,976	62,438
EBIT	101,436	113,213	105,960	118,585	127,186	136,305	144,934	152,865
EBIT margin (EBIT as % of sales)	10,4	10,3	9,6	10,0	10,1	9,8	10,0	9,3
EBIT adjusted	*	*	*	*	135,232	145,773	155,361	163,719
EBIT margin adjusted	*	*	*	*	10,8	10,5	10,8	10,0
Interest	27,390	22,961	21,093	19,889	26,481	27,010	21,556	23,674
EBT	74,047	90,252	84,867	98,696	100,705	109,295	123,378	129,191
Group net income for the year (earnings after taxes)	46,943	55,635	52,481	63,974	63,314	68,287	80,418	83,074
Earnings per share, basic as per IFRS (in EUR)	2.59	2.75	2.47	3.02	2.74	2.78	3.27	3.37
Statement of Financial Position								
Assets								
Intangible assets	306,644	313,877	310,706	360,493	412,268	453,630	483,008	515,044
Property, plant and equipment	244,460	245,453	253,917	271,833	306,818	334,846	369,331	397,008
Inventories	178,756	222,778	219,058	236,056	265,690	281,612	308,697	339,154
Receivables	117,617	108,422	137,054	156,218	162,091	160,744	177,626	197,528
Other assets	28,772	26,530	41,333	40,383	45,029	56,752	55,762	68,571
Cash and cash equivalents	96,840	123,107	98,710	115,921	116,491	132,195	127,180	135,881
Equity and liabilities								
Equity	309,489	382,095	414,138	515,330	549,872	595,430	644,568	673,813
Provisions	62,211	65,552	68,229	74,566	80,750	92,235	96,815	118,730
Financial liabilities	476,231	434,283	440,497	423,529	462,315	488,550	503,731	534,846
Other equity and liabilities	125,158	158,237	137,914	167,479	215,450	243,563	276,490	325,797
Total assets	**973,089**	**1,040,167**	**1,060,778**	**1,180,904**	**1,308,387**	**1,419,778**	**1,521,604**	**1,653,186**

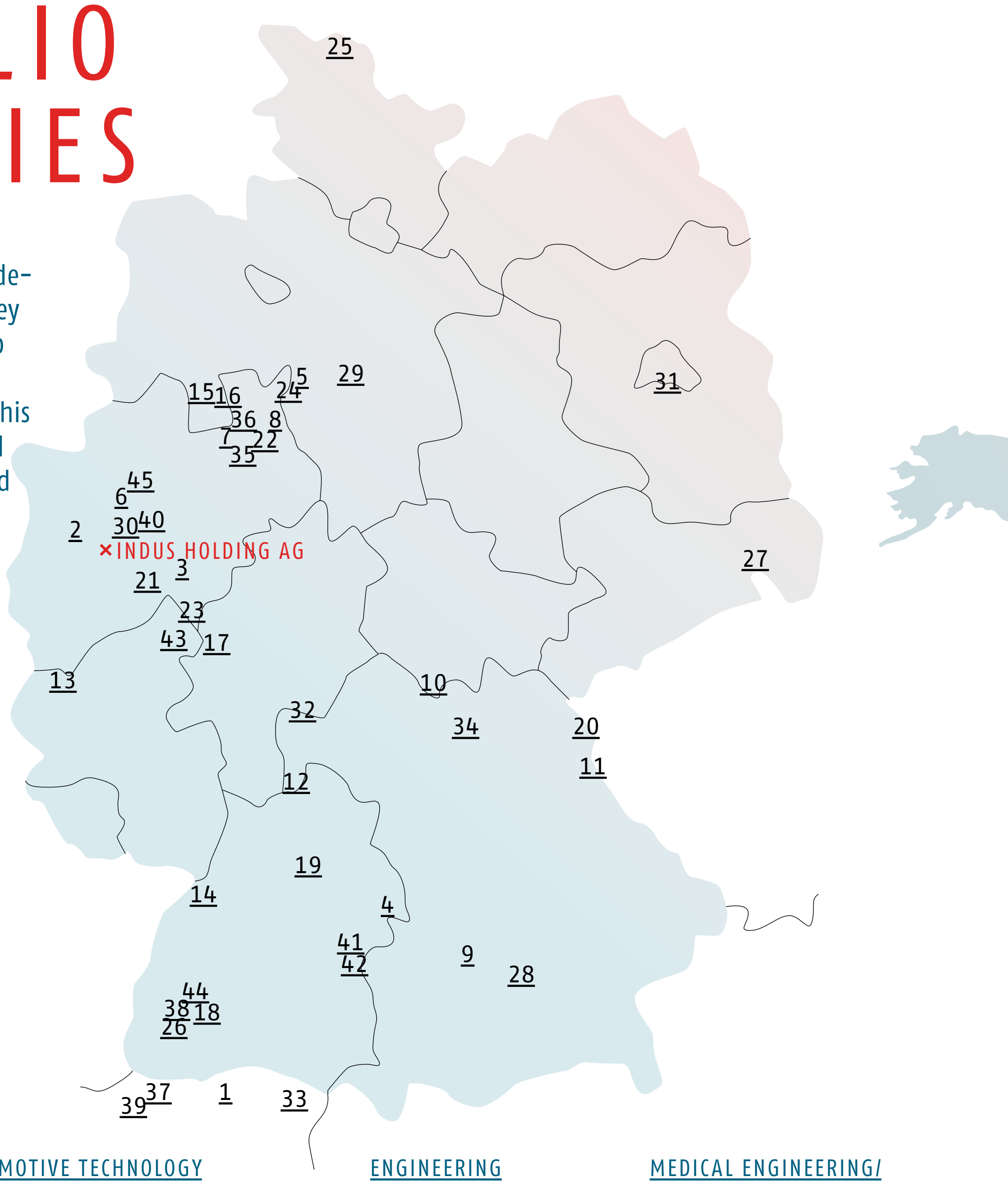
in EUR '000	2010	2011	2012	2013	2014	2015	2016	2017
Group equity ratio (equity/total assets) as %	31.8	36.7	39.0	43.6	42.0	41.9	42.4	40.8
Non-current financial liabilities	326,417	322,604	331,146	304,769	367,935	376,935	389,757	439,545
Current financial liabilities	149,814	111,679	109,351	118,760	94,381	111,616	113,974	95,301
Net debt (non-current and current financial liabilities - cash and cash equivalents)	379,391	311,176	341,787	307,608	345,824	356,356	376,551	398,965
Net debt/EBITDA	2,6	1,9	2,3	1,9	2,0	1,9	1,9	1,9
Trade payables	36,053	46,056	37,313	45,543	47,942	46,749	55,409	66,162
Advance payments and production orders received with balances on the liabilities side	7,207	16,694	16,016	21,983	30,263	39,860	58,409	67,569
Working capital (inventories + trade receivables - Trade payables - advance payments - production orders with balance on liabilities side)	253,113	268,450	302,783	324,748	349,576	355,746	372,505	402,951
Net debt/equity	1.2	0.8	0.8	0.6	0.6	0.6	0.6	0.6
Equity ratio (Earnings after taxes/equity) in %	15.2	14.6	12.7	12.4	11.5	11.5	12.5	12.3
Investments	52,042	58,259	53,926	100,895	97,156	107,380	103,884	111,425
Statement of Cash Flows								
Operating cash flow	81,903	130,158	68,428	117,411	104,385	157,341	137,945	144,942
Cash flows from operating activitie	54,297	106,238	45,919	97,522	86,961	130,942	114,564	123,962
Cash flow from investing activities	-38,425	-56,929	-53,525	-99,625	-95,234	-112,768	-104,454	-109,956
Cash flow from financing activities	-13,888	-23,349	-16,523	19,977	8,195	-3,149	-14,938	-3,898
Cash flow per share (in EUR)	2.91	5.17	2.07	4.35	3.56	5.36	4.69	5.07
Other performance indicators								
XETRA year end price (in EUR)	21.99	18.86	20.26	29.20	38.11	44.51	51.64	59.50
Average number of shares	18,676,200	20,543,819	22,227,737	22,410,431	24,450,509	24,450,509	24,450,509	24,450,509
Number of shares at year end	20,207,035	22,227,737	22,227,737	24,450,509	24,450,509	24,450,509	24,450,509	24,450,509
Market capitalization	444,353	419,215	450,334	713,955	931,809	1,088,292	1,262,624	1,454,805
Total dividend (in EUR million)**	18,186	22,228	22,228	26,896	29,341	29,341	33,008	36,676
Dividend per share (in EUR)**	0.90	1.00	1.00	1.10	1.20	1.20	1.35	1.50
Number of portfolio companies	40	39	38	40	42	44	44	45

* The adjusted EBIT and the margin of the adjusted EBIT have not been determined until 2013 (year incl.)

** Total dividend amount and dividend per share for the fiscal year; dividend proposal for the 2017 fiscal year – to approval at Annual Shareholders' Meeting on May 24, 2018

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

45

PORTFOLIO COMPANIES IN GERMANY AND SWITZERLAND

CONSTRUCTION/ INFRASTRUCTURE

1 ANCOTECH
2 BETOMAX
3 FS-BF
4 HAUFF-TECHNIK
5 H. HEITZ
6 MIGUA
7 OBUK
8 REMKO
9 SCHUSTER
10 WEIGAND
11 WEINISCH

AUTOMOTIVE TECHNOLOGY

12 AURORA
13 BILSTEIN & SIEKERMANN
14 IPETRONIK
15 KIEBACK
16 SCHÄFER
17 SELZER
18 SITEK
19 S.M.A.
20 WIESAUPLAST

ENGINEERING

21 ASS
22 BUDDE
23 ELTHERM
24 GSR
25 HORN
26 IEF-WERNER
27 MBN
28 M.BRAUN
29 M+P
30 PEISELER
31 TSN

MEDICAL ENGINEERING/ LIFE SCIENCE

32 IMECO
33 MIKROP
34 OFA
35 RAGUSE
36 ROLKO

METALS TECHNOLOGY

37 BACHER
38 BETEK
39 HAKAMA
40 KÖSTER
41 MEWESTA
42 PLANETROLL
43 RÜBSAMEN
44 SIMON
45 VULKAN INOX

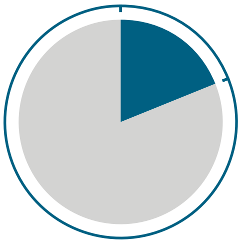
30

LOCATIONS OF THE INDUS GROUP WORLDWIDE

LOCATIONS WORLDWIDE

1 Canada
2 USA
3 Mexico
4 Brazil
5 Great Britain
6 The 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



20.1%

EUR 330.4 MILLION OF TOTAL SALES

Sales by portfolio companies with external third parties

For further information on the portfolio companies please scan this page with the „Augmented Reality" – function within the INDUS app.

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 2017: EUR 35.3 million
www.ancotech.com

BETOMAX SYSTEMS GMBH & CO. KG, NEUSS
Concrete construction solutions
Sales 2017: EUR 17.7 million
www.betomax.de

FS-BF GMBH & CO. KG, REICHSHOF/HAHN
Sealants made from silicone and acrylic
Sales 2017: EUR 40.1 million
www.fsbf.com

H. HEITZ FURNIERKANTENWERK GMBH & CO. KG, MELLE
Edge and wrapping veneer for the furniture and construction industries
Sales 2017: EUR 28.1 million
www.h-heitz.de

HAUFF-TECHNIK GMBH & CO. KG, HERMARINGEN
Innovative sealing systems for cables and pipes
Sales 2017: EUR 62.0 million
www.hauff-technik.de

MIGUA FUGENSYSTEME GMBH, WÜLFRATH
Section construction for expansion joints
Sales 2017: EUR 14.3 million
www.migua.de

OBUK HAUSTÜRFÜLLUNGEN GMBH & CO. KG, OELDE
Individual front door panels
Sales 2017: EUR 28.2 million
www.obuk.de

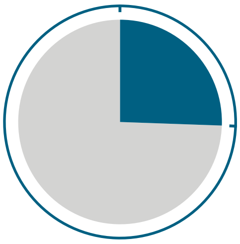
REMKO GMBH & CO. KG, LAGE
Efficient heating technology
Sales 2017: EUR 39.8 million
www.remko.de

SCHUSTER KLIMA LÜFTUNG GMBH & CO. KG, FRIEDBERG
Energy-efficient ventilation and air-conditioning technology
Sales 2017: EUR 13.0 million
www.klima-schuster.de

WEIGAND BAU GMBH, BAD KÖNIGSHOFEN IM GRABFELD
Modern pipeline and cable duct construction
Sales 2017: EUR 46.0 million
www.weigandbau.de

WEINISCH GMBH & CO. KG, OBERVIECHTACH
High-quality powder coating of metals
Sales 2017: EUR 5.7 million
www.weinisch.de

AUTOMOTIVE TECHNOLOGY



24.0%

EUR 394.1 MILLION OF TOTAL SALES

The automotive industry is one of the mainstays of the German economy. Roughly every sixth job depends on it. This sector is critically dependent on the expertise and skills of small and medium-sized manufacturers and suppliers. Their flexibility and capacity for innovation ensure that Germany is the market leader in this area. These qualities will be much in demand in the coming years, because the market is facing fundamental changes due to the changes in drive systems.

The companies in this INDUS segment provide a broad range of products and services for the automotive industry: from design and model or prototype construction to pilot and small-scale 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.

For further information on the portfolio companies please scan this page with the „Augmented Reality" – function within the INDUS app.

AURORA KONRAD G. SCHULZ GMBH & CO. KG, MUDAU
Heating and air-conditioning systems for commercial vehicles
Sales 2017: EUR 49.7 million
www.aurora-eos.com

BILSTEIN & SIEKERMANN GMBH & CO. KG, HILLESHEIMS
Cold extrusion parts, turned parts and locking screws
Sales 2017: EUR 17.7 million
www.bsh-vs.com

IPETRONIK GMBH & CO. KG, BADEN-BADEN
Measurement systems and services for automotive
Sales 2017: EUR 38.3 million
www.ipetronik.com

KIEBACK GMBH & CO. KG, OSNABRÜCK
Prototype parts and small series for the automotive industry
Sales 2017: EUR 10.4 million
www.kieback.de

KONRAD SCHÄFER GMBH, OSNABRÜCK
Model and mold construction for the automotive and aviation industries
Sales 2017: EUR 25.2 million
www.konrad-schaefer.de

SELZER GRUPPPE, DRIEDORF
Precision metal technology for the series production of automobiles
Sales 2017: EUR 97.1 million
www.selzer-automotive.de

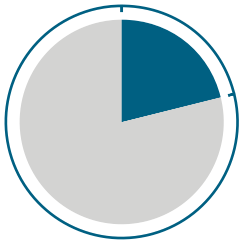
SITEK-SPIKES GMBH & CO. KG, AICHHALDEN
Tire studs and carbide tools
Sales 2017: EUR 18.6 million
www.sitek.de

S.M.A. METALLTECHNIK GMBH & CO. KG, BACKNANG
Products for automotive air-conditioning and servo technology
Sales 2017: EUR 80.0 million
www.sma-metalltechnik.de

WIESAUPLAST GMBH & CO. KG, WIESAU
Precision plastics
Sales 2017: EUR 56.8 million
www.wiesauplast.de

Sales by portfolio companies with external third parties

ENGINEERING



22.9%

EUR 375.1 MILLION OF TOTAL SALES

Sales by portfolio companies with external third parties

No other industry embodies the phrase "Made in Germany" as well as the engineering industry. Industrial production would be unimaginable without this segment. All over the world, German companies in this sector have a first-class reputation. With their expertise and quality, German SMEs have for many decades ensured that German products are in high demand internationally.

The INDUS companies in this segment develop complete conveying systems and robotic gripping systems, produce valve technology, automation components (including those used for vehicle assembly), and installations for clean room systems, and design electric heat tracing systems.

For further information on the portfolio companies please scan this page with the „Augmented Reality" – function within the INDUS app.

ASS MASCHINENBAU GMBH, OVERATH
Robotic hands and automation systems for manufacturers
Sales 2017: EUR 24.0 million
www.ass-automation.com

BUDDE FÖRDERTECHNIK GMBH, BIELEFELD
Specialist in logistics and materials flows
Sales 2017: EUR 57.0 million
www.budde-foerdertechnik.de

ELTHERM GMBH, BURBACH
Specialist in electrical heat tracing systems
Sales 2017: EUR 36.3 million
www.eltherm.com

GSR VENTILTECHNIK GMBH & CO. KG, VLOTHO
Innovative valve technology for demanding industrial applications
Sales 2017: EUR 22.0 million
www.ventiltechnik.de

HORN TECALEMIT GMBH & CO. KG, FLENSBURG
Refueling technology and workshop solutions worldwide
Sales 2017: EUR 30.9 million
www.tecalemit.de

IEF-WERNER GMBH, FURTWANGEN
Automation components and systems
Sales 2017: EUR 23.7 million
www.ief-werner.de

MBN MASCHINENBAUBETRIEBE NEUGERSDORF GMBH, EBERSBACH-NEUGERSDORF
Sophisticated solutions for special machinery and plant technology
Sales 2017: EUR 59.4 million
www.mbn-gmbh.de

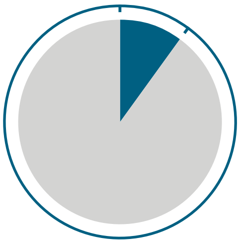
M. BRAUN INERTGAS-SYSTEME GMBH & CO. KG, GARCHING
Inert gas glove box systems for industry and research
Sales 2017: EUR 81.0 million
www.mbraun.de

M+P INTERNATIONAL MESS- UND RECHNERTECHNIK GMBH, HANNOVER
Measurement and test systems for vibration control and analysis
Sales 2017: EUR 10.0 million
www.mpihome.com

PEISELER GMBH & CO. KG, REMSCHEID
High-precision indexing devices and rotary tilt tables for machine tools
Sales 2017: EUR 20.5 million
www.peiseler.de

TSN TURMBAU STEFFENS & NÖLLE GMBH, BERLIN
International construction of towers
Sales 2017: EUR 10.2 million
www.turmbau-berlin.de

MEDICAL ENGINEERING/LIFE SCIENCE



9.5%

EUR 155.2 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 medical compression garments, develop lenses and optical devices, and produce surgical accessories, rehabilitation technology and hygienic products for both medical applications and household use.

For further information on the portfolio companies please scan this page with the „Augmented Reality" – function within the INDUS app.

IMECO GMBH & CO. KG, HÖSBACH
Nonwoven products – „More than Nonwoven"
Sales 2017: EUR 29.9 million
www.imeco.de

MIKROP AG, WITTENBACH (CH)
Miniaturized precision optics
Sales 2017: EUR 13.8 million
www.mikrop.ch

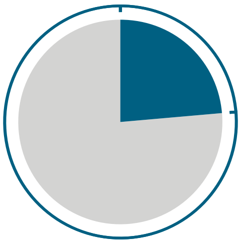
OFA BAMBERG GMBH, BAMBERG
Compression hosiery and bandages
Sales 2017: EUR 73.8 million
www.ofa.de

RAGUSE GESELLSCHAFT FÜR MEDIZINISCHE PRODUKTE MBH, ASCHEBERG-HERBERN
Indication-specific production of surgical drapes
Sales 2017: EUR 12.5 million
www.raguse.de

ROLKO KOHLGRÜBER GMBH, BORGHOLZHAUSEN
Rehabilitation equipment
Sales 2017: EUR 25.1 million
www.rolko.de

Sales by portfolio companies with external third parties

METALS TECHNOLOGY



23.5%

EUR 385.6 MILLION OF TOTAL SALES

For further information on the portfolio companies please scan this page with the „Augmented Reality“ – function within the INDUS app.

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 diagnostic equipment, 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 2017: EUR 24.0 million
www.bacherag.ch

BETEK GMBH & CO. KG, AICHHALDEN
Carbide-tipped wear parts
Sales 2017: EUR 192.8 million
www.betek.de

HAKAMA AG, BÄTTWIL BEI BASEL (CH)
High-performance sheet metals
Sales 2017: EUR 20.8 million
wwwhakama.ch

KÖSTER & CO. GMBH, ENNEPETAL
Cold working parts and stud welding technology
Sales 2017: EUR 15.7 million
www.koeco.net

MEWESTA HYDRAULIK GMBH & CO. KG, MÜNSINGEN
Hydraulic control blocks and systems
Sales 2017: EUR 6.7 million
www.mewesta.de

PLANETROLL GMBH & CO. KG, MUNDERKINGEN
Stirring technology and power transmission technology
Sales 2017: EUR 5.8 million
www.planetroll.de

HELMUT RÜBSAMEN GMBH & CO. KG, BAD MARIENBERG
Metal processing and forming technology
Sales 2017: EUR 51.7 million
www.helmut-ruebsamen.de

KARL SIMON GMBH & CO. KG, AICHHALDEN
Components and assemblies made from metal and plastic
Sales 2017: EUR 42.9 million
www.simongruppe.de

VULKAN INOX GMBH, HATTINGEN
Granules for surface treatment
Sales 2017: EUR 25.3 million
www.vulkan-inox.de

Sales by portfolio companies with external third parties

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FINANCIAL CALENDAR

DATE	EVENT
March 27, 2018	Publication annual report and annual earnings 2017
March 27, 2018	Press conference on the results of FY 2017, Düsseldorf
March 28, 2018	Analysts' conference on financial year 2017, Frankfurt/Main
May 15, 2018	Interim report Q1 2018
May 24, 2018	Annual Shareholders' Meeting 2018, Cologne
August 14, 2018	Interim report Q2/H1 2018
November 14, 2018	Interim report Q3 2018

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RESPONSIBLE MEMBER OF THE MANAGEMENT BOARD
Jürgen Abromeit

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

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CDP A LIST 2017 CLIMATE

Corporate Responsibility Prime rated by oekom research